



# **WEST LINDSEY DISTRICT COUNCIL**

# **FINANCIAL PROCEDURE RULES**

**Approved by Governance and Audit Committee April 2023**

# INTRODUCTION

## 1 FINANCIAL PROCEDURE RULES

1.1 Strong financial controls are vital within any public sector organisation. The use of public funds must be transparent and both Members and officers must be held accountable for how public funds are used. These Financial Procedure Rules have been formulated having particular regard to the following –

- The financial framework operating within the Council.
- Promoting the accountability of officers for the financial resources required to deliver their services.
- Compliance with all current legislative financial standards and Codes of Practice.
- A culture of openness and scrutiny.
- The promotion of a culture of managerial flexibility within the statutory and organisational constraints of a public sector body.

1.2 The Financial Procedure Rules establish the system of control for financial decisions. They are an integral part of the Council's Constitution. The rules reflect the responsibilities arising from being entrusted with public money.

1.3 The Financial Procedure Rules consist of 2 parts:

- The first part defines the roles of Councillor and officers and sets the framework within which the Rules operate;
- The second part contains the overarching regulations, and provides the detailed 'Rules' on how those regulations are implemented.

1.4 A series of detailed guidance notes and practice support the Financial Procedure Rules. Whilst the detailed guidance is regularly updated, where there is any difference between the Financial Procedure Rules and the detailed guidance, the Finance Procedure Rules have precedence in all cases.

## 2 STATUS OF FINANCIAL PROCEDURE RULES

2.1 The Council must conduct its business efficiently and ensure it has sound financial management policies in place, including arrangements to monitor compliance. The Council's statutory Chief Finance Officer is also charged with ensuring that proper financial management processes are in place.

Financial Procedure Rules, together with the Budget and Policy Framework Procedure Rules, provide the basis for managing the Council's financial affairs and are part of the Council's Constitution. They apply to every

Councillor and officer of the Council and to anyone acting on its behalf. They must be followed by all of the Council's staff and all consultants or technical officers from outside the Council employed or otherwise engaged by the Council. Failure to comply may lead to disciplinary action being taken by the Council.

- 2.2 The Council's Scheme of Delegation will be taken account of in all matters relevant to these procedure rules.

# PART ONE – CONTEXT, ROLES AND RESPONSIBILITIES

## 1 FINANCIAL MANAGEMENT

1.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the budget and policy framework and in accordance with the Financial Management Code of Practice.

1.2 The processes of financial management involve:

- Complying with statutory requirements;
- Ensuring that the Council receives value for money;
- Development and approval of protocols, standards and financial plans (including the revenue and capital budgets);
- Implementing policies, protocols and standards;
- Monitoring compliance;
- Maintaining records;
- Reporting and providing advice;
- Specific financial techniques and functions e.g. virement, year end balances, Statements of Account.

1.3 All Councillors and officers must abide by the highest standards of probity in dealing with financial issues. This is achieved by ensuring everyone is clear about the standards to which they must work and the controls in place to check that the standards are met. The Financial Procedure Rules must be kept up to date and consistently applied by all Councillors and officers.

## 2 FINANCIAL ADVICE

2.1 Sound financial advice is fundamental to ensuring the maintenance of basic standards of financial management. Only persons qualified to do so should provide such advice.

2.2 Persons giving financial advice must have been authorised to do so by the Chief Finance Officer.

2.3 The Chief Finance Officer has the right to attend all meetings of the Council, committees and sub-committees, working groups, boards or other forums where decisions or recommendations potentially having financial implications may be taken. This is often discharged through officers within the Finance function.

2.4 All reports contain risk management (including financial risks) and financial implications sections, the contents of which must be agreed with the Chief Finance Officer (or other officer authorised by him/her), prior to submission to the Management Team, Committees, or other forums where decisions will be made.

### 3 ACCOUNTING POLICIES

3.1 'The Code of Practice on Local Council Accounting in the United Kingdom: (the Code) requires the Council to declare, in the form of accounting policies, how they treat specific items within the annual accounts. These policies take account of current accounting concepts and standards. The Accounting Policies can be found in the Annual Statement of Accounts.

3.2 Key elements of accounting policies are that:

- Systems of internal control must be in place that ensure that financial transactions are lawful;
- Accounting policies must be applied consistently;
- Proper accounting records must be maintained;
- Financial statements must present fairly the financial position of the Council and its expenditure and income.

### 4 INTERNAL CONTROL

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

4.2 The Chief Finance Officer is responsible for advising on effective systems of internal control, an essential part of which is the Internal Audit function. These arrangements ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

4.3 **Directors/Assistant Directors** must 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.

4.4 Key controls must be reviewed annually and the outcome reported in an Annual Governance Statement commenting on the effectiveness of the systems of internal control and corporate governance.

### 5 AUDIT REQUIREMENTS

5.1 The Accounts and Audit Regulations 2003 (Regulation 6) require that "a relevant body (i.e. a local Council) shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

5.2 **The Council is subject to an independent external audit of its accounts. 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.**

5.3 The Council may, from time to time, be subject to audit, inspection or investigation by other external bodies such as HM Revenues and Customs, who have statutory rights of access.

5.4 The Chief Finance Officer has overall responsibility for Internal Audit throughout the Council, whilst the Governance and Audit Committee oversees the performance and effectiveness of Internal Audit.

## **6 ROLES AND RESPONSIBILITIES**

### **6.1 Role of the Council**

The Council's functions include the following:

- Adopting and changing the Constitution;
- Approving or adopting the policy framework (including the Corporate Plan);
- Approving the budget;
- Approving the Treasury Management Strategy (including the Borrowing, Investment and MRP Strategy, and Prudential Indicators);
- Setting the Council Tax.
- Setting Fees and Charges

### **6.2 Corporate Policy & Resources Committee**

The **Corporate Policy & Resources Committee** main functions are:

- To formulate (but not adopt or approve): (a) the Policy Framework, (b) the Budget; and (c) the Council's objectives and priorities.
- The control and management of resources including land, property, finance and staff to further the Council's objectives.
- Delegated responsibility for the approval of in year changes to existing Fees and Charges

The **Corporate Policy & Resources Committee** makes key day to day decisions and recommendations on policy and budgetary matters.

6.3 The role of the **Governance and Audit Committee** is to:

- To approve amendments to the Financial Procedure Rules and Contract Procedure Rules as set out in the Constitution.
- To monitor the operation of the Council's Constitution and keeping its terms under review.
- To consider and make recommendations on proposals to make changes to the Constitution prior to its consideration by the Council.
- To agree and update regularly the Council's Local Code of Governance

- Consider the Council's Statement of Accounts;
- Approve the Council's internal audit strategy;
- Review internal audit reports and recommend appropriate actions in response to issues raised;
- Consider the reports of external audit and inspections agencies;
- Monitor and review the Council's risk management arrangements;
- Monitor and review the Council's assurance statements;
- Be responsible for ensuring the effective scrutiny of the Treasury Management strategy and policies.

6.4 **The Section 151 Officer is the officer designated by the Council and is therefore referred to throughout these procedure rules as the Chief Finance Officer).**

The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. The statutory duties arise from:

- Local Government Act 1972 (Section 151);
- Local Government Finance Act 1988;
- Local Government and Housing Act 1989;
- Local Government Act 2003;
- Accounts and Audit Regulations 2003.

These statutory responsibilities cannot be overridden or be subject to direction by the Council.

The Chief Finance Officer is responsible for:

- Ensuring the proper administration of the Council's financial affairs;
- Determining and agreeing the accounting procedures and records for the Council
- Setting the financial management standards and monitoring compliance with them;
- Reporting on the adequacy of reserves and the robustness of the budget estimates when the annual budget is being considered;
- Ensuring the existence of a medium-term financial plan,
- Ensuring proper professional practice is adhered to and acting as head of profession in relation to the standards, performance and development of finance officers throughout the Council;
- Advising on the key strategic controls necessary to secure sound financial management;
- Preparing revenue and capital budgets in conjunction with **Directors/Assistant Directors:**
- Ensuring that appropriate financial management information is available;
- Maintaining strong financial management underpinned by effective financial controls;
- Contributing to corporate management and leadership;

- Supporting and advising democratically elected representatives;
- Supporting and advising officers in their operational roles;
- Leading and managing an effective and responsive financial service.
- Providing an efficient and effective Treasury Management function.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer in consultation with the Monitoring Officer, to inform all Members and the 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;
- Is about to make an unlawful entry in the Council's accounts;
- If it appears to the Chief Finance Officer that the expenditure of the Council incurred (including the expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

If a Section 114 notice is issued, the full Council must meet within 21 days to consider the notice.

Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified officer to deputise should he/she be unable to perform the duties under Section 114 personally;
- The Council to provide the Chief Finance Officer with sufficient staff, accommodation and other resources - including legal advice where this is necessary - to carry out the duties under Section 114.

The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting to the Council any additions or changes. He/she is responsible for issuing advice and guidance to underpin the Rules that Councillors, officers and others acting on behalf of the Council are required to follow, and must approve the content of all such guidance and any amendments, prior to their adoption. The Chief Finance Officer must be consulted in respect of all reports which contain financial implications to elected Members. Regulatory reports such as Planning and Licensing do require such sign off.

## 6.5 **The Monitoring Officer**

The Monitoring Officer is responsible for promoting and maintaining high standards of conduct, including conduct in relation to financial issues, by both Councillors and officers. In conjunction with the Chief Finance Officer he/she is responsible for advising the Committees or the full Council about whether a decision, or intended decision, is likely to be considered contrary to, or not wholly in accordance with, the Council's budget. Such decisions might include:

- Initiating a new policy without specific budget approval;
- Committing expenditure in future years above the approved budget level;

- Incurring expenditure in future years without proper approval of virement;
- Causing total expenditure to increase beyond a specified level.

The Monitoring Officer must be consulted in respect of all reports to elected members.

## 6.6 Internal Audit Manager (the service is outsourced to Lincolnshire County Council)

The Internal Audit Manager manages the internal audit function in the Council. CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom describes internal audit as:

“An assurance function that provides an independent and objective opinion to the organisation on risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”

The Internal Audit Manager also has a role in advising managers in relation to risk and control issues such as appropriate controls in new projects/development.

Internal Audit are to be informed of all proposed changes to computer or other systems prior to implementing the changes.

Internal Audit are to have access to all records relating to their activities and to any Council premises or land.

Internal Audit may seek explanations or require an employee to produce assets under their control.

6.7 **Directors/Assistant Directors** are responsible for ensuring that all officers are aware of the existence of, and have access to, the content of these Rules and other internal regulatory documents and that they comply with them. In particular they shall:

- Ensure that a Scheme of Delegation has been established for all Service Areas. The Scheme of Delegation should identify officers authorised to act on the **Directors/Assistant Directors** behalf in respect of payments, income collection and the requisitioning of goods and services.
- Promote the financial management standards set by the Chief Finance Officer and monitor adherence to them, liaising as necessary with him/her;
- Promote sound financial practices in relation to the standards, performance and development of officers;
- Ensure compliance with the Financial Procedure Rules and associated manuals;
- Ensure that all Service Financial Procedure Manuals, and amendments thereto, are approved by the Chief Finance Officer before adoption;
- Ensure officers are aware of their responsibilities for devising and implementing systems of internal control;
- Maintain a written record where decisions have been delegated or devolved to other responsible officers;

- Consider reports and make an initial response to the Chief Finance Officer, within 15 working days of receipt;
- Implement recommendations agreed by Committee or Council:
- Report to the Chief Finance Officer and the Management Team any rejected recommendations:
- Ensure that Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer;
- Provide the Chief Finance Officer with such information and explanations as the Chief Finance Officer feels is necessary to meet with his or her obligations under the Constitution.
- Provide all the information that is requested from them in accordance with the agreed budget timetable.
- Take reports to Committee to gain approval for service improvements and capital investments..
- Comply with all aspects of the Financial Procedure Rules and the financial framework when working with the Chief Finance Officer to set budgets.
- To consult with the Chief Finance Officer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.
- Inform the Chief Finance Officer of suspected fraud, corruption or irregularities;
- Ensure appropriate training of Officers with financial or budget responsibilities.
- The Chief Finance Officer will ensure that a report will be presented to the Governance and Audit Committee on progress against the Internal Audit Programme

6.8 **All Councillors and officers** have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and is correctly recorded in line with Council policies.

## 7 FAILURE TO COMPLY

7.1 Failure to comply with the Financial Procedure Rules:

- Is a breach of the Code of Conduct for Councillors and may result in referral to the Standards Sub-Committee.
- Is a breach of the Code of Conduct for Officers that is covered by the Council's Disciplinary Rules.

7.2 Councillors must report any apparent breach of the Financial Procedure Rules to the Head of Paid Service. Officers must report apparent breaches to an appropriate **Directors/Assistant Director** or the Internal Audit Manager. The **Director/Assistant Director** or Internal Audit Manager should report breaches of these Rules to the Chief Finance Officer and the Monitoring Officer.

## **PART TWO – FINANCIAL PROCEDURE RULES**

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- 1.1 Financial Planning Policy Framework
- 1.2 Preparation of the Corporate Plan
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# **1 REGULATION 1 - FINANCIAL PLANNING**

## **1.1 FINANCIAL PLANNING POLICY FRAMEWORK**

1.1.1 Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the **Corporate Policy & Resources Committee**.

1.1.2 The Council's Policy Framework includes various service and core plans and strategies. All such plans and strategies must be consistent with the Council's Financial Strategy and Medium Term Financial Plan, or indicate their reliance on resources not yet approved or secured by the Council.

1.1.3 The key elements of the financial planning process are:

- Corporate Plan;
- The Financial Strategy and Medium Term Financial Plan;
- The Capital Investment Strategy and Asset Management Plan;
- The Treasury Management Strategy;
- The Revenue Budget and the Capital Programme;
- Service Delivery and Business Plans

## **1.2 PREPARATION OF THE CORPORATE PLAN**

1.2.1 The Head of Paid Service is responsible for proposing the Corporate Plan to **Corporate Policy & Resources Committee** for consideration before submission to the full Council for approval. It will contain a statement of the priorities of the Council, and will be supported by a number of strategies and policies.

1.2.2 The Council require that each planned item of expenditure, whether revenue or capital, is intended to further one or more of the Council's stated priorities or, if that is not the case, is required to discharge a specific statutory obligation on the Council.

1.2.3 The Executive Business Plan (presented alongside the Medium Term Financial Plan) reflects the deliverable actions the Management Team will take to support the delivery of the Corporate Plan objectives.

## **1.3 THE FINANCIAL STRATEGY AND MEDIUM TERM FINANCIAL PLAN**

1.3.1 The Chief Finance Officer is responsible for recommending the Financial Strategy to the Council and for preparing a Medium Term Financial Plan (MTFP), covering at least five years and updated at least annually for consideration by the **Corporate Policy & Resources Committee** and approval by the Council. The Strategy and the MTFP will be consistent with, and designed to further the achievement of, the Council's priorities.

1.3.2 The Financial Strategy sets out the Council's objectives for, and principles adopted in, the management of its financial position. It includes Council Tax levels, the overall position for the Council's reserves and balances, and funding, investment and risk considerations.

### 1.3.3 The MTFP:

- sets out how the Council's performance plans can be resourced in both capital and revenue terms;
- identifies how resources are to be re-allocated over time and what the Council's priorities are for resource allocation;
- Other aspects of financial management may also be included in the MTFP e.g. levels of balances, reserves and provisions.

**1.3.4** The MTFP that turns the Strategy into practice must be prepared for at least a five year period. This is updated throughout the year as events and the budget timetable dictate. A Mid-Year Review of the MTFP will be undertaken and reported to the Corporate Policy and Resources Committee.

### 1.3.5 Key Controls

The key controls are:

- It covers a number of forward years and is approved annually;
- It is monitored and updates are reported to Corporate Policy & Resources Committee during the year;
- It is clearly linked and aligned to the Corporate Plan;
- It is based on a sustainable financial position and approved policies.

## 1.4 THE CAPITAL INVESTMENT STRATEGY AND ASSET MANAGEMENT PLAN (AMP)

1.4.1 The Chief Finance Officer is responsible for ensuring that a Capital Investment Strategy and Asset Management Plan are integrated into the Medium Term Financial Plan. They will be updated annually for consideration by the Corporate Policy & Resources Committee and approval by the Council.

### 1.4.2 Key elements of the Strategy:

- Ensures investments meet our Corporate Plan objectives
- Incorporates the requirements of the Strategic Asset Management Plan
- Enables the development of a Capital Investment Programme over the medium term (5 years)
- A framework which will identify priorities for the use of resources for investment.
- Decisions are based on sound business cases.
- Risks are identified and mitigated where possible
- Directly links to the Treasury Management Strategy ensuring an affordable and sustainable Capital Investment Programme in adherence to legislation and the Prudential Code.
- Informs the Medium Term Financial Plan by identifying the revenue impacts of investment decisions.
- Incorporates an annual review to ensure the programme still meets our priorities.
- Considers innovative solutions to funding.

### 1.4.3 Key Controls

The key controls are:

- They are clearly linked and aligned to the Corporate Plan;
- They provide a framework for the review and management of existing and future assets (the AMP);
- They provide a medium-term investment programme linked to the medium-term financial strategy;
- They are reviewed at least annually and reported to **Corporate Policy & Resources Committee**.

## 1.5 THE TREASURY MANAGEMENT STRATEGY

1.5.1 The Chief Finance Officer is responsible for ensuring that the requirements of the Local Government Act 2003 and the CIPFA Treasury Management Code are met, and the Council has regard to the Prudential Code. This requires that Prudential Indicators are set for the following three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. It also requires that the Council's policies for managing its investments give due priority to the security of those investments over liquidity and yield. This will be updated annually and scrutinized by the Governance and Audit Committee prior to approval by the Council

### 1.5.2 Key Controls

The key controls are:

- Scrutiny of the Treasury Management Strategy by the Governance and Audit Committee.
- Approval by full Council of the Treasury Management Strategy (including Borrowing and Investment Strategies, the Minimum Revenue Provision Policy and Prudential Indicators for the following three years, in addition to setting an Authorised Limit and Operational Boundary to ensure affordable borrowing);
- Regular monitoring of Prudential Indicators;
- The operation of Treasury Management Practices (TMP's) and Treasury Management Practice Schedules.

## 1.6 THE REVENUE BUDGET AND THE CAPITAL PROGRAMME

1.6.1 These are considered in depth under Regulations 2 and 3.

## 1.7 SERVICE DELIVERY and BUSINESS PLANS

1.7.1 **Directors/Assistant Directors** are responsible for the preparation of these plans that reflect the Council's priorities as shown in the Corporate Plan. They must be produced in conjunction with the Capital and Revenue Budgets and each of these plans must support the others.

### 1.7.2 Key Controls

The key controls are:

- All relevant plans are produced and that they are consistent;
- Plans are produced in accordance with statutory requirements;
- All plans reflect the Council's Financial Strategies and vice-versa;
- Timetables are met;
- All performance information is accurate, complete and up to date;
- Improvement targets are meaningful, realistic and challenging;
- Corporate, Service Delivery and Business Plans and the budget are all produced from an integrated timetable and an agreed base position.

## **2        REGULATION 2 – CAPITAL**

### **2.1        THE CAPITAL PROGRAMME**

2.1.1        The Chief Finance Officer is responsible for preparing, as a minimum, a three year capital programme that is integrated within the MTFP and reporting expenditure and funding implications of the programme to Corporate Policy & Resources Committee for consideration. The **Corporate Policy & Resources Committee** will make recommendations to the Council, who will approve the five year capital programme.

### **2.2        DETERMINING THE CAPITAL PROGRAMME**

2.2.1        The Management Team is responsible for the initial consideration of capital spending proposals and the comparative ranking by priority of these proposals.

2.2.2        The Council complies with the requirements of the local government Prudential Code for capital. Careful consideration must be given to needs, alternatives and the ongoing revenue implications of potential capital projects

2.2.3        The de minimis level for Capital Expenditure and receipts is £10,000. Capital items costing up to £10,000 will be charged as revenue expenditure in the Council's accounts.

2.2.4        The ranking process is based on the scoring from the completed Business Plans and Business Case documentation and guidance as approved by the Chief Finance Officer from time to time.

2.2.5        **Directors/Assistant Directors** are responsible for submitting the Capital Bids as part of the Business Planning process, complying with the guidance issued by the Chief Finance Officer.

2.2.6        The Capital Programme shall include the gross cost of, and sources of funding for, schemes where the Council assembles the finance on behalf of a third party and so incurs no potential liability in respect of funding or project delivery. Such schemes may not result in any asset retained by the Council. **Directors/Assistant Directors** must ensure that these arrangements are reported to the **Corporate Policy & Resources Committee** stating the nature of the arrangements, the participants in the process and the sources of finance. The report must clearly state the projected expenditure and income for each financial year.

2.2.7        The Chief Finance Officer will recommend to **Corporate Policy & Resources Committee** the Capital Budget and funding in accordance with the Council's prudential indicators and CIPFA's Prudential Code.

## 2.3 AMENDMENTS TO THE CAPITAL PROGRAMME

2.3.1 Any mid-year amendment to the Capital Programme as last approved by the Council must be approved by the **Corporate Policy & Resources Committee** in any cases where:

- A new scheme is proposed to be added to the programme, including those funded entirely by external grants and contributions;
- A scheme is to be deleted from the capital programme;
- The total cost of an existing scheme is to be amended;
- A carry forward of capital resources is proposed.

2.3.2 The relevant Director/Assistant Director and the Chief Finance Officer, in consultation with the Chairman of the Corporate Policy & Resources Committee, must approve any mid-year amendment to the approved Capital Programme, before a report is submitted to Corporate Policy & Resources Committee. This also applies to carry forward requests i.e. where the amendment involves a change in the timing of the spending over the life of the project, but there is no change in the total cost or funding.

2.3.3 The Head of Paid Service may take decisions in an emergency, subject to the delegation and budget framework provisions of the Constitution, in consultation with the Chief Finance Officer.

2.3.4 With the exception of emergency decisions, expenditure must not be incurred or committed on any capital scheme until the **Corporate Policy & Resources Committee** or Council has given approval. Reports to **Corporate Policy and Resources Committee** will be prepared and presented before any work starts and on completion of a project. Additional reports would be required at the tender stage, when preparing the capital programme, or otherwise during the project, if there was a significant actual or projected change in the cost of the project.

2.3.5 Expenditure should not be incurred until funding is in place. For external funding, this means that a formal approval of funding has been received rather than a conditional offer or a bid that has been given provisional approval.

## 2.4 CAPITAL MONITORING

2.4.1 Budget monitoring will be carried out in accordance with guidance issued by the Chief Finance Officer. This guidance will lay down the Council's requirements in respect of:

- Frequency of reporting;
- The format and content of reports (including the degree of detail, risk analysis undertaken and any corrective actions taken or proposed);

- The recipients of budget monitoring reports (such as the Management Team or **Corporate Policy & Resources Committee**);
- The linkages with approved outputs.

2.4.2 For each scheme that is approved the relevant **Director/Assistant Director** will appoint a Project Manager, who will be responsible for the scheme, including budget accountability. This includes monitoring progress (financial and otherwise) of the scheme and managing the scheme in accordance with the Council's Programme and Project Management methodology.

2.4.3 The relevant **Director/Assistant Director** must notify in writing the Chief Finance Officer if there is any anticipated "slippage" of a scheme that will affect the allocation of resources over future financial years. Any loss of external funding arising from slippage must be reported to **Corporate Policy & Resources Committee** and approval sought for the alternative funding required or other corrective action.

2.4.4 Where in-year spending is likely to exceed the profiled budget and this has an impact on the financial year, this must be reported by the **Director/Assistant Director** to the Chief Finance Officer who will then review the overall capital financing arrangements for that year.

2.4.5 Where the total cost exceeds, or it is expected that the total cost of a scheme will exceed the budget approved in the Capital Programme, this must be reported to the Chief Finance Officer by the **Director/Assistant Director** as soon as possible. In the first instance, overspends will fall on the relevant service area revenue budget, unless alternative funding is identified. In respect of any anticipated overspending in excess of £10,000 or 20% whichever is the lesser, the approval of **Corporate Policy & Resources Committee** must be sought.

2.4.6 **Directors/Assistant Directors** must notify the Chief Finance Officer upon the offer of or receipt of grant awards or any other offer of support of any type for capital expenditure. Capital receipts will be regarded as corporate resources and may only be ring-fenced to schemes on the express approval of the **Corporate Policy & Resources Committee**.

#### 2.4.7 Key Controls

The key controls are:

- Approval by the full Council for the Capital Programme;
- A Business case is completed for all schemes to be included in the capital programme;
- A prioritisation process in accordance with the Capital Investment Strategy and corporate priorities;
- A Project Manager is responsible for each capital project (delivery and budget);
- Appropriate project management techniques are used and project managers are trained to carry out their responsibilities;

- Contract Procedure Rules are adhered to at all times;
- The requirements imposed by funding bodies are followed;
- Monitoring and reporting requirements on schemes are implemented.

### **3 REGULATION 3 - REVENUE**

#### **3.1 THE REVENUE BUDGET**

3.1.1 The Council will agree the Medium Term Financial Plan (MTFP), to be updated annually. The MTFP will include the Revenue Budget for the coming year plus forecasts for at least the next two subsequent years. Revenue resources must be aligned to the corporate objectives of the Council. Budgets are an important part of the corporate planning process since they allocate resources to provide agreed levels of service.

3.1.2 The budget will be published in the Council's annual Budget Book. The approved Revenue Budget may be amended during the year in compliance with these Financial Procedure Rules.

#### **3.2 REVENUE RESOURCES**

3.2.1 Funding for revenue will come from local taxation, government grants, fees and charges and calls on revenue reserves and balances. **Capital resources (other than reserves specifically set up by earmarking revenue funds for spending on capital) cannot be used to fund revenue expenditure.**

##### 3.2.2 Key Controls

The key controls are:

- Resources are acquired in accordance with the law and using an approved authorisation process (i.e. the budget setting process);
- Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
- Professional guidance in relation to the adequacy of reserves and minimum level of balances is followed;
- The budget, which sets out how the Council is resourced, is approved annually by the Council;
- The MTFP ensures year on year sustainability of resources are considered in setting spending plans.

#### **3.3 DETERMINING THE REVENUE BUDGET**

3.3.1 The Chief Finance Officer is responsible for ensuring that the MTFP and Budget are prepared and submitted for approval by the Council, upon the recommendation of the **Corporate Policy & Resources Committee**, on or before the statutory date for such approval. The adoption of the budget by the Council shall be accompanied by a resolution as to the level of Council Tax required for the coming financial year in order to sustain the budget. The

MTFP should set out forward projections of council tax increases for at least the next **four** subsequent years.

- 3.3.2 The Chief Finance Officer recommends the overall quantum of revenue resources available to the Council, based on potential increases in the Council Tax, affordable calls on reserves, and best estimates of grant income. The Chief Finance Officer shall advise as to what would constitute a prudent and necessary minimum level of uncommitted balances/reserves for the Council to retain, and also as to whether the budget being proposed is consistent with such a requirement. In forming such a judgement, the Chief Finance Officer shall have regard to available guidance.
- 3.3.3 The Council agrees an overall MTFP and budget that matches its available resources with corporate priorities and statutory requirements.
- 3.3.4 The revenue budget agreed by Council will as a minimum allocate spending to:
- Each service area showing the gross spending and income and net budget;
  - Each levy;
  - The net cost of borrowing.
- 3.3.5 **Directors/Assistant Directors** must ensure that all fees and charges are reviewed as part of the annual budget process in line with the Fees, Charges & Concessions Policy (see section 3.8).
- 3.3.6 The level of reserves is reviewed annually in line with the financial strategy and Medium Term Financial Plan and must be decided before the budget and the Council Tax can be fixed. Reserves are amounts set aside by the Council as a result of surpluses, deferred expenditure or policy decisions to 'save' towards future expenditure. Reserves can be either specific (earmarked) or general. The General Fund Reserve will be maintained at a minimum level agreed by **Corporate Policy & Resources Committee** having regard to the advice of the Chief Finance Officer. The budget report to the Council will include a statement showing the estimated opening reserve balances for the year ahead, the addition to/withdrawal from balances, and the estimated year-end balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure.
- 3.3.7 The Chief Finance Officer will ensure –
- The co-ordination of requests for budgetary change to facilitate service improvements from **Directors/Assistant Directors** and **Corporate Policy and Resources Committee** resolutions.
  - The identification of available resources for service improvement.
  - That Members and officers are properly advised when preparing budgets and setting Council Tax
- 3.3.8** The Council's approved budget is published in a "Budget Book", which breaks down budgets into a budget for each service area within the clusters (People, Places, and **Policy & Resources**). **Each service budget has a named responsible officer.**

### 3.3.9 Key Controls

The key controls are:

- Adoption of project management techniques;
- Clear and timely guidance from the Chief Finance Officer;
- Consistent format used across all service areas that reflects the relevant level of accountability of service delivery and enables consistency of comparison over time and with other local Councils;
- Effective timetable;
- Reflect the content of the Financial Strategy and Medium Term Financial Plan for the appropriate year;
- Be balanced, affordable and sustainable;
- Ensure that all reports to Management Team and Members (all Committees) are seen by the Chief Finance Office and all financial implications are agreed by the Chief Finance Officer;
- Amendments will be made to financial implications on reports as requested by the Chief Finance Officer;
- Prudent risk assessment of the possible implications in terms of both affordability and service delivery.

## 3.4 BUDGET MONITORING

3.4.1 Budget monitoring will be carried out in accordance with guidance issued by the Chief Finance Officer. This guidance will lay down the Council's requirements in respect of:

- Frequency of reporting;
- The format and content of reports (including the degree of detail, risk analysis undertaken and any corrective actions taken or proposed);
- The recipients of budget monitoring reports (such as the Management Team or **Corporate Policy & Resources Committee**);
- The linkages with service performance monitoring.

3.4.2 Budget monitoring is an ongoing process, always under review and integral to the overall financial management of the Council. The Chief Finance Officer will present regular budget monitoring reports to **Corporate Policy & Resources Committee**, at least on a quarterly basis.

3.4.3 **Directors/Assistant Directors** will need to:

- Be fully aware of their respective budget detail and own the content.
- They will need to maintain a good knowledge of both the Purchasing and General Ledger modules of the Financial Management System.

- Be aware of all effects and influences, such as seasonal variations on their budgets.
  - Inform Financial Services of material budgetary issues that cannot be controlled within normal virement parameters.
- 3.4.4 The Chief Finance Officer will liaise with **Directors/Assistant Directors** to help to identify savings and future needs. The Chief Finance Officer will also offer financial advice and guidance as well as innovative solutions to issues of a financial nature.
- 3.4.5 All senior officers need to be aware of those budgets that carry the most material risk and monitor these areas accordingly.
- 3.4.6 The Chief Finance Officer will ensure that appropriate financial information is available to **Directors/Assistant Directors** so as to enable them to monitor their budgets and financial aspects of their Business Plans effectively.
- 3.4.7 **Directors/Assistant Directors** are responsible for the financial resources contained in their budgets. Accountability brings with it the responsibility to inform the Chief Finance Officer of any budgetary issues. The Chief Finance Officer will provide a support mechanism to **Directors/Assistant Directors** which will engender a culture of ownership and strong stewardship.
- 3.4.8 **Directors/Assistant Directors** will ensure that all reports to Members or the Management Team are seen by the Chief Finance Officer, evidenced and contain clear and accurate financial implications. Any amendments to the financial implications requested by the Chief Finance Officer will be actioned. Reports for Committee and Management Team should be presented to Financial Services in sufficient time for agreement on the coverage of financial implications.
- 3.4.9 When monitoring their budgets, **Directors/Assistant Directors** should understand that delivering the outturn within budget is an important service objective. Where it appears that a variation on a service budget will exceed £10,000, the **Director/Assistant Director** will immediately advise the Chief Finance Officer and Management Team of the situation, together with their proposed action to recover the position. The Chief Finance Officer will then compile and submit regular budget monitoring reports together with recommendations to **Corporate Policy & Resources Committee**.
- 3.4.10 The approved budget is the financial extent of the Council's commitment to a service each year. Any breach of that limit is therefore an ultra vires act. Depending upon the severity and circumstances of any overspend, it may lead to disciplinary action as officers have exceeded their delegated authority.
- 3.4.11 Key Controls

The key controls are:

- There is a named budget holder who is responsible for each service budget;
- Each **Director/Assistant Director** nominates a responsible budget holder for each cost centre within his/her service area's revenue estimates and ensures that mechanisms are in place to provide early warnings of anticipated under or overspending;
- All budget holders, including cost centre managers, are accountable for their budgets and the level of service to be delivered and understand their financial responsibilities;
- Services are delivered within the net budget allocated as part of the budget setting process and in line with the **Executive Business Plan**;
- Income and expenditure are properly recorded and accounted for on a timely basis within the Council's general ledger;
- The budget and **Executive Business Plan** are monitored together and necessary action is taken to align service outputs and budget;
- Budget Managers are appropriately trained to carry out their budgetary control and financial management responsibilities.

### 3.5 AMENDMENTS TO THE REVENUE BUDGET - VIREMENTS

- 3.5.1 The overall revenue budget that reflects the Corporate Plan is drawn up by each policy Committee, with the **Corporate Policy & Resources Committee** giving overall scrutiny prior to recommending to the full Council for approval. **Directors/Assistant Directors** are authorised to incur expenditure in accordance with the estimates and service levels that make up the budget and Business Plans.
- 3.5.2 Expenditure and income for any service budget may be incurred up to the amounts included in the approved budget. It is fundamental to proper financial control that expenditure is allocated to the correct place and it is a contravention of these rules to charge expenditure to the wrong heading to avoid authorisation of an appropriate virement.
- 3.5.3 The management of services within the **Executive Business Plan** and budgets allows resources to be transferred between services within limits. For example, where a potential overspend in one service budget has been identified through budget monitoring, this overspend could be funded by transferring budget from a service budget where an underspend has been identified. Future monitoring will be against these adjusted budgets.
- 3.5.4 Within the parameters set out below, **Directors/Assistant Directors** have the ability to vire monies both within and between Service Budgets. This provides flexibility for the Council and its officers to manage overall service delivery within budgets.
- 3.5.4.1 For the avoidance of doubt, these virement rules are also applicable to the operation of the Councils earmarked reserves. However, virement is only allowed between one reserve and another and **NOT** between an earmarked reserve and revenue or capital cost centres.

### 3.5.5 Within a Cost Centre:

- No limit within a defined cost centre. **Directors/Assistant Directors** must agree in advance with the Finance Business Partner responsible for that service area.
- Virements cannot be made from non-controllable budgets such as Central Support Recharges and Capital charges.
- Virements from salary budgets can only be actioned during the current financial year. Any permanent change to salary budgets will be seen as a change to the Council's establishment requiring compliance with the Human Resources procedure rules.

### 3.5.6 Between costs centres (under the same **Director/Assistant Director** control)

- With the approval of the Chief Finance Officer, some senior managers (**as set out in the register of sub-delegation**) are authorised to approve virements, which, in total, transfer no more than £25,000. These virements should be minuted or otherwise documented.
- Virement exceeding £25,000 and up to £100,000 can be approved by the relevant **Director/Assistant Director**, Chief Finance Officer and Management Team in consultation with the **Chairman of Corporate Policy & Resources Committee**. These virements should be minuted or otherwise documented.
- Virements over £100,000 can only be approved by **Corporate Policy & Resources Committee**. They will be reported by the **Director/Assistant Director**, in such format as the Chief Finance Officer may prescribe.

### 3.5.7 Restrictions on virements:

- Virements can take place between cost centres in differing **Director/Assistant Director's** responsibility, with the same limit as laid out in 3.5.6, when the relevant **Directors/Assistant Directors** and the **Corporate Policy and Resources Committee Chairman** are in agreement.
- Unplanned savings in the form of unbudgeted income or unused budgets (in excess of £5,000) are not authorised to be used without prior agreement of the Management Team. The Chief Finance Officer and Management Team may consider a report to the **Corporate Policy and Resources Committee**.
- All virements must be in accordance with corporate and service objectives.
- The service will be as defined in the budget book.
- Evidence of all virements are to be retained by Financial Services
- Virement to or from the budgets for Recharges and Asset Rentals is not permitted unless approved by the Chief Finance Officer.

- 3.5.8 All other budgets can be vired but subject to any other Council policies. No virement may commit future additional expenditure above MTFP provision without **Corporate Policy & Resources Committee** approval.
- 3.5.9 If the same budget head is used for virement on more than one occasion, the application of the above rules will relate to the accumulated figure.
- 3.5.10 Any virement between an employee budget and a non-employee budget, or between an income budget and a non-income budget, must be approved by the Chief Finance Officer, in accordance with the above determined limits, who may request a report to **Corporate Policy & Resources Committee** for approval.
- 3.5.11 The securing of additional revenue resources (grants, etc.) must be reported to the Chief Finance Officer. The Chief Finance Officer may authorise the use of those resources to finance additional revenue expenditure where the grant conditions require such. Where there are no such requirements the Chief Finance Officer may require the use of these resources to be approved by **Corporate Policy & Resources Committee** and will do so in all cases where the sum is **£50,000** or more.
- 3.5.12 The Chief Finance Officer will determine whether a change to budgets is a virement (i.e. the budget is reallocated to a purpose other than originally intended) or a re-presentation or restructure where there is no change to the purpose of the spending. The virement rules set out above shall not apply to restructure or re-presentational changes.

### 3.5.13 Key Controls

Key controls are:

- Virement of resources between one head of account and another, whether within or between service areas is subject to approval;
- Virement does not create additional overall budget liability. **Directors/Assistant Directors** are expected to manage their budgets responsibly, prudently and within approved service levels. They should not support recurring revenue expenditure from one-off sources of savings or additional income, or create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. **Directors/Assistant Directors** must plan to fund such commitments from within their own budgets;
- Virement to provide a fundamentally different service level to that approved in the **Executive Business Plan** can only be approved by **Corporate Policy & Resources Committee**.

## 3.6 UNAVOIDABLE EXTRAORDINARY EXPENDITURE

3.6.1 Due to unforeseen circumstances, expenditure may be required over and above existing budgets. This should only occur in extreme circumstances, for example natural disaster, as budget managers should be fully aware of any likely pressures on budgets within their remit.

3.6.2 Where possible the relevant **Director/Assistant Director** should consult with the Chief Finance Officer and other members of the Management Team to seek agreement before incurring any expenditure. The Chief Finance Officer should agree this expenditure in consultation with the Chairman of the **Corporate Policy and Resources Committee**.

3.6.3 Subsequently a report will be presented to the **Corporate Policy and Resources Committee**.

3.6.4 Natural disasters will often be funded by Central Government via the Bellwin Scheme. The possibility of this additional funding should be investigated by the relevant **Director/Assistant Director**.

3.6.5 Key Controls

Key controls are:

- Budget Managers fully trained in budget management so that the budget reflects all anticipated expenditure.
- All unavoidable expenditure is required to be reported to **Corporate Policy and Resources Committee**.

### 3.7 CONTRACT AND WINDFALL SAVINGS

3.7.1 Unless specific agreement with the Chief Finance Officer is obtained, contract savings and windfall savings (i.e. unanticipated income or unanticipated savings on expenditure including any figure relating to previous years) will revert to General Balances.

### 3.8 FEES AND CHARGES

3.8.1 The Fees, Charges and Concessions Policy forms the basis of all fees and charges set within the Council. The Policy establishes clear principles for charging, integrates charging into service management, linking with corporate objectives and sets clear objectives and targets. The Policy shall be reviewed by the Chief Finance Officer and reported to **Corporate Policy & Resources Committee** as a minimum every three years.

3.8.2 Charges should be reviewed at least annually and reported as part of the revenue budget and business plan setting process. Any in year changes resulting from a review of fee levels should be reported to the relevant committee for discussion and if agreed, be a recommendation to **Corporate Policy & Resources Committee** (and Full Council for new charges) for approval.

3.8.3 Fees and charges fall into two categories:

- Statutory;

- Cost related.

### 3.8.4 Statutory Charges

Statutory charges are those determined by organisations external to the Council and over which the Council has no discretion.

### 3.8.5 Cost Related Charges

- Where charges are not prescribed, the **Director/Assistant Director** is able to set the charge by reference to the cost of service provision;
- Constraints exist whereby the charge should be set to cover the cost of the service, e.g. Public Entertainment Licenses, Local Search Fees;
- **Directors/Assistant Directors** must have appropriate systems in place to support the fee- setting process, including the allocation of overheads;
- Where decisions on increases in fees and charges are taken outside the budget process for administrative reasons (e.g. where there is a statutory regulation or a duty of consultation, for example, car parking where notices have to be served) due regard must be given to the financial strategy.

### 3.8.6 Key Controls

The key controls are:

- Clear and consistent fees and charges strategy;
- As a minimum, annual review of strategy and levels of charges;
- All fees should be considered as part of the Service Planning process.

## 3.9 INTERNAL CHARGING

3.9.1 Internal charges are made between services within the Council. Whilst they do not directly generate external income, they do affect the total cost of individual services.

3.9.2 Internal charges should be set in accordance with the principles set out in the CIPFA Service Reporting Code of Practice (SeRCOP). There must be a clear rationale for any residual sum not recovered from services and charged to the Corporate and Democratic Core.

3.9.3 Where internal charges are made they should be fixed to recover the full cost of services and may be set at a unit/volume based amount linked to demand, or as a reallocation of costs.

3.9.4 For most services, the service manager responsible for making the charge will develop a service agreement (either formally or informally) that outlines the service provided and establishes the basis of the allocation of costs. The

service standard should be agreed with the Council's Management Team.

3.9.5 The Chief Finance Officer will work with service departments to ensure that recharges are accurate and periodically reviewed to ensure that the basis of charge reflects work done and up to date service costs.

3.9.6 Some services operate as a fully traded service. In these cases, charges could be made on the basis of a Service Level Agreement (SLA). The SLA will specify the service to be provided and the charge to be levied and will generally be a volume based charge. SLAs must be published well in advance of the start of each financial year to enable customers to negotiate with providers if they wish.

3.9.7 **Directors/Assistant Directors** must have appropriate systems in place to support the charge setting process, including the allocation of overheads.

3.9.8 Regard shall be had to the frequency and basis of charge to minimise the internal administrative costs involved in recharging.

3.9.9 Key Controls

The key controls are:

- Clear and consistent internal charging strategy;
- Annual review of strategy and basis and level of charges with specific reference to Value for Money;
- Clear guidance on forming SLAs and service agreements;
- All charges should be considered as part of the Service Planning process.

### **3.10 RESERVES**

3.10.1 Reserves are amounts set aside by the Council as a result of surpluses, deferred expenditure or policy decisions to 'save' towards future expenditure. Reserves can be either specific (earmarked) or general. For each reserve established, the amount, purpose and origin of funding must be clearly identified.

3.10.2 The levels and requirements for reserves are reviewed annually in setting the budget and in the context of the MTFP.

3.10.3 The establishment of new earmarked reserves is subject to approval on a case by case basis except where such a reserve (e.g. pension's reserve) is specifically required by statute or by CIPFA's Accounting Code of Practice.

3.10.4 New reserves will generally be approved by Council (or **Corporate Policy & Resources Committee**) as part of the budget setting process or budget monitoring process and exceptionally by the **Corporate Policy & Resources Committee** as part of the accounts closure process on the recommendation of the Chief Finance Officer.

- 3.10.5 Contributions to reserves will be managed as a budgeted call on resources which could otherwise have been spent on services or taken to the General Reserve or used to reduce Council Tax. The timing and size of contributions will be considered in the context of the Council's MTFP and reviewed when each year's accounts are closed.
- 3.10.6 Earmarked reserves will generally fall into four categories:
- Trading account balances;
  - Time limited programmes and projects
  - To meet specific risks of a non-insurable nature or self-insured risks;
  - To carry forward under spending (or overspending) as a ring fenced amount.
- 3.10.7 **Trading account balances** will be allowed where real or quasi trading accounts are used to manage costs. Balances will be maintained to allow flexible response to changes to demand and/or to meet defined future capital expenditure needs. Generally such balances should not exceed 20% of the annual turnover. Balances in excess of this limit should be returned to the General Reserve. See also the additional provisions in section 6.12.
- 3.10.8 **Time limited programmes** may be pre-funded by the establishment of reserves. Reserves will be useful where the pace of spending is difficult to predict and where the spend will run over a number of budget years. However, the creation of reserves causes an earlier call on the taxpayer than when the benefits of the programme are derived by the taxpayer. So pre-funding requires careful consideration of the benefits of the use of a reserve as against annual revenue budgets. It would be unusual for a time-limited programme running for more than 3 years to be pre-funded. Longer programmes might be managed by a reserve to which a consistent level of contribution was made annually but where spend fluctuated from year to year. In all cases the purpose of the reserve must be clearly established at the outset and the scope and cost of the programme defined to ensure the adequacy of the reserve.
- 3.10.9 **Reserves to meet specific risks or contingencies** should have regard to a reasonable estimate of the potential costs involved and should continue to be held only while the risk remains. They should be reviewed at least annually. The Insurance Reserve falls within this category being support for the Council's self-insurance programme and a contingency in respect of any past insurance claims yet to be settled.
- 3.10.10 **At each year-end the Council may determine that an under spending (or over spending) is carried forward for use by the service in which it arose in the subsequent year.** This may be because of a delay in implementing a revenue programme or because a commitment to a future payment exists but which does not meet the test of an accrual as a creditor, or establishment of a Balance Sheet provision. In each case the relevant **Director/Assistant Director**, together with the Chief Finance Officer will establish the reasonable estimate of the under-spending and the amount carried forward and approval of the Management Team will be sought.

- 3.10.11 The Council may determine that a Service may retain part of a general under spending if the Council's financial situation does not require the sum to be returned to the General Reserve. The sum retained must be identified to a programme and for a one off purpose that does not give rise to any ongoing commitment. The Chief Finance Officer will consider each case and advise whether the purpose meets the test of being spending of a one-off nature.
- 3.10.12 In all circumstances a carry forward request must not be spent without the prior approvals as those required for virements.
- 3.10.13 Approval to use earmarked reserves will be subject to formal release by the Chief Finance Officer who will confirm that planned spending remains affordable when considering any mixed funding, including call on reserves, current budgets and/or external funding packages. The Chief Finance Officer shall have delegated power to approve spending of any earmarked reserve up to a value of **£50,000**. Spend in excess of this sum must have the approval of **Corporate Policy & Resources Committee**.
- 3.10.14 Monitoring of spending against reserves must be subject to periodic budget monitoring arrangements. Projected variances should form part of the periodic corporate budget monitoring arrangements.
- 3.10.15 The Council may close an earmarked reserve (except where there is a statutory requirement to maintain it) at any time and appropriate any remaining balance to the General Reserve.
- 3.10.16 Key Controls

The key controls are:

- The establishment and use of reserves must be authorised by the Chief Finance Officer;
- Reserves will only be established to meet a defined purpose;
- The level and requirement of each reserve is reviewed annually.
- Any spend in excess of £50,000 to be approved by **Corporate Policy & Resources Committee**.

## **4 REGULATION 4 - ACCOUNTING RECORDS**

### **4.1 ACCOUNTING RECORDS**

4.1.1 To enable reliance to be placed on financial management information all the Council's transactions, commitments, contracts and other essential accounting information must be recorded completely, accurately, on a timely basis and in corporately approved systems.

4.1.2 Any financial systems and records used within service areas that do not interface with the corporate financial ledger must be in a form agreed by the Chief Finance Officer and must be regularly reconciled to the corporate financial ledger by the relevant service manager.

4.1.3 **Directors/Assistant Directors** shall ensure supporting documentation is available as required by the Chief Finance Officer.

#### **4.1.4 Key Controls**

The key controls are:

- The primary record of accounting entries and approved budget is the financial ledger;
- Reconciliation procedures are carried out to the financial ledger to ensure transactions are correctly recorded;
- Original documents are retained in accordance with legislative and other requirements including compliance with the Council's Retention of Data Policy.

### **4.2 ANNUAL STATEMENT OF ACCOUNTS**

4.2.1 The Council has a statutory responsibility to prepare accounts that present accurately and fairly its operations during the year. This must be done in accordance with The Code of Practice on Local Council Accounting in the United Kingdom: (the Code) (CIPFA/LASAAC).

4.2.2 The Accounts will be produced within the statutory timescales.

4.2.3 Annually the Chief Finance Officer draws up a detailed timetable, guidance and instructions for final accounts preparation, approval and audit.

4.2.4 The timetable and guidance covers all areas relating to the closure of accounts, the deadlines by which each task should be completed and the format in which key information should be submitted. **Directors/Assistant Directors** shall ensure compliance with the timetable and guidance.

#### **4.2.5 Key Controls**

The key controls are:

- The Council's Statement of Accounts is prepared in accordance with proper practices as set out in the relevant codes of practice on local authority accounting in the United Kingdom;
- Clear and consistent advice and instructions are issued for dealing with all year-end processes, such as accruals, prepayments, treatment of year-end balances and analytical review;
- Accounts are kept up to date during the year, reconciliations are carried out on a regular basis, the revenue and capital budgets are compiled and monitored effectively and year-end processes are completed in accordance with the timetable issued;
- Year-end variances and balances are reported on within the parameters agreed with the external auditor;
- There is a clear policy for the setting up and maintenance of reserves;
- Comprehensive working papers are compiled and maintained.

### **4.3 RETENTION OF ACCOUNTING AND FINANCIAL DOCUMENTS**

- 4.3.1 The retention periods shown in Appendix 2 represent the minimum number of complete financial years, i.e. excluding the current financial year.
- 4.3.2 This guidance refers to retention of both hard copy and electronic format. Retention in electronic format (e.g. document imaging or other electronic format) is to be encouraged wherever possible and subject to the agreement of appropriate authorities, such as External Audit and HMRC.
- 4.3.3 No documents or records should be disposed of until notification has been received from the External Auditor of the completion of the audit of accounts for the year to which the records relate. This fact should be confirmed with the Chief Finance Officer.
- 4.3.4 If in doubt, Internal Audit should be contacted for advice on specific cases.

## **5 REGULATION 5 - RISK MANAGEMENT AND RESOURCE CONTROL**

### **5.1 RISK MANAGEMENT AND INSURANCE**

#### **Introduction**

- 5.1.1 It is essential that robust systems are developed and maintained for identifying, evaluating and controlling all of the operational risks to the Council on an integrated basis in accordance with the Council's Risk Management Strategy.

#### **Risk Management**

- 5.1.2 The Governance and Audit Committee is responsible for approving the Council's Risk Management Strategy and for reviewing the effectiveness of risk management. The committee is also responsible for approving the Council's Strategic Risk Assessment and for ensuring that proper insurance exists where appropriate. The committee discharging the Overview and Scrutiny function has the responsibility for reviewing and scrutinising the decisions made by and performance of Committees and officers to ensure that risk management has been applied and adds value and quality to decision making.

- 5.1.3 The Director of Corporate Services will produce an annual corporate risk assessment. The Director of Corporate Services is responsible for preparing the Council's Risk Management Strategy statement and for promoting it throughout the Council. The Chief Finance Officer is responsible for advising the Corporate Policy & Resources Committee on proper insurance cover where appropriate. Copies of the Council's formal Risk Management Strategy and Corporate Risk Register are available on the intranet.
- 5.1.4 Directors / Assistant Directors shall ensure the regular identification, review and management of risk within service areas having regard to advice and instructions from specialist officers. Risk champions shall be nominated within each service area to ensure these issues are progressed.
- 5.1.5 The Council's approach to risk management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.
- 5.1.6 Directors / Assistant Directors are responsible for ensuring that the risks to achieving the aims in their responsible areas are assessed and managed and that risk registers are updated with current issues and reviewed through service area team meetings in accordance with the organisation's risk appetite. Risks and their control measures will be included within Service Delivery Plans and updated in quarterly performance reviews.
- 5.1.7 It is also the role of Directors / Assistant Directors to ensure that common themes for business and organisational failure (e.g. capacity, resources and prioritisation) are taken into account at a service and corporate level and reflected in risk registers, as they have an effect on achieving service and organisational aims.
- 5.1.8 Directors / Assistant Directors will also ensure that all relevant staff comply with the strategy and have the necessary level of training and competence. The Risk Management Code of Practice will be complied with and risks escalated to the Director/Assistant Director where a decision at this level is needed.
- 5.1.9 The Chief Finance Officer will make provision for losses that might result from residual risks, through external insurance or internal funding and negotiate all claims in consultation with other officers.

### Insurance

- 5.1.10 The Chief Finance Officer shall effect all those insurances falling within the framework of insurable risks and shall deal with all claims, in consultation with other Directors/Assistant Directors where necessary. This will also include negotiation of annual premiums, continually reviewing procedure and cover and ensuring that the Council has adequate cover against all potential risks.
- 5.1.11 The Council will determine which risks must be covered by external insurances or internal insurance provision. Other risks may be covered by insurance or carried by the service area involved at the discretion of the relevant Director/Assistant Director, having regard to advice from the Chief Finance Officer.
- 5.1.12 The Chief Finance Officer will keep an up to date list of all property including current insurance values. This list will be reviewed annually.

- 5.1.13 Each **Assistant Director** shall immediately notify the Chief Finance Officer of all new risks, properties, vehicles and other assets or potential liabilities for which insurance may be required; and of any changes affecting existing risks or insurance cover required.
- 5.1.14 **Directors/Assistant Directors** shall notify the Chief Finance Officer in writing without delay of any loss, liability or damage or any event likely to lead to a claim and shall provide such information and explanations required by the Chief Finance Officer or the Council's insurers.
- 5.1.15 **Directors/Assistant Directors** shall ensure that all keys (for example safe, offices, vehicles, cabinets) are kept securely and a register maintained. In the event of a loss, they must immediately inform the Chief Finance Officer.
- 5.1.16 **Directors/Assistant Directors** may authorise payment of up to **£60** towards employees' personal property damaged while on the Council's premises or on the Council's business. Sums greater than £60 will require approval from the Chief Finance Officer and the Management Team.
- 5.1.17 **Directors/Assistant Directors** shall consult the Chief Finance Officer and the Monitoring Officer concerning the terms of any indemnity which they are requested to give on behalf of the Council.
- 5.1.18 Before entering into any arrangement involving a legal relationship, the **Directors/Assistant Director** involved must ensure that the Council has adequate legal powers and where appropriate that there is adequate professional indemnity insurance to cover and minimise any risk to the Council and to those individuals involved (advice should be obtained from the Chief Finance Officer and /or the Monitoring Officer where necessary before proceeding).
- 5.1.19 The Chief Finance Officer shall review insurance requirements at each annual renewal date and as part of the re-tendering process at the end of the overall insurance contract period.

### **Self-Insurance**

- 5.1.20 For some risks not covered by external insurance policies and as determined by the Council, the Chief Finance Officer will operate an internal insurance account and is authorised to charge the various Council service budgets with the cost of contributions to this account.
- 5.1.21 Risk Management is the responsibility of every Director/Assistant Director having regard to advice from specialist officers. In general, costs and losses not insured externally and not covered by the Council Fund will fall as a charge upon the budget of the service area to which the item relates. Also, claims for insured risks could result in increased levels of future premiums, and this emphasises the need for effective preventive measures against all risks.

### **Business Risk Management**

- 5.1.22 Each **Director/Assistant Director** must assess all risks annually. The risk of not meeting corporate strategy targets should be evaluated and appropriate performance measures should be set for monitoring.
- 5.1.23 All risks should be recorded in the Corporate Risk Register, together with an

action plan to show how the risks are being monitored.

5.1.24 The management of risks at a cluster (**Our People, Our Place, Our Council**) level should be reported upon at least quarterly to the Management Team.

5.1.25 Key Controls

The key controls are:

- 5.1.25.1 Procedures are in place to identify, assess, prevent or contain known risks, and these procedures are operating effectively throughout the Council;
- 5.1.25.2 The Council has adopted the Risk Management Strategy and processes to record all identified risks;
- 5.1.25.3 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;
- 5.1.25.4 Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives;
- 5.1.25.5 Provision is made in the accounts for losses that might result from the risks that remain;
- 5.1.25.6 The Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources;
- 5.1.25.7 Acceptable levels of risk are determined and insured against where appropriate.

**5.2 PREVENTING FRAUD AND CORRUPTION**

- 5.2.1 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside of the Council.
- 5.2.2 The Chief Finance Officer is responsible for the development and maintenance of an **anti-fraud and anti-corruption policy**.
- 5.2.3 The Monitoring Officer will also ensure that whistle-blowing procedures are in place and operate effectively, including regular reviews of staff training and takes account of the Public Interest Disclosure Act 1998.
- 5.2.4 The Council operates an **anti-fraud and anti-corruption policy**. A 'Whistle Blowing' policy supports the objectives of these policies. These, in conjunction with Councillor and Officer Codes of Conduct and registers of interest, including Register of Interest in which any hospitality or gifts accepted must be recorded, determine the overall policy of the Council with regard to prevention of fraud and corruption.
- 5.2.5 Any suspected irregularities should be reported to internal audit and, if necessary, the Chief Finance Officer, the Monitoring Officer, or the Head of Paid Service.

### 5.2.6 Key Controls

The key controls are:

- The Council has an effective **anti-fraud and anti-corruption** policy and maintains a culture that will not tolerate fraud or corruption;
- Codes of conduct exist for Councillors and Officers and are regularly reviewed by the Standards **Sub**-Committee;
- A Register of Interests is maintained to enable Councillors and Officers to record any financial or non-financial interests that may bring about conflict with the Council's interests;
- A register of Gifts & Hospitality is maintained to enable Councillors and Officers to record gifts and hospitality either received, or offered and declined, from the Council's contractors and suppliers;
- Whistle blowing procedures are in place and operate effectively;
- An effective disciplinary procedure is in place in case of improper behaviour;
- The **Anti-fraud and Anti-corruption Policy** and the Whistleblowing Policy can be found on the intranet and internet.

## 5.3 GIFTS AND HOSPITALITY

5.3.1 Part 3 of The Constitution sets out the Council's Codes of Conduct for Councillors and for Employees on Gifts and Hospitality. These must be adhered to at all times.

5.3.2 A Register of Gifts & Hospitality is maintained by Democratic Services to enable officers to record gifts and hospitality either received, or offered and declined, from the Council's existing or potential contractors and suppliers.

### 5.3.3 Key Controls

The key controls are:

- Relevant Codes of Conduct must be adhered to at all times;
- Registers of gifts and hospitality must be maintained and kept up to date.

## 5.4 ASSETS

### 5.4.1 **Assets - Acquisitions and Disposals of Land and Buildings (Freehold and Leasehold)**

5.4.1.1 **Directors/Assistant Directors** (including the Chief Finance Officer) may authorise an acquisition or disposal of land and buildings up to a value of **£75,000** (including leases or easements where the annual rent multiplied by the length of the lease does not exceed that figure assuming that the rent is not increased on review) which is an approved item in the approved Capital Programme.

5.4.1.2 Acquisitions or disposals between **£75,001** and **£250,000** are only to be undertaken following consultation with the Leader of the Council or the Deputy Leader if the Leader is not available.

5.4.1.3 Any proposed acquisition or disposal (regardless of value) must be subject to an independent valuation, preferably by the District Valuer or some other Royal Institute of Chartered Surveyors independent valuer.

- 5.4.1.4 In all cases, acquisitions and disposals are subject to reference to **Corporate Policy and Resources Committee** by the appropriate Chief Officer with responsibility for areas of open space or land in the nature of open space if there is significant public interest in the preservation of the same. Where a sale is pursuant to Section 123 Local Government Act 1972, Section 32 Housing Act 1985 or or Section 25 Local Government Act 1988, consent to the Secretary of State may be sought as necessary.
- 5.4.1.5 In all cases, the acquisition, lease or disposal must be reported to the next available meeting of the **Corporate Policy & Resources Committee**.
- 5.4.1.6 Where transactions have not been approved within the Approved Capital Programme the prior approval of the **Corporate Policy and Resources Committee** is required.

### **Assets – Security**

- 5.4.2 The Council holds assets and information in many different forms – property, vehicles, equipment and both computerised and other records.
- 5.4.3 Such assets and information as are required for service operations must be safeguarded, and the requirements of the Data Protection Act and Freedom of Information Act must be met.
- 5.4.4 **Directors/Assistant Directors** will:
- Ensure the security of all vehicles, buildings, stocks, stores, furniture, equipment, cash and information under their control;
  - Ensure that no asset or office system (for example internet access or the telephone system) is misused or subject to unauthorised personal use;
  - Ensure that maximum limits for cash holdings agreed with the Chief Finance Officer are not exceeded;
  - Ensure that keys to safes etc. are kept securely and any loss is reported promptly to the Chief Finance Officer;
  - Protect the Council's rights to intellectual property and ensure that private work is not carried out during the Council's time;
  - Ensure that documented and tested contingency plans for the security of assets and continuity of service in the event of a disaster or system failure are in place;
  - Should the Council be asked to give a guarantee or indemnity for any transaction, the relevant **Director/Assistant Director** should first consult with the Chief Finance Officer and the Legal Adviser.
- 5.4.5 The Chief Finance Officer maintains an up-to-date Asset Register. The Chief Finance Officer should be notified in any case where security is thought to be defective or where it is considered that special security arrangements may be needed. In addition, the Authority will maintain records of all properties owned by the Council.
- 5.4.6 The Council's **Director of Corporate Services** shall have the custody of all title deeds, formal contracts and agreements under seal and be responsible for ensuring their safety.
- 5.4.7 The Chief Finance Officer shall be responsible for ensuring that a full revaluation of all Council properties is undertaken at least every five years.

#### 5.4.8 Key Controls

The key controls are:

- Assets and resources are used only for the purposes of the Council and are properly accounted for;
- Assets and resources are available for use when required;
- Assets and resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits;
- An Asset Register is maintained for the Council - assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset;
- All officers 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;
- All officers are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's information security and internet security policies;
- Proper security arrangements are in place for all buildings and other assets belonging to the Council.

#### **Assets – Inventories**

- 5.4.9 Mobile assets include portable computers, phones, radios, surveying equipment, vehicles and any other work related equipment held by staff outside the offices at any time.
- 5.4.10 Each **Director/Assistant Director** will nominate an officer with responsibility to maintain an inventory for all assets with a life expectancy of more than one year (including all mobile assets) whose single replacement value exceeds £500 including furniture, fittings and equipment. This must record description, value, date of purchase, expected life, and location.
- 5.4.11 All valuable and portable items (including computers, cameras, video recorders, mobile phones, portable projection equipment etc.) must be security marked as belonging to the Council and wherever possible kept securely.
- 5.4.12 No item shall be removed from the Council premises, except in the course of Council business, without the written authorisation of the **Director/Assistant Director** concerned.
- 5.4.13 Inventories must be checked at least annually to verify the details.
- 5.4.14 Any variations to inventory records must be reported to the relevant **Director/Assistant Director** and all variations over **£1,500** must be reported to the Chief Finance Officer.
- 5.4.15 The **Director/Assistant Director** to ensure officers sign a register to acknowledge custody and sign back in when returning the equipment. The Chief Finance Officer can offer advice when setting up a logging system.
- 5.4.16 An inventory of all computer hardware and software held by the Council will

be maintained, a copy of which must be provided to the Chief Finance Officer.

### **Assets - Lost Property and Uncollected Goods**

- 5.4.17 Lost property, uncollected goods or unclaimed sums of money will be kept securely until they can be returned to a claimant or otherwise disposed of. **Directors/Assistant Directors** will ensure that this is carried out and that records are kept of such items and arrangements for their disposal.

### **Assets - Stocks and Stores**

- 5.4.18 All **Directors/Assistant Directors** must ensure that they maintain adequate records and controls over stock movements. There is a cost of holding stocks and levels should always be kept at the minimum necessary to maintain the efficiency of the service.
- 5.4.19 Stocks and stores comprise the following categories:
- Goods or other assets purchased for resale;
  - Consumable stores;
  - Raw materials and components purchased for incorporation into products for sale;
  - Products and services in intermediate stages of completion;
  - Long-term contract balances;
  - Finished goods.
- 5.4.20 **Directors/Assistant Directors** will ensure that independent stock checks must be undertaken periodically and at least annually at year-end. All discrepancies should be investigated and pursued to a satisfactory conclusion. Evidence of the stock check is to be kept for audit verification purposes.
- 5.4.21 Any variations must be reported to the relevant **Director/Assistant Director** and Financial Services for the appropriate accounting entries to be done. All variations over £1,500 must be reported to the Chief Finance Officer.
- 5.4.22 A certificate of stock must be issued promptly to the Chief Finance Officer as at 31 March in each year. Stocks must be signed by the appropriate **Director/Assistant Director** or budget holder and valued at the lower of cost and net realisable value.
- 5.4.23 The Chief Finance Officer is entitled to check stocks, if necessary requiring closure, after consultation and agreement with the **Director/Assistant Director** concerned.
- 5.4.24 All receipts and issues of stock must be properly recorded and accounted for in the Council's financial records.

### **Assets – Intellectual Property**

- 5.4.25 Intellectual property is a generic term that includes inventions and writing. If these are created by the officer during the course of employment then they are the property of the Council. Examples include software and product development. These items are collectively known as intellectual property.

5.4.26 All contracts of employment, including those relating to temporary or consultants are to provide for intellectual property to be the property of the Council.

5.4.27 Key Controls

The key controls are:

- In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's approved intellectual property procedures.
- Contracts of employment, including for the employment of temporary/consultancy staff, should include the provision that any intellectual property are the property of the Council.

**Assets - Compulsory Disposals**

5.4.28 Any sale or lease of land pursuant to the Right to Buy or the Right of Enfranchisement under the Housing Act 1985, the Leasehold Reform Act 1967 or the Leasehold Reform Housing and Urban Development Act 1993 will be subject to compliance with the statutory procedures.

**Assets – Disposal by Sale**

5.4.29 Surplus or obsolete goods, materials, and stocks with a value of £250 or more shall be disposed of by public tender, except when, in the opinion of the **Director/Assistant Director** of the Service concerned, the financial interest of the Council is better served by disposal by other means. This may include a public auction or offering the asset in part exchange. The **Director/Assistant Director** concerned shall prepare and certify a list of all items disposed of, showing the amount received. This will be reflected in the inventory, the asset register, and/or the stock account. The disposal of the asset should be fully documented.

5.4.30 Items with a value of less than £250 can either be disposed as indicated in 5.4.29 or may listed on the Councils Ebay page.

5.4.31 For disposals of land and property see the special provisions contained in 5.4.1.

5.4.32 Running costs for property declared surplus to requirement will transfer to the Property & Assets budget.

5.4.33 The proceeds of all sales of surplus or obsolete assets must be reported to the relevant **Director/Assistant Director** and all sales must be reported to the Chief Finance Officer who will arrange for the Councils Asset Register to be amended if appropriate.

5.4.34 Key Controls

The key controls are:

- Assets are disposed of in accordance with the Asset Management Plan;
- Disposal of assets is fully documented;
- The Councils Asset Register records the latest position;

- Annual stock valuation identifies obsolete stock.

### **Assets – Disposal By Write Off**

- 5.4.35 For the purpose of this section, assets also include write off of cash and income due to the Council.
- 5.4.36 Write-offs may only take place as a last resort after all other economic/social solutions have been exhausted.
- 5.4.37 The relevant Budget Manager may write off amounts up to £250 where irrecoverable.
- 5.4.38 The relevant **Director/Assistant Director** in consultation with the Chief Finance Officer may write off Income, Stocks and Inventory deficiencies of up to **£2,500**.
- 5.4.39 The relevant **Director/Assistant Director** in consultation with the Chief Finance Officer and the Chairman of the **Corporate Policy & Resources Committee**, may write off items over **£2,500** and under **£25,000**.
- 5.4.40 Write offs of amounts over **£25,000** may only be written off by the **Corporate Policy & Resources Committee** after receiving a report from the Chief Finance Officer.
- 5.4.41 A report must be submitted at least annually by the relevant **Director/Assistant Director** to the Chief Finance Officer, who will report annually on the overall level of write-offs as part of the Statement of Accounts process.
- 5.4.42 Key Controls

The key controls are:

- Specific write-off limits;
- Disposal of assets is fully documented;
- Annual stock valuation identifies obsolete stock.

## **5.5 TREASURY MANAGEMENT AND LEASING**

- 5.5.1 The Council has adopted CIPFA's Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes 2017.
- 5.5.2 The Chief Finance Officer will create and maintain, as the cornerstone for effective Treasury Management:
- A Treasury Management Policy Statement (TMPS) stating the policies, objectives and approach to risk management of its treasury management activities;
  - Suitable Treasury Management Practices (TMP) setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.
- 5.5.3 The Chief Finance Officer will produce reports on its treasury management policies, practices and activities including, as a minimum, a report to Council

on an annual strategy and plan in advance of the forthcoming year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

- 5.5.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the **Corporate Policy & Resources Committee**, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement and TMPs, and the CIPFA Standard of Professional Practice on Treasury Management.
- 5.5.5 The Council nominates the Governance and Audit Committee to be responsible for ensuring the effective scrutiny of the Treasury Management strategy and policies.
- 5.5.6 All executive decisions on borrowing, investment or financing (including leasing) are delegated to the Chief Finance Officer who will act in accordance with the Council's agreed "Treasury Management Strategy".
- 5.5.7 The Chief Finance Officer must report any decisions on any borrowing undertaken to **Corporate Policy & Resources Committee** as part of the Treasury Management activities reporting process.
- 5.5.8 The Chief Finance Officer must report any debt rescheduling activity to **Corporate Policy & Resources Committee** as part of the Treasury Management activities reporting process.
- 5.5.9 The Chief Finance Officer is responsible for acting as the Council's registrar of stocks, bonds, mortgages, and to maintain records of all borrowing by the Council.
- 5.5.10 **Directors/Assistant Directors** are responsible for ensuring the prior approval of the Chief Finance Officer before leasing any assets.
- 5.5.11 **Directors/Assistant Directors** are responsible for ensuring that no loans are made to third parties or interests acquired in companies, joint ventures, or other enterprises without consulting the Chief Finance Officer and obtaining approval from **Corporate Policy & Resources Committee**.
- 5.5.12 The Council may, in accordance with its Treasury Management Strategy, invest in the following types of investment:
- Money Market Funds
  - Banks
  - Certificates of Deposits
  - UK Government (including gilts, Treasury Bills etc)
  - Other Local Authorities, Parish Councils etc
  - Housing Associations
  - Loans and guarantees etc. to third parties and subsidiaries
  - Local/Community Bonds
  - Local Authority Property Asset Funds
  - Corporate Bond Funds management
  - Covered Bonds
  - Property Funds

5.5.13 All such investments shall be undertaken only in accordance with the Councils approved Treasury Management Strategy and adherence to the provisions contained in the strategy especially with regard to undertaking appropriate due diligence.

5.5.14 Key Controls

The key controls are:

- Adopted CIPFA's Treasury Management in the Public Services Code;
- Created and maintained Treasury Management Policy Statement (TMPS) and Treasury Management Practices (TMP);
- Agreed Treasury Management Strategy for forthcoming year;
- Mid-year Treasury Management Update report;
- Reported performance within six months of the end of the year;
- An annually agreed Minimum Revenue Provision (MRP) Policy;
- The role of the Governance and Audit Committee.

**5.6 STAFFING**

5.6.1 The Head of Paid Service, in consultation with the Chief Finance Officer, is responsible for determining how officer support for executive and non-executive roles within the Council will be organised.

5.6.2 The Head of Paid Service is responsible for providing overall management to Officers. He/she is also responsible for ensuring that there is proper use of evaluation or other agreed systems for determining the remuneration of a job.

5.6.3 **Directors/Assistant Directors** should ensure that Officers are aware of their management responsibilities under the Financial Procedure Rules, Contract Procedure Rules, Declaration of Interests, Hospitality, Whistleblowing Policy, ICT Policies etc.

5.6.4 All officers are responsible for complying with the Council's Human Resources Policies to protect the Council against losses and minimise risk exposure.

5.6.5 The Head of Paid Service is responsible for maintaining an approved list of officer posts (known as the Establishment List), which have been approved by or on behalf of the Council as being required to provide the Council with the services and advice, which it requires from time to time. Additions, amendments and deletions in relation to this list shall be kept up to date at all times.

5.6.6 Regular meetings shall take place between the Chief Finance Officer, Finance and Payroll to ensure that all records in relation to this Establishment List reconcile.

5.6.7 No appointments of permanent officers shall be made unless there is a post on the Establishment List for which current budgetary provision has been made.

5.6.8 The Establishment List shall not preclude the appointment of temporary or agency staff, or direct works employees in respect of which special budgetary provision is available.

5.6.9 **Directors/Assistant Directors** are responsible for controlling total staff numbers by:

- Advising the **Corporate Policy & Resources Committee** on the budget necessary in any given year to cover estimated staffing levels;
- Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs.

#### 5.6.10 Key Controls

The key controls are:

- An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched;
- Procedures are in place for forecasting staffing requirements and cost;
- There is a process of performance review and identification of development needs;
- Training budgets are adequate to support agreed development needs.

### 5.7 UNOFFICIAL NON-COUNCIL FUNDS

5.7.1 An unofficial fund is one where the income and expenditure does not form part of the Council's accounts, but which is controlled wholly or in part by an Officer employed by the Council or a semi-autonomous body. Examples may include charity accounts or Trust Funds.

5.7.2 Unofficial funds may only be established by the Chief Finance Officer who will issue and update accounting instructions for them where necessary.

5.7.3 All unofficial funds must be properly accounted for and be subject to an independent annual audit (Council or other provider).

#### 5.7.4 Key Controls

The key controls are:

- They must be subject to an audit;
- They must be identified and recorded centrally;
- Normal accounting rules will apply.

### 5.8 INTERNAL AUDIT

5.8.1 The requirement for an internal audit function for local authorities is implied by the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit regulations 1996 (SI1996/590), Regulation 5, more specifically require that a "relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems". The Chief Finance Officer is responsible for providing an efficient and effective internal audit service to comply with the legislation and auditing best practice.

5.8.2 Accordingly, Internal Audit is an independent and objective appraisal function responsible 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.

- 5.8.3 The provision of a full Internal Audit service requires total accessibility to records and staff employed either by, or on behalf of, the Council.
- 5.8.4 Notwithstanding the Chief Finance Officer's responsibility for the review of the Council's systems, the actual responsibility for their correct form and operation lies solely and totally with service management. Internal Audit will review and comment on the operation of systems, but this does not constitute a control function and must not be relied upon as such. Conversely, the lack of an Internal Audit review or the failure by Internal Audit to identify a weakness or irregularity does not in any way act as an excuse or defence for its occurrence or non-detection by service managers.
- 5.8.5 **Directors/Assistant Directors** will consider internal audit reports and make an initial response within 15 working days of receipt. Any agreed recommendations will then be implemented. Any rejected recommendations will be reported to the Chief Finance Officer and Management Team.
- 5.8.5 **Directors/Assistant Directors** will inform the Chief Finance Officer of suspected fraud, corruption or other irregularities.
- 5.8.6 **Directors/Assistant Directors** will inform Internal Audit of all proposed changes to computer or other systems prior to implementing any changes.
- 5.8.7 The Assistant Director for People and Democratic Services will report to the Governance and Audit Committee on progress against the Internal Audit Programme.
- 5.8.8 Key Controls

The key controls are:

- It is independent in its planning and operation;
- The Audit Manager has direct access to the Head of Paid Service, all levels of management and directly to elected Members;
- Governance and Audit Committee will monitor progress against the Internal Audit Programme.
- Internal Auditors comply with the Auditing Practice Board's guideline: Guidance for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.

## 5.9 MONEY LAUNDERING

5.9.1 The Council's policy and practices with regard to the Money Laundering regulations (contained in the Proceeds of Crime Act 2002 as amended by Serious Organised Crime Agency and Policy 2005 and relevant Statutory Instruments, Terrorism Act 2000 as amended by Anti-Terrorism, Crime and Security Act 2001 and the Terrorism Act 2006 and relevant Statutory Instruments with regard to money laundering are contained in the Council's Treasury Management Practices (TMP) adopted as part of its Treasury Management Policy.

5.9.2 Schedule 9 of the TMPs set out the detailed approach to addressing the Council's requirements in respect of Money Laundering regulations specific to

Treasury Management activity.

## **6 REGULATION 6 – ACCOUNTING SYSTEMS AND PROCEDURES**

### **6.1 ACCOUNTING SYSTEMS AND PROCEDURES**

- 6.1.1 The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. No changes shall be made to the existing financial systems or new systems shall be established without the prior approval of the Chief Finance Officer.
- 6.1.2 A complete audit trail, allowing financial transactions to be traced from the accounting records to the original document and vice versa, must be maintained.
- 6.1.3 **Directors/Assistant Directors** are responsible for the proper operation of financial processes in their own strategic service areas and for ensuring that their officers receive relevant financial training, approved by the Chief Finance Officer.
- 6.1.4 **Lists of Authorised Officers, with specimen signatures and delegated limits will be provided to the Chief Finance Officer,** together with any subsequent variations on a periodic basis. This includes all areas of the Council, including the outlying areas such as depots and sports facilities. **Directors/Assistant Directors** must ensure that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation and that officers are aware of their responsibilities under Freedom of Information legislation and information security generally.
- 6.1.5 The development, purchase and implementation of all ICT systems must conform to the Council's ICT Strategy.
- 6.1.6 All passwords must remain confidential.
- 6.1.7 All relevant software licenses employed by the Council should be held and identifiable. No software may be loaded onto the Council's computer equipment without the prior permission by the **Chief Finance Officer**.
- 6.1.8 Contingency arrangements, including back-up procedures, must be maintained 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.
- 6.1.9 Any service specific procedures should be followed by the service in question; any changes made to agreed procedures by officers to meet specific service needs should be agreed with the Chief Finance Officer. These procedures will incorporate appropriate controls to ensure that, where relevant:
- All input is genuine, complete, accurate, timely and not previously processed;
  - All processing is carried out in an accurate, complete and timely manner;
  - Output from the system is complete, accurate and timely;
  - There is an appropriate segregation of duties providing for adequate internal controls and to minimise the risk of fraud or other malpractice.

### 6.1.10 Key Controls

The key controls are:

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

## 6.2 **BANKING ARRANGEMENTS**

- 6.2.1 The Council operates a number of bank accounts for the collection and payment of money. All receipts and payments of the Council are made through these accounts. Only the Head of Paid Services and the Chief Finance Officer can open bank accounts in the name of and on behalf of the Council. No officer of the Council shall open any bank (or equivalent) account without the explicit agreement of one of those officers.
- 6.2.2 The Chief Finance Officer will ensure that sound, adequate arrangements are in place for the safe and efficient operation of all the Council's bank accounts and will effect or cause to be effected proper and timely reconciliations.
- 6.2.3 All bank accounts shall bear an official title and in no circumstances shall an account be opened in the name of an individual, with the exception of the Returning Officers Account for election expenses.
- 6.2.4 Once an account is open, only the Chief Finance Officer can make arrangements concerning the Council's bank accounts. No overdraft arrangements will be permitted with the exception of corporate arrangements under the Treasury Management policy.
- 6.2.5 Financial Services will monitor the safekeeping and control of cheques.
- 6.2.6 Cheques on the Council's main banking accounts shall bear the signature (manuscript or facsimile signature) of the Head of Paid Service.
- 6.2.7 All cheques in excess of £10,000 must be manually countersigned by one of the other officers authorised on the bank mandate.
- 6.2.8 No cheques will be opened unless a satisfactory written explanation is given and must be authorised by an officer identified on the bank mandate and only on receipt of evidence of identification (e.g. passport etc.). (No written explanation is required for petty cash reimbursement).
- 6.2.9 All stocks of cheques must be held securely and stock records maintained to identify both issued and spoilt cheques.
- 6.2.10 The Chief Finance Officer will ensure that bank accounts are reconciled with financial records at least once in each month and any discrepancies identified and appropriate action undertaken.

- 6.2.11 The bank mandate should be reviewed at least annually and **internal audit notified of any changes.**
- 6.2.12 Consideration will be given to retendering the Council's banking service as a minimum every five years.
- 6.2.13 The following duties, as far as possible, will be the responsibility of at least 2 separate officers;
- The checking of creditor accounts;
  - The control of cheque forms;
  - The preparation of cheques;
  - The signature of cheques;
  - The entry of cash accounts;
  - The reconciliation of bank balances.

6.2.14 Key Controls

The key controls are:

- All cheques must be signed, either manually or by facsimile, by the Head of Paid Service.
- Cheques with a value of **£10,000** or more need to be countersigned.

Bank Accounts can only be opened by the Head of Paid Service or the Chief Finance Officer.

### 6.3 SALARIES, WAGES, PENSIONS AND OTHER EMOLUMENTS

- 6.3.1 The Chief Finance Officer is responsible for all payments of remuneration and expenses to all employees or former employees, including payments for overtime and for payments of allowances to Councillors, to comply with Council's policy and national agreements.
- 6.3.2 All appointments will be made in accordance with the Council's approved policies.
- Payroll**
- 6.3.3 Effective controls are needed to ensure that payments are accurate, made only when they are due and comply with relevant conditions of service. The payroll data (currently provided by North Kesteven District Council) must be reconciled regularly with the general ledger.
- 6.3.4 All procedures dealing with starters, leavers, variations and enhancements must be rigorously adhered to and **Directors/Assistant Directors** must advise Human Resources promptly of all staffing changes, absences (other than approved leave), changes in remuneration and other relevant information or changes.
- 6.3.5 All officers must only be paid through the Council's or an authorised contractor's payroll system.
- 6.3.6 **Directors/Assistant Directors** will ensure that they follow the approved

monitoring procedure for filling all vacancies.

6.3.7 The Officers' Code of Conduct is set out in Part 3 of the Council's Constitution.

6.3.8 Key Controls

The key controls are:

- Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to: starters, leavers, variations and enhancements;
- Payments are made on the basis of appropriately authorised timesheets or claims;
- Frequent reconciliation of payroll expenditure against approved budgets and bank accounts;
- All appropriate payroll documents are retained and stored for the defined period, in accordance with guidance issued by the Chief Finance Officer;
- All expenditure, including VAT, is accurately recorded against the correct service cost centre and any exceptions are corrected;
- Inland Revenue regulations are complied with.

**Human Resources Arrangements**

6.3.9 The Head of Paid Service must ensure that adequate arrangements have been made to notify the Payroll Officer of all the information required in terms of starters and leavers, amendments to working hours, pension arrangements and any other factor that can compromise the integrity of the Payroll service.

6.3.10 Key Controls

The key controls are:

- Payments are only made when there is a valid entitlement which can be proved if necessary;
- Conditions and contracts of employment must be correctly applied;
- Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness;
- Appointments, resignations, dismissals, suspensions, secondments and transfers should be recorded and reported in line with Human Resource policies.
- Records supporting absences from duty for sickness or any other reason, apart from approved leave must be supplied monthly to the Payroll Section.
- Changes in remuneration, other than normal increments and pay awards and agreements of general application, must be notified to the Payroll Section promptly.
- The Chief Finance Officer must maintain records for pension, income tax and national insurance.

**6.4 CREDITORS AND DEBTORS**

6.4.1 The Chief Finance Officer is responsible for ensuring the operation and maintenance of effective systems for the payment of creditors and the collection of monies from debtors across the range of Council services.

## 6.5 CONTRACTS

6.5.1 The full rules for contracts are contained in **CONTRACT PROCEDURE RULES** as contained in the Councils Constitution. These must be followed by all staff in all procurements. Even the smallest purchases must be made in accordance with these rules and principles.

To summarise they are –

Goods and Services inclusive of VAT

up to £5,000	one written estimate/quotation (email included)
£5,001 - £30,000	two quotations
£30,001 - £75,000	three independent quotations (no group relationship) (RFQ)
£75,001 – FTS (£213,477)	four independent quotations (no group relationship) (RFQ)

Note:

RFQ (Requests for Quotation) is the Council's preferred method of undertaking procurement within the value thresholds as identified above. See contract Procedure Rule 8.2 for further details.

1. Contracts falling within the different categories of Goods, Services and the carrying out of Works have value thresholds placed on them by the legislation. When the estimated value of an individual contract (cumulative value not annual expenditure) is likely to exceed UK thresholds, by law the Council must comply with the full UK procurement regime. Officers should seek advice from Procurement Lincolnshire.

Includes similar types of process e.g. looking up from a catalogue.

Works contracts as above until – inclusive of VAT

£213,477 - £5,336,937	Five independent quotations (no group relationship) or by advertisement
Over £5,336,937	full UK tender process (ITT)

6.5.2 Payments will only be made on the written authorisation of the officer responsible for the contract. This officer will also give written authorisation for any extras or variations.

6.5.3 Payments made on instruction for construction and construction related contracts should be recorded in detail by the relevant **Director/Assistant Director** or Project Manager.

## 6.6 ORDERING

6.6.1 All orders/purchases of goods and services must comply with the Council's

## Contract Procedure Rules and Procurement Strategy.

- 6.6.2 No creditor shall be paid or debtor be invoiced other than through systems operated by the Chief Finance Officer or otherwise specifically approved by him/her. All orders (excluding those at 6.6.2) must be input to, authorised and produced from the Council's purchasing system or by using a Procurement Card.
- 6.6.3 Official orders shall be issued for all work, goods or services to be supplied to the Council except for supplies from public utility services, for periodical payments such as rent or rates, for petty cash purchases or such other exceptions as the Chief Finance Officer may approve. In cases of emergency, orders may be given orally and confirmed in writing. Official orders for work, goods and services shall be in a form approved by the Chief Finance Officer.
- 6.6.4 Orders (either paper based or electronic) can only be signed by officers authorised by the Director/Assistant Director concerned who is responsible for official orders issued from his service area. An up-to-date list of authorised officers, including specimen signatures identifying in each case the limits of their authorisation will be maintained by the Procurement Team and be readily available. Any changes will be notified to the Procurement Team by the Director/Assistant Director.
- 6.6.5 No order for work, goods or services can be given which will commit the Council to expenditure unless a budget exists to incur that expenditure.
- 6.6.6 Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of Council contracts.
- Any purchase of IT software or hardware (except consumables) must be made through the ICT Service.
- 6.6.7 A Director/Assistant Director may order goods to be supplied or work to be done by requisition on another service area on any occasion where more favourable terms are obtainable by this method than would be the case by direct ordering.
- 6.6.8 It may be advantageous for supplies to more than one service area to be ordered from one source, for example to take advantage of bulk purchasing. The Procurement Team will be able to assist with these instances and shall be responsible for co-ordinating the arrangements.
- 6.6.9 The signatory of the order must be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Value for money should always be obtained.
- 6.6.10 Goods and services must be checked on receipt to ensure they are in accordance with the official order. This check should, where practicable, be carried out by a different officer to the officer who signed the original order.
- 6.6.11 On receipt of goods, entries must be made in inventories or stocks records as appropriate.
- 6.6.12 Separation of duties at different stages of ordering and paying for goods should be in place.

- 6.6.13 All orders must be recorded, along with delivery and receipt of invoice.
- 6.6.14 No orders should be placed that will commit the Council to a loan, leasing or rental arrangement without the prior approval of the Chief Finance Officer and a **Director/Assistant Director**.
- 6.6.15 Open orders should only be used where unavoidable and with the permission of the Chief Finance Officer. In the situation where an open order has been issued e.g. for a call-off contract, the order must have a clear end date, which may be no later than 31<sup>st</sup> March following the date of issue.
- 6.6.16 Verbal orders lesson the control of the Council over expenditure and must be avoided wherever possible. Even if a supplier states that they do not require or want an electronic/**written** order, one should be produced and dispatched as standard. Unless there is a genuine reason e.g. for a standard utility supply, an order must always be issued.

## 6.7 PAYING FOR GOODS

- 6.7.1 Financial Services will provide an efficient payments service both by the regular weekly payment procedures and by urgent payment at any time. Unless in dispute, payments should be made within 30 working days and passed for timely payment.
- 6.7.2 **Directors/Assistant Directors** are responsible for ensuring that payments, on a proper VAT invoice, are certified. This certification indicates that –
- Works, goods or services have been received satisfactorily;
  - That expenditure has been properly incurred and is within budget provision;
  - Contract Procedure Rules and Financial Procedure Rules have been followed;
  - Prices and arithmetic are correct and accord with quotations, tender, contracts or catalogue prices
  - The invoice is coded correctly;
  - Discounts have been deducted where appropriate;
  - Orders, inventories and stores records have been marked or updated as necessary;
  - The invoice has not already been paid.
- 6.7.3 Payment must not be made on a photocopied or faxed invoice (unless the original invoice has been mislaid), a statement or other document other than the formal invoice.
- 6.7.4 Payments to suppliers should be by the most economical means (BACS transfer or CHAPS payment) for the Council. Direct Debit or Standing Orders may be used with the agreement of the Chief Finance Officer. Authorisation of the BACS/CHAPS files is required before submitting to the bank. This authorisation also includes for payments in excess of **£10,000**.
- 6.7.5 Certification of interim and final contract payments, checking, recording and authorising these payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub-contractors' tax status must be documented and agreed with the Chief Finance Officer.
- 6.7.6 No loan, leasing or rental arrangements may be entered into without prior

agreement from the Chief Finance Officer and the Legal advisors. The agreement must also be authorised by a **Director/Assistant Director**.

**6.7.7** No payment shall be made to any organisation in advance of goods or services being rendered to the Council except in instances of subscriptions, memberships, training courses etc.

**6.7.8** Financial Services will:

- Monitor direct debits to ensure the correct amounts are paid;
- Monitor procurement cards to ensure their correct usage;
- Maintain up to date creditor records and payments history and be responsible for the running of the system;
- Ensure that the Council's responsibilities regarding prompt payment within 30 working days are monitored and met;
- Maintain an up to date list of authorised signatories including officers authorised to approve payments electronically or by procurement card;
- Ensure limits are reviewed and amended, if necessary, on a regular basis.

**6.7.9** **Directors/Assistant Directors** must inform the Procurement Team of any changes, additions or deletions to the list of authorised signatories and provide specimen signatures.

**6.7.10** Key Controls

The key controls are:

- All goods and services are requisitioned only by appropriate persons and are correctly recorded;
- Requisitions shall only be issued where budgetary provision exists to pay for the goods and services to be supplied;
- All goods and services shall be requisitioned in accordance with the Council's Contract Procedure Rules and Procurement Strategy unless they are purchased from sources within the Council;
- Goods and services received are checked to ensure they are in accordance with the requisition. Goods should not be receipted by the person who authorised the order;
- Payments are not made unless goods have been received by the Council, to the correct price, quantity and quality standards;
- All payments are made to the correct person/supplier, for the correct amount and are properly recorded, regardless of the payment method;
- All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with guidance issued by the Chief Finance Officer;
- All expenditure is accurately recorded against the right budget, any exceptions are corrected and VAT is recorded against the relevant VAT code;
- In addition, the use of e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

## **6.8 CLAIMS FOR EXPENSES**

**6.8.2** Councillors and officers may incur expenses in the course of their Council duties. Approved expenses will be reimbursed to the individual. Normally the

need to incur expenses will be approved in advance and shall be incurred in the most cost-effective way.

- 6.8.3 All expense claims are to be submitted to Human Resources by the fifth working day of the month for inclusion in that month's payroll.
- 6.8.4 All payments for allowances etc. will be made through payroll.
- 6.8.5 Expense claims will only be paid on approved forms. Councillors also have specific claim forms for making claims. For officers these must be authorised by the claimant's line manager. For Councillors these must be authorised by the Monitoring Officer or other nominated officer.
- 6.8.6 All Councillors and officers submitting claims for expenses shall confirm that the claim is in respect of legitimate and authorised expenditure that has been incurred on Council business.
- 6.8.7 Certification by a line manager shall be taken to mean that the certifying officer is satisfied that those journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.
- 6.8.8 All car allowances will be paid through the Council's Payroll System. The use of procurement cards should be encouraged whenever rail travel is contemplated.
- 6.8.9 Officers are responsible for arranging appropriate motor insurance to cover any travelling on Council business. Human Resources may inspect an officer's driving licence or any other document relating to a vehicle which is used on Council business.
- 6.8.10 Each claim must be promptly submitted for payment and must be presented on a form clearly detailing the expenditure incurred, supported by VAT receipts where applicable, dated, coded, and signed by the claimant and counter signed by the appropriate authorising officer. Promptly is defined as monthly for large transactional or high value claims, or quarterly for small transactional or low value claims. In either case, all claims relating to a previous financial year must be presented to payroll for payment **by the 10<sup>th</sup> April each year.**

6.8.11 Key Controls

The key controls are:

- Claims will only be paid in accordance with approved schemes;
- Claims must be made on official forms and correctly authorised.

**6.9 PETTY CASH/IMPREST ACCOUNTS**

- 6.9.1 Petty cash/imprest accounts facilitate minor, routine transactions, where raising an official order and processing an invoice through the Creditor system would be neither realistic nor cost effective.
- 6.9.2 Petty cash will be held at various sites but should only be used as a last resort if either the use of a Procurement Card, the Purchasing system or reclaim as expenses through payroll is not practical.

- 6.9.3 All petty cash/imprest accounts are arranged through the Chief Finance Officer, will be at a level agreed between the Chief Finance Officer and appropriate service **Director/Assistant Director** and will be reviewed annually.
- 6.9.4 Financial Services in conjunction with the **Director/Assistant Director** will approve any further petty cash advance during the year.
- Up to **£50** can be paid out by another holder of petty cash.
  - Received VAT vouchers are required to back up claims.
  - Claims are to be signed by Authorised Officers only.
  - Internal audit will carry out spot tests on balances.
  - All cash holding will require a signed certificate, by the account holder, at the end of each financial year. These will be requested and received by Financial Services as soon as possible after the end of the financial year.
- 6.9.5 Payments relating to the following headings must not be made from petty cash/imprest accounts:
- Salaries or Wages;
  - Sub-contractors;
  - Officers' Travelling and Subsistence;
  - Fees to Individuals.
- 6.9.6 **Directors/Assistant Directors** can hold cash floats, following consultation with the Chief Finance Officer, strictly for the purpose of giving change and they will arrange for regular reconciliations.
- 6.9.7 Written records of variations must be kept. The **Directors/Assistant Directors** must account for the amount held as requested by the Chief Finance Officer and in particular on leaving the employ of West Lindsey District Council or otherwise ceasing to hold the cash float.
- 6.9.8 Items of a value of **£50** or more must be purchased through the Council's purchasing system unless the **Director/Assistant Director** has agreed a different limit in consultation with the Chief Finance Officer.
- 6.9.9 Only the original advance and reimbursements will be credited to the account – no other income can be credited to a petty cash/imprest account. All income must be banked in accordance with the appropriate Financial Procedure Rule.
- 6.9.10 Each **Director/Assistant Director** will compile and maintain a schedule of all Officers who have been authorised to operate a petty cash/imprest account.
- 6.9.11 Officers operating a petty cash/imprest account must:
- Obtain and retain petty cash vouchers, showing full details of the payment vouchers to support each payment from the petty cash/imprest account;
  - Make adequate arrangements in their office for the safe custody of the account;
  - Produce, upon demand of the Chief Finance Officer, cash and all vouchers to the total value of the petty cash/imprest account;
  - Record transactions properly;

- Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the petty cash/imprest holder;
- Provide the Chief Finance Officer with a certificate of the value of the account held at 31 March in accordance with the timetable to be issued by the Chief Finance Officer;
- Ensure that the account is never used to cash personal cheques or to make personal loans and that payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made;
- On leaving the Council's employment or otherwise ceasing to be entitled to hold a petty cash/imprest advance, an officer shall account to the **Director/Assistant Director** for the amount advanced to him/her.

6.9.12 Vouchers must be:

- Authorised by the budget holder, or nominated representative, in advance of the purchase wherever possible;
- Signed by the person making the purchase or payment to acknowledge that they have received the amount shown on the voucher;
- Accompanied by an invoice/receipt other than in exceptional circumstances. Where appropriate this should be a valid VAT invoice/receipt.

6.9.13 A claim form must accompany every claim for reimbursement. In preparing the claim, it is important to ensure that:

- Properly certified vouchers and VAT invoices/receipts must be provided in support of every item included in the claim;
- Full details of the net cost, the VAT and the total paid are completed for every entry on the claim;
- Expenditure is accurately coded and all recoverable VAT has been taken;
- The total value, including bank account where applicable, is reconciled to the nominal amount of the petty cash/imprest account;
- All certifications are properly completed on the claim form by authorised signatories.

6.9.14 All non-computerised records relating to petty cash/imprest accounts shall be maintained in ink.

6.9.15 If circumstances arise where the amount of a petty cash/imprest account becomes excessive, the responsible officer shall make appropriate arrangements to pay the excess amount back to the Chief Finance Officer.

6.9.16 Every temporary or permanent transfer of a petty cash/imprest account from one officer to another shall be evidenced by the signature of the receiving officer. This will be either through a formal receipt or a document maintained for that purpose.

6.9.17 Key Controls

The key controls are:

- Petty Cash/Imprest Accounts can only be established with the approval of the Chief Finance Officer;
- An individual must be responsible for the operation, maintenance and

accounting of each imprest account.

## **6.10 INCOME AND CASH HANDLING**

- 6.10.1 The Chief Finance Officer is responsible for ensuring that adequate systems are available and are maintained, for the recording of all income by the Council.
- 6.10.2 It is the responsibility of every officer of the Council to ensure that all sums of money due to the Council are promptly invoiced or otherwise demanded and that all sums of money received are promptly paid into the Council's accounts.
- 6.10.3 Sums received should be held securely prior to being paid in.
- 6.10.4 Sums paid in should be correctly referenced and receipted during the day of receipt.
- 6.10.5 Sums received should be paid in fully intact with differences in excess of **£20** between actual cash and recorded cash being reported to the Chief Finance Officer.
- 6.10.6 There must be a clear separation of duties between the provision of information regarding sums due to or from the Council and the duty of collecting income or making payments;
- 6.10.7 Officers responsible for examining and checking the accounts or cash transactions shall not themselves be engaged in those transactions unless specifically authorised by the Chief Finance Officer.
- 6.10.8 Wherever possible, officers will secure payment in advance is made before a service is provided.
- 6.10.9 All income due to the Council must be processed accurately and securely through one of the primary income systems (e.g. NNDR, Council Tax, Debtors).
- 6.10.10 Official receipts, signed by an authorised officer, must be given on receipt of income.
- 6.10.11 All receipt forms, books, tickets etc. shall be in an official form. Income stationery should be stored securely. The security of stationery is subject to Internal Audit inspection.
- 6.10.12 The Chief Finance Officer must be provided with details relating to work done, goods supplied or services rendered or other amounts, to enable the sums due to the Council to be recorded correctly and to ensure accounts are sent out promptly.
- 6.10.13** Outstanding debts are to be pursued promptly, actively and appropriately. Service areas must assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf, including providing evidence in legal proceedings. **It is understood that uncollected debts will be a cost to the budgets.**

- 6.10.14 All income must be paid fully and promptly into the appropriate bank account in the form in which it is received. Income documents must be detailed enough to provide a complete audit trail to the Council's General Ledger.
- 6.10.15 All cash taken must be reconciled to till receipts and all deposited cash/cheques should be counted and verified.
- 6.10.16 At least two officers must be present when post is opened in service areas where income is regularly received so that money received by post is properly identified and recorded.
- 6.10.17 Adequate security arrangements must be in operation to safeguard all income against loss or theft and to ensure the security of cash handling. These arrangements to include the provision that all cash kept on the premises will be within the insurance limit of **£5,000**.
- 6.10.18 The value and quantity of outstanding debts will be regularly reviewed by reference to an aged debt report. Write-offs will only take place as a last resort after all other economic/social solutions have been exhausted. These are detailed under "Assets – Disposal by Write-off" under Financial Procedure Rule 5.4. I.e. the Chief Finance Officer can authorise write offs up to **£1,500** with further approvals being required in excess of this sum.

6.10.19 Key Controls

The key controls are:

- An approved Fees, Charges and Concessions Policy which is regularly reviewed;
- Correct procedures and the appropriate stationery ensure that income is collected from the correct person at the right time;
- Separation of duties within the income process;
- Effective action is taken to pursue non-payment within defined timescales;
- Formal approval process for debt write-off;
- All appropriate income documents are retained and stored for the defined period in accordance with guidance issued by the Chief Finance Officer;
- Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

## 6.11 TAXATION

- 6.11.1 The Chief Finance Officer is responsible for advising **Directors/Assistant Directors**, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council. Any VAT or taxation queries should be directed to the Chief Finance Officer
- 6.11.2 The Chief Finance Officer is responsible for ensuring that adequate procedures are in place and adequate advice available to services so as to ensure that the Council is at all times compliant with the specific requirements of the various tax regimes which affect its operations and delivery of services.
- 6.11.3 The Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax

returns by their due date as appropriate. In appropriate circumstances (e.g. where part of this function may have been devolved to a partner organisation) the Chief Finance Officer will ensure compliance with the requirements of the particular tax regimes.

- 6.11.4 Financial Services will prepare the VAT return each month and the Chief Finance Officer will ensure appropriate checks are undertaken before the return is submitted to HMRC.
- 6.11.5 Financial Services will complete annually a partial exemption calculation. If it is thought that the 5% threshold could be breached monitoring will take place on monthly basis.
- 6.11.6 Major projects could have a significant VAT impact and advice should be sought from the Chief Finance Officer before tenders are let.
- 6.11.7 The Chief Finance Officer will authorise all relevant HMRC returns regarding PAYE or authorise the relevant payroll provider to make returns on behalf of the Council.
- 6.11.8 The Chief Finance Officer will provide details to HMRC regarding the construction industry tax deduction scheme.
- 6.11.9 The Chief Finance Officer will accommodate all compliance visits and make available all information required and requested by inspectors.
- 6.11.10 Each **Director/Assistant Director** will at all times conduct the financial arrangements of their services, with regard to taxation issues, in accordance with advice or instructions issued by the Chief Finance Officer and shall provide any related information or documents upon request.
- 6.11.11 All returns must comply with the relevant formats and timetables for submission.
- 6.11.12 All taxable transactions shall be identified, properly carried out and accounted for within stipulated timescales.
- 6.11.13 Officers shall be nominated by the Chief Finance Officer to take responsibility for taxation issues and liaison with agencies such as the HMRC.
- 6.11.14 Key Controls

The key controls are:

- Budget managers are provided with relevant information and kept up to date on tax issues;
- Budget managers are instructed on required record keeping;
- All taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
- Records are maintained in accordance with instructions;
- Returns are made to the appropriate authorities within the stipulated timescale.

## 6.12 TRADING ACCOUNTS

- 6.12.1 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts throughout the Council.
- 6.12.2 Under the CIPFA Service Accounting Code of Practice, Councils are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. Accounts that merely recharge cost are referred to as holding accounts and are not subject to this part of the Financial Procedure Rules.
- 6.12.3 Trading accounts will only be established after seeking advice from the Chief Finance Officer.
- 6.12.4 Trading accounts are only applicable where the charge out of the account is not on the basis of cost.
- 6.12.5 A separate revenue account must be maintained for each trading account. This will show all relevant income and expenditure, including overhead costs. A financial report supporting the final accounts will be produced.
- 6.12.6 The same accounting principles will be applied to trading accounts as to other services.
- 6.12.7 Trading account balances will be allowed where real or quasi trading accounts are used to manage costs. Balances will be maintained to allow flexible response to changes to demand and/or to meet defined future capital expenditure needs. Generally such balances should not exceed 20% of the annual turnover. Balances in excess of this limit should be returned to the General Reserve.

### 6.12.8 Key Controls

The key controls are:

- They must be maintained in accordance with proper accounting practices;
- They must appear separately in the Annual Statement of Accounts.

## 6.13 CREDIT/PURCHASING CARDS

- 6.13.1 The Chief Finance Officer is responsible for the issue of Credit/Purchasing cards to senior officers of the Council, including setting merchant categories and card limits.
- 6.13.2 All Credit/Purchasing cards must be held securely. Card details and PIN numbers must not be disclosed other than for the purposes of using the card for payments. Cardholders will be held personally liable for any expenditure they cannot account for.
- 6.13.3 On a monthly basis, a record of card purchases shall be maintained by individual cardholders and reconciled to the card statement provided by the card issuer. This record should be passed to Finance for processing.
- 6.13.4 Credit/Purchasing cards shall only be used for authorised purchases. Under

no circumstances shall they be used for personal expenditure, or periodic/direct debit payments.

6.13.5 No cash withdrawals are allowed and the card will block any attempts to do so.

6.13.6 In all circumstances every purchase with VAT will require a VAT receipt in order for the statement to be accounted for correctly.

6.13.7 Key Controls

The key controls are:

- The Credit/Purchasing cards have a monthly and individual transaction limit;
- The categories of spend are limited to the officers professional duties;
- They are reconciled each month by the cardholder and Finance.

**6.14 CHANGE FLOATS**

6.14.1 The Chief Finance Officer shall provide such change floats as he/she considers appropriate to officers of the Council to undertake their official duties.

6.14.2 Payments of any kind must not, under any circumstances, be made out of change floats. Any breach of this regulation may result in disciplinary proceedings taking place against the officer concerned.

6.14.3 If circumstances arise where the amount of a change float becomes excessive, the responsible officer shall make appropriate arrangements to pay the excess amount back to the Chief Finance Officer.

6.14.4 Every temporary or permanent transfer of a change float from one officer to another shall be evidenced by the signature of the receiving officer. This will be either through a formal receipt or a document maintained for that purpose.

6.14.5 Key Controls

The key controls are:

- Change floats can only be established with the approval of the Chief Finance Officer;
- An individual must be responsible for the operation, maintenance and accounting of each change float;
- No payments should go either in or out of the change float.

## **7 REGULATION 7 - EXTERNAL ARRANGEMENTS**

### **7.1 INTRODUCTION**

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

### **7.2 PARTNERSHIPS**

#### **General**

7.2.1 Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. The Council is working in partnership with others – public agencies, private companies, community groups and voluntary organisations, and its distinctive leadership role is to bring together the contributions of the various stakeholders to deliver a shared vision of services based on user wishes.

7.2.2 The Council will mobilise investment, bid for funds, champion the needs of the area and harness the energies of local people and community organisations. The Council will be measured by what it achieves in partnership with others.

7.2.3 The main reasons for entering into a partnership are:

- The desire to find new ways to share risk;
- The ability to access new resources;
- To provide new and better ways of delivering services; and
- To forge new relationships.

7.2.4 A partner can be defined as:

- An organization (private or public) undertaking, part funding or participating as a beneficiary in a project; or
- A body whose nature or status gives it a right or obligation to support the project.

7.2.5 Partners participate in projects by:

- Acting as a project deliverer or sponsor, solely or in concert with others;
- Acting as a project funder or part funder; and
- Being the beneficiary group of the activity undertaken in a project.

### 7.2.6 Partners have common responsibilities:

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

### **Roles and Responsibilities**

7.2.7 The Prosperous Communities Committee is responsible for overseeing an effective partnership approach throughout the Council. The Prosperous Communities Committee is responsible for approving protocols, delegations, including frameworks to inform decisions around partnership engagement. The Prosperous Communities Committee is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

7.2.8 The Prosperous Communities Committee can delegate functions, including those relating to partnerships, to officers. These are set out in the Scheme of Delegation that forms part of the Council's Constitution. Where functions are delegated, the Prosperous Communities Committee remains accountable for them to the full Council.

7.2.9 The Chief Finance Officer is authorised to form a partnership arrangement with a maximum value of work/services of £25k.

7.2.10 The Council has also approved an Approved Code of Practice (ACOP) for Partnerships. To that extent, guidance has been developed that sets out a number of considerations to be explored when:

- Entering into a partnership
- Reviewing the effectiveness of a partnership during its lifespan
- Exiting a partnership

Additionally, it is important that there is a corporate view of all partnerships. To enable this a partnership register has been created on Minerva to provide colleagues with a facility to record the partnerships they are involved with and to also provide visibility of the breadth of partnership working underway across the Council. Officers are required to comply with the Partnership ACOP and enter details of all approved partnerships into the Partnership Register.

7.2.11 Members and officers will represent the Council on partnership and external bodies in accordance with the Scheme of Delegation.

### 7.2.12 The Chief Finance Officer:

- Is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council;
- Will advise on effective controls to ensure that resources are effectively and efficiently employed;
- Will advise on project funding, including scheme appraisal, risk appraisal, resourcing and taxation, audit, security, control and accounting arrangements;
- Must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory;
- Must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

### 7.2.13 **Directors/Assistant Directors:**

- Are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies;
- Must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies.
- Maintain a register of contracts entered into with external bodies;
- Comply with the provisions of the Partnership ACOP including registering the partnership details in the Partnership Register.
- Ensure a risk management appraisal has been prepared;
- Conduct and document an appropriate level of due diligence on the prospective partners;
- Ensure all agreements and arrangements are properly documented.

### 7.2.14 Partners will be expected to:

- Be aware of their responsibilities under the Council's Financial Procedure Rules and Contract Procedure Rules;
- Identify and assess risks;
- Appraise projects to assess viability;
- Communicate with relevant Council officers

### 7.2.15 Key controls

The key controls are:

- If appropriate, to be aware of their responsibilities under the Council's Financial Procedure Rules and the Contract Procedure Rules;
- Compliance with the Partnership ACOP.
- To ensure that risk management processes are in place to identify and assess all known risks;

- To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
- To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences; and
- To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution officers.

### 7.3 COMPANIES, JOINT VENTURES AND OTHER ASSOCIATIONS

7.3.1 The Council exercises an important community leadership role, helping to bring together the contributions of various stakeholders in discharging its statutory responsibilities for promoting and improving the economic, social and environmental well-being of the area.

7.3.2 In exercising this important role a **Director / Assistant Director** may feel that it is appropriate to discharge a service or provide a function through the formation of a new legal entity (company, joint venture or other association). A joint venture is a business entity created by two or more parties, generally characterised by shared ownership, shared returns and risks, and shared governance. The term joint venture covers 'vehicles' such as limited companies.

7.3.3 The relevant **Director/Assistant Director** wishing to form a new legal entity should consult with the Chief Finance Officer in all cases prior to setting up a new entity and no commitment, financial or otherwise, should be made until this consultation has been satisfactorily undertaken.

7.3.4 For the purpose of this regulation, the following types of external arrangements are covered:

- purchase of existing companies
- investment in any company (whether by share, loan or grant)
- creation of a new company or other entity

7.3.5 No agreement shall be entered into which commits the Council to additional expenditure or other financial risk without the prior approval of the **Corporate Policy & Resources Committee** and in conjunction with the Chief Finance Officer

7.3.6 The Council needs to have a clear understanding of its financial risk exposure of any external arrangement including, but not limited to, meeting any trading or other losses.

7.3.7 Where the Council is involved as a minority interest in any external company or other association that use their own finance systems, the arrangement must include an agreement on appropriate, robust financial governance control arrangements to the satisfaction of the Chief Finance Officer. In these circumstances the controls in these Financial Regulations should be used as a starting point for that agreement.

7.3.8 Where the Council has a controlling interest in any companies, joint ventures, or other associations it is important to understand that the Council has a statutory responsibility to prepare group accounts (subject to certain limitations) to recognise the collaborative association. In this regard there are two main areas impacting on the entity:

- A requirement to provide certain financial information (intercompany transactions and balances etc.) in a timely manner and at a time determined by the Council.
- The possibility of being subjected to additional scrutiny by the Councils external auditor, even where the entity has its own external auditor.

7.3.9 It would also be preferred that the accounting period and accounting policies are aligned with those of the Council.

7.3.10 In view of the importance of the above and the impact on the Council should the information not be forthcoming, these specific requirements shall be written into any agreement between the Council and the entity.

### Roles and Responsibilities

7.3.11 The **Corporate Policy & Resources Committee** is responsible for approving the creation of any new legal entity and appointments of directors or other statutory officers onto the Board of the entity together with the arrangements for equity shares.

7.3.12 The Chief Finance Officer must satisfy him/herself that the accounting arrangements for all company, joint ventures and other associations are proper and appropriate, including all audit and inspection requirements. He/she must also consider overall corporate governance arrangements and any legal and taxation issues when associations are arranged. He/she must ensure all known risks are appraised before creating new entities and any agreements should seek to ensure that VFM is obtained.

7.3.13 In conjunction with the **Director/Assistant Director** the Chief Finance Officer will carry out due diligence for any proposal to purchase an existing company so as to ensure the robustness of the proposal and mitigate any potential losses.

7.3.14 The Chief Finance Office is responsible for advising on the funding and financing of a project including:

- financial viability in current and future years.
- resourcing and taxation.
- audit, security and control requirements.

7.3.15 The Chief Finance Officer has authority to approve short term cashflow loans to subsidiary companies to a maximum of **£50k**.

7.3.16 The Chief Finance Officer should ensure that it is a condition of any collaborative arrangements where the Council has an interest in another entity that:

- governance arrangements meet specified minimum standards.
- the Council will have access to the information and explanations it needs for its own accounting purposes (and other aspects relating to control over its financial interests).
- data (including consolidation data) will be provided in a specified format and by a deadline.
- arrangements are in place for timely audit of the financial statements
- securing the appropriate audit opinion on the entity's financial information.

### 7.3.17 **Directors/Assistant Directors** are responsible for:

- In conjunction with the Chief Finance Officer carry out due diligence on any company purchase so as to mitigate any potential losses.
- carry out risk appraisal and risk management arrangements prior to entering into any arrangement.
- determining a means of communication in order for the Council to discharge any responsibility for compiling group accounts.
- notify the Chief Finance Officer in any changes to the Board members of the entity.
- keeping the **Corporate Policy & Resources Committee** apprised, at least annually, of the financial position of the entity and specifically where any change could involve the Council having to meet the cost of any losses or other liabilities. Should there be any significant concern at any point during the year then this should be reported immediately.
- ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Council;
- ensuring that all agreements and arrangements are properly documented.
- providing appropriate information to the Chief Finance Officer to enable relevant entries to be made in the Council's Statement of Accounts concerning material items.
- ensuring that for all instances of grant/loan funding there is:
  - i) proper consideration of the relevant interest rate payable agreed and approved by the Chief Finance Officer;
  - ii) in respect of loans a process of monitoring on at least a six monthly basis
  - iii) a written agreement is in place for any services provided to the entity by the Council.
- all grants/loans must have prior budgetary approval, typically through the budget process.
- aligning accounting policies, especially consideration of the cost implications of asset valuation.
- managing the impact of different year-ends, including practicalities of realignment.

### 7.3.18 Key Controls

The key controls are:

- In conjunction with the **Director/Assistant Director**, the Chief Finance Officer will carry out appropriate due diligence in relation to financial implications and of relevant parties associated with the entity.
- The **Corporate Policy & Resources Committee** is responsible for approving the creation of any new legal entity and appointments of directors or other statutory officers onto the Board of the entity.

- The prior approval of the **Corporate Policy & Resources Committee**, in conjunction with the Chief Finance officer, is required before any agreement is entered into.
- **Directors/Assistant Directors** will undertake risk appraisals and risk management arrangements prior to entering into any arrangement.
- On an annual basis the **Corporate Policy & Resources Committee** will be appraised of the financial position of the entity and specifically where any change could involve the Council having to meet the cost of any losses or other liabilities. Any financial concerns should be reported immediately.

## 7.4 EXTERNAL FUNDING / GRANTS General

7.4.1 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Funds from external agencies provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

### **Bids for external funding**

7.4.2 Bids must be comprehensive and comply with relevant Council policies. If bids are successful then the grant works and administration must be properly undertaken to ensure no penalties are incurred.

7.4.3 All bids and claims must be signed by the Chief Finance Officer, through the use of a certification process.

7.4.4 **Directors/Assistant Directors must obtain Management Team and/or Corporate Policy & Resources Committee approval, where appropriate, for any bids for new monies detailing the service and financial implications before grant applications are made.**

7.4.5 Comprehensive project business cases must identify associated risks, internal budget provisions including matched funding and any resource implications.

7.4.6 The relevant Finance Business Partner must be involved in the preparation of all grant applications.

### **Grant Claims**

7.4.7 Records supporting any claim, including interim and final claims, must be maintained and available and reconcile back to the Council's General Ledger.

7.4.8 All claims must be submitted in accordance with the terms and timetable of the grant.

## Roles and Responsibilities

- 7.4.9 The Chief Finance Officer and Management Team are responsible for:
- Ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts;
  - Ensuring that match-funding requirements are considered prior to entering into agreements, and that these requirements are reflected in future revenue budgets;
  - Ensuring that all audit requirements are met.
- 7.4.10 **Directors/Assistant Directors** are responsible for providing the Chief Finance Officer with all necessary information to enable the proper recording to be achieved. They have the responsibility for submitting any proposed grant funded projects to the Chief Finance Officer and/or the **Portfolio Board/Corporate Policy & Resources Committee** for their prior approval and they must also ensure that any conditions of grant funding are met and all the statutory requirements are complied with.
- 7.4.11 **Directors/Assistant Directors** will ensure that an appropriate level of due diligence is conducted and documented on the funding organisations and any associated project(s).
- 7.4.12 **Directors/Assistant Directors** will ensure that the project proceeds in accordance with the agreed plan and that all expenditure is properly incurred and recorded;
- 7.4.13 Key Controls
- The key controls are:
- Before any arrangements for external funding are entered into, the project must be submitted to the Chief Finance Officer and or Portfolio Board/Policy & **Corporate Resources Committee** for approval;
  - 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;
  - To ensure that funds are acquired only to meet the priorities approved in the policy framework by the full Council;
  - 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;
- 7.5 WORK FOR THIRD PARTIES**
- 7.5.1 The **Corporate Policy & Resources Committee** is responsible for approving the contractual arrangements for any work for third parties or external bodies with a value of more than **£25,000**
- 7.5.2 The Chief Finance Officer is responsible for approving contractual arrangements for any work for third parties or external bodies with a value of up to **£25,000**.
- 7.5.3 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a service team to maintain economies

of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

7.5.4 Proposals for working for third parties must be costed in accordance with guidance provided the Chief Finance Officer. Proposals must clearly be in the public interest and an appropriate level of due diligence must have been conducted and documented.

7.5.5 Work for third parties should not expose the Council to any additional liabilities.

7.5.6 Contracts must be drawn up in compliance with guidance provided by the Chief Finance Officer and Monitoring Officer.

7.5.7 Key Controls

The key controls are:

- To ensure that proposals are costed properly in accordance with guidance provided by the Chief Finance Officer;
- To ensure that contracts are drawn up using guidance provided by the Chief Finance Officer and the Monitoring Officer, and that the formal approvals process is adhered to;
- To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

## 8 **REGULATION 8 - ENVIRONMENTAL ISSUES**

### 8.1 **INTRODUCTION**

8.1.1 The Council operates a culture of waste minimisation. This covers not only waste products that require disposal, but also the waste in use of all resources generally.

8.1.2 All procurement in the Council is subject to the Contract Procedure Rules, Procurement Strategy, Procurement Manual and any other guidance which may be issued. Fundamental to good procurement is the need to achieve value for money. An optimum combination of whole life costs and quality (or fitness for purpose) to meet the Council's corporate and service level aims and objectives must be considered. These will include sound environmental practice. Further information can be found in the documents referred to above or from Financial Services.

8.1.3 Paper and storage space are both expensive and unnecessary paper usage is harmful to the environment. All officers are responsible for reducing paper use wherever possible and reducing the amount of paper that is stored. However, certain financial records do need to be retained.

8.1.4 The Chief Financial Officer will:

- Maintain a list of financial records and the duration for storage;
- Advise officers as required on the archiving of financial records.

8.1.5 **Directors/Assistant Directors** will:

- Retain records as required;
- Minimise the usage of paper within their service.

8.1.6 Key Controls

The Key controls are:

- All officers to be aware that printing is to be kept to a minimum;
- The introduction and monitoring of the agile working policy;

## APPENDIX 1

## SUMMARY OF FINANCIAL RESPONSIBILITIES

	<b>Council/ Corporate Policy &amp; Resources Committee</b>	<b>Head of Paid Service</b>	<b>Chair of Corporate Policy &amp; Resources Committee</b>	<b>Section 151 Officer ( Chief Finance Officer)</b>	<b>Directors/ Assistant Directors</b>
<b>Financial Planning</b>	a) Approve policy framework and budget	a) Propose Corporate Plan to <b>Corporate Policy &amp; Resources Committee</b>		a) Prepare a minimum of <b>five</b> years Financial Strategy b) Prepare Capital Investment Strategy and Asset Management Plan	a) Prepare Business Plans

<b>Capital Programme</b>	<ul style="list-style-type: none"> <li>a) Approve a minimum three year capital programme</li> <li>b) Approve amendments to the capital programme.</li> <li>c) Approve capital schemes before commencement of work and upon completion.</li> </ul>	<ul style="list-style-type: none"> <li>a) Emergency decisions in consultation with Chief Finance Officer</li> </ul>	<ul style="list-style-type: none"> <li>a) Approve amendments to capital programme in excess of £25k with <b>Director/Assistant Director</b> and Chief Finance Officer</li> </ul>	<ul style="list-style-type: none"> <li>a) Prepare a minimum five year capital programme</li> <li>b) Approve amendments to capital programme up to £25k with <b>Director/Assistant Director</b>.</li> <li>c) Approve amendments over £25k with <b>Director/Assistant Director</b> and <b>Chairman of Policy &amp; Resources Committee</b></li> <li>d) Report all changes to capital programme to</li> </ul>	<ul style="list-style-type: none"> <li>a) Complete outline capital bid forms</li> <li>b) Approve amendments to capital programme up to £25k with Chief Finance Officer</li> </ul>
<b>Capital Monitoring</b>	<ul style="list-style-type: none"> <li>a) Approve overspends of £10k or 20% of total project cost</li> <li>b) Note quarterly budget monitoring reports</li> </ul>			<ul style="list-style-type: none"> <li>a) Issue guidance on monitoring</li> </ul>	<ul style="list-style-type: none"> <li>a) Appoint Project Manager</li> <li>b) Notify Chief Finance Officer of expected slippage</li> <li>c) Notify Chief Finance Officer of overspends</li> <li>d) Report to CPR Committee on overspends of £10k or 20% of total project cost</li> </ul>

<b>Revenue Budget</b>	a) Approve a minimum three year revenue budget			a) Prepare overall budget	a) Prepare service budgets b) Review all fees and charges
<b>Revenue Monitoring</b>	a) Note quarterly budget monitoring reports b) Authorise use of grants over £50k.			a) Provide guidance on budget monitoring b) Provide financial information c) Authorise use of grants up to £50k.	a) Monitor budget and advise Chief Finance Officer if budget will exceed £10k.
<b>Virement</b>	a) Approve virements over £100k		a) Approve virements over £25k and up to £100k with <b>Director/Assistant Director</b> , Management Team and Chief Finance Officer	a) Approve virements up to £25k with <b>Director/Assistant Director</b> . b) Approve virements over £25k and up to £100k with <b>Director/Assistant Director</b> and Chairman of <b>Corporate Policy &amp; Resources Committee</b>	a) Up to £25k with Chief Finance Officer
<b>Earmarked Reserves</b>	a) Approve spend in excess of £50,000.			a) Approve spend up to £50,000.	
<b>Write-Offs</b>	a) Approve write-offs over £25k		a) Approve write-offs over £2,500 and up to £25k with <b>Director/Assistant Director</b> and Chief Finance Officer	a) Approve write-offs up to £2,500 with <b>Director/Assistant Director</b> . b) Approve write-offs over £1,500 and up to £25k with <b>Director/Assistant Director</b> and Chairman of <b>Corporate Policy &amp; Resources Committee</b>	a) Up to £2,500 with Chief Finance Officer
<b>Write Offs</b>	Budget Managers: Write offs of upto £250 where irrecoverable				

<p><b>Other</b></p>		<p>The Key controls are:</p> <ul style="list-style-type: none"> <li>• All cheques must be signed, either manually or by facsimile, by the Head of Paid Service;</li> <li>• Cheques with a value of £10,000 or more need to be countersigned .</li> <li>• Bank Accounts can only be opened by the Head of Paid Service or the Chief Finance Officer.</li> </ul>		<ul style="list-style-type: none"> <li>a) Authorise a partnership with a value of works/services of up to £25k.</li> <li>b) Approve arrangements for work for third parties or external bodies up to a value of £25k.</li> <li>c) Authorise short term cash flow loans to subsidiary companies of no more than £25k</li> </ul>	
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## APPENDIX 2

## RETENTION OF ACCOUNTING AND FINANCIAL DOCUMENTS

Title	Retention Period – Complete Years
Budget Working Papers	2
Capital & Revenue Budget Monitoring Files	3
Capital Strategy & Medium Term Financial Plan	6
Final Accounts Working Papers	6
Financial Ledger: - Final Summary - Cumulative Year End Detail - Other	Indefinite Indefinite 2
Grant Claim Records	6 or as specified by the awarding body
Journals	3
Leasing Records – vehicles, plant, equipment	3 (after termination)
Loans – Contractual documentation	6
Statement of Accounts	Indefinite
VAT: - Assessments - Claims - Records	12 6 6
Voluntary Fund Accounts	6
Other Documents e.g. official orders, receipts, paying in slips etc.	6
Payroll:  Employee personal records Payment data	Indefinite  6

## APPENDIX 3

### DEFINITIONS

#### APPOINTED

#### AUDITORS

Independent external auditors procured by the

Council. BUDGET

A plan that matches spending with available resources. The budget is an authorisation for future expenditure and a base for controlling expenditure and income.

#### BUDGET MANAGER

The budget manager is whoever is responsible for a budget within a service.

#### BUDGET PAGE

The page in the Annual Budget Book that sets out the budget for a service

#### CAPITAL EXPENDITURE

Section 40 of the *Local Government and Housing Act 1989* defines 'expenditure for capital purposes'. This includes spending on the acquisition of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account. Capital Expenditure includes:

- Acquisition or disposal of land, buildings and major items of plant, apparatus and vehicles;
- Construction of roads and buildings;
- Enhancement of land, roads and buildings.

In addition the Council usually regards any item below £10,000 as revenue.

#### CIPFA

Chartered Institute of Public Finance & Accountancy (CIPFA) is one of the leading professional accountancy bodies in the UK and has responsibility for setting accounting standards for local government.

#### CONTINGENCY

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

## COST CENTRE

Any unit to which costs are assigned or allocated. A cost centre is the lowest level to which the Council's budget monitoring procedures usually apply although budget managers will monitor the income and expenditure within their costs centres at detail code level.

## ESTIMATES

The amounts expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following years, or have been approved for the current year.

## FEES AND CHARGES

Income raised by charging users of services for the facilities. For example, Councils usually make charges for the use of leisure facilities, the collection of trade refuse, etc. The Council levies fees and charges in accordance with the corporate Fees, Charges and Concessions Policy.

## GENERAL LEDGER

The core of the Council's financial records. These constitute the central "books" of the system, and every financial transaction flows through the general ledger.

## NET EXPENDITURE

Total expenditure less specific service income.

## OFFICER

An employee of the Council or other person contracted to carry out functions where these Financial Procedure Rules apply.

## PROVISIONS AND RESERVES

Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses that are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or 'balances'), which every Council must maintain as a matter of prudence.

## SERVICE

A cost centre or group of cost centres delivering a common function. The service is the lowest level of budget detail set out in the Budget Book.

## SLIPPAGE

Where actual expenditure on a project is less than the planned spend in a financial year. VALUE FOR MONEY (VFM)

A term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource, use, fitness for purpose, timeliness, and convenience to judge whether or not, together, they constitute good value.

## VIREMENT

The permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.

## FINANCIAL LIMITS

### APPENDIX 4

#### CONTRACT VALUES

##### Goods and Services

up to £5,000	one written estimate/quotation (email included)
£5,001 - £30,000	two quotations
£30,001 - £75,000	three quotations (RFQ)
£75,001 – FTS threshold £213,477	four quotations (RFQ)
over £ 213,477	full tender process (ITT)

##### Works contracts as above until

£213,477 - £ 5,336,937	Five quotations or by advertisement	
Over £ 5,336,937	full tender process (ITT)	

#### OTHER VALUES

Item	Notes	Amount
De minimis amount	Capital Expenditure	£10,000 and above
De minimis amount	Capital Receipts	£10,000 and above
Out-turn variation on a service budget.	<b>Assistant Director</b> will immediately advise the Chief Finance Officer and Management Team of the situation, together with their proposed action to recover the position.	£10,000 and above

Virements – between cost centres under same <b>Director/Assistant Director</b>	With the approval of the Chief Finance Officer.  Virement to be minuted or otherwise documented.	No more than £25,000
Virements – between cost centres under same <b>Director/Assistant Director</b>	Can be approved by the relevant <b>Assistant Director</b> , Chief Finance Officer and Management Team in consultation with the Chairman of <b>Corporate Policy &amp; Resources Committee</b> . These virements should be minuted or otherwise documented.	Over £25,000 and up to £100,000
Virements – between cost centres under same <b>Director/Assistant Director</b>	Approved only by <b>Corporate Policy &amp; Resources Committee</b> . They will be reported by the <b>Assistant Director</b> , in such format as the Chief Finance Officer may prescribe.	Over £100,000
Virements – between cost centres under different <b>Directors/Assistant Directors</b>	Only when the relevant <b>Assistant Directors</b> and the <b>Corporate Policy and Resources Committee</b> Chairman are in agreement.	Same limits as shown above for virements between cost centres under the same <b>Director/Assistant Director</b> .
Virements of Unbudgeted Income or unused budgets	Are not authorised to be used without prior agreement of the Management Team. The Chief Finance Officer and Management Team may consider a report to the <b>Corporate Policy and Resources Committee</b> .	Over £5,000
Securing additional revenue resources (e.g. grants)	The Chief Finance Officer may authorise the use of those resources to finance additional revenue expenditure where the grant conditions require such. Where there are no such requirements the Chief Finance Officer may require the use of these resources to be approved by <b>Corporate Policy &amp; Resources Committee</b> .	Less than £50,000
Securing additional revenue resources (e.g. grants)	Use to be approved by <b>Corporate Policy &amp; Resources Committee</b>	£50,000 or more
Use of earmarked reserves	The Chief Finance Officer shall have delegated power to approve spending of any earmarked reserve. The CFO will confirm that planned spending remains affordable when considering any mixed funding, including call on reserves, current budgets and/or external funding packages.	Up to £50,000
Use of earmarked reserves	Only with the approval of <b>Corporate Policy &amp; Resources Committee</b> .	Over £50,000

Acquisitions or disposals of land or buildings	The Chief Finance Officer may authorise acquisitions and disposals (including leases or easements where the annual rent multiplied by the length of the lease does not exceed that figure assuming that the rent is not increased on review) which is an approved item in the approved Capital Programme.	Up to £75,000
Acquisitions or disposals of land or buildings	Only following consultation with the Leader of the Council or the Deputy Leader if the Leader is not available.	Between £75,001 and £250,000
Variance to inventory	Report to relevant Assistant Director	Up to £1,500
Variance to inventory	Report to Chief Finance Officer	Over £1,500
Variance to Stocks and Stores	Report to relevant Assistant Director	Up to £1,500
Variance to Stocks and Stores	Report to relevant Assistant Director and Chief Finance Officer	Over £1,500
Asset Write Offs (including cash, income, stocks and inventories)	Budget Manager: where irrecoverable The relevant Assistant Director in consultation with the Chief Finance Officer may write off Income, Stocks and Inventory deficiencies	Up to £250 Up to £2,500
Asset Write Offs (including cash, income, stocks and inventories)	The relevant Assistant Director in consultation with the Chief Finance Officer and the Chairman of the Corporate Policy & Resources Committee may authorise the write off.	Over £2,500 and under £25,000.
Asset Write Offs (including cash, income, stocks and inventories)	Write offs may only be written off by the Corporate Policy & Resources Committee after receiving a report from the Chief Finance Officer.	Over £25,000
Manual countersigning on cheques	All cheques must be manually countersigned by one of the other officers authorised on the bank mandate.	Over £10,000
Petty Cash	Items can be paid out through any holder of petty cash.	Up to £50
Purchases	Items must be purchased through the Council's purchasing system unless the Assistant Director has agreed a different limit in consultation with the Chief Finance Officer.	Items of a value of £50 or more
Income and Cash Handling	Differences between actual cash and recorded cash being reported to the Chief Finance Officer.	Items over £20
Security of Cash kept on premises	Value of cash kept on premises to be within insurance limit.	Maximum of £5,000

Capital Monitoring	Council/Corporate Policy & Resources Committee approve overspends of total project cost	£10,000 or 20% of project cost
Capital Programme	Chief Finance Officer and relevant Director/Assistant Director approves amendment to Capital Programme	Up to £25,000
Capital Programme	Chair of Corporate Policy & Resources Committee, Director/Assistant Director and Chief Finance Officer approves amendments to Capital Programme	Over £25,000