

SECTION II – FINANCIAL PROCEDURE RULES

1 Financial Management

FINANCIAL MANAGEMENT STANDARDS

Why is this important?

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

Key controls

- 1.2 The key controls and control objectives for financial management standards are:
- (a) their promotion throughout the Authority
 - (b) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Cabinet and Full Council.

Responsibilities of the S151 Officer

- 1.3 To ensure the proper administration of the financial affairs of the Authority.
- 1.4 To set the financial management standards and to monitor compliance with them.
- 1.5 To ensure proper professional practices are adhered to and to act as Head of Profession in relation to the standards, performance and development of finance staff throughout the Authority.
- 1.6 To advise on the strategic controls necessary to secure sound financial management.
- 1.7 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

Responsibilities of Chief Officers (Chief Executive, Strategic Directors and Heads of Service)

- 1.8 To promote the financial management standards set by the S151 Officer in their Services and to monitor adherence to the standards and practices, liaising as necessary with the S151 Officer.
- 1.9 To promote sound financial practices in relation to the standards, performance and development of staff in their service area.

MANAGING EXPENDITURE

Scheme of Virement and Control over Budgetary Limits

Why is this important?

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

Key controls

1.11 Key controls for the scheme of virement are:

- (a) it is administered by the S151 Officer within guidelines set by the Full Council within these financial procedures.
- (b) the overall Revenue and Capital budget is agreed by the Cabinet and approved by the Full Council. Chief Officers and Budget Managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be a line within the subjective description of each objective head of the approved estimates report;
- (c) virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets;
- (d) virement can only be applied to direct expenditure and income; thus, virement can **not** be applied to the classifications of *Support Services*, *Capital Charges*, and *Indirect Income* [i.e. *Recharges*] but **only** to the following classifications of expenditure and income:
 - Employees
 - Premises related
 - Transport
 - Supplies and Services
 - Third party payments
 - Direct income
 - Note - the scheme of virement also applies to earmarked Reserves

Responsibilities of the S151 Officer

1.12 To prepare jointly with the Chief Officer a report to the Cabinet where virements which constitute a **key decision** or a **change in policy** are proposed. To manage the overall scheme of virement, ensuring the Council's overall interests are protected. To provide to the Finance, Legal and ICT Cabinet Member a regular report detailing virements approved for the year in question, and to consult with the Cabinet member on any virements above £50,000 prior to their approval.

Responsibilities of Chief Officers

- 1.13 To manage within the overall budgetary limits, and exercise virement according to the following detailed arrangements:-
- 1.14 A Chief Officer may exercise virement on budgets (capital and revenue) under his or her control which do not constitute a **key decision** or a **change in policy**, subject to approval of the S151 Officer, under arrangements agreed by the Full Council and subject to the conditions set out below. A “virement form” must be completed, and a record of all approved virements will be maintained by the Head of Financial Services.
- 1.15 Virements which **do** constitute a key decision or a change in policy (to be determined by the S151 Officer/Monitoring Officer) require the approval of the Cabinet, following a joint report by the S151 Officer and the Chief Officer, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year.
- 1.16 The prior approval of the all relevant Chief Officers is required for **any** virement, of whatever amount, where it is proposed to vire between budgets of different Chief Officers.
- 1.17 The Overall Council budgetary position will prevail in the decision to grant virement. In particular, if there are identified budgetary issues within the Council that may potentially lead to an overall overspend for the Council, virement approval may be limited in order to utilise underspending in certain service areas to cover overspending in other service areas. The S151 Officer is responsible for this decision.
- 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; and
 - (b) the Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits must be reported to the Cabinet.

Treatment of Revenue Budget Carry Forward Balances, and Capital Programme Amendments

Why is this important?

- 1.19 The rules below cover arrangements for the transfer of resources between accounting years, ie a carry-forward of revenue underspend, or a change in the profile of the capital programme. It is important that resources are managed effectively between financial years to ensure resources are most effectively deployed, within a framework that does not result in any loss of financial control.

Key controls

- 1.20 Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct. Any carry forward of underspent resources is made in the interests of the Council as a whole, and is made based upon known/projected future resourcing issues. In general carry forward of underspending will only be allowed where a clear case can be demonstrated as to the need for the resource to be provided. All Reserves will be subject to an annual review to determine that the rationale for their existence.

Responsibilities of the S151 Officer

- 1.21 To approve the carry forward of Revenue resources from one financial year to another, ensuring sound financial procedures are in place, and that any carried forward resources are identified as specific reserves. To approve the re-profiling of Capital budgets.
- 1.22 To report to Cabinet on the overall budgetary position at the end of the year, including making recommendations as to the treatment of any overall corporate underspending (after taking account of transfers to specific reserves). This would include identifying the impact on general and earmarked reserves, ensuring reserves are at a prudent level.

Responsibilities of Chief Officers

- 1.23 To identify to the S151 requests for the carry forward of underspendings on service revenue estimates, identifying the need for the carry forward.
- 1.24 To identify any Capital budgets that require re-profiling across a number of financial years. Chief Officers are required to identify the reasons for and potential implications of such re-profiling.

ACCOUNTING POLICIES

Why is this important?

- 1.25 The S151 Officer is responsible for the preparation of the Authority's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March.

Key controls

- 1.26 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 Authority and its expenditure and income.

Responsibilities of the S151 Officer

- 1.27 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:
- (a) separate accounts for capital and revenue transactions
 - (b) the basis on which debtors and creditors at year end are included in the accounts
 - (c) details on substantial provisions and reserves
 - (d) fixed assets
 - (e) depreciation
 - (f) capital charges
 - (g) work in progress
 - (h) stocks and stores
 - (i) deferred charges
 - (j) accounting for value added tax
 - (k) government grants
 - (l) leasing
 - (m) pensions

Responsibilities of Chief Officers

- 1.28 To adhere to the accounting policies and guidelines approved by the S151 Officer.

ACCOUNTING RECORDS AND RETURNS

Why is this important?

- 1.29 Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Authority has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

Key controls

- 1.30 The key controls for accounting records and returns are:
- (a) all Members, Finance Staff and Budget Managers operate within the required accounting standards and timetables;
 - (b) all the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
 - (c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
 - (d) reconciliation procedures are carried out to ensure transactions are correctly recorded; and

- (e) prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the S151 Officer

- 1.31 To determine the accounting procedures and records for the Authority. Where these are maintained outside the Financial Services, the S151 Officer should consult the Chief Officer concerned.
- 1.32 To arrange for the compilation of all accounts and accounting records under his or her direction.
- 1.33 To comply with the following principles when allocating accounting duties:
 - (a) separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them;
 - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 1.34 To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 2003.
- 1.35 To ensure that all claims for funds including grants are made by the due date.
- 1.36 To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetables.
- 1.37 To administer the Authority's arrangements for underspendings to be carried forward to the following financial year.
- 1.38 To ensure the proper retention of financial documents in accordance with the requirements set out in the Authority's document retention schedule (see Appendix F).

Responsibilities of Chief Officers

- 1.39 To consult and obtain the approval of the S151 Officer before making any changes to accounting records and procedures.
- 1.40 To comply with the principles outlined in paragraph 1.35 when allocating accounting duties.
- 1.41 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.42 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the S151 Officer.

THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

1.43 The Authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Cabinet is responsible for approving the statutory annual statement of accounts.

Key controls

1.44 The key controls for the annual statement of accounts are:

- the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of these affairs. In this Authority, that officer is the S151 Officer.
- the Authority's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (the SORP) (CIPFA/LASAAC).

Responsibilities of the S151 Officer

1.45 To select suitable accounting policies and to apply them consistently.

1.46 To make judgements and estimates that are reasonable and prudent.

1.47 To comply with the SORP.

1.48 To sign and date the statement of accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for each year ended 31 March.

1.49 To draw up the timetable for final accounts preparation and to advise staff and External Auditors accordingly.

Responsibilities of Chief Officers

1.50 To comply with accounting guidance provided by the S151 Officer and to supply the S151 Officer with information when required.

STATEMENT OF INTERNAL CONTROL

Why is this important?

1.51 The Statement of Internal Control (SIC) is a requirement of the Accounts and Audit Regulations 2003. It requires Authorities to conduct a review at least once a year of the effectiveness of its systems of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements.

Key controls

- 1.52 The SIC requires evidence to be provided in terms of the internal control framework, and the identification of areas for improvement. The SIC should be reviewed throughout the year. However, the SIC should emerge from routine governance and managerial processes (which necessarily operate continuously), example being: performance management, risk management, business planning, financial planning.

Responsibilities of the Leader of the Council and the Chief Executive

- 1.53 The Leader of the Council and the Chief Executive must sign the SIC. They need to be satisfied that the document is supported by reliable evidence.

Responsibilities of the S151 Officer

- 1.54 The S151 Officer is responsible for the accounting control systems and records and the preparation of accounts.

Responsibilities of Chief Officers

- 1.55 The SIC is a corporate document and should be owned by all senior officers and Members of the Authority. Chief Officers should inform the S151 Officer and/or Head of Legal and Support Services if they are aware of any material risk/internal control issues within their service.

PERFORMANCE PLANS

Why is this important?

- 2.1 Each Local Authority has a statutory responsibility to publish various performance plans, including best value performance plans, crime reduction strategies, etc. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The Authority is required to publish annually the best value performance plan (BVPP), which summarises its performance and position in relation to best value. The BVPP is a key element in the Authority's programme of engaging with the public. External Audit is required to report on whether the Authority has complied with statutory requirements in respect of the preparation and publication of the BVPP.

Key controls

- 2.2 The key controls for performance 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 S151 Officer

- 2.3 To advise and supply the financial information that needs to be included in performance plans and business plans in accordance with statutory requirements and agreed timetables.

Responsibilities of the Appropriate Chief Officer

- 2.4 To contribute to the development of corporate and service targets and objectives and performance information.
- 2.5 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- 2.6 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 Chief Officers

- 2.7 To contribute to the development of performance plans in line with statutory requirements.
- 2.8 To contribute to the development of corporate and service targets and objectives and performance information.

BUDGETING

Format of the Budget

Why is this important?

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

Key controls

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

Responsibilities of the S151 Officer

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

Responsibilities of Chief Officers

- 2.12 To comply with accounting guidance provided by the S151 Officer.

Revenue Budget Preparation, Monitoring and Control

Why is this important?

- 2.13 Budget management ensures that once the budget has been approved by the Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account Managers responsible for defined elements of the budget.
- 2.14 By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- 2.15 For the purposes of budgetary control by Managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the Chief Officer's scheme of delegation.

Key controls

- 2.16 The key controls for managing and controlling the revenue and capital 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 an 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; with Members of the Cabinet exercising an active role of responsibility for budgets and budgetary control.

Responsibilities of the S151 Officer

- 2.17 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual cash limits set by the Full Council. Any variation to these limits (both for revenue and capital budgets) requires approval of full Council
 - (b) each Chief Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable Managers to fulfil their budgetary responsibilities
 - (c) expenditure is committed only against an approved budget head
 - (d) all Officers responsible for committing expenditure comply with relevant guidance, and the financial regulations
 - (e) each cost centre has a single named Manager, determined by the relevant Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
 - (f) significant variances from approved budgets are investigated and reported by Budget Managers regularly.
- 2.18 To administer the Authority's scheme of virement.
- 2.19 To submit reports to the Cabinet in consultation with the relevant Chief Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control (see 2.26)
- 2.20 To prepare and submit reports on the Authority's projected income and expenditure compared with the budget at least three times during the financial year, for both revenue and capital to the Cabinet.

Responsibilities of Chief Officers

- 2.21 To maintain budgetary control within their service areas, in adherence to the principles in 2.17, and to ensure that all income and expenditure is properly recorded and accounted for.
- 2.22 To ensure that an accountable Budget Manager is identified for each item of income and expenditure under the control of the Chief Officer (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

- 2.23 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.
- 2.24 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.25 Where required to prepare and submit to the Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the S151 Officer.
- 2.26 To ensure prior approval by the Full Council or Cabinet (as appropriate) for new proposals,¹ that:
- (a) create financial commitments in future years
 - (b) change existing policies, initiate new policies or cease existing policies
 - (c) materially extend or reduce the Authority's services.
- 2.27 To ensure compliance with the scheme of virement.
- 2.28 To agree with the relevant Chief Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Chief Officer's level of service activity.

Note 1 A report on new proposals should explain the full financial implications, for both the current and future years, following consultation with the S151 Officer. Unless the Full Council or Cabinet has agreed otherwise, Chief Officers must plan to contain the financial implications of such proposals within their budget. Generally new proposals should be part of the financial strategy process to enable corporate consideration and prioritisation, and should be linked to the corporate planning process (e.g. service/corporate plan).

Budgets and Medium-Term Planning

Why is this important?

- 2.29 The Authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with priorities. The budget is the financial expression of the Authority's plans and policies.
- 2.30 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Full Council. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an Authority to budget for a deficit.
- 2.31 Medium-term planning (or a three- to five-year planning system) involves a planning cycle in which Managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Authority is always preparing for events in advance.

Key controls

- 2.32 The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure
 - (b) Budget Managers and/or Chief Officers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Cabinet for their budgets and the level of service to be delivered and that such accountability is clearly demonstrated by the signing of the revenue estimate sheets and capital strategy sheets
 - (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 S151 Officer

- 2.33 To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.34 To determine the detailed form of revenue/capital estimates and the methods for their preparation, consistent with the budget approved by the Full Council, and after consultation with the Cabinet and Chief Officers. This includes ensuring proper provision is made for contingency items.
- 2.35 To prepare and submit reports to the Cabinet on the aggregate spending plans of service areas and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 2.36 To advise on the medium-term implications of spending decisions.
- 2.37 To encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.38 To advise the Full Council on Cabinet proposals in accordance with his or her responsibilities under Section 151 of the Local Government Act 1972.

Responsibilities of Chief Officers

- 2.39 To prepare estimates of income and expenditure, in consultation with the S151 Officer, to be submitted to the Cabinet.
- 2.40 To prepare budgets that are consistent with any relevant cash limits, with the Authority's annual budget cycle and with guidelines issued by the Cabinet. The format should be prescribed by the S151 Officer in accordance with the Full Council's general directions.
- 2.41 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

- 2.42 In consultation with the S151 Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets.
- 2.43 When drawing up draft budget requirements, to have regard to:
- (a) spending patterns and pressures revealed through the budget monitoring process
 - (b) legal requirements
 - (c) policy requirements as defined by the Full Council in the approved policy framework
 - (d) initiatives already under way
 - (e) risk assessment – to make proper provision for contingency items, in discussion with the S151 Officer.

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/desire. It is therefore imperative that needs/desires 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, 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 S151 Officer

- 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 Chief Officers

- 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 are these important?

- 2.50 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 2.51 The Government places strict controls on the financing capacity of the Authority. 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) All capital schemes to have gone through an option appraisal, and prioritisation process, unless the nature of the proposal is in the view of the S151 Officer considered “urgent” and normal procedures can not be applied
- (c) a scheme and estimate, including contingency sum, summary project plan, risk assessment, progress targets and associated revenue expenditure is prepared for each capital project, and where appropriate is submitted for approval by the Cabinet, prior to project commencement
- (d) all capital budgets are cash limited, and potential variations from the approved budget must be identified/reported as part of budget monitoring procedures, and where considered appropriate by the S151 be subject to a report to Cabinet
- (e) proposals for improvements and alterations to buildings must be approved by the appropriate Chief Officer responsible for operation of that building
- (f) Variations to the overall capital programme (e.g. new schemes, amendments to existing schemes) require approval by Council, except for:-
 - a. Virements in accordance with overall virement policy
 - b. Allocations from an overall “contingency” budget within the capital programme, or from lump sum amounts, which can be approved by Cabinet as long as the overall contingency budget approved by Council is not exhausted
 - c. New schemes which can be accommodated from the approved overall capital programme – e.g. a scheme fully supported by grant funding
 - d. Decisions made under “urgency” powers.
- (g) the development and implementation of asset management plans by the Head of Finance and Asset Management.
- (h) accountability for each proposal is accepted by a named manager
- (i) monitoring of progress in conjunction with expenditure and comparison with approved budget
- (j) for capital schemes with a value of **above £250,000**, progress reporting on a regular basis (at least one at each of following stages:- prior to commencement of scheme, during the scheme, and at end of scheme) to either the relevant Overview and Scrutiny Committee or to Cabinet to include potential future commitments on the scheme
- (k) Risk Assessment done prior to the project commencing.

Responsibilities of the S151 Officer

- 2.53 To prepare capital estimates jointly with Chief Officers and to report them to the Cabinet. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Full Council.
- 2.54 To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates. This includes keeping a record of all major capital schemes (above £250,000) and ensure that progress reporting as detailed in these regulations is undertaken.
- 2.55 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the S151 Officer, having regard to government regulations and accounting requirements.
- 2.56 To ensure that individual schemes properly reflect realistic contingency sums within the overall estimate, and include proper provision for fees and project management costs. The S151 Officer can inform Cabinet and Council of any proposed scheme which in the opinion of the S151 officer does not provide for sufficient contingency funding, or inadequate project management costs.

Responsibilities of Chief Officers

- 2.57 To comply with guidance concerning capital schemes and controls issued by the S151 Officer.
- 2.58 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the S151 Officer.
- 2.59 To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final costs of schemes in the approved capital programme for submission to the S151 Officer.
- 2.60 To ensure that adequate records are maintained for all capital contracts.
- 2.61 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the S151 Officer, where required.
- 2.62 To ensure that estimates for projects include realistic contingency sums (recognising capital budgets are cash limited), and also include provision for associated project management costs.
- 2.63 To ensure compliance with any separate guidance issued in relation to Project Management (e.g. Business Appraisal, Project Initiation Documents, Project Monitoring, Project Review).
- 2.64 To ensure that the Head of Legal and Support Services has been involved in the contractual/other legal issues relating to the project.

- 2.65 To prepare and submit progress reports on a regular basis (at least one at each of following stages:- prior to commencement of scheme, during the scheme, and at end of scheme) to the relevant Overview and Scrutiny Committee and/or Cabinet for capital projects with a value of above £250,000. Such reports should be approved by the S151 Officer and be in the name of the relevant Project Lead Officer. The reporting arrangements for each individual major project would be agreed with the S151 Officer and recorded on a Major Schemes Capital Monitoring Reporting Form.
- 2.66 To prepare and submit reports on major capital schemes (£250,000) once completed, including a general review of the scheme, lessons learnt etc.
- 2.67 To ensure that credit arrangements, such as leasing agreements, are **not** entered into without the **prior approval** of the the S151 Officer and, if applicable, approval of the scheme through the capital programme.
- 2.68 To consult with the S151 Officer and to seek Cabinet and Full Council approval where the Chief Officer proposes to bid for supplementary credit approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme.

MAINTENANCE OF RESERVES

Why is this important?

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

Key controls

- 2.70 Reserves are maintained in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) and agreed accounting policies.
- 2.71 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 2.72 Authorisation and expenditure from reserves is approved by the appropriate Chief Officer in consultation with the S151 Officer.

Responsibilities of the S151 Officer

- 2.73 To advise the Cabinet and/or the Full Council on prudent levels of reserves for the Authority, and to take account of the advice of the External Auditor in this matter. To review on a regular basis the level of overall reserves, including the amounts held for specific purposes.
- 2.74 To approve the allocation of any underspending on the revenue budget to specific earmarked reserves.
- 2.75 To approve any change of use of specific reserves, in line with the Virement procedures contained within these Financial Procedures (1.11)

Responsibilities of Chief Officers

- 2.76 To ensure that resources are used for the purposes for which they were intended, and where a change in use of a reserve is proposed to obtain approval of the S151 officer, in line with the Virement procedures included within these Financial Procedures.

3. Risk Management and Control of Resources

RISK MANAGEMENT

Why is this important?

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

Key controls

- 3.3 The key controls for risk management are:
- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Authority
 - (b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
 - (c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
 - (d) provision is made for losses that might result from the risks that remain
 - (e) procedures are in place to investigate claims within required timescales
 - (f) acceptable levels of risk are determined and insured against where appropriate
 - (g) the Authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

Responsibilities of the S151 Officer

- 3.4 To prepare and promote the Authority's risk management policy statement.
- 3.5 To develop risk management controls in conjunction with other Chief Officers.
- 3.6 To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance.
- 3.7 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other Officers, where necessary.

Responsibilities of Chief Officers

- 3.8 To notify the S151 Officer immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the S151 Officer or the Authority's insurers.
- 3.9 To take responsibility for risk management, having regard to advice from the S151 Officer and other specialist Officers (e.g. health and safety).
- 3.10 To ensure that there are regular reviews of risk within their service areas.
- 3.11 To notify the S151 Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 3.12 To consult the S151 Officer and the Head of Legal and Support Services on the terms of any indemnity that the Authority is requested to give.
- 3.13 To ensure that employees, or anyone covered by the Authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

INTERNAL CONTROLS

Why are these important?

- 3.14 The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 3.15 The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 3.16 The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 3.17 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

- 3.18 The key controls and control objectives for internal control systems are:
 - (a) key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively

- (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
- (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (d) an effective Internal Audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline *Guidance for Internal Auditors*, CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.

Responsibilities of the S151 Officer

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

Responsibilities of Chief Officers

- 3.20 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.
- 3.21 To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the S151 Officer. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 3.22 To ensure staff have a clear understanding of the consequences of lack of control.

AUDIT REQUIREMENTS

Internal Audit

Why is this important?

- 3.23 The requirement for an Internal Audit function for Local Authorities is implied by Section 151 of the Local Government Act 1972, which requires that Authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003, more specifically require “every Local Authority to maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper internal audit practices”.
- 3.24 Accordingly, Internal Audit is an independent and objective appraisal function established by the Authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Key controls

3.25 The key controls for Internal Audit are:

- (a) that it is independent in its planning and operation
- (b) the Internal Audit Manager has direct access to the Head of Paid Service, all levels of Management and directly to Elected Members
- (c) the Internal Auditors comply with the Auditing Practices Board's guideline *Guidance for Internal Auditors*, as interpreted by CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom*.

Responsibilities of the appropriate Chief Officer

3.26 To ensure that Internal Auditors have the Authority to:

- (a) access Authority premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems
- (c) receive any information and explanation considered necessary concerning any matter under consideration
- (d) require any employee of the Authority to account for cash, stores or any other Authority asset under his or her control
- (e) access records belonging to third parties, such as contractors, when required
- (f) directly access the Head of Paid Service, the Monitoring Officer, the Cabinet, the Standards Committee and its Chairman.

3.27 To approve 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.

3.28 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of all Chief Officers

3.29 To ensure that Internal Auditors are given access at all reasonable times to premises, personnel, documents and assets that the Auditors consider necessary for the purposes of their work.

3.30 To ensure that Auditors are provided with any information and explanations that they seek in the course of their work.

3.31 To consider and respond promptly to recommendations in audit reports.

3.32 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

3.33 To notify the S151 Officer and the Internal Audit Manager immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

- 3.34 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?

- 3.35 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.
- 3.36 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 2000 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 and compliance in respect of the preparation and publication of the BVPP.
- 3.37 The Authority's accounts are scrutinised by External Auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

- 3.38 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 S151 Officer

- 3.39 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. This includes the power to instruct any Chief Officer to provide appropriate information to the External Auditor.
- 3.40 To ensure there is effective liaison between External and Internal Audit.
- 3.41 To work with the External Auditor and advise the Full Council, Cabinet and Chief Officers on their responsibilities in relation to External Audit.

Responsibilities of Chief Officers

- 3.42 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. Chief Officers are required to ensure that they (and their staff) provide all necessary information, in an open and honest manner, to External Auditors.
- 3.43 To ensure that all records and systems are up to date and available for inspection.

PREVENTING FRAUD AND CORRUPTION

Why is this important?

- 3.44 The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority.
- 3.45 The Authority's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 3.46 The Authority also expects that individuals and organisations (eg suppliers, contractors, service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.

Key controls

- 3.47 The key controls regarding the prevention of financial irregularities are that:
- (a) the Authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption
 - (b) all Members and staff act with integrity and lead by example
 - (c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt
 - (d) high standards of conduct are promoted amongst Members by the Standards Committee
 - (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded
 - (f) whistle blowing procedures are in place and operate effectively
 - (g) legislation including the Public Interest Disclosure Act 1998 is adhered to
 - (h) legislation regarding Money Laundering is complied with.

Responsibilities of the S151 Officer

- 3.48 To develop and maintain an anti-fraud and anti-corruption policy.
- 3.49 To maintain adequate and effective internal control arrangements.
- 3.50 To ensure that all suspected irregularities are reported to the Internal Audit Manager, the Head of Paid Service, the Cabinet and the Standards Committee.

Responsibilities of Chief Officers

- 3.51 To ensure that all suspected irregularities are reported to the Internal Audit Manager. To instigate, in conjunction with the Head of Paid Service, the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 3.52 To ensure that relevant staff are aware of issues in relation to Money Laundering.
- 3.53 To ensure that where financial impropriety is discovered, the S151 Officer and the Internal Audit Manager are informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, a joint decision is made to call in the police to determine with the Crown Prosecution Service whether any prosecution will take place.
- 3.54 To maintain up to-date entries on the register of interests and to inform the Monitoring Officer of any changes; the Monitoring Officer is responsible for maintaining the register of interests.

ASSETS

Security

Why is this important?

- 3.55 The Authority holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

Key controls

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

Responsibilities of the S151 Officer

- 3.57 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £10,000. The function of the asset register is to provide the Authority with information about fixed assets so that they are:
- safeguarded
 - used efficiently and effectively
 - adequately maintained.
- 3.58 To receive the information required for accounting, costing and financial records from each Chief Officer.
- 3.59 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC).

Responsibilities of Head of Finance and Asset Management

- 3.60 The Head of Finance and Asset Management shall maintain a property database in a form approved by the S151 Officer for all properties currently owned or used by the Authority. (**The Head of Environmental Services** shall maintain a similar database for plant and machinery). Any use of property by a service area or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use. The Head of Finance and Asset Management shall submit at least every two years a report to the Cabinet regarding the property owned by the Authority, the corporate objectives being achieved and the rate of return achieved.
- 3.61 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 Head of Finance and Asset Management, in consultation with the S151 Officer, has been established as appropriate.
- 3.62 To ensure the proper security of all buildings and other assets under their control.
- 3.63 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a report by the Head of Legal and Support Services.
- 3.64 To pass title deeds to the Head of Legal and Support Services who is responsible for custody of all title deeds.
- 3.65 To ensure that no Authority asset is subject to personal use by an employee without proper Authority.
- 3.66 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority.
- 3.67 To ensure that the service area maintains a register of moveable assets in accordance with arrangements defined by the S151 Officer, including the requirements for maintaining inventories [paragraph 3.75].
- 3.68 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured, including coordination of inventory records kept by Heads of Service.

- 3.69 To consult the S151 Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

Responsibilities of Chief Officers

- 3.70 To ensure cash holdings on premises are kept to a minimum.
- 3.71 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the S151 Officer as soon as possible.
- 3.72 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, if not required by any other service units, unless, following consultation with the S151 Officer, the Cabinet agrees otherwise.
- 3.73 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the S151 Officer.
- 3.74 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Authority in some way.

Inventories

- 3.75 To maintain an inventory (including an adequate description of furniture, fittings, equipment, plant and machinery) for items above an estimated £10,000 in value.
- 3.76 To carry out a sample check of 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.
- 3.77 To make sure that property is only used in the course of the Authority's business. In exceptional circumstances, a Chief Officer may give written permission to one-off requests to an Officer for property to be used for personal use, so long as such use is reasonable. Any incidental costs including consumables and additional insurance must be met by the Officer concerned.
- 3.78 To authorise or write off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the S151 Officer, the Cabinet decides otherwise in a particular case.
- 3.79 To seek Cabinet approval to the write-off of redundant stocks and equipment in excess of a cumulative value of £50,000 in each service head.

Intellectual Property

Why is this important?

- 3.80 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.
- 3.81 Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key controls

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

Responsibilities of the Monitoring Officer

- 3.83 To develop and disseminate good practice through the Authority's intellectual property procedures.

Responsibilities of Chief Officers

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

ASSET DISPOSAL

Why is this important?

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

Key controls

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

Responsibilities of the S151 Officer

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

Responsibilities of Chief Officers

- 3.90 To seek advice from appropriate advisors on the disposal of surplus or obsolete materials, stores or equipment and to seek appropriate technical advice on the secure disposal of potentially sensitive items such as IT equipment. All IT equipment should be disposed of in consultation with the IT Services Manager and in accordance with approved Council Standards. The permanent removal of data should comply with the requirements of the Data Protection Act.
- 3.91 To ensure that income received for the disposal of an asset is properly banked and coded.

TREASURY MANAGEMENT

Why is this important?

- 3.92 Many millions of pounds pass through the Authority's books each year. This led to the establishment of codes of practice. These aim to provide assurances that the Authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Authority's capital sum.

Key controls

- 3.93 That the Authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the Authority's treasury policy statement.

Responsibilities of the S151 Officer – treasury management and banking

- 3.94 To arrange the borrowing and investments of the Authority in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the Authority's treasury management policy statement and strategy.
- 3.95 To prepare reports to the full Council and the Cabinet in respect of (1) an annual strategy and plan in advance of the year, and (2) an annual report after its close, in the form prescribed in its TMPs.
- 3.96 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the S151 Officer.

Responsibilities of Chief Officers – treasury management and banking

- 3.97 To follow the instructions on banking issued by the S151 Officer.

Responsibilities of the S151 Officer – investments and borrowing

- 3.98 To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by the Full Council.
- 3.99 To ensure that all securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership are held in the custody of the appropriate Chief Officer.

- 3.100 To effect all borrowings in the name of the Authority, having first obtained approval from Full Council, as this would result in the Authority losing its debt free status.
- 3.101 To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority.

Responsibilities of Chief Officers – investments and borrowing

- 3.102 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Full Council, following consultation with the S151 Officer.

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

- 3.103 To arrange for all trust funds to be held, wherever possible, in the name of the Authority. All Officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the S151 Officer, unless the deed otherwise provides.
- 3.104 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the S151 Officer, and to maintain written records of all transactions.
- 3.105 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Responsibilities of the S151 Officer – imprest accounts

- 3.106 To provide employees of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount, currently £50. In exceptional cases the limit can be increased by the Head of Financial Services, upto a value of £500.
- 3.107 To determine, and communicate, 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.
- 3.108 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

Responsibilities of Chief Officers – imprest accounts

- 3.109 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 S151 Officer, or Internal Audit, 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 S151 Officer 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 Authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the S151 Officer for the amount advanced to him or her.

STAFFING

Why is this important?

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

Key controls

3.111 The key controls for staffing are:

- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched
- (b) procedures are in place for forecasting staffing requirements and cost
- (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the Authority
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.
- (e) procedures are in place which prevent Officers being involved in the appointment process of relatives or in the authorisation of any expenses relating to the relative.

Responsibilities of the S151 Officer

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

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

Responsibilities of Chief Officers

3.114 To produce, in consultation with the S151 Officer, an annual staffing budget.

3.115 To ensure, in consultation with the S151 Officer, that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

3.116 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

3.117 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.

- 3.118 To ensure that the Head of Human Resources and the S151 Officer are immediately informed if the staffing budget is likely to be materially overspent.
- 3.119 To ensure that a separation of duties exist in the appointment process which prevents the officer approving the appointment of a new employee to be a relation of the new employee. In addition, there should also be a separation of duties in relation to the authorisation of expenses (overtime, car allowance etc)

4. Financial Systems and Procedures

GENERAL

Why is this important?

- 4.1 Service areas have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Service areas are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered and recorded. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 4.2 The S151 Officer has a professional responsibility to ensure that the Authority's financial systems are sound and should therefore be notified of any new developments or changes.

Key controls

- 4.3 The key controls for systems and procedures are:
- (a) basic data exists to enable the Authority's objectives, targets, budgets and plans to be formulated
 - (b) performance is communicated to the appropriate Managers on an accurate, complete and timely basis
 - (c) early warning is provided of deviations from target, plans and budgets that require management attention
 - (d) operating systems and procedures are secure.

Responsibilities of the S151 Officer

- 4.4 To make arrangements for the proper administration of the Authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for Officers and others acting on the Authority's behalf
 - (b) determine the accounting systems, form of accounts and supporting financial records
 - (c) establish arrangements for audit of the Authority's financial affairs
 - (d) approve any new financial systems to be introduced
 - (e) approve any changes to be made to existing financial systems.

Responsibilities of Chief Officers

- 4.5 To ensure that accounting records are properly maintained and held securely.
- 4.6 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the S151 Officer.
- 4.7 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

- 4.8 To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed, for example all mileage, expense and overtime claims should be submitted ideally by the 4th of the following month, and in any event not more than one month after the month of the claim
 - (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 there is a fully documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 4.11 To ensure that all systems are fully documented and staff effectively trained in operations.
- 4.12 To consult with the S151 Officer before changing any existing financial system or introducing new systems.
- 4.13 To establish a scheme of delegation identifying Officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their Authority. Such a scheme should be fully documented, including its rationale.
- 4.14 To supply lists of Authorised Officers, with specimen signatures and delegated limits, to the S151 Officer and to Internal Audit, together with any subsequent variations.
- 4.15 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or, if this cannot be achieved, at an alternative location within the building.
- 4.16 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 4.17 To ensure that relevant standards and guidelines for computer systems issued by the Chief Officer are observed.
- 4.18 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.19 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only properly authorised software legally acquired and installed by the Authority is used on its computers; all software should be installed by IT Services unless specifically authorised by the IT Manager
 - (b) staff are aware of legislative provisions
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.

INCOME AND EXPENDITURE

Income

Why is this important?

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

Key controls

4.21 The key controls for income are:

- (a) all income due to the Authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- (c) all money received by an employee on behalf of the Authority is paid without delay to the S151 Officer or, as he or she directs, to the Authority's Bank or National Giro account, and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due
 - 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
- (j) All cheques and other payable orders should be made payable to Scarborough Borough Council.

Responsibilities of the S151 Officer

4.22 To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection.

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

4.24 To agree the write-off of bad debts up to an approved limit, (£50,000), and to refer larger sums to the Cabinet.

4.25 To approve all debts to be written off in consultation with the relevant Chief Officer, to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit Regulations 2003.

- 4.26 To obtain the approval of the Cabinet in consultation with the relevant Chief Officer for writing off debts in excess of the approved limit.
- 4.27 To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Chief Officers

- 4.28 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 and changing VAT requirements.
- 4.29 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable, and to consult the Head of Financial Services where changes in service area systems would affect the collection of income.
- 4.30 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. This includes the requirement to monitor all sundry debtor invoices relating to their service area using both the IT system and information provided by Financial Services and, on request, informing Financial Services of action to be taken to recover debts. The procedures need to include the maintenance of all necessary records to pursue the debt, assign it to a debt recovery agency or for court action, to ensure such procedures satisfy the guidelines identified in the Woolf report for court processes.
- 4.31 To issue official receipts or to maintain other documentation for income collection. However, a Sundry Debtor invoice should not be raised as a means of recording income already received.
- 4.32 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded. There should be a centralised post opening function.
- 4.33 To hold securely receipts, tickets and other records of income for the appropriate period.
- 4.34 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 4.35 To ensure that income is paid fully and promptly into the Authority's bank account in the form in which it is received. This should usually be via the Authority's cashiers or cash collection contractors. Appropriate details should be recorded onto paying-in slips/remittance lists to provide a full management trail. Money collected and deposited must be reconciled to the bank account and prime income records on a regular basis.
- 4.36 To ensure income is not used to cash personal cheques or other payments.

- 4.37 To supply the Head of Financial Services with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Head of Financial Services to record correctly the sums due to the Authority and to ensure accounts are sent out promptly. To do this, Chief Officers should use established performance management systems to monitor recovery of income and flag up areas of concern to the Head of Financial Services. Chief Officers have a responsibility to assist the Head of Financial Services in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Authority's behalf. Only up to approved levels of cash can be held on the premises.
- 4.38 To keep a record of every transfer of money between employees of the Authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 4.39 To recommend to the S151 Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt. Full documentation of the reasons for the raising of a credit note should be maintained.
- 4.40 To obtain the approval of the Head of Financial Services when writing off debts in excess of the approved limit, and the approval of the Cabinet where required.
- 4.41 To notify the Head of Financial Services of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Head of Financial Services and not later than 30 April.

Ordering and Paying for Work, Goods and Services

Why is this important?

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

General

- 4.43 Every Officer and Member of the Authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority, in accordance with appropriate codes of conduct.
- 4.44 Official orders for purchases with a value less than £50,000, must be in a form approved by the S151 Officer and Head of Legal and Support Services. Official orders must be issued for all work, goods or services to be supplied to the Authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the S151 Officer. Contracts with a total cumulative value of more than £50,000 must be in a form agreed by the Head of Legal and Support Services, in accordance with Contract Procedure Rules.

- 4.45 Each order must conform to the guidelines approved by the Full Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Head of Legal and Support Services.
- 4.46 Apart from petty cash and other payments from advance accounts, the normal method of payment from the Authority shall be by cheque or other instrument or approved method, drawn on the Authority's bank account by the S151 Officer. The use of direct debit shall require the prior agreement of the S151 Officer.
- 4.47 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts.

Key controls

- 4.48 The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
 - (b) all goods and services shall be ordered in accordance with the Authority's Contract Procedure Rules unless they are purchased from sources within the Authority
 - (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 Authority to the correct price, quantity and quality standards
 - (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
 - (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule
 - (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
 - (h) in addition, the effect of e-business/e-commerce and electronic purchasing will require that processes are to be in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of the S151 Officer

- 4.49 To ensure that all the Authority's financial systems and procedures are sound and properly administered.
- 4.50 To approve any changes to existing financial systems and to approve any new systems before they are introduced. To notify the appropriate authorities, such as HM Customs and Excise and the External Auditors, of any such changes.
- 4.51 To approve the form of official orders and associated terms and conditions.
- 4.52 To make payments from the Authority's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations and Procedures and, if applicable, with Contract Procedure Rules.

- 4.53 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.
- 4.54 To make payments to contractors on the certificate of the appropriate Chief Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.55 To provide advice and encouragement on making payments by the most economical means.

Responsibilities of Chief Officers

- 4.56 To ensure that unique pre-numbered official orders are used for all goods and services, other than the exceptions specified in 4.43.
- 4.57 To ensure that orders are only used for goods and services provided to the service area. Individuals must not use official orders to obtain goods or services for their private use.
- 4.58 To ensure that only those staff authorised by him or her sign orders and 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 order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision. Best value principles should underpin the Authority's approach to procurement. Value for money should always be achieved.
- 4.59 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. 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.
- 4.60 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
 - (a) receipt of goods or services
 - (b) that the invoice has not previously been paid
 - (c) that expenditure has been properly incurred and is within budget provision
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
 - (e) correct accounting treatment of tax
 - (f) that the invoice is correctly coded
 - (g) that discounts have been taken where available
 - (h) that appropriate entries will be made in accounting records.
- 4.61 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- 4.62 To ensure that the service area maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the S151 Officer and Internal Audit.

- 4.63 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice, unless formally approved by the S151 Officer and the Audit Manager. Any instances of these being rendered without such approval shall be reported to the Audit Manager.
- 4.64 To encourage suppliers of goods and services to receive payment by the most economical means for the Authority. It is essential, however, that payments made by direct debit have the prior approval of the S151 Officer.
- 4.65 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, with regard to the best practice guidelines issued by the S151 Officer, which are in line with best value principles and contained in the Authority's Contracts Procedures, and summarised below. (Note these are only an extract from the CPR's and officers should ensure they are aware of the full extent of CPR's and consult where appropriate with the Head of Legal and Support Services).
- For work, supplies or services where the maximum value is estimated to be **£100**, no formal written or verbal competitive quotations are required. However, Officers should be encouraged to obtain value for money
 - For work, supplies or services where the value is estimated to be between **£100-£5,000**, no formal written competitive quotations are necessary, but due regard shall be had to the desirability of securing competition by verbal enquiry and written confirmation, where appropriate
 - For work, supplies or services already approved by the Council where the value is estimated to be between **£5,000-£50,000**, the appropriate Head of Service or their designated Officer may place a written order after obtaining at least three competitive written quotations. A verbal order may be placed in cases of urgency but must promptly be confirmed in writing
 - For contracts whose estimated value is expected to be greater than £50,000 for work, supplies or services already approved by the Council, tender procedures shall be adopted. It should be noted that the **£50,000** de minimus limit is to be applied to the whole contract, i.e. this is NOT the annual limit but the limit for the estimated value over the whole life of the contract. Competitive written tenders must be requested from at least four persons in business in the subject matter of the contract.

(It should be noted that best practice would require the Head of Service to ensure that any contractor undertaking work for the Council, irrespective of its value, should supply the Council with a copy of their Health and Safety Policy document and relevant insurance documentation before any order is placed.)

The circumstances that may justify an exemption from Contract Procedure Rules are contained within CPR 20. However, in addition to this arrangement there may be circumstances where albeit a compliant procurement exercise has been undertaken, it has not resulted in the requisite number/type of quotations to comply with Contract Procedure Rules.

In summary the following procedures should be followed for an exemption from CPR's:

- for work, supplies or services where the value is estimated to be between **£5,000-£50,000**, complete an ‘application for approval of exception from financial regulations & contract standing order requirements’ form (**see Appendix F**) and obtain approval from the relevant Head of Service, the S151 Officer, and the Head of Legal and Support Services in advance of placing the order
- for work, supplies or services already approved by the Council where the value is estimated to be greater than **£50,000**, complete an ‘application for approval of exception from financial regulations & contract standing order requirements’ form (see **Appendix F**) and obtain approval from the relevant Head of Service, S151 Officer, the Head of Legal and Support Services and the either the relevant Cabinet Member, or the Finance, Legal and ICT Portfolio Holder, in advance of placing the order/letting the contract.

- 4.66 The Head of Legal and Support Services shall present a report to the “Audit Committee” summarising all exemptions (if any) granted during the previous twelve month period.
- 4.68 To utilise the central purchasing procedures established by the Head of Legal and Support Services in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the Authority’s Contract Procedure Rules and will cover:
- authorised officers and the extent of their authority
 - advertisement for tenders
 - procedure for creating, maintaining and revising a standard list of contractors
 - selection of tenderers
 - compliance with UK and EU legislation and regulations
 - procedures for the submission, receipt, opening and recording of tenders
 - the circumstances where financial or technical evaluation is necessary
 - procedures for negotiation
 - acceptance of tenders
 - the form of contract documentation
 - cancellation clauses in the event of corruption or bribery
 - contract records
 - all IT equipment should be in line with approved Council IT Standards and acquired in consultation with the IT Manager.

PAYMENTS TO EMPLOYEES AND MEMBERS

Why is this important?

- 4.79 Staff costs are the largest item of expenditure for most Authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals’ conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members’ Allowances are authorised in accordance with the scheme adopted by the Full Council.

Key controls

- 4.80 The key controls for payments to Employees and Members are:

- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starters
 - leavers
 - variations
 - enhancements
- and that payments are made on the basis of timesheets or claims
- (b) frequent reconciliation of payroll expenditure against approved budget and bank account
- (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
- (d) that Inland Revenue regulations are complied with.

Responsibilities of the Head of Financial Services

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

Responsibilities of Chief Officers

- 4.87 To ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 4.88 To notify the Head of Financial Services of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Head of Financial Services.
- 4.89 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.

- 4.90 To send an up-to-date list of the names of Officers authorised to sign records to the Head of Financial Services, and Internal Audit, together with specimen signatures. The payroll provider should have signatures of Personnel Officers and Officers authorised to sign timesheets and claims.
- 4.91 To ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Financial Services.
- 4.92 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 were properly payable by the Authority, ensuring that cost-effective use of travel arrangements was achieved. Due consideration should be given to tax implications and that the Head of Financial Services is informed where appropriate.
- 4.93 To ensure that the Head of Financial Services is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.94 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of Officers

- 4.95 To submit claims for travel, subsistence and other allowances on a monthly basis and, in any event, within one month of the previous month end. To include and maintain in their policy of motor insurance a clause indemnifying the Authority against all third party claims (including those concerning passengers) arising out of the use of their vehicle on official business. This means that you must ensure that your motor insurance policy covers you when you are using your car on official business – your policy should include cover for ‘business use’.

Responsibilities of Members

- 4.96 To submit claims for Members’ travel and subsistence allowances on a monthly basis and, in any event, within one month of the previous month end.

TAXATION

Why is this important?

- 4.97 Like all organisations, the Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all Officers to be aware of their role.

Key controls

- 4.98 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 Head of Financial Services

- 4.99 To ensure the completion of all Inland Revenue returns regarding PAYE.
- 4.100 To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.
- 4.101 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme and the entertainers' tax scheme.
- 4.102 To maintain up-to-date guidance for Authority employees on taxation issues.

Responsibilities of Chief Officers

- 4.103 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations; to consult with the S151 Officer on the VAT implications of capital schemes and new or changed initiatives and services.
- 4.104 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 4.105 To ensure that all persons employed by the Authority are added to the Authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency. To follow the guidance on taxation issued by the S151 Officer.
- 4.106 Where foreign travel is required by Officers for the purposes of their official duties, this shall only occur following approval by the Chief Executive (or in his absence the S151 Officer).

SIGNIFICANT TRADING ACCOUNTS AND BUSINESS UNITS

Why are these important?

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

Responsibilities of the S151 Officer

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

Responsibilities of Chief Officers

- 4.109 To consult with the S151 Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 4.110 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- 4.111 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 4.112 To ensure that each business unit prepares an annual business plan.

LAND AND PROPERTY

Sale of Land and Property

4.112 All disposals of land and property (including the lease of land and property at a premium) shall be subject to two approvals

<u>Type of Approval</u>	<u>Anticipated Proceeds</u>	<u>Body which gives approval</u>
In Principle	£50,000 or more	Cabinet
In Principle	between £25,000 - £49,999	Relevant Cabinet Member
In Principle	below £25,000	Head of Finance and Asset Management
Final	£100,000 or more	Cabinet
Final	between £50,000 - £99,999	Relevant Cabinet Member
Final	below £50,000	Head of Finance and Asset Management

4.113 All disposals of land and property shall be made in accordance with the following policy guidelines:-

- (a) as a general rule all land and property disposals shall be submitted to competitive tender;
- (b) it is accepted, however, subject to the prior approval of the Cabinet Member, that an alternative disposal method might be preferable;
- (c) in the event of a disposal other than by competitive tender at a price of that specified in Item 15 of Part 1 of the Schedule [£100,000] or above, an independent formal written valuation shall first be obtained;
- (d) in the event of a disposal other than by competitive tender at a price less than that specified in Item 16 of Part 1 of the Schedule [£100,000], an independent valuation shall be obtained only if the Head of Finance and Asset Management considers this to be appropriate and also in all cases where the disposal is to a Member or Officer (or direct relative of either); and
- (e) in determining whether or not an independent valuation should be obtained the Head of Finance and Asset Management shall take into account any special circumstances relating to the transaction. Independent valuations will be required in cases of unusual or complicated sales and normally in any instance where there is either a significant lapse of time between the tender being sought and detailed negotiations with a purchaser being concluded or when a change occurs in the nature of the property being sold.

4.114 Where the marketing of land and property is to be by way of formal competitive tender, tenders shall be invited in accordance with the Contract Procedure Rules.

Leases of Land and Property

4.115 Approval to the main terms for the grant or renewal of a lease (but excluding leasehold disposals at a premium) shall be as follows:-

- (a) where the annual rental is at/above £20,000 by the Cabinet;
- (b) where the annual rental is less than £20,000 by the Head of Finance and Asset Management.

5. External Arrangements

PARTNERSHIPS

Why are these important?

- 5.01 Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local Authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local Authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.
- 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 Authority partners are:

- (a) if appropriate, to be aware of their responsibilities under the Authority's Financial Regulations and the 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 S151 Officer

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

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.

Responsibilities of Chief Officers

5.11 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the S151 Officer.

5.12 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the S151 Officer.

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

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

5.15 To provide appropriate information to the S151 Officer to enable a note to be entered into the Authority's statement of accounts concerning material items, and any material relationships with partners.

EXTERNAL FUNDING

Why is this important?

5.16 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Authority. Local Authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the single regeneration budget provide additional resources to enable the Authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Authority's overall plan. It is important that a corporate perspective is taken in relation to external funding, and that funding bids are not made in isolation. It is also important that any Council matched contribution is properly identified within the Council's overall budget.

Key controls

5.17 The key controls for external funding are:

- 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
- to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Full Council
- 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 S151 Officer

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

5.19 To ensure that the match-funding requirements are considered **prior** to entering into the agreements and that future revenue budgets reflect these requirements. These considerations, and any other relevant matters, including exit strategies, are to be included in a report to the Cabinet prepared by the relevant Chief Officer in consultation with the S151 Officer, upon **notification** of any grant award. This report must clearly state any resource requirements from the Authority and whether these are additional requirements or already included within the budget. No grant awards can be accepted without prior approval by Cabinet, except for where an acceptance is required urgently. In the case of an "urgent" decision, providing the acceptance has no additional financial implications, and is not considered to be a change to the overall policy/budgetary framework, the acceptance of grant can be approved by the S151 Officer, with any amendments to capital/revenue budgets being reported at a later stage.

5.20 To ensure that audit requirements of any grant funding are met.

Responsibilities of Chief Officers

- 5.21 To ensure that all claims for funds are made by the due date.
- 5.22 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.
- 5.23 To ensure any applications for funding are identified to the Head of Financial Services, and that any awards of funding are also identified to the Head of Financial Services to ensure compliance with these regulations in relation to reporting to Cabinet (see 5.19).

In cases where the award of grant results in financial implications that cannot be met from existing budgetary provision, approval is required from both the Cabinet and Council prior to the funding being taken up.

SECTION 106 AGREEMENTS

Why is this Important ?

- 5.24 The Council receives resources from Section 106 agreements. The agreements giving rise to these resources and their use thereafter must be considered in a consistent manner, in line with Council priorities. A detailed set of procedures regarding the S106 process has been produced.

Key Controls

- 5.25 Funding is accounted for within the overall Revenue and Capital budgets (where appropriate), in line with approved processes for approving/amending Capital/Revenue budgets.
- 5.26 Resources are used in a manner consistent with the S106 agreement.

Responsibilities of the S151 Officer

- 5.27 To ensure where applicable that funds arising from S106 agreements are incorporated within the Council's approved Capital Strategy.

Responsibilities of Chief Officers

- 5.28 To provide relevant information in relation to S106 agreements to the Planning Committee/Cabinet (where relevant), including identifying available options.
- 5.29 Where a capital project is submitted as part of the consideration of potential new capital projects, which is dependant upon S106 funding, the relevant S106 agreement must previously have been identified to the Cabinet, and received approval for the allocation of resources. Where this is not the case, the scheme would not be considered, until such a time as the relevant S106 has been separately considered/ approved.
- 5.30 To regularly review all S106 agreements, in particular any sums that remain unallocated should be reviewed regularly.

WORK FOR THIRD PARTIES

Why is this important?

5.31 Current legislation enables the Authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is intra vires.

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 S151 Officer
- (b) to ensure that contracts are drawn up using guidance provided by the S151 Officer and that the formal approvals process is adhered to

Responsibilities of the S151 Officer

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

Responsibilities of Chief Officers

5.34 To ensure that the approval of the Cabinet 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 S151 Officer.

5.36 To ensure that appropriate insurance arrangements are made.

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

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

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/unit 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 Authority.

5.42 To ensure that all contracts are properly documented.

5.43 To provide appropriate information to the S151 Officer to enable a note to be entered into the statement of accounts.

PAYMENT OF GRANTS AND CONTRIBUTIONS TO OTHER BODIES

Why is this important?

- 5.44 Grants to outside organisations should be in line with Council priorities, and should be within budgetary limits. Any contributions should also not expose the Council to potential further additional costs, or other associated risks.

Key Controls

- 5.45 All grants/contributions (financial or “in kind”) of a value greater than £10,000 should have prior approval of the Cabinet. Amounts below this should have approval of the Head of Service, S151 Officer, and the Cabinet Member, (except for grants approved by Area Committees). Any approvals should be able to be met from within budgetary limits.
- 5.46 The granting to an outside body of non-financial benefit (e.g. use of land/buildings, concessions) is subject to the same approval process as a financial grant.
- 5.47 Grants should be subject to terms and conditions approved by the Head of Legal and Support Services. In particular the Council’s contribution should be limited, and should not in any way be an open-ended contribution.
- 5.48 Advice upon all proposed grant payments/grants “in kind” should be sought from Financial and Legal Services well in advance of the payment being made.
- 5.49 Consideration should be given to ensuring that the Council’s contribution is recognised in some manner.

Responsibilities of the S151 Officer

- 5.50 To provide advice to Chief Officer in relation to payments to outside bodies.

Responsibilities of Chief Officers

- 5.51 To ensure that the relevant approvals are obtained before any grants are made to outside bodies.
- 5.52 To maintain a register of all grants offered to outside bodies in accordance with procedures specified by the S151 Officer.
- 5.53 To ensure that appropriate insurance arrangements are made where applicable.
- 5.54 To ensure that the Authority is not put at risk from any grant.

**APPLICATION FOR APPROVAL OF EXEMPTION FROM
FINANCIAL AND CONTRACT REGULATION REQUIREMENTS**

CONTRACT:

ISSUE NUMBER:

SERVICE RESPONSIBLE:

Reasons requiring exemption from Financial Regulations:

Annual Budget/Actual Expenditure	

APPLICATION/APPROVAL BY HEAD OF SERVICE:
DATE OF APPLICATION/APPROVAL:

APPROVED BY S151 OFFICER:
DATE OF APPROVAL:

APPROVED BY HEAD OF LEGAL AND SUPPORT SERVICES
DATE OF APPROVAL:

APPROVED BY CABINET MEMBER (ITEMS ABOVE £50,000 ONLY)
DATE OF APPROVAL:

*ONCE THE ABOVE APPROVALS HAVE BEEN OBTAINED, THE EXCEPTION MAY
PROCEED.*

COMPLETED FORMS TO BE RETURNED TO LEGAL SERVICES