

**Staffordshire Moorlands District Council**

**Financial Regulations & Procedure  
Rules**

**August 2012**

## BACKGROUND & INTRODUCTION

Staffordshire Moorlands District Council (“the Council”) adopted the “Leader and Cabinet” model under the Local Government Act 2000 and now has a Cabinet of 8, including the leader.

The political and managerial structure in any council raises many important governance issues and can expose a council to risk. The structural arrangements of the Alliance add further complexity.

- **Establishing Financial Policy**

To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of **Financial Regulations** that set out the financial policies of the authority. Modern councils are also committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.

Financial Regulations provide clarity about the financial accountabilities of individuals – Cabinet members, the Head of Paid Service (HoPS), the Monitoring Officer (MO), the Chief Finance Officer (CFO) and other senior officers. Each of the Financial Regulations sets out those overarching financial responsibilities.

- **Implementing Financial Policy**

Following formal approval and adoption of Financial Regulations, an authority needs to consider how they are to be implemented. In particular, authorities need to formulate detailed **Financial Procedure Rules** setting out the responsibilities of the CFO and other senior officers.

## **STATUS OF FINANCIAL REGULATIONS**

Financial Regulations provide the framework for managing the financial affairs of the Council. They apply to every councillor and officer of the Council and anyone acting on its behalf.

The Regulations identify the financial responsibilities of full Council, Executive, Overview and Scrutiny members, the HoPS, the MO, the CFO and other senior officers. Cabinet members and senior officers should maintain a written record where decision-making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, references to the senior officer in the Regulations should be read as referring to them.

All councillors and staff have a general responsibility for taking reasonable action to provide for the security of assets under their control, and for ensuring that the use of these resources is legal, is properly authorized and provides value for money.

The CFO is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to full Council for approval. The CFO is also responsible for reporting, where appropriate, breaches of Financial Regulations to the Council and/or to the Cabinet members.

Senior officers are responsible for ensuring that all staff in their departments, are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their departments.

The CFO is responsible for issuing advice and guidance to underpin the Financial Regulations that councillors, officers and others acting on behalf of the Council are required to follow.

## Financial Regulation A: Financial Management

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

### **Full Council**

The Council is responsible for:

- Adopting its own Constitution and Councillors' Code of Conduct and for approving the policy framework and budget within which the Cabinet operates
- Approving and monitoring compliance with the overall framework of accountability and control
- Monitoring compliance with agreed policy and related Cabinet decisions; and
- Approving procedures for recording and reporting decisions taken.

### **The Cabinet**

The Cabinet is responsible for proposing the policy framework and budget to full Council and discharging executive functions in accordance with the policy framework and budget.

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

The Cabinet is responsible for establishing protocols to ensure that individual Cabinet members consult with relevant officers before taking a decision within their delegated authority. In doing so, the individual member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

### **Cabinet Committees**

- Overview and Scrutiny (O&S) – Responsible for scrutinising Cabinet decisions before or after they have been implemented and for holding the Cabinet to account. O&S committees are also responsible for making recommendations on future policy options, reviewing general policy and service delivery.
- Audit and Accounts – Advisory bodies that report to full Council. They have right of access to all information considered necessary and can consult directly (and in confidence) with internal and external auditors. Also responsible for reviewing external audit reports, the annual audit letter and Internal Audit's annual report.
- Standards – Established by full Council and responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, responsible for advising Council on the adoption and revision of Councillors' Code of Conduct, and for monitoring its operation.
- Other Regulatory – Planning and Licensing are not Cabinet functions but are exercised through the multi-party Planning Applications and Licensing & Regulatory committees, under powers delegated by full Council.

## **Statutory Officers**

- HoPS (and Chief Executive) – Responsible for the corporate and overall strategic management of the Council. Reports to and provides information to the Cabinet, full Council, O&S and other committees. Also responsible for establishing a framework for management direction, style and standards and monitoring organisational performance. The HoPS is also responsible, together with the MO, for the system of record keeping in relation to all the full Council's decisions (see below).
- MO – Responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. Also responsible for reporting any actual or potential breaches of law or maladministration to full Council and/or to the Cabinet, and for ensuring procedures for recording and reporting key decisions are operating effectively.

The MO must ensure that Cabinet decisions and the reasons for them are made public. They must also ensure that Council members are aware of decisions made by the Cabinet and officers who have delegated executive responsibility.

The MO is responsible for advising all councillors and officers about who has authority to take a particular decision.

The MO is responsible for advising the Cabinet or full Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the policy framework.

The MO (together with the CFO) is responsible for advising the Cabinet or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget.

The MO is responsible for maintaining an up-to-date constitution.

- CFO – Has statutory duties in relation to the financial administration and stewardship of the Council. Statutory responsibility cannot be overridden and duties arise from:
  - Section 151 of the Local Government Act 1972
  - The Local Government Finance Act 1988
  - The Local Government and Housing Act 1989; and
  - The Accounts and Audit Regulations 1996.

The CFO is responsible for:

- Proper administration of the Council's financial affairs
- Setting and monitoring compliance with financial management standards
- Advising on the corporate financial position and on the key financial controls necessary
- Securing sound financial management
- Providing financial information
- Preparing the revenue budget and Capital Programme; and
- Treasury management.

Section 114 of the Local Government Finance Act 1988 requires the CFO to report to full Council, Cabinet and external auditor if the Council or one of its officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council; and
- Is about to make an unlawful entry in the accounts.

Section 114 of the 1988 Act also requires:

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

### **Directors**

Directors are responsible for:

- Ensuring that Cabinet members are advised of the financial implications of proposals and that the financial implications have been agreed by the CFO; and
- Signing contracts on behalf of the Council.

It is the responsibility of Directors to consult with the CFO and seek approval on any matter liable to materially affect Council finances, before commitments are incurred.

### **Other Financial Accountabilities**

- Virement – full Council is responsible for agreeing procedures for the virement of expenditure between budget headings.

Directors are responsible for agreeing in-year virements within delegated limits, in consultation with the CFO.

- Year-end balances – full Council is responsible for agreeing procedures for carrying forward under and overspends on budget headings.
- Accounting policies – the CFO is responsible for selecting accounting policies and ensuring that they are applied consistently.
- Accounting records and returns – The CFO is responsible for determining the accounting procedures and records for the Council; and
- Statement of Accounts – The CFO is responsible for ensuring that the Statement of Accounts is prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (“the Code of Practice”). The Audit & Accounts Committee has delegated authority for approving the annual Statement of Accounts.

## Procedure Rules

### Rule A1: Financial Management Standards

Officers and councillors have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that 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.

The key controls and control objectives for financial management standards are:

- 1) Their promotion throughout the Council; and
- 2) 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\***

##### **Chief Finance Officer**

- A1.1 To ensure the proper administration of the financial affairs of the Council
- A1.2 To set the financial management standards and to monitor compliance with them
- A1.3 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 Council
- A1.4 To advise on the key strategic controls necessary to secure sound financial management
- A1.5 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

##### **Directors and Service Managers**

- A1.6 To promote the financial management standards set by the CFO in their service areas and to monitor adherence to the standards and practices, liaising as necessary with the CFO
- A1.7 To promote sound financial practice in relation to standards, performance and staff development.

## **Rule A2: Virement**

The Scheme of Virement is intended to enable Cabinet, Directors and Service Managers to manage budgets with some flexibility within the overall policy framework determined by full Council, and therefore optimise the use of resources.

Key controls for the Scheme of Virement are:

- 1) It is administered by the CFO within guidelines set by full Council. Any variation to the scheme requires full Council approval.
- 2) The overall budget is agreed by the Cabinet and approved by full Council. Directors and Service Managers are therefore authorized 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 expenditure heads. For the purposes of this scheme, a budget head is defined by reference to a service function
- 3) Virements must not create additional overall budget liability. Directors and Service Managers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including the full-year effects of decisions made part way through a year, for which they have not identified future resources. Directors and Service Managers must plan to fund such commitments from within their own budgets.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

A2.1 To prepare jointly with the Director or Service Manager a report to the Cabinet where virements in excess of £20,000 are proposed or to Council where virements in excess of £50,000 are proposed.

#### **Directors**

A2.2 A Director may exercise virement on budgets under his or her control for amounts up to £20,000 on any single budget head during the year (refer to Appendix B for budget head listing), following notification to the CFO and in consultation with the Cabinet member under arrangements agreed by full Council and subject to the conditions in paragraphs A2.3 to A2.8 below. All virements exercised under this rule must be reported to Cabinet.

A2.3 A Director may exercise virement on budgets under his or her control for any amount during the year provided there is no change in service policy, following notification to the CFO under arrangements agreed by full Council and subject to the conditions in paragraphs A2.4, A2.5 and A2.6 below. Virements involving a change in policy require the approval of Cabinet and all other virements exercised under this rule must be reported to Cabinet.

- A2.4 Amounts greater than £20,000 require the approval of the Cabinet, following a joint report by the CFO and the Director, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. Amounts greater than £50,000 require the approval of full Council.
- A2.5 The prior approval of the Cabinet is required for any virement, of whatever amount, where it is proposed to vire between budgets of different accountable Cabinet members.
- A2.6 Virement that is likely to impact on the level of service activity of another Director should be implemented only after agreement with the relevant Director.
- A2.7 No virement relating to a specific financial year should be made after 31st March in that year.
- A2.8 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- (a) The amount is used in accordance with the purposes for which it has been established;
  - (b) The Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Cabinet.

## **Rule A3: Year-end balances**

The Scheme of Virement sets out the treatment of year-end balances. It is administered by the CFO within guidelines set by full Council. Any variation from the Scheme of Virement requires full Council approval.

The rules below cover arrangements for the transfer of resources between accounting years i.e. carry forward.

The key control is that appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

- A3.1 To administer the scheme of carry-forward within the guidelines approved by full Council.
- A3.2 To report all over spends and under spends on budgets carried forward to the Cabinet and full Council.

#### **Directors and Service Managers**

- A3.3 Net overspending on budgets under the control of the Director or Service Manager may be carried forward, subject to:
- (a) The CFO designating that a carry forward is appropriate.
  - (b) Any carry forward constituting the first call on budget in the following year.
  - (c) The CFO reporting the extent of overspendings carried forward to the Cabinet and full Council.
- A3.4 Net underspendings on Budgets under the control of the Director or Service Manager may be carried forward, subject to:
- (a) The approval of the CFO
  - (b) Reporting to the Cabinet the source of underspending or additional income and the proposed application of those resources.
  - (c) The approval of full Council where the underspending exceeds 20% of the individual budget heading or £30,000, whichever is less (subject to £5,000 de minimis level).
- A3.5 All internal business unit surpluses shall be retained for the benefit of the Council and their application shall require the approval of the Cabinet.

## **Rule A4: Accounting policies**

The Chief Finance Officer is responsible for the preparation of the 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 UK (CIPFA/LASAAC), for each financial year ending 31st March.

The key controls for accounting policies are:

- 1) Systems of internal control are in place that ensure that financial transactions are lawful
- 2) Suitable accounting policies are selected and applied consistently
- 3) Proper accounting records are maintained
- 4) Financial statements are prepared, which give a true and fair view of the financial position and its income and expenditure.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

A4.1 To select suitable accounting policies and ensure their consistent application (the accounting policies are set out in the Statement of Accounts, prepared at 31st March each year)

#### **Directors and Service Managers**

A4.2 To adhere to the accounting policies and guidelines approved by the CFO

## **Rule A5: Accounting Records and Returns**

Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to give a true and fair view of its operations during the year. These are subject to external audit. The audit provides assurance that the accounts are properly prepared, that proper accounting practices have been followed and that adequate arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

The key controls for accounting records and returns are:

- 1) All Cabinet members, Finance staff and budget holders operate within the required accounting standards and timetables
- 2) All Council transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- 3) Procedures are in place to enable accounting records to be reconstituted in the event of system failure
- 4) Reconciliation procedures are carried out to ensure transactions are correctly recorded; and
- 5) Prime documents are retained in accordance with legislative and other requirements.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

A5.1 To determine the accounting procedures and records for the Council. Where these are maintained outside the Joint Finance Team, the CFO should consult the Director or Service Manager concerned.

A5.2 To arrange for the compilation of all accounts and accounting records under his or her direction.

A5.3 To comply with the following principles when allocating accounting duties:

- (a) separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them
- (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

A5.4 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit (England) Regulations 2011.

A5.5 To ensure that all claims for funds including grants are made by the due date.

A5.6 To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable and with the requirement for the Audit & Accounts Committee to approve the Statement of Accounts by 30th September each year.

A5.7 To administer the Council's arrangements for under and overspendings to be carried forward to the following financial year.

A5.8 To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's Document Retention Schedule.

**Directors and Service Managers**

A5.9 To consult and obtain the approval of the CFO before making any changes to accounting records and procedures.

A5.10 To comply with the principles outlined in A5.3 when allocating accounting duties.

A5.11 To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.

A5.12 To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the CFO.

## **Rule A6: Statement of Accounts**

The Council has a statutory responsibility to prepare its own accounts to provide a true and fair view of its operations during the year. The Audit & Accounts Committee has delegated authority for approving the annual Statement of Accounts.

The key controls for the Statement of Accounts are:

- 1) The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of these affairs. In this Council, that officer is the CFO.
- 2) The 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 UK (CIPFA/LASAAC).

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

- A6.1 To select suitable accounting policies and to apply them consistently.
- A6.2 To make judgements and estimates, which are reasonable and prudent.
- A6.3 To comply with the Code of Practice.
- A6.4 To sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March each year.
- A6.5 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- A6.6 To present the Statement of Accounts to councillors with appropriate interpretation and highlighting key issues.

#### **Directors and Service Managers**

- A6.7 To comply with accounting guidance provided by the CFO and to supply the CFO with information when required.

## Financial Regulation B: Financial Planning

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

- The Corporate Plan
- The Revenue Budget; and
- The Capital Programme

### **Policy Framework**

Full Council is responsible for approving the policy framework and budget.

Full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed contrary to the budget or policy framework. Decisions should be referred to full Council by the MO.

Full Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget and policy framework within the financial limits set by Council.

- Preparation of the Corporate Plan – the Head of Paid Service is responsible for proposing the Corporate Plan to the Cabinet for consideration before its submission to full Council for approval.

### **Budgeting**

- Budget format – The general format of the budget will be approved by full Council and proposed by the Cabinet on the advice of the CFO. The draft budget should include allocations to different services and projects, proposed taxation levels and contingency funds.
- Budget preparation – The CFO is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis for consideration by the Cabinet, before submission to full Council. Full Council may amend the budget or ask the Cabinet to reconsider before approval.
- Budget monitoring and control – The CFO is responsible for providing appropriate financial information to enable budgets to be monitored effectively. The CFO must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.

It is the responsibility of Directors and Service Managers to control income and expenditure within their areas and to monitor performance, taking account of financial information provided by the CFO. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the CFO to any problems.

- Resource allocation – The CFO is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework.

- Preparation of the Capital Programme – The CFO is responsible for ensuring that the Capital Programme is prepared on an annual basis for consideration by the Cabinet before submission to full Council.
- Guidelines – Guidelines on budget preparation are issued to councillors, Directors and Service Managers by Cabinet following agreement with the CFO. The guidelines will take account of:
  - legal requirements
  - medium-term planning prospects
  - the corporate plan
  - available resources
  - spending pressures
  - best value and other relevant government guidelines
  - other internal policy documents; and
  - cross-cutting issues (where relevant).

### **Maintenance of Reserves**

It is the responsibility of the CFO to advise the Cabinet and/or full Council on prudent levels of reserves for the Council.

## Procedure Rules

### Rule B1: Budget Format

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.

The key controls for budget format are:

- 1) The format complies with all legal requirements
- 2) The format complies with CIPFA's Service Reporting Code of Practice for Local Authorities (SERCOP)
- 3) The format reflects the accountabilities of service delivery.

#### **\*RESPONSIBILITIES\***

##### **Chief Finance Officer**

B1.1 To advise the Cabinet on the format of the budget that is approved by full Council

##### **Directors and Service Managers**

B1.2 To comply with accounting guidance provided by the CFO

## **Rule B2: Revenue Budget Preparation, Monitoring and Control**

Budget management ensures that once the budget has been approved by full Council, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust budget targets during the year. It also provides the mechanism that calls into account managers responsible for defined elements of the budget.

By continually identifying and explaining variances against budget targets, the Council can quickly identify changes in trends and resource requirements. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

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

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

- 1) There is a nominated budget holder for each budget
- 2) Budget managers should be responsible only for income and expenditure that they can control
- 3) Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- 4) Budget managers follow an approved certification process for all expenditure
- 5) Income and expenditure are properly recorded and accounted for; and
- 6) Performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

- B2.1 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) Budget management is exercised within annual cash limits unless the full council agrees otherwise.
  - (b) Each budget holder has available timely information on receipts and payments on each budget, which is sufficiently detailed to enable the fulfillment of their budgetary responsibilities.
  - (c) Expenditure is committed only against an approved budget head.

- (d) All officers responsible for committing expenditure comply with relevant guidance and the Financial Procedure Rules
- (e) Each budget has a single named budget holder, determined by the relevant Director or Service Manager. 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 regularly reported by budget holders.

B2.2 To administer the Council's scheme of virement.

B2.3 To submit reports to Cabinet and full Council, in consultation with the relevant Director and Service Manager, where a Director or Service Manager is unable to balance expenditure and resources within existing approved budgets under his or her control.

B2.4 To prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis.

B2.5 To prepare and submit reports on the Council's performance against target savings and efficiency gains, on a regular basis.

B2.6 To prepare and submit reports on the Council's balances on a regular basis.

**Directors and Service Managers**

B2.7 To maintain budgetary control within their service areas, in adherence to the principles in B3.1, and to ensure that all income and expenditure are properly recorded and accounted for.

B2.8 To ensure that an accountable budget holder is identified for each item of income and expenditure under their control. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

B2.9 To ensure that spending remains within the service's overall cash limit by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.

B2.10 To ensure prior approval by full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:

- (a) create financial commitments in future years
- (b) change existing policies, initiate new policies or cease existing policies
- (c) materially extend or reduce the Council's services.

B2.11 To ensure compliance with the scheme of virement.

B2.12 To agree with the relevant Director or Service Manager where it appears that a budget proposal, including a virement proposal may impact materially on another service area or Director's or Service Manager's level of service activity.

## **Rule B3: Budgets and Medium-Term Planning**

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The budget is the financial expression of the Council's plans and policies.

Any report on new proposals should explain the full financial implications, following consultation with the CFO. Unless full Council or Cabinet has agreed otherwise, Directors and Service Managers must plan to contain the financial implications of such proposals within their cash limit.

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of full Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a council to budget for a deficit.

Medium-term planning (or a three-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 Council is always preparing for events in advance.

The key controls for budgets and medium-term planning are:

- 1) Specific budget approval for all expenditure
- 2) Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Cabinet for their budgets and the level of service to be delivered; and
- 3) A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and ensure that corrective action is taken.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

B3.1 To prepare and submit reports on budget prospects to the Cabinet, including resource constraints set by Government. Reports should take account of medium-term prospects, where appropriate.

B3.2 To determine the detailed form of revenue budget and the methods for their preparation, consistent with the budget approved by the Council, and after consultation with the Cabinet and Directors and Service Managers

B3.3 To prepare and submit reports to the Cabinet on the aggregate spending plans of services and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.

B3.4 To advise on the medium-term implications of spending decisions.

B3.5 To promote the best use of resources and value for money by working with Directors and Service Managers 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.

B3.6 To advise full Council on Cabinet proposals in accordance with responsibilities under Section 151 of the Local Government Act 1972.

B3.7 To provide positive assurance statements on the robustness of estimates and the adequacy of proposed financial reserves within budget calculations, in accordance with Section 25 of the Local Government Act 2003.

**Directors and Service Managers**

B3.8 To prepare income and expenditure estimates – in consultation with the CFO – to be submitted to Cabinet.

B3.9 To prepare budgets which are consistent with any relevant cash limits, within the Council's annual budget cycle and guidelines issued by the Cabinet. The format should be prescribed by the CFO in accordance with full Council's general directions.

B3.10 To integrate financial and budget plans into service planning so budget plans can be supported by financial and non-financial performance measures.

B3.11 In consultation with the CFO and in accordance with laid-down guidance and the timetable, to prepare detailed draft revenue and capital budgets for consideration by the Cabinet.

B3.12 When drawing up draft budget requirements, have regard to:

- (a) Spending patterns and pressures revealed through the budget monitoring process
- (b) Legal requirements
- (c) Policy requirements as defined by full Council in the approved policy framework; and
- (d) Initiatives already under way.

## **Rule B4: Resource Allocation**

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

The key controls for resource allocation are:

- 1) Resources are acquired in accordance with the law, using an approved authorisation process
- 2) Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for
- 3) Resources are securely held for use when required; and
- 4) Resources are used with the minimum level of waste, inefficiency or loss for other reasons.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

B4.1 To advise on methods available for funding, such as Government grants and borrowing.

B4.2 To assist in the allocation of resources to Directors and Service Managers.

#### **Directors and Service Managers**

B4.3 To work within budget limits and use allocated resources and further allocate resources, in the most efficient, effective and economic way.

B4.4 To identify opportunities to minimize, reduce or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

## **Rule B5: Capital Programme**

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council (e.g. land, buildings, plant, equipment, 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 and revenue running costs.

The Local Government Act 2003 made it mandatory to adopt the Chartered Institute of Public Finance's (CIPFA's) Prudential Code for Capital Finance in Local Authorities. The key objectives of the Code are to ensure that financial plans are "affordable, prudent and sustainable". This means that capital expenditure should form part of an investment strategy, to deliver the Council's strategic priorities, and maximize the benefit of limited resources.

The key controls for the Capital Programme are:

- 1) Specific approval by full Council for the programme of capital expenditure
- 2) Proposed expenditure on capital schemes is subject to robust challenge and scrutiny and the approval of the CFO
- 3) A scheme and budget estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project
- 4) Proposals for improvements and alterations to buildings must be approved by the Corporate Property Officer and CFO
- 5) The development and implementation of asset management plans
- 6) Accountability for each proposal is accepted by a named officer
- 7) Monitoring of progress in conjunction with expenditure and comparison with approved budget.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

B5.1 To implement a suitable mechanism to ensure compliance with CIPFA's Prudential Code, reviewing proposals and monitoring capital schemes, reporting in such areas as affordability (e.g. whole-life costing), prudence and sustainability (e.g. implications for external borrowing), value for money (e.g. options appraisal), stewardship of assets (e.g. asset management planning), service objectives and practicality/achievability.

B5.2 To prepare jointly, capital budgets with Directors and Service Managers, and report them to Cabinet, for approval. The Cabinet will make recommendations on the capital budgets and on any associated financing requirements to full Council.

- B5.3 To prepare and submit reports to Cabinet on the projected income, expenditure and resources compared with the approved budgets.
- B5.4 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the CFO, having regard to Government regulations and accounting requirements.
- B5.5 To obtain authorisation from Cabinet for individual schemes where the estimated expenditure exceeds the capital budget provision by more than 10% or £10,000, whichever is the lower.
- B5.6 To ensure that the prudential indicators for the forthcoming and following years are set prior to the start of the forthcoming financial year.

**Directors and Service Managers**

- B5.7 To comply with guidance concerning capital schemes and controls issued by the CFO.
- B5.8 To ensure that all capital proposals to robust challenge and scrutiny such as a project appraisal in accordance with guidance issued by the CFO.
- B5.9 To prepare regular reports reviewing the capital budgets 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 CFO.
- B5.10 To ensure that adequate records are maintained for all capital contracts.
- B5.11 To proceed with projects only when there is adequate provision in the Capital Programme and with the agreement of the CFO, where required.
- B5.12 To prepare and submit reports, jointly with the CFO, to Cabinet, of any variation in contract costs greater than the approved limits. The Cabinet may meet cost increases of up to 10% by virement from savings elsewhere within the Capital Programme.
- B5.13 To prepare and submit reports, jointly with the CFO, to Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more 10% or £10,000, whichever is the lower.
- B5.14 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the CFO and, if applicable, approval of the scheme through the Capital Programme.

## **Rule B6: Maintenance of Reserves**

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

The key controls for the maintenance of reserves are:

- 1) To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the UK (CIPFA/LASAAC) and agreed accounting policies
- 2) For each reserve established, the purpose, usage and basis of transactions should be clearly identified; and
- 3) Authorisation and expenditure from reserves in consultation with the CFO.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

- B6.1 To advise Cabinet and full Council on prudent levels of reserves for the authority, and to take account of the advice of the external auditor in this matter.
- B6.2 To report to Cabinet and full Council on an annual basis with an assessment as to the adequacy of the financial reserves and balances.

#### **Directors and Service Managers**

- B6.3 To ensure that reserves are used only for the purposes for which they were intended.

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

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

### **Risk Management**

The Audit & Accounts Committee is responsible for approving the Council's Risk Management Policy Statement and Strategy and for reviewing the effectiveness of risk management. The CFO is responsible for ensuring that proper insurance exists where appropriate.

The CFO is responsible for preparing the Council's Risk Management Policy Statement and Strategy, for promoting it throughout the Council and for arranging proper insurance cover where appropriate.

### **Internal Control**

Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

The CFO is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

It is the responsibility of Directors and Service Managers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

### **Audit Requirements**

The Accounts and Audit (England) Regulations 2011 requires every local authority to "undertake an adequate and effective internal audit".

The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by Section 15 of the Local Government Finance Act 1982, as amended by Section 5 of the Audit Commission Act 1998 (Note – as at August 2012, the Government is pressing ahead with the formal abolition of the Audit Commission. The necessary legislative changes will see local authorities given the right to appoint their own auditors upon the expiry of the 5-year contracts commencing 1st September 2012, awarded as part of the outsourcing of the Audit Commission's former centralized audit practice).

The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as Her Majesty's Revenue and Customs (HMRC), who have statutory rights of access.

### **Preventing Fraud and Corruption**

The CFO is responsible for the development and maintenance of an Anti-Fraud and Corruption Policy.

### **Assets**

Directors and Service Managers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

### **Treasury Management**

The Council has adopted CIPFA's Code of Practice on Treasury Management (revised in 2009).

All money in the hands of the Council is controlled by the officer designated for the purposes of Section 151 of the Local Government Act 1972, referred to in the Code as the CFO.

The CFO is responsible for reporting to the Audit & Accounts Committee (who are responsible for recommending to the Council for approval) a proposed Treasury Management Strategy Statement for the coming financial year at or before the start of each financial year. The CFO has delegated responsibility for implementing and monitoring the Statement.

All decisions on borrowing, investment or financing shall be delegated to the CFO, who is required to act in accordance with CIPFA's Code.

The CFO is responsible for reporting to the Audit & Accounts Committee at least twice annually on the activities of the Treasury Management operation and on the exercise of their delegated Treasury Management powers. One such report will comprise an Annual Report for presentation by 30th September of the succeeding financial year.

### **Staffing**

Full Council is responsible for determining how officer support for Cabinet and non-executive roles within the authority will be organised.

The Head of Paid Service (HoPS) is responsible for providing overall management to staff. The HoPS is also responsible for ensuring that there is proper use of evaluation or other agreed systems for determining the remuneration of a job.

Directors are responsible for controlling total staff numbers by:

- Advising the Cabinet on the budget necessary in any given year to cover estimated staffing levels
- Adjusting staffing to a level that can be funded within approved budget provision
- Varying the provision as necessary within that constraint in order to meet changing operational needs; and
- The proper use of appointment procedures.

## Procedure Rules

### Rule C1: Risk Management

All organizations (public or private), 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 organization and to ensure the continued financial and organizational well-being of an organization. In essence it is therefore an integral part of good business practice. Risk Management is concerned with evaluating the measures an organization already has in place to manage identified risks and then recommending the action the organisation needs to take control of these risks effectively.

It is the overall responsibility of the Audit & Accounts Committee to approve the Council's Risk Management Strategy, and to promote a culture of Risk Management awareness throughout the Council.

The key controls for Risk Management are:

- 1) Procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively
- 2) 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
- 3) Managers know that they are responsible for managing relevant risks and are provided with relevant information on Risk Management initiatives
- 4) Provision is made for losses that might result from the risks that remain
- 5) Procedures are in place to investigate insurance claims within required timescales
- 6) Acceptable levels of risk are determined and insured against where appropriate; and
- 7) The Council has identified business continuity plans to implement in the event of disaster that results in significant loss or damage to resources.

#### **\*RESPONSIBILITIES\***

##### **Chief Finance Officer**

C1.1 To prepare and promote the Council's risk management policy.

C1.2 To report the Council's risk position to the Audit & Accounts Committee on a regular (at least twice annually) basis.

- C1.3 To develop risk management controls in conjunction with other Directors and Service Managers.
- C1.4 To include all appropriate Council employees in suitable Fidelity Guarantee Insurance.
- C1.5 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.
- C1.6 To maintain a register of all insurances arranged by the Council and the property and risk covered by them.

**Directors and Service Managers**

- C1.7 To notify the CFO immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the CFO or the Council's insurers.
- C1.8 To take responsibility for risk management, having regard to advice from the CFO and other specialist officers (e.g. Health and Safety).
- C1.9 To ensure that there are regular reviews of risk both corporately and within their service area and to maintain up-to-date Strategic and Operational Risk Registers
- C1.10 To notify the CFO promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- C1.11 To consult, and gain the approval of the CFO and Monitoring Officer on the terms of any indemnity that the Council is requested to give.
- C1.12 To ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- C1.13 To ensure that contractors employed by the Council have adequate levels of public liability insurance.
- C1.14 To ensure that adequate insurance has been obtained by licensees for special events (e.g. fairs, fetes, etc.), taking into account the relative risk of each event.

## **Rule C2: Internal Controls**

The Council is complex and beyond the direct control of individuals, so it requires internal controls to manage and monitor progress towards strategic objectives.

The Council has statutory obligations and therefore requires internal controls to identify, meet and monitor compliance.

The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

The system of internal controls is established to provide the measurable achievement of:

- 1) Efficient and effective operations
- 2) Reliable financial information and reporting
- 3) Compliance with laws and regulations; and
- 4) Risk management.

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

- 1) Key controls should be reviewed on a regular basis and the Council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- 2) 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.
- 3) Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorization and approval procedures and information systems.
- 4) An effective internal audit function that is properly resourced. It should operate in full compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 and any other appropriate statutory obligations and regulations.

**\*RESPONSIBILITIES\***

**Chief Finance Officer**

C2.1 To assist the Council in putting 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.

**Directors and Service Managers**

C2.2 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.

C2.3 To review existing controls in the light of changes and to establish and implement new ones in line with guidance from the CFO. Directors and Service Managers should also be responsible for removing controls that are unnecessary or not cost or risk effective (e.g. due to duplication).

C2.4 To ensure staff have a clear understanding of the consequences of a lack of control.

## **Rule C3: Internal Audit Requirements**

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires authorities to “make arrangements for the proper administration of their financial affairs”. More specifically, the Accounts and Audit (England) Regulations 2011 requires an authority to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.”

Accordingly, Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The key controls for Internal Audit are:

- 1) That it is independent in its planning and operation
- 2) The Internal Audit Manager has direct access to the HoPS, all levels of management and directly to elected councillors
- 3) That Internal Audit complies with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

C3.1 To ensure that internal auditors have the authority to:

- (a) access all Council premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems
- (c) receive any information and explanation considered necessary concerning any matter under consideration
- (d) require any employee of the Council to account for cash, stores or any other Council asset under his or her control
- (e) access records belonging to third parties, such as contractors, when required; and
- (f) directly access the Chief Executive, Cabinet, Standards and Audit & Accounts Committees.

C3.2 To ensure that arrangements are in place for strategic and annual audit plans to be approved by the Audit and Accounts Committee, which take account of the characteristics and relative risks of the activities involved.

C3.3 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

**Directors and Service Managers**

C3.4 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.

C3.5 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.

C3.6 To consider and respond promptly to recommendations in audit reports.

C3.7 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

C3.8 To notify the CFO immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Director and Service Manager should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

C3.9 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.

## **Rule C4: External Audit**

The Local Government Finance Act 1982 created the Audit Commission, which is responsible for appointing external auditors to local authorities in England. The external auditor has rights of access to all documents and information necessary for audit purposes.

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 requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The most recent Code of Audit Practice was issued in March 2010 and sets out the auditor's objectives to review and report upon:

- 1) The audited body's financial statements; and
- 2) Arrangements for securing, economy, efficiency and effectiveness in its use of resources.

The Council's accounts are scrutinized by external auditors, who must be satisfied that the Statement of Accounts give a 'true and fair view' of the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

The key controls for external audit are:

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

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

C4.1 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.

C4.2 To ensure there is effective liaison between external and internal audit.

C4.3 To work with the external auditor and advise Council, Audit & Accounts Committee, Cabinet and Directors on their responsibilities in relation to external audit.

**Directors and Service Managers**

C4.4 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.

C4.5 To ensure that all records and systems are up to date and available for inspection.

## **Rule C5: Preventing Fraud and Corruption**

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

The Council's expectation of propriety and accountability is that councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

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

The key controls regarding the prevention of financial irregularities are that:

- 1) The Council has an effective Anti-Fraud and Corruption Policy and maintains a culture that will not tolerate fraud or corruption
- 2) All councillors and staff act with integrity and lead by example
- 3) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt
- 4) High standards of conduct are promoted amongst councillors by the Standards Committee
- 5) The maintenance of registers of interests and gifts & hospitality
- 6) Whistle blowing procedures are in place and operate effectively
- 7) Legislation including the Public Interest Disclosure Act 1998 is followed.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

C5.1 To develop and maintain an anti-fraud and anti-corruption policy.

C5.2 To maintain adequate and effective internal control arrangements.

C5.3 To ensure that all suspected irregularities are reported to the Internal Audit Manager, the Chief Executive, the Audit & Accounts Committee Chair and the appropriate Cabinet councillor.

#### **Directors and Service Managers**

C5.4 To ensure that all suspected irregularities are reported to the Internal Audit Manager.

C5.5 To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

C5.6 To ensure that where financial impropriety is discovered, the CFO is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.

C5.7 To maintain a departmental register of interests where appropriate (e.g. in areas vulnerable to conflicts of personal interest such as Planning).

## **Rule C6: Security of Assets**

The Council 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.

The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

- 1) Resources are used only for the purposes of the Council and are properly accounted for
- 2) Resources are available for use when required
- 3) Resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits
- 4) An Asset Register is maintained for the Council, assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the locations and condition of the asset
- 5) Staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act and software copyright legislation; and
- 6) Staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the authority's computer security and internet policies.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

C6.1 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.

C6.2 To receive the information required for accounting, costing and financial records from each Director and Service Manager.

C6.3 To ensure that assets are valued in accordance with the "*Code of Practice on Local Authority Accounting in the United Kingdom*" (CIPFA/LASAAC).

#### **Directors and Service Managers**

C6.4 An appropriate Service Manager shall maintain a property database in a form approved by the CFO for all properties, plant and machinery and moveable assets currently owned or used by the Council.

- C6.5 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 Director in consultation with the CFO, has been established as appropriate.
- C6.6 To ensure the proper security of all buildings and other assets under their control.
- C6.7 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Director and the CFO.
- C6.8 To pass title deeds to the Monitoring Officer who is responsible for custody of all title deeds.
- C6.9 To ensure that no Council asset is subject to personal use by an employee without proper authority.
- C6.10 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- C6.11 To ensure that the department maintains a register of moveable assets in accordance with arrangements defined by the CFO.
- C6.12 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- C6.13 To consult the CFO in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- C6.14 To ensure cash holdings on premises are kept to a minimum.
- C6.15 To ensure that keys to safes and similar receptacles are carried on the person of those responsible (or stored safely and securely) at all times; loss of any such keys must be reported to the CFO as soon as possible.
- C6.16 To ensure that the disposal or part exchange of assets above a set threshold are subject to competitive tender or public auction, unless, following consultation with the CFO, the Cabinet agrees otherwise.
- C6.17 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the CFO.
- C6.18 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

- C6.19 To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £100 in value. Where appropriate, the inventory should include items where the cumulative purchase value exceeds £100 and those items of a portable and desirable nature below this limit.
- C6.20 To carry out an annual 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. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- C6.21 To make sure that property is only used in the course of Council business, unless the Director concerned has given permission otherwise.
- C6.22 To make arrangements for the care and custody of stocks and stores in the department.
- C6.23 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- C6.24 To investigate and remove from the Council's records i.e. write off (stock) discrepancies as necessary, obtaining Cabinet approval where they are in excess of £5,000.
- C6.25 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 CFO, the Cabinet decides otherwise in a particular case.
- C6.26 To seek Cabinet approval to the write-off of redundant stocks and equipment in excess of £5,000.

## **Rule C7: Intellectual Property**

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.

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.

The key control for intellectual property rights is in the event that the authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the advice and guidance of the CFO.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

C7.1 To consider and approve proposals for the commercial exploitation of inventions in accordance with intellectual property good practices.

#### **Directors and Service Managers**

C7.2 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.

C7.3 To ensure that the advice and approval of the CFO is obtained before commercially exploiting any inventions.

## **Rule C8: Asset Disposal**

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

The key controls for the disposal of assets are:

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

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

C8.1 To issue guidelines representing best practice for disposal of assets.

C8.2 To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.

#### **Directors and Service Managers**

C8.3 To follow best practice guidelines on the disposal of assets issued by the CFO

C8.4 To seek advice on the value of surplus or obsolete materials, stores or equipment and to follow best practice guidelines for disposal of such assets.

C8.5 To ensure that income received for the disposal of an asset is properly banked and coded.

## **Rule C9: Treasury Management**

Many millions of pounds pass through councils' books each year. This has led to the establishment of codes of practice. They aim to provide assurance that council money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the capital sum.

The key controls for Treasury Management are that Council borrowings and investments comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management (revised 2009) and the Council's annual Treasury Management Strategy Statement.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

- C9.1 To arrange Council borrowing and investments in such a manner as to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management and the Council's Treasury Management Strategy Statement.
- C9.2 To report at least twice annually, on Treasury Management activity to the Audit & Accounts Committee.
- C9.3 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the CFO.
- C9.4 To ensure that all investments are made in the name of the Council or in the name of nominees approved by the full Council.
- C9.5 To effect all borrowings in the name of the Council.
- C9.6 To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing by the Council.
- C9.7 To provide employees of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- C9.8 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- C9.9 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

**Directors and Service Managers**

C9.10 To follow the instructions on banking issued by the CFO.

C9.11 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 CFO.

C9.12 To arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities etc. relating to the trust with the CFO, unless the deed otherwise provides.

C9.13 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the CFO, and to maintain written records of all transactions.

C9.14 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

C9.15 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 CFO 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 CFO with a certificate of the value of the account held at 31st March each year.
- (g) Ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (h) On leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the CFO for the amount advanced to him or her.

## **Rule C10: Staffing**

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

The key controls for staffing are:

- 1) An appropriate staffing strategy and policy exists (i.e. a "Workforce Plan"), in which staffing requirements and budget allocation are matched
- 2) Procedures are in place for forecasting staffing requirements and cost
- 3) Controls are implemented that ensure that staff time is used efficiently and to the benefit of the Council
- 4) Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

C10.1 To ensure that budget provision exists for all existing and new employees.

C10.2 To act as an adviser to Directors and Service Managers on areas such as National Insurance and pension contributions, as appropriate.

#### **Directors**

C10.3 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

#### **Directors and Service Managers**

C10.4 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

C10.5 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.

C10.6 To ensure that the Human Resources Manager and CFO are immediately informed if the staffing budget is likely to be materially over or under spent.

## **Financial Regulation D: Systems and Procedures**

Sound financial systems and procedures are essential for an effective framework of accountability and control.

### **General**

The CFO is responsible for the operation of the Council's accounting systems, the form of accounts and supporting financial records. Any changes made by Directors and Service Managers to existing financial systems or the establishment of new systems must be approved by the CFO. But Directors and Service Managers are responsible for the proper operation of financial processes in their own departments.

Any changes to agreed procedures by Directors and Service Managers to meet their own specific service needs should be agreed with the CFO.

The CFO is also responsible for the corporate development and leadership of financial training for staff and all Directors and Service Managers should ensure staff receive such training.

Directors and Service Managers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Directors and Service Managers need to ensure staff are aware of their responsibilities under freedom of information legislation.

### **Income and Expenditure**

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

### **Payments to Employees and Members**

The CFO is responsible for payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to councillors.

### **Taxation**

The CFO is responsible for advising Directors and Service Managers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.

The CFO is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date.

### **Trading accounts/business units**

It is the responsibility of the CFO to advise on the establishment and operation of trading accounts and business units.

## Procedure Rules

### Rule D1: General Systems and Procedures

Departments have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Departments are increasingly reliant on ICT based solutions for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

The CFO has a professional responsibility to ensure that the Council's financial systems are sound and should be notified of any new developments or changes.

The key controls for systems and procedures are:

- 1) Basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated
- 2) Performance is communicated to the appropriate managers on an accurate, complete and timely basis
- 3) Early warning is provided of deviations from target, plans and budgets that require management attention; and
- 4) Operating systems and procedures are secure.

#### **\*RESPONSIBILITIES\***

##### **Chief Finance Officer**

D1.1 To make arrangements for the proper administration of the Council's financial affairs, including:

- (a) issuing advice, guidance and procedures for officers and others acting on the Council's behalf
- (b) determining the accounting systems, form of accounts and supporting financial records
- (c) establishing arrangements for the audit of the Council's financial affairs
- (d) approving any new financial systems to be introduced
- (e) approving any changes to be made to existing financial systems.

##### **Directors and Service Managers**

D1.2 To ensure that accounting records are properly maintained and held securely.

- D1.3 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the CFO.
- D1.4 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.
- D1.5 To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed
  - (b) all processing is carried out in an accurate, complete and timely manner
  - (c) output from the system is complete, accurate and timely.
- D1.6 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.
- D1.7 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- D1.8 To ensure that systems are documented and staff trained in operations.
- D1.9 To consult with the CFO before changing any existing system or introducing new systems.
- D1.10 To establish a Scheme of Delegation identifying officers authorised to act upon the Directors and Service Managers behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- D1.11 To supply lists of authorised officers, with specimen signatures and delegated limits, to the CFO, together with any subsequent variations.
- D1.12 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- D1.13 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.
- D1.14 To ensure that relevant standards and guidelines for computer systems issued by the ICT Manager are observed.
- D1.15 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.

D1.16 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:

- (a) only software legally acquired and installed by the Council is used on its computers
- (b) staff are aware of legislative provisions
- (c) in developing systems, due regard is given to the issue of intellectual property rights.

## Rule D2: Income

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

The key controls for income are:

- 1) All income due to the Council is identified and charged correctly, in accordance with an approved Charging Policy, which is regularly reviewed
- 2) All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationary
- 3) All money received by an employee on behalf of the Council is paid without delay to the CFO or, as they direct, to the Council's bank and properly recorded. The responsibility for cash collection should be separated from that for:
  - a. Identifying the amount due; and
  - b. Reconciling the amount due to the amount received.
- 4) Effective action is taken to pursue non-payment within defined timescales
- 5) Formal approval for debt write-off is obtained
- 6) Appropriate write-off action is taken within defined timescales
- 7) Appropriate accounting adjustments are made following write-off action
- 8) All appropriate income documents are retained and stored for the defined period in accordance with the Document Retention Schedule; and
- 9) Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

- D2.1 To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- D2.2 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- D2.3 To order and supply to departments all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.

- D2.4 To approve all debts to be written off in consultation with the relevant Director or Service Manager and to keep a record of all sums written off (subject to authorised limits set out in Appendix A).
- D2.5 To agree the write-off of bad debt up to an approved limit in each case and to refer larger sums to the Executive Director for Corporate Services and/or Cabinet for approval in accordance with defined limits (refer to Appendix A).
- D2.6 To ensure that appropriate accounting adjustments are made following write-off action.
- D2.7 To ensure that all claims for reimbursement, contributions, grants, etc. are made promptly and by the due dates, and that all monies due to the Council are received.
- D2.8 To approve the provision of credit/debit card and electronic payment methods, including detailed guidance to officers on usage.
- D2.9 To investigate all reports of suspicious payments received by the Council, in accordance with the provisions of the Anti Money Laundering Policy.

**Directors and Service Managers**

- D2.10 To establish, in conjunction with the CFO, 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.
- D2.11 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- D2.12 To issue official receipts or to maintain other documentation for income collection.
- D2.13 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- D2.14 To hold securely receipts, tickets and other records of income for the appropriate period.
- D2.15 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- D2.16 To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- D2.17 To ensure that every employee that receives money on behalf of the Council keeps records in a format approved by the CFO, including an accurate and chronological record of all receipts and bankings.

- D2.18 To ensure income is not used to cash personal cheques or other payments.
- D2.19 To supply the CFO with details relating to work done, goods supplied, services rendered or other amounts due, to enable the CFO to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, Directors and Service Managers should use established performance management systems to monitor recovery of income and flag up areas of concern to the CFO. Directors and Service Managers have a responsibility to assist the CFO in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- D2.20 To promote the use of pre-payment methods in relation to the supply of goods/services, with debtor accounts being restricted to occasions where such methods are not appropriate.
- D2.21 To keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- D2.22 To recommend and gain the approval of the CFO for all debts to be written off. 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.
- D2.23 To notify the CFO of outstanding income relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the CFO and not later than 30th April.
- D2.24 To ensure that any suspicious payments are report to the Money Laundering Reporting Officer in accordance with the provisions of the 'Anti Money Laundering Policy'.

## **Rule D3: Ordering and Paying for Work, Goods and Services**

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

Every officer and councillor has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.

Official orders must be in a form approved by the Chief Finance Officer. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer (e.g. purchasing cards).

Each order must conform to the guidelines approved by 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 Chief Finance Officer.

Apart from petty cash and other payments from advance accounts, the normal method of payment from the Council shall be by cheque or other instrument or approved method, drawn on the Council's bank account by the Chief Finance Officer.

Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

The key controls for ordering and paying for work, goods and services are:

- 1) All goods and services are ordered only by appropriate persons and are correctly recorded
- 2) All goods and services shall be ordered in accordance with the Council's Procurement Procedure Rules unless they are purchased from sources within the Council
- 3) Goods and services received are checked to ensure they are in accordance with the order.
- 4) Payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards
- 5) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method

- 6) All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the Document Retention Schedule
- 7) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
- 8) In addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

- D3.1 To ensure that all the Council's financial systems and procedures for the ordering and paying for work, goods and services are sound and properly administered.
- D3.2 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- D3.3 To approve the form of official orders and associated terms and conditions.
- D3.4 To make payments from the Council's funds on the Director or Service Managers authorisation that the expenditure has been duly incurred in accordance with Financial Procedure Rules.
- D3.5 To make payments, whether or not provision exists within the budget, where the payment is specifically required by statute or is made under a court order.
- D3.6 To make payments to contractors on the certificate of the appropriate Director or Service Manager, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- D3.7 To ensure that tax is deducted at the relevant rate from any payments made to sub-contractors, unless the sub-contractor is in possession of a valid current Exemption Certificate. All accounts submitted for payment without deduction must be certified to show that the exemption certificate has been examined.
- D3.8 To provide advice, and actively promote, the making of payments by the most economical method.
- D3.9 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.
- D3.10 To approve the provision of electronic ordering and payment methods, ensuring that these methods incorporate appropriate controls.

D3.11 To maintain and reviews periodically a list of staff approved to authorise invoices (within prescribed limits).

**Directors and Service Managers**

D3.12 To ensure that unique pre-numbered official orders are used for all goods and services, other than specified exceptions for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the CFO.

D3.13 To ensure that orders are only used for goods and services provided to the service. Individuals must not use official orders to obtain goods or services for their private use.

D3.14 To ensure that where, in an emergency, works, supplies or services have to be ordered orally, an official order shall be raised and marked as confirmatory within three working days.

D3.15 To ensure that the purchase of any IT equipment is procured by the ICT Manager.

D3.16 To ensure that prescribed limits are complied with in approving orders (refer to Appendix A) and they are satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary.

D3.17 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.

D3.18 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
- (d) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices (outside pre-set tolerances)
- (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.

- D3.19 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.
- D3.20 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the Internal Audit Manager.
- D3.21 To ensure that appropriate controls are applied to electronic ordering and payment methods.
- D3.22 To ensure that where an invoice is incorrect, the supplier provides either a written record of the agreed amendment, a replacement invoice or a credit note prior to payment. An employee shall not add any additional item or items to an invoice. All invoices requiring VAT adjustments must be returned to the supplier for amendment or a credit note.
- D3.23 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 CFO.
- D3.24 To ensure that invoices are not made out by employees of the Council, except where the payment to be made is in respect of a recurring payment, or another payment for which no invoice will be issued by the supplier. In all such cases the invoice shall be in a form approved by the CFO and appropriate supporting documentation attached.
- D3.25 To ensure that the service obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the limits identified in the Procurement Procedure Rules.

D3.26 To use purchasing procedures established by the CFO in putting purchases, where appropriate, out to competitive quotation or tender. These must comply with the Procurement Procedure Rules and cover:

- (a) Authorised officers and the extent of their authority.
- (b) Advertisement for tenders.
- (c) Procedure for creating, maintaining and revising a standard list of contractors.
- (d) Selection of tenderers.
- (e) Compliance with UK and EC legislation and regulations.
- (f) Procedures for the submission, receipt, opening and recording of tenders.
- (g) The circumstances where financial or technical evaluation is necessary.
- (h) Procedures for negotiation.
- (i) Acceptance of tenders.
- (j) The form of contract documentation.
- (k) Cancellation clauses in the event of corruption or bribery.
- (l) Contract records.

D3.27 To ensure that where orders of a repetitive nature occur and it is likely that the total value will exceed the tendering limit in any 12 month period, Procurement Procedure Rules are applied.

D3.28 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the CFO.

D3.29 To notify the CFO of outstanding expenditure relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the CFO.

D3.30 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the CFO the systems and procedures to be adopted in relation to financial aspects, including:

- (a) Certification of interim and final payments.
- (b) Checking, recording and authorising payments.
- (c) The system for monitoring and controlling capital schemes.
- (d) The procedures for validation of subcontractors' tax status.

D3.31 To notify the CFO immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

D3.32 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Document Retention Schedule.

## **Rule D4: Payments to Employees and Members**

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

The key controls for payments to employees and Members are:

- 1) proper authorization procedures are in place and that there is adherence to corporate timetables in relation to:
  - a) Starters
  - b) Leavers
  - c) Variations
  - d) Enhancementsand that payments are made on the basis of timesheets or claims
- 2) Frequent reconciliation of payroll expenditure against approved budget and bank account
- 3) All appropriate payroll documents are retained and stored for the defined period in accordance with the Document Retention Schedule
- 4) That HMRC regulations are complied with.

### **\*RESPONSIBILITIES\***

#### **Head of Paid Service**

D4.1 To ensure that all payments for employment are made through the PAYE system (rather than personal service companies)

#### **Chief Finance Officer**

D4.2 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures that they have prescribed, on the due date.

D4.3 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.

D4.4 To make arrangements for payment of all travel and subsistence claims.

D4.5 To make arrangements for paying councillors travel or other allowances upon receiving the prescribed form, duly completed and authorised.

- D4.6 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- D4.7 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.
- D4.8 To ensure that all payments for employment within his or her service remit are made through the PAYE system (rather than personal service companies)

**Directors and Service Managers**

- D4.9 To ensure that all payments for employment within their service remit are made through the PAYE system (rather than personal service companies)
- D4.10 To ensure that all time recording records for payroll purposes are in a form approved by the CFO and are appropriately certified following adequate checks.
- D4.11 To ensure approval is gained from the appropriate Director or Service Manager prior to certifying payment of overtime to employees on Spinal Column Point 29 and above.
- D4.12 To ensure that all employees' claims are submitted promptly and those submitted more than three months after the expenses were incurred are approved by the CFO.
- D4.13 To ensure appointments are made in accordance with Council regulations and approved establishments, grades and scale of pay and that adequate budget provision is available.
- D4.14 To notify the CFO 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 CFO.
- D4.15 To ensure that adequate and effective systems and procedures are operated, so that:
- (a) Payments are only authorised to bona fide employees.
  - (b) Payments are only made where there is valid entitlement.
  - (c) Conditions and contracts of employment are correctly applied.
  - (d) Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- D4.16 To ensure that payroll transactions are processed only through the payroll system. Directors and Service Managers should give careful consideration to the employment status of individuals employed on a self-employed consultant or sub-contract basis.

D4.17 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the CFO is informed where appropriate.

D4.18 To ensure that the CFO is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

D4.19 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Document Retention Schedule.

### **Councillors**

D4.20 To submit claims for travel and subsistence allowances on a monthly basis and, in any event, within one month of the year end.

## **Rule D5: Taxation**

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

The key controls for taxation are:

- 1) Budget holders are provided with relevant information and kept up to date on tax issues where appropriate
- 2) Appropriate records are maintained
- 3) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- 4) Records are maintained in accordance with instructions
- 5) Returns are made to the appropriate authorities within the stipulated timescale.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

- D5.1 To complete all HMRC returns regarding PAYE.
- D5.2 To complete a monthly return of VAT inputs and outputs to HMRC.
- D5.3 To provide details to the HMRC regarding the Construction Industry Tax deduction scheme.
- D5.4 To maintain up-to-date guidance for Council employees on taxation issues.

#### **Directors and Service Managers**

- D5.5 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- D5.6 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax deduction requirements.
- D5.7 To ensure that all persons employed by the Council are added to the payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- D5.8 To follow guidance on taxation issued by the CFO.

## **Rule D6: Trading Accounts and Business Units**

Despite the demise of Compulsory Competitive Tendering (CCT), trading accounts and business units are still relevant as local authorities have continued to develop a more commercial culture.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

D6.1 To advise on establishing and operating trading accounts and business units where appropriate.

#### **Directors and Service Managers**

D6.2 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.

D6.3 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

## **Rule D7: Banking Arrangements**

The Council is responsible for handling large sums of money. It is therefore appropriate that banking arrangements are in place to ensure the safety and security of Council funds.

The key controls over banking are:

- 1) Appropriate banking arrangements are made
- 2) Adequate control is exercised over the movement of any funds from the Council's bank accounts by either manual or electronic means.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

- D7.1 To make appropriate banking arrangements, with a suitable financial institution(s).
- D7.2 To ensure that there are appropriate arrangements with regard to receipts and payments from the Council's bank accounts.
- D7.3 To ensure that all cheques drawn on behalf of the Council bear the lithographic signature of the CFO, or be signed personally by him or his designated authorised employee. Cheques in excess of a pre-determined limit must be signed personally by him or another employee designated by him and countersigned by the Chief Executive or the Monitoring Officer.
- D7.4 To ensure that any individual electronic payments in excess of a pre-determined limit are authorised by the CFO or his designated authorised employee. Electronic payments in excess of a higher pre-determined limit must be authorised personally by him or another employee designated by him and be countersigned by the Chief Executive or the Monitoring Officer.
- D7.5 To make arrangements for the ordering, safe custody, control, issue, preparation, signing and dispatch of cheques.
- D7.6 To make arrangements for the safe custody, control, preparation and processing of BACS transmissions.
- D7.7 To make arrangements concerning the amendment, stopping, opening and cancellation of cheques.

## Financial Regulation E: External Arrangements

The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.

### **Partnerships**

The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

The Cabinet can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the authority's constitution. Where functions are delegated, the Cabinet remains accountable for them to the full Council.

The Head of Paid Service represents the authority on partnership and external bodies, in accordance with the Scheme of Delegation.

The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority.

The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

Directors and Service Managers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### **External Funding**

The CFO is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

### **Working for Third Parties**

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

## Procedure Rules

### Rule E1: Partnerships

Local authorities are increasingly working in partnership with others – public agencies, private companies, community groups and voluntary organizations. 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.

Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organizations. Local authorities will be measured by what they can achieve in partnership with others.

The key controls for Council partners are:

- 1) To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- 2) To ensure that risk management processes are in place to identify and assess all known risks
- 3) To ensure that project appraisal processes are in place to assess the vitality of the project in terms of resources, staffing and expertise
- 4) If appropriate, to be aware of their responsibilities under the Council's Financial Regulations/Procedure Rules and Procurement Procedure Rules.
- 5) To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

#### **\*RESPONSIBILITIES\***

##### **Chief Finance Officer**

E1.1 To advise on effective controls that will ensure that resources are not wasted.

E1.2 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.

- E1.3 To ensure that the accounting arrangements are satisfactory.
- E1.4 To ensure that the Medium-Term Financial Plan describes, in financial terms, joint plans agreed with partners and other stakeholders.
- E1.5 To ensure that the financial performance of significant partners is regularly reviewed and linked to outputs.

**Directors and Service Managers**

- E1.6 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the CFO.
- E1.7 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the CFO and legal advice has been sought from the Monitoring Officer.
- E1.8 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- E1.9 To ensure that all agreements and arrangements are properly documented and regularly monitored.
- E1.10 To provide appropriate information to the CFO to enable a note to be entered into the Council's Statement of Accounts concerning material items.

## **Rule E2: External Funding**

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

The key controls for external funding are:

- 1) 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
- 2) To ensure that funds are acquired only to meet the priorities approved in the policy framework by full Council
- 3) 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\***

#### **Chief Finance Officer**

E2.1 To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

E2.2 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

E2.3 To ensure that audit requirements are met.

#### **Directors and Service Managers**

E2.4 To ensure that all claims for funds are made by the due date.

E2.5 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

## **Rule E3: Work for Third Parties**

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

The key controls for working with third parties are:

- 1) To ensure that proposals are properly costed in accordance with guidance provided by the Chief Finance Officer
- 2) To ensure that contracts are drawn up using guidance provided by the Chief Finance Officer and Monitoring Officer and that the formal approval process is adhered to.

### **\*RESPONSIBILITIES\***

#### **Chief Finance Officer**

E3.1 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the Contracts Register.

#### **Directors and Service Managers**

E3.2 To ensure that the approval of the Cabinet is obtained for work of a value exceeding £5,000 before any negotiations are concluded to work for third parties.

E3.3 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the CFO.

E3.4 To ensure that appropriate insurance arrangements are made.

E3.5 To ensure that the Council is not put at undue risk from any bad debts.

E3.6 To ensure that no contract is subsidised by the Council.

E3.7 To ensure that, wherever possible, payment is received in advance of the delivery of the service.

E3.8 To ensure that the service has the appropriate expertise to undertake the contract.

E3.9 To ensure that such contracts do not impact adversely upon the services provided for the Council.

E3.10 To ensure that all contracts are properly documented and signed.

E3.11 To provide appropriate information to the CFO to enable a note to be entered into the Statement of Accounts.

## Financial Limits

*Rule No.*

D2 No sums of money should be written off without appropriate written authorisation:

- For amounts under £100, the authorisation of the Finance & Performance Manager is required
- For amounts between £100 and £2,000, the authorization of the Chief Finance Officer is required
- For amounts between £2,000 and £5,000, the authorization of the Portfolio Holder for Finance & Resources is required via a Delegated Report
- For amounts greater than £5,000, Cabinet approval is required.

Note – where a debtor has more than one debt, these should be aggregated before applying the thresholds above.

D3 The following strict financial limits are placed on all orders for work, goods and services:

- For orders under £2,000 in value, the recorded approval of a Service Manager is required
- For orders over £2,000 in value, the recorded approval of a Director is required.

Note – refer to the Procurement Procedure Rules for the appropriate steps required (which must be strictly adhered to) to obtain best value from purchases.

## HPBC - Budget Heads at 1st April 2012

General Fund Budget Heads	
<p><b>Planning Applications:</b> Planning Applications</p> <p><b>Housing Strategy:</b> Strategic Housing</p> <p><b>Regeneration Services:</b> Regeneration Admin Business Development Implementation &amp; Conservation</p> <p><b>Finance and Performance:</b> Finance &amp; Performance Admin Recovery Financial Services Non Distributed Costs Risk Management &amp; Insurance Procurement Corporate Policy and Management Corporate Finance Concessionary Travel Performance Alliance Transformation</p> <p><b>Executive Directors:</b> Executive Directors</p> <p><b>Human Resources:</b> Personnel Services Training</p> <p><b>Chief Executive:</b> Corporate Management – Chief Executive</p> <p><b>Communities &amp; Cultural:</b> Communities Admin Environmental Sustainability Policy Going Local Area Forums Local Strategic Partnership Community Fund Equalities &amp; Diversity Museum &amp; Arts Service Total Place Project Member Initiative</p> <p><b>Transformation:</b> Transformation</p>	<p><b>Member Services:</b> Committee and Civic Services</p> <p><b>Environmental Health:</b> Private Sector Housing Public Safety Pest Control Environmental Health Animal Control Land Drainage Transport Meterology</p> <p><b>Customer Services:</b> Customer Services Admin Customer Services Communication Central Admin Printing Services</p> <p><b>ICT Services:</b> IT Services</p> <p><b>Leisure Services:</b> Leisure Development Services Leisure Centres Playing Fields</p> <p><b>Property Services:</b> Public Buildings Public Conveniences Land and Property &amp; Estates Depots Local Engineering Services Landlord Buildings Engineering Services Emergency Planning and H &amp; S</p> <p><b>Waste Collection:</b> Waste Collection</p> <p><b>Street Scene:</b> Street Cleansing Operational Depots DCC Amenity Maintenance</p> <p><b>Horticulture:</b> Horticulture Admin Cemeteries Allotments Countryside &amp; Parks Playgrounds, Leisure &amp; Games</p>

**Community Safety & Enforcement:**

Community Safety Admin  
Planning Enforcement  
Community Safety  
Clean and Green Team

**Revenues & Benefits:**

Revenues & Benefits Admin  
Housing Benefits  
Housing Benefits Admin  
Housing Needs  
Local Taxation

**Electoral Services:**

Member & Electoral Services

**Visitor Services:**

Visitor Admin  
CCTV  
Car Parks  
Markets  
Pavilion Gardens

**Building Control:**

Building Control

**Audit:**

Audit Services

**Legal Services:**

Legal Services

**Licensing & Land Charges:**

Licensing & Land Charges Admin  
Land Charges  
Licensing