

**COLCHESTER BOROUGH COUNCIL**

**FINANCIAL REGULATIONS**

**SEPTEMBER 2010**

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# **1 INTRODUCTION**

## **1.1 Background**

- 1.1.1 The Council is required by law, section 151 of the local Government Act 1972 and the Accounts and Audit Regulations 1996, to conduct its business efficiently and to ensure that it has sound financial management policies in place, which are strictly adhered to. Part of this process is the establishment of Financial Regulations, which set out the financial policies of the Council.
- 1.1.2 The Council is further required by the Local Government and Housing Act 1989 to make proper arrangements for its financial affairs and secure that one of its officers, the Responsible Financial Officer, has responsibility for the administration of those affairs. That officer is to be a member of one or more of the accountancy bodies specified in the Act.
- 1.1.3 Financial Regulations provide clarity about the accountabilities of individuals, Members, the Head of Paid Service (Chief Executive), the Monitoring Officer (Legal Services Manager), the Responsible Finance Officer (Head of Resource Management), Executive Management Team and Heads of Service.
- 1.1.4 Officers should link the Financial Regulations with other documents which form part of the Council's Constitution, e.g. Contract Procedure Rules, Schemes of Delegation, the roles of the Executive and Policy Review and Development Panel and Strategic Overview and Scrutiny Panel, Officers'/Members' Codes of Conduct and Protocol on Member/Officer Relations. Consideration should also be given to the Council's policies relating to Anti-Fraud and Corruption, Anti-Money Laundering, Whistle-blowing, Procurement and Employment.
- 1.1.5 These Financial Regulations may only be amended by resolution of the Council.

## **1.2 Purpose and Status of Financial Regulations**

- 1.2.1 Financial Regulations provide the framework for managing the Council's financial affairs. They also form an important element in the Council's overall Corporate Governance Framework.
- 1.2.2 Financial Regulations apply to every Member and officer of the Council and anyone acting on its behalf.
- 1.2.3 Arrangements for controlling financial activity within the Council are hierarchical. At the highest level Financial Regulations set out the financial responsibilities of the full Council, Executive and Policy Review and Development Panel, Members, the Chief Executive, the Monitoring Officer, the Responsible Finance Officer and other senior officers.
- 1.2.4 The Financial Regulations that follow are a range of very detailed sets of guidance which set out the responsibilities and expectations of:

- Members
  - Executive Management Team, Heads of Service and their staff
  - The Head of Resource Management and staff
  - Organisations acting on behalf of the Council
- 1.2.5 Financial Regulations are approved by the Council on the recommendation of the Accounts and Regulatory Committee.
- 1.2.6 All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised and provides value for money.
- 1.2.7 The Head of Resource Management is responsible for:
- maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Accounts and Regulatory Committee for recommendation to the Council for approval;
  - reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to the Executive or Finance and Audit Scrutiny Panel;
  - issuing advice and guidance to underpin the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.
- 1.2.8 Heads of Service are responsible for ensuring that all appropriate staff in their service areas are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. Any disagreement arising over the interpretation, intention or application of the Financial Regulations shall be determined by the Head of Resource Management.
- 1.2.9 It may be considered a disciplinary offence if any officer fails to comply with these Financial Regulations. Employees have a duty to report apparent breaches of Financial Regulations to an appropriate senior manager. The senior manager should report breaches of the Regulations to the Head of Resource Management and the Monitoring Officer who will decide what, if any, further action needs to be taken.
- 1.2.10 If an officer is in any doubt about the appropriate action required, they should consult their senior manager in the first instance. Advice should also be sought from the Head of Resource Management before proceeding.
- 1.2.11 Financial limits are specified in Section 8. They will be reviewed and where appropriate revised by the Council as necessary before the start of the financial year to which they relate as a part of the budget setting process.
- 1.2.12 The Chief Executive when acting in his or her capacity as District Controller in emergency matters has authority to incur expenditure outside amounts included within budgets without recourse to the requirements of these Financial Regulations.

## 2

# FINANCIAL MANAGEMENT

## Importance of this area

Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget. Below are set out the main areas of responsibility of financial management.

### 2.1 The Full Council

#### 2.1.1 The Council is responsible for:

- the adoption and revision of these Financial Regulations;
- the determination of the policy framework and annual revenue budget and capital programme within which the Cabinet operates;
- approving and monitoring compliance with the Council's overall framework of accountability as set out in its constitution and monitoring compliance with agreed policy and reporting decisions taken.
- providing the Head of Resource Management (the Council's Responsible Financial Officer) with sufficient staff, accommodation and other resources to carry out his/her duties.

### 2.2 The Cabinet

#### 2.2.1 The Cabinet is responsible for controlling the Council's financial resources, proposing the revenue budget and capital programme to the Council and discharging executive functions in accordance with the policy framework, revenue budget and capital programme.

### 2.3 Portfolio Holder for Resources and Diversity

#### 2.3.1 The Portfolio Holder for Resources and Diversity is responsible for reviewing the adequacy and efficiency of the arrangements for all matters relating to the financial administration of the Council.

### 2.4 Portfolio Holders

#### 2.4.1 Portfolio Holders are responsible for:

- proposing revenue budgets to the Cabinet after taking account of corporate priorities;
- reviewing the financial administration of the services covered by their portfolio including the administration of revenue budgets and capital programme;
- monitoring the financial performance of services within their portfolio.

## **2.5 Strategic Overview and Scrutiny Panel**

2.5.1 The Strategic Overview and Scrutiny Panel is responsible for:

- ensuring that the actions of the Cabinet accord with the policies and budgets of the Council;
- scrutinises the Council's audit arrangements, including the annual audit letter and audit plans,
- scrutinises Portfolio Holder 'Service' decisions reviewed under the Call In procedure.

## **2.6 Finance and Audit Scrutiny Panel**

2.6.1 The Finance and Audit Scrutiny Panel deals with:

- the review of service areas and associated budgets,
- monitoring the financial performance of the Council;
- scrutinises Portfolio Holder 'Service' decisions reviewed under the Call In procedure.

## **2.7 The Accounts and Regulatory Committee**

2.7.1 The Accounts and Regulatory Committee deals with items such as the approval of the Council's Statement of Accounts in accordance with the Accounts and Audit Regulations 2003.

## **2.8 The Standards Committee**

2.8.1 The Standards Committee is responsible for advising the Council on the adoption and revision of the Members Code of Conduct and for monitoring the operation of the code.

### **Statutory Officers**

## **2.9 The Head of Paid Service**

2.9.1 The Chief Executive is the Head of Paid Service and is responsible for the corporate and overall strategic management of the Authority as a whole. He/she must report to and provide information for the Cabinet, the full Council, Overview and Scrutiny Committees and other Committees and Panels. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

## **2.10 The Monitoring Officer**

2.10.1 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and for reporting any actual or potential breaches of the law or maladministration and for ensuring that the procedures for recording and reporting key

decisions are operating effectively. The Monitoring Officer is responsible for advising all Members and officers about who has the authority to take a particular decision and whether a decision is likely to be considered contrary to the policy framework. The Monitoring Officer and the Head of Resource Management are also responsible for advising the Cabinet or full Council if a decision could be considered contrary to the budget. An example of such a decision would be promoting a new policy without thought as to the budget implications.

## **2.11 The Responsible Finance Officer**

- 2.11.1 The Head of Resource Management is the Council's Responsible Finance Officer under Section 151 of the Local Government Act 1972. The Responsible Finance Officer has overall responsibility for the financial affairs of the Council including the promotion of good financial management throughout the organisation, so that public money is safeguarded at all times, and used appropriately, economically, efficiently and effectively.
- 2.11.2 The Head of Resource Management is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's objectives for the long term and in the public interest. He/she is actively involved in, and able to bring influence to bear on all material business decisions, to ensure that the immediate and longer term implications, opportunities and risks are fully considered, and consistent with the overall financial strategy.
- 2.11.3 After consulting with the Head of the Paid Service and the Monitoring Officer, the Head of Resource Management will report to the Full Council or to the Cabinet in relation to a Cabinet function and the Council's external auditor if he/she considers that any proposal, decision or course of action will involve incurring unlawful expenditure or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.
- 2.11.4 The Head of Resource Management, if necessary in conjunction with the Chief Executive and after consultation with the Leader of the Council, shall have the powers to take any action necessary to safeguard the interests of the Council.

## **Administration**

- 2.11.5 The Head of Resource Management has responsibility for the proper administration of the Council's financial affairs. This includes setting and monitoring compliance with financial management standards, advising on the corporate financial position and on key financial controls, providing financial advice, advising on preparation of revenue and capital budgets, and treasury management. The Head of Resource Management also has responsibility for maintaining an adequate and effective system of internal audit as required under the Accounts & Audit Regulations 1996
- 2.11.6 These responsibilities are set out in statute such as section 151 of the Local Government Act 1972. They refer to the totality of the financial affairs of the Council in all its dealings.

2.11.7 The Head of Resource Management is responsible for reviewing and making recommendations as to the financial limits set out in the financial procedure rules not less than annually in advance of the year to which they relate and making arrangements to bring the financial procedure rules to the attention of officers likely to be involved in financial matters.

#### **Advice**

2.11.8 The Head of Resource Management is responsible for advising committees on all financial matters. He/she must be consulted on all financial matters and given adequate opportunity to provide written comments in any report with financial implications.

2.11.9 Where the urgency procedures set out in the Council's Constitution are to be invoked, the Head of Resource Management must first be consulted on financial and other resource implications.

#### **2.12 Executive Directors**

2.12.1 Executive Directors are responsible for advising/consulting with Heads of Service and Portfolio Holders on the financial implications of cross-cutting proposals.

#### **2.13 Heads of Service**

2.13.1 Must operate efficient systems of financial control and are responsible for:

- financial administration of the services under their control in accordance with the provisions of these Financial Regulations, and guidance on the application of Financial Regulations as may from time to time be issued by the Head of Resource Management;
- timely provision of such information on the financial affairs of their services as the Head of Resource Management may request.
- ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Head of Resource Management.
- Consulting with the Head of Resource Management and seeking his/her approval on any matter that could materially affect the authority's financial position before any commitments are incurred.
- Notifying the Head of Resource Management of any situation that may create a contingent liability, potential claim or litigation.
- Singing contracts on behalf of the Council within the approved Scheme of Delegation and Contract Procedure rules.

#### **2.14 Delegated Authority**

2.14.1 The Chief Executive, Executive Directors and Heads of Service are required to carry out tasks in accordance with these financial regulations. These officers may authorise other

officers to carry out tasks for which they have responsibility as set down by the these financial regulations. A record of all such authorities must be prepared and submitted to the Head of Resource Management.

## **2.15 Money Laundering Reporting Officer**

- 2.15.1 The Legal Services Manager is appointed as the Money Laundering Reporting Officer. He is responsible for notifying the National Criminal Intelligence Service (NCIS) of any suspected cases of money laundering committed within the accounts of the Council as soon as possible and fulfil other duties as defined by legislation or regulation related to the post.

## **Other Financial Accountabilities**

## **2.16 Accounting Arrangements**

- 2.16.1 The Head of Resource Management is responsible for keeping the accounts and financial records of the Council. He/she must also approve accounting and other systems with a financial function and accounting records of services.
- 2.16.2 Accounting procedures will reflect recommended professional practices, and follow accounting principles as determined by the Head of Resource Management. Accounting procedures will be reviewed as necessary by the Head of Resource Management in consultation with Heads of Service to ensure that they provide the information required by both without duplication of records.
- 2.16.3 No change to existing accounting procedures may be made without prior consultation with the Head of Resource Management.
- 2.16.4 The Head of Resource Management must examine and certify where required any submission, estimate or claim for payment of grant by a Government Department or funding from any other body. Officers responsible for the administration of such grants, funds and spending associated with them must ensure compliance with the conditions of the grant/funding.
- 2.16.5 The Head of Resource Management must examine and certify where required any financial return to a Government Department or other body.

## **2.17 Year end accounting**

- 2.17.1 The Cabinet is responsible for approving the annual Revenue and Capital Outturn and for agreeing procedures for carrying forward under and over-spending on budget headings. The Council's final financial position as presented in the Annual Statement of Accounts will be approved by the Accounts and Regulatory Committee on behalf of the Council.

## **2.18 Annual Statement of Accounts**

- 2.18.1 The Head of Resource Management is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31<sup>st</sup> March.
- 2.18.2 Detailed guidance is issued and training sessions are held each year to ensure that the relevant information is collected and that the statutory deadline is achieved.
- 2.18.3 The accounts are subject to external audit, the objective of which is to provide assurance that the accounts have been prepared correctly, that proper accounting practices have been followed and that high quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources.

## **2.19 Virement**

- 2.19.1 Virement is the movement of budget from one area to another. Virement between budgets is an integral and important feature of budgetary control. It provides the Head of Service and budget manager with the flexibility to adapt expenditure patterns to meet changing locally determined service needs and objectives, or respond to unforeseen cost increases. Virements should not be done simply to balance over and underspends that have occurred.
- 2.19.2 Virements can be either in-year or permanent, with recurring virements requiring an adjustment to the base budget. There are also operational (non-technical) virements and technical virements. An operational virement is where the budget holder moves a budget from one area to another. It may be within the same cost centre or a different one.
- 2.19.3 Virements shall be allowed only where they are within the overall policy framework and do not involve an increasing commitment in future years which cannot be contained within existing approved budget allocations, save as determined by the Council.
- 2.19.4 Heads of Service may authorise a virement of up to £10,000 (Limit 1) within services within the same portfolio.
- 2.19.5 Heads of Service after consultation with the Head of Resource Management, may make a virement of up to £25,000 (Limit 2) between services within the same portfolio.
- 2.19.6 A Portfolio Holder, after consultation with the Head of Resource Management, may authorise a virement of up to £50,000 (Limit 3) within his/her Portfolio or between Portfolios with the consent of the relevant Portfolio Holders.
- 2.19.7 The Cabinet may make a virement of between £50,000 to £250,000 (Limit 4) following a written report by the relevant Head(s) of Service and Head of Resource Management.
- 2.19.8 The Council shall determine requests which fall outside of these criteria.

- 2.19.9 Heads of Service will notify the Head of Resource Management of all revenue virement decisions before expenditure is committed.
- 2.19.10 The authorisation limits set out above do not apply to technical virements and these may be authorised by the Head of Resource Management. A technical virement could include:
- 2.19.11 A technical accounting matter across several services areas. For example, introducing or changing capital charges, deferred charges etc. It might also include:
- an adjustment to salaries budgets if the pay award was agreed at a lower level and it was agreed that budgets would be reduced to reflect this.
  - Where a new grant is received during the year that is dependent on incurring additional cost and where it is very specific as to what the grant is for, or a decision had been made as to what the grant was for.
  - Where cost centres are reorganised and therefore budgets are moved to reflect a revised structure.
  - Where revenue spend occurred but should be classed as capital.
  - Carry forward requests.

## **2.20 Carry Forwards**

- 2.20.1 An extension of virement is the ability to carry forward over or under spending into the next financial year. It prevents the rush to spend up to budget at the end of the financial year, which can lead to poor spending decisions.
- 2.20.2 These are generally used where it is known that material budgeted expenditure will not be incurred until the next financial year, and will be allowed in accordance with guidelines issued by the Head of Resource Management. The guidance will lay down specific rules and limits as determined by the Head of Resource Management.
- 2.20.3 Unspent balances will only be considered for carry forward where:
- The Council's revenue /capital programme is not overspent in total
  - Reserves and balances are at an appropriate level
- 2.20.4 Other considerations which may support the case are:
- The item is fully funded from grant and the grant will be lost if the item is not carried forward
  - Budgets for specific projects that have not started or where there is slippage in delivery, and the funding for which has not been included in the following year's budget
  - The cost cannot be accommodated within the new year budget
  - Overall outturn position and Council balances need to be considered.

- Considered for essential statutory expenditure.

## **2.21 Financial Training**

2.21.1 Heads of Service are responsible for ensuring staff receive appropriate training to undertake their financial responsibilities, in accordance with any standards set by the Head of Resource Management.

## **2.22 Use of Capital Receipts**

2.22.1 All capital receipts will be treated as corporate capital receipts unless specific approval is obtained from the Cabinet for an alternative treatment.

### **3. FINANCIAL PLANNING AND CONTROL OF EXPENDITURE**

#### **Importance of this area**

The importance of this area is in the need for sound planning, monitoring and control of resources. Sound budget management is crucial to informing good decision making and achieving best value in the use of the Council's resources.

#### **3.1 Policy Framework**

- 3.1.1 The Council is a complex organisation responsible for delivering a wide variety of services. The budget is the financial expression of the Council's plans and policies. The Council has adopted an integrated planning framework the key components of which are the Medium Term Financial Strategy (MTFS), revenue budget and capital programme. The financial planning framework is aligned to the Strategic Plan and Performance Management Framework. The Framework enables scarce resources to be allocated in accordance with priorities.
- 3.1.2 The Framework allocates responsibilities as follows:
- The Council is responsible for determining the Council's revenue budget and capital programme.
  - The Cabinet is responsible for submitting proposals for the revenue budget and capital programme to the Council.
  - Portfolio Holders are responsible for recommending a revenue budget and capital programme for the services under their control to the Cabinet.
  - Heads of Service are responsible for submitting draft revenue budgets and capital project justifications for services under their control to the Portfolio Holder.
  - The Head of Resource Management is responsible for recommending a budget strategy to the Council.

#### **3.2 Performance Plans**

- 3.2.1 Performance Management is a key element of the management of the organisation. It involves setting objectives, priorities, targets and plans, including financial plans, for all key service areas.
- 3.2.2 Performance against objectives, priorities and targets is monitored regularly with a view to achieving an integrated planning and review process across the Council. Appropriate action is taken to address the areas that are highlighted by monitoring as needing attention.
- 3.2.3 The Strategic Plan sets out the Council's objectives for the next 3 years. An annual action plan sets out how the Council will achieve the outcomes and overall actions that are set out in the Strategic Plan.

**3.2.4** The Chief Executive is responsible for proposing the strategic plan to the Cabinet for consideration before its submission to the full Council for approval.

### **3.3 Financial Planning and Control**

**3.3.1** To deliver the Strategic Plan the available money must be allocated in the most effective way. A robust challenge process must be in place to ensure that the decisions made are achieving value for money. The budget process is an integral part of performance management.

**3.3.2** Forward planning requires

- planning three years ahead
- linking resources to the strategic plan
- ensuring that a balanced budget will be delivered
- looking at opportunities for efficiencies and income.

**3.3.3** Managing the current budget requires

- regular reporting of the budget; monthly to Performance Management Board and quarterly to Finance and Audit Scrutiny Panel to look at areas of potential over and under spend and progress on income generation
- checking that value for money is being achieved e.g. comparing costs and looking at procurement practice and opportunities.

### **3.4 Budget format**

**3.4.1** The general format of the budget will be approved by the full Council and proposed by the executive on the advice of the Head of Resource Management. The draft budget should include allocation to different services and projects, proposed taxation levels, contingency funds and allocations to / from reserves and balances.

### **3.5 Revenue Budget Preparation**

**3.5.1** The Head of Resource Management is responsible for ensuring that a revenue budget for the coming year and a medium term financial forecast for the two subsequent financial years are prepared for consideration by the Cabinet. The budget and the medium term financial forecast are both driven by the strategic plan.

**3.5.2** The Head of Resource Management is responsible for providing a budget strategy, timetable and guidance on the general format of the budget. The budget strategy will detail the Council's financial position taking account of central government criteria and medium term prospects where appropriate.

**3.5.3** The Cabinet is responsible for setting a target budget for each Cabinet remit service area.

- 3.5.4 Heads of Service will:
- prepare, in consultation with the relevant Cabinet Member and in accordance with the framework set down by the Head of Resource Management, an estimate of income and expenditure for the ensuing financial year within the spending targets set by the Cabinet.
  - when drawing up draft budgets, have regard to such matters as spending patterns and pressures revealed through the budget monitoring process; legal requirements; the Council's policies and objectives; initiatives already underway or committed
  - ensure that budget submissions are consistent with the Council's Corporate Objectives
  - consult with Executive Directors as appropriate to determine the likely financial implications of cross-cutting initiatives and other associated activities and ensure that any such implications are reflected in the draft revenue budgets and capital programme for the services under their control;
  - ensure that there are adequate explanations for changes to the budgets
  - ensure that their proposals are robust and that they have identified all of the issues and provide assurance to the Head of Resource Management.
- 3.5.5 The Head of Resource Management will:
- prepare and submit reports to Cabinet on the aggregate spending plans of services and on the availability of resources to fund them identifying, where appropriate, the implications for the level of council tax to be levied.
  - advise on the medium term implications of spending proposals and decisions
  - advise on the corporate impact of capital schemes on the revenue budget
- 3.5.6 The Cabinet will then submit a 'final budget' to the full Council for approval.
- 3.5.7 An Authority is legally obliged to set a balanced budget. Under section 25 of the Local Government Act 2003 the Head of Resource Management is responsible for reporting to the full Council on the robustness of estimates contained within the budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.
- 3.5.8 The Head of Resource Management is responsible for providing advice on the available funding options for the budget. This includes advice on central government funding, general grant, area based grant and other grants, options for borrowing and any other opportunities including income generation.
- 3.6 Budget Monitoring**
- 3.6.1 The Head of Resource Management is responsible for providing appropriate financial information to enable budgets to be monitored effectively. The Head of Resource Management must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular (quarterly) basis.

- 3.6.2 It is the responsibility of Heads of Service to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Head of Resource Management. Heads of Service must ensure that there is a clear allocation of responsibility for revenue budget at cost centre level and capital schemes within their areas. Budget responsibility should be aligned as closely as possible to the decision making that commits expenditure. They should report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation and alert the Head of Resource Management to any problems. The notification must also include an explanation of how the Head of Service intends to ensure that the variance is minimised.
- 3.6.3 Heads of Service may authorise responsibility for budget management to other officers.
- 3.6.4 All budgets, unless otherwise specifically identified, will be set on a cash limited basis and may be changed only by means of a supplementary estimate or virement.
- 3.6.5 A Head of Service shall not incur a liability which would cause expenditure to exceed an approved budget head unless this can be met by way of a supplementary estimate or virement. The necessary approval must be obtained in advance of the relevant commitment being made.
- 3.6.6 Any proposal which, if adopted, is likely to involve expenditure or future commitments not provided for in the existing revenue budget shall be the subject of a special report to the Cabinet. This report shall detail all the financial consequences and state whether sufficient financial provision is available in the budget for the proposal in current and future years and what action is proposed if such provision is not available.

### **3.7 Resource Allocation**

- 3.7.1 The Head of Resource Management is responsible for developing and maintaining a resource allocation process that ensures that both capital and revenue expenditure plans take account of the council's policy framework and changing priorities within that.
- 3.7.2 It is the responsibility of Heads of Service to ensure that the revenue and capital budget estimates reflect agreed service plans, are in line with the medium term financial plan, the capital strategy and that they follow any guidance issued by the Cabinet. The guidance will take account of the following:-
- Legal requirements
  - Medium term planning prospects
  - The strategic plan
  - Available resources and spending pressures
  - Best value
  - Other cross cutting issues

### **3.8 Preparation of the Capital Programme**

- 3.8.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, major items of plant and equipment, vehicles or new technology. Capital assets shape the way services are delivered for the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 3.8.2 The Head of Resource Management is responsible for:
- ensuring that a Medium-Term Capital Programme is prepared annually;
  - that the capital programme is consistent with corporate, service and asset management objectives and priorities;
  - that there is a robust process for scrutinizing the capital schemes to be added to the capital programme;
  - that the programme is fully funded and is affordable and sustainable in accordance with the Prudential Code.
- 3.8.3 Executive Directors and Heads of Service must not enter into credit arrangements, such as leasing agreements without the prior approval of the Head of Resource Management and, if applicable, approval of the scheme should be included as part of the capital programme.
- 3.8.4 New capital scheme bids will be considered as part of the Medium Term Capital Strategy. The Strategy will include an assessment of known and forecast capital resources alongside details of new capital bids and will be prepared with reference to the Council's Capital Asset Management Plan.
- 3.8.5 All new capital schemes require the submission of a project justification to the Cabinet. The Council will consider schemes based on the recommendations of the Cabinet.
- 3.8.6 Once agreed by the Council, new capital schemes become part of the capital programme.
- 3.8.7 Where a Capital Scheme appears in the Capital Programme, the revenue consequences of that scheme shall be incorporated into the revenue budget of the appropriate Portfolio(s).
- 3.8.10 A Head of Service may incur expenditure on the preliminary planning of a Capital Scheme providing that the Capital Scheme has been the subject of a report to the Cabinet and sufficient provision is available within the Revenue Budget and/or Capital Programme and/or Portfolio Capital Contingency to meet the estimated cost of the preliminary works.
- 3.8.11 Other than provided for above, no capital spending may be incurred on or committed to a Capital Scheme until it appears in the Capital Programme.

- 3.8.12 Inclusion of a Capital Scheme within the Capital Programme will authorise the relevant Head of Service to seek tenders to undertake the work subject to:
- the provisions of Contract Procedure Rules being observed;
  - the Cabinet not having placed a specific requirement to report back prior to the issuing of tender documents
- 3.8.13 Where the current estimated cost of a capital scheme is greater than the amount provided for in the Capital Programme, then, prior to tenders being sought, the relevant Head of Service is to report to the appropriate Portfolio Holder identifying the current estimated cost and the reason(s) for the excess. Progress shall be conditional on the Portfolio Holder's approval and the identification of sufficient funding resources from within the Portfolio Capital Programme or Contingency, and that the revenue cost (where appropriate) can be contained within the Portfolio Revenue Budget. Where these requirements cannot be met, a report will be submitted to the Cabinet.
- 3.8.14 When approving the Capital Programme, the Cabinet may place a requirement for a report to be made to the Cabinet prior to tenders being sought upon specific Capital Schemes. This report will show the total current estimated cost, total current estimated revenue costs, the funding sources and any other details required by the Cabinet.
- 3.8.15 Heads of Service are responsible for the control of expenditure against the approved Capital Programme, and will report every three months to the Portfolio Holder on the progress of Capital Schemes.
- 3.8.16 The Head of Resource Management will present consolidated reports on expenditure against the approved Capital Programme to the Finance and Audit Scrutiny Panel and Cabinet every three months.
- 3.9 Determination of Affordable Borrowing**
- 3.9.1 It is the responsibility of the Head of Resource Management to provide the Council with a written report on affordable levels of borrowing. This report is to be presented at the meeting when the annual budget is set and should have regard to the Prudential Code for Capital Finance issued by the Chartered Institute of Public Finance and Accountancy. The report will contain a number of prudential indicators that demonstrate that capital spending plans are affordable, prudent and sustainable.
- 3.10 Maintenance of Reserves**
- 3.10.1 It is the responsibility of the Head of Resource Management to provide the Cabinet with a written report on levels of reserves that are considered prudent. This advice to be based on an annual risk assessment of the Authority.
- 3.10.2 The Authority's medium term financial plan should, in part, be based on how to either reach or maintain the recommended level of reserves.

## **4. Risk Management and Internal Control**

### **Importance of this area**

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority. Equally, internal controls are required to guard against risk.

#### **4.1 Responsibilities**

4.1.1 The Chief Executive and Executive Directors are responsible for promoting the Council's Risk Management Policy Statement.

4.1.2 The Head of Resource Management is responsible for:

- preparing the Council's Risk Management Policy Statement and developing risk management controls in conjunction with other Heads of Service;
- arranging and administering insurance cover;
- assisting the Council to put in place an appropriate control environment and effective internal controls.

4.1.3 Heads of Service are responsible for:

- ensuring that there are regular reviews of risk within their service areas;
- notifying the Head of Resource Management of matters related to insurance requirements or claims;
- managing processes to ensure that established controls are being adhered to and to evaluate their effectiveness;
- reviewing controls in the light of changes affecting the Council and implementing new ones as necessary with guidance from the Head of Resource Management.

#### **4.2 Risk Management**

4.2.1 All organisations face risks to their people, property, finances, services, reputation and continued operations. Risk management is about systematically identifying and actively managing these risks. It is an integral part of good business practice and is essential to securing the Council's assets and to ensuring continued financial and organisational well-being

- 4.2.2 Risk can be mitigated by:
- transferring the risk to a third party, e.g. through insurance;
  - implementing additional controls to minimise the likelihood of the risk occurring and/or minimising its potential impact (e.g. through regular inspection and continuous monitoring of identified key risk areas);
  - establishing and regularly testing business continuity and disaster recovery procedures to deal with the consequences of events and minimise potential disruption;
- 4.2.3 The Head of Resource Management is responsible for preparing and promoting the authority's risk management policy and strategy, securing the endorsement of the Council, and maintaining the strategic risk register; Executive Directors and Heads of Service are responsible for ensuring that there is a continuous review of exposure to risk within their service areas, maintaining detailed risk registers and action plans, and maintaining business continuity plans. It is essential that risk management is incorporated into business processes in line with corporate guidelines. These processes include budget preparation and integrated service and financial planning, budget monitoring and performance management, programme and project management, procurement and contract management.
- 4.3 Insurance**
- 4.3.1 The Council maintains insurance cover to deal with the financial consequences of any incident which may give rise to a claim being made by/against the Council or result in financial cost or loss which may not otherwise be provided for. The extent to which the Council "self insures" is informed by the perceived risk and the Council's claims history.
- 4.3.2 The Head of Resource Management is responsible for effecting corporate insurance cover, through external insurance and internal funding, and negotiating all claims in consultation with other officers, where necessary and for arranging suitable Fidelity Guarantee insurance in respect of all employees.
- 4.3.3 Heads of Service should notify the Head of Resource Management immediately of:
- Any loss, liability or damage that may lead to a claim being made by/against the Council. Heads of Service should ensure that employees, or anyone covered by the authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim. It is imperative that officers comply with the timescales for investigating claims and the insurer's conditions. Failure could directly affect the authority's ability to make or defend a claim or could result in financial penalties being imposed on the authority; and
  - All new risks, properties or vehicles that may require insurance, and of any alterations or disposals affecting existing insurances.

- 4.3.4 Heads of Service will ensure that the Head of Resource Management has prompt access to all records and documents and receives from any officer, agent or contractor such information and explanations as may be necessary during the conduct of an insurance claim.
- 4.3.5 Heads of Service should consult the Head of Resource Management and seek legal advice on the terms of any indemnity that the authority is requested to give.
- 4.4 Internal Control**
- 4.4.1 Internal control refers to the systems devised by management to guard against risk and promote achievement of objectives. More specifically, internal controls promote:
- achievement of business objectives and performance standards;
  - compliance with plans, policies, procedures, codes of conduct, laws and regulations;
  - the reliability, integrity, timeliness and usefulness of information;
  - the legality of transactions and compliance with approved budgets and procedures; and
  - the safeguarding of people, property, finances, services, continued operations and reputation.
- 4.4.2 Internal controls are an essential part of the Council's risk management arrangements and should be reviewed on a regular basis. Control systems should provide for clarity of policies, objectives, targets, responsibilities and accountabilities, and appropriate authorisations and approvals, separation of duties, level of internal check, management information and physical safeguards.
- 4.4.3 The Head of Resource Management is responsible for assisting the authority in putting in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with all applicable statutes, regulations and codes of practice.
- 4.4.4 The Account and Audit Regulations 2003 (S33) (as amended) require the publication of an Annual Governance Statement. The statement represents the end result of a review of internal control and risk management, and includes a description and evaluation of the internal control environment, the review process, and any significant issues. The Committee responsible for internal control should seek to satisfy itself that it has obtained sufficient, relevant and reliable evidence to support the disclosures made. Following approval the statement is signed by the Chief Executive and the Leader of the Council.

## **4.5 Internal Audit**

- 4.5.1 Internal audit is an independent appraisal function that advises management on the effectiveness of their systems of internal control.
- 4.5.2 The key features of internal audit are:
- it is independent of service operations in its planning and operation;
  - it has sufficient organisational status to facilitate effective discussion and negotiation of the results of its work;
  - it utilises risk based methodologies in planning and delivering its work and does not have undue limitations placed on its scope;
  - the Finance Manager (Audit and Governance) has direct access to senior managers, elected members and the external auditor as appropriate; and
  - Internal auditors comply with guidance issued by professional bodies.
- 4.5.3 Internal auditors have the authority to:
- access authority premises at reasonable times;
  - access all assets, records, documents, correspondence and control systems;
  - receive any information and explanation considered necessary concerning any matter under consideration;
  - require any employee of the authority to account for cash, stores or any other authority asset under his or her control;
  - access records belonging to third parties, such as contractors, when required (note that contracts should specify access rights); and
  - Directly access the senior managers and elected members where appropriate.
- 4.5.4 The Head of Resource Management will maintain arrangements for an adequate and effective internal audit of the financial transactions of the Council.
- 4.5.5 The Head of Resource Management will ensure that the strategic and annual audit plans take account of the characteristics and relative risks of the activities involved.
- 4.5.6 Executive Directors and Heads of Service are required to notify the Head of Resource Management of new areas of risk which may need to be subject to audit review and ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets and are provided with information and explanations that the auditors consider necessary for the purposes of their work.
- 4.5.7 Executive Directors and Heads of Service are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the agreed timescale and report on progress.

4.5.8 Each Head of Service, Executive Director or the Chief Executive must immediately notify the Head of Resource Management of any matter which involves or is thought to involve any financial irregularity in the exercise of the functions of the Council and the Head of Resource Management shall carry out such audit investigations as he/she considers necessary.

## **4.6 External Audit**

4.6.1 The Audit Commission appoints the Council's external auditor.

4.6.2 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. Duties are carried out in accordance with the code of audit practice issued by the Audit Commission (the Code). This requires the auditor to review and report upon:

- the Council's Accounts;
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).

4.6.2 The Head of Resource Management facilitates the development of the annual audit plan, leads on any negotiations related to the annual audit fee and advises the Cabinet, Executive Directors and Heads of Service on their responsibilities in relation to external audit and issues arising from the Annual Audit and Inspection Letter.

4.6.3 Executive Directors and Heads of Service are required to ensure that external auditors are given access at all reasonable times to premises, personnel, documents, and assets, and provided with information and explanations which the external auditors consider necessary for the purposes of their work.

4.6.4 Executive Directors and Heads of Service are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the timescale agreed with the external auditor, and report on progress.

## **4.7 Preventing Fraud and Corruption**

4.7.1 The Council is responsible for substantial public funds and other assets and has a duty to demonstrate the highest standards of probity and stewardship in the day to day management of its affairs. It is therefore essential to develop and maintain an anti-fraud culture and to create a working climate in which all staff and elected members remain alert to the potential for fraudulent or corrupt behaviour against the Council from outside or inside the organisation and are aware of the mechanisms available for the confidential reporting and investigation of any reported instances.

4.7.2 Responsibility for the prevention and detection of fraud and corruption rests with all Councillors and officers of the Council. The key controls regarding the prevention of financial irregularities are that:

- the authority has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption;
- internal control systems exist which minimise the risk of fraud and corruption occurring;
- all members and staff act with integrity and lead by example;
- senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are found to be corrupt;
- high standards of conduct are promoted amongst members by the Standards Committee;
- a formal code of conduct is established and widely publicised and, as part of this, a register of interests is maintained;
- whistle blowing procedures are in place and operate effectively; and
- Legislation including the Public Interest Disclosure Act 1998 and the Freedom of Information Act is adhered to.

- 4.7.3 The Council's whistle blowing policy can be found on the intranet.
- 4.7.4 The Head of Resource Management is responsible for developing and maintaining an anti-fraud and corruption policy and ensuring that effective internal controls are in place to minimise the risk of fraud, corruption and financial irregularities.
- 4.7.5 The Head of Resource Management is responsible for the corporate fraud team and ensuring that effective procedures are in place to identify fraud and investigate promptly any suspected fraud. The team investigates cases of both internal fraud and external fraud.
- 4.7.6 Executive Directors and Heads of Service must ensure that where financial impropriety is discovered or suspected, the Head of Resource Management is informed immediately and take all necessary steps to prevent further loss and to secure records and documents against removal or alteration. Executive Directors and Heads of Service must ensure the full cooperation of senior management in any investigation and instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

## **4.8 Money Laundering**

- 4.8.1 Money laundering involves the 'cleaning' of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash, are introduced into the financial system where they are laundered enabling them to leave the system appearing to come from a legitimate source.
- 4.8.2 The Council could be subject to money laundering attempts when accepting payments by cash in relation to the payment of substantial bills.

- 4.8.3 The Finance Manager (Audit & Governance) is required to have a robust process in place and a programme of awareness raising and training for the detection of money laundering and the reporting of any suspicious related activity. An Anti-Money Laundering Policy is available on the intranet.
- 4.8.4 All staff have a duty to report any suspicions to the Money Laundering Reporting Officer (Monitoring Officer).

## **5. Property & Resources**

### **Importance of this area**

The importance of this area is the need to ensure that arrangements are in place to protect the assets and resources of the Council.

### **5.1 Security and Control of Assets**

- 5.1.1 The Head of Resource Management is responsible for corporate asset management and shall:
- make adequate arrangements to maintain an asset register of all assets with a value in excess of £10,000 (Limit 5) and ensure that all assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, or such standards as may supersede it;
  - issue guidelines for the disposal of assets.
- 5.1.2 Executive Directors and Heads of Service must ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.
- 5.1.3 Heads of Service are responsible for ensuring that all assets in their control are appropriately maintained and shall:
- make adequate arrangements to maintain a property database in a form agreed with the Head of Resource Management for all properties, plant and machinery and moveable assets;
  - ensure the security of all buildings and other assets, including cash, under their control;
  - maintain inventories in a form determined by the Head of Resource Management;
  - make arrangements for the care and custody of stocks and stores;
  - make arrangements with the Head of Resource Management to ensure that all items are appropriately insured against loss.
- 5.1.4 All Council assets should be clearly identified and marked as property of the Council where appropriate. No Council asset should be subject to personal use by an employee without prior authorisation.
- 5.1.5 The Head of Resource Management is responsible for all disposals of land and property and for identifying any revenue implications arising from the sale of assets. Heads of

Service may dispose of revenue assets through sale, donation or scrapping. They must assure themselves that the assets concerned are the property of the council (rather than a leasing company) before disposing of them. Heads of Service must ensure that value for money is obtained for every disposal and maintain adequate records demonstrating value for money, the reasons for the disposal, and that the assets are obsolete or surplus to requirements. All assets to be disposed of, over the value of £10,000 must be cleared with the Head of Resource Management before they can be disposed of.

- 5.1.8 Heads of Service must ensure that legal and environmental issues are addressed when disposing any assets and must ensure they take advice from the Head of Environmental & Protective Services on the appropriate method of disposal.

## **5.2 Leasing**

- 5.2.1 The Head of Resource Management shall be responsible for the evaluation and arrangement of all Capital financing facilities. This excludes the short term hiring of equipment for periods of less than 12 months.
- 5.2.2 Heads of Service must take appropriate advice from Resource Management and Legal Services before entering into an operating lease agreement. A finance lease must never be entered into other than through Resource Management.

## **5.3 Stocks and Stores**

- 5.3.1 Heads of Service are responsible for:
- ensuring that stocks of goods and materials are held at a level appropriate to the business needs of the Council, and that stock levels are checked regularly and as a minimum as part of year end annual stock take procedures;
  - ensuring that adequate arrangements are in place for their care and custody; and
  - writing off the value of obsolete stock in their service areas is in accordance with the procedures.

## **5.4 Treasury Management**

- 5.4.1 The Council has adopted CIPFA's Code of Practice for Treasury Management in Public Services. The Council has delegated responsibility for the implementation and monitoring of its Treasury Management Policies and Practices to the Head of Resource Management.
- 5.4.2 The Head of Resource Management is responsible for reporting to the Finance & Audit Scrutiny Panel at least twice in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. He/she is required to produce:
- a proposed treasury management strategy for the coming financial year before the start of each financial year;

- an annual report on the treasury management activity for presentation by 30<sup>th</sup> September of the succeeding financial year; and
- a mid year report.

5.4.3 The Council has delegated responsibility for the implementation and monitoring of its Treasury Management Policies and Practices to the Head of Resource Management, who will act in accordance with the Council's Treasury Management Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

## **5.5 Staffing**

5.5.1 Heads of Service will ensure the sufficiency of employee budgets and shall exercise adequate control over staffing costs including overtime, training and temporary staff.

5.5.2 Accurate and effective systems must be in place and the following procedures and regulations must be followed:

- appointments are made in accordance with HR and payroll regulations;
- appointments are in accordance with the approved establishment and grade for the post;
- Payments are only authorised to bona fide employees and where there is a valid entitlement
- costs associated with early retirements, redundancy payments and other similar events must be met from within the employee budget of the service involved unless there exists a specific Corporate provision for this purpose.

## **5.6 Use of Consultants**

5.6.1 Heads of Service must ensure that their staff understand the distinction between employment and a contract for consultancy services. If a consultant is brought in to cover a vacant post or carry out a role similar to that of a member of staff then it is likely that the Council will be required to treat them as employed for tax purposes and pay them via the payroll. In these circumstances the Council's recruitment policies should be applied.

5.6.2 Where a consultant is required to carry out a project which has a clear start and end date and is described in a brief or specification, and where the consultant will be taking on the risk and providing their own premises, equipment and insurance etc, then it is likely that the work will be governed by a contract and the consultant will be paid via the Accounts Payable system through the raising of an official order and goods receipt. In these circumstances the Council's contract procedure rules should be applied. The insurance requirements must be clear in the documentation supporting the contract and evidence that the policy is in place should be obtained from the consultant.

5.6.3 Heads of Service must ensure that where payments are to be made to consultants other than through the Council's payroll system, that there is a clear justification for this and that there are no tax implications that may arise.

- 5.6.4 Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Human Resources Manager.

## **6. Financial Systems and Procedures**

### **Importance of this area**

This area forms much of the routine financial business of the Council and involves large numbers of transactions and staff. This area will be of interest to many people and it is important that such a major area of activity is clearly regulated and those regulations are supported by thorough detailed standards.

### **6.1 General Responsibilities**

#### **6.1.1 The Head of Resource Management is responsible for:**

- issuing advice, guidance and procedures for officers and others acting on behalf of the Council in relation to its financial affairs;
- determining the accounting system, form of accounts and supporting financial records;
- establishing arrangements for the audit of the Council's financial affairs;
- approving any new financial systems to be introduced;
- approving any changes to existing financial systems including the format of a feeder file and system of reconciliation of any financial information being fed into the core accounting systems.

#### **6.1.2 Heads of Service are responsible for:**

- ensuring that accounting records are properly maintained and are held securely;
- maintaining a complete management trail for financial transactions;
- ensuring that there is sufficient separation of duties to provide adequate internal control and minimise the risk of fraud or other malpractice;
- maintaining documented and tested business continuity plans;
- documenting systems and procedures and ensuring staff are trained in operations;
- ensuring that systems and records are registered in accordance with the Data Protection Act 1998 and Government Connect where relevant;
- ensure staff are aware of and comply with Freedom of Information legislation.

### **6.2 Income**

#### **6.2.1 The responsibility for the collection of all income due to the Council lies with the Head of Resource Management. The Head of Resource Management is responsible for approving procedures for collecting and writing off debts as part of the overall control framework of accountability and control.**

- 6.2.2 The Council collects substantial amounts of income (council tax, business rates , service charges and fees and charges ) and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly, and that VAT is correctly accounted for. There is an overarching debt management policy which sets out how debt will be collected where a resident may have multiple debts, for example council tax and housing rent.
- 6.2.3 Wherever possible and appropriate income should be obtained in advance or at the point of supplying goods or services as this improves the authority's cash flow and also avoids the time and cost of administering debts.
- 6.2.4 The Head of Resource Management shall:
- authorise the write-off of individual bad debts up to £5,000 (Limit 6) where necessary. All requests for write off must be accompanied by a brief report giving the reasons for the request and supporting documentation. The relevant Portfolio Holder shall authorise the write-off of individual bad debts over £5,000 (Limit 7).
  - agree the arrangements for the collection and banking of all income due to the Council and approve the procedures, systems and documentation for its collection;
  - ensure that a proper record of debts written-off is maintained and that proper accounting entries are made after write-off.
- 6.2.6 Heads of Service shall:
- Ensure that all income due is identified and that requests to raise a Sundry Debtors Invoice is submitted to the Collections and Control team in a timely manner
  - establish charging strategies for the provision of goods and services, including the charging of the appropriate VAT in line with corporate policies and the budget strategy;
  - establish and initiate appropriate systems for the identification, collection and recovery of sums due to the Council which separate, as far as possible, the responsibility for identifying amounts due and the responsibility for collection, and to agree the form of such systems with the Head of Resource Management
  - ensure that income is paid fully and promptly into the appropriate Council bank account in the form that it is received and that details are recorded on the paying-in slip;
  - ensure that where income cannot be banked immediately it is stored securely and is insured against loss or theft;
  - hold securely receipts, tickets and other records of income;
  - recommend to the Head of Resource Management all debts to be written-off and receive the approval of the Resource Management prior to submitting debts of a value greater than £5,000 (Limit 7) to the relevant Portfolio Holder for write-off.

## **6.3 Ordering and Paying for Goods and Services**

- 6.3.1 The authority's procedures are designed to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the authority's procurement strategy and contract procedure rules.
- 6.3.2 Every officer and member of the authority must declare any links or personal interests that they may have with suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.
- 6.3.3 Purchase Orders must be raised on the Marketplace System for all works, goods and services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash and purchase card purchases.
- 6.3.4 Commitments will be automatically recorded onto the Council's Financial System through the approval of the purchase order. This ensures that the finance system gives a true picture of the amount of expenditure incurred and the balance remaining against each budget head.
- 6.3.5 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.
- 6.3.6 The Head of Resource Management shall:
- ensure that all systems for the ordering and payment of goods and services are sound and provide guidance on their administration;
  - determine the form of official orders and associated terms and conditions;
  - make payments from the Council's official funds on the authorisation of the relevant Head of Service that the expenditure has been duly incurred in accordance with Financial Regulations;
  - make payments to contractors on the certificate of the appropriate Head of Service.
- 6.3.7 Heads of Service shall:
- ensure the receipt of best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality and by utilising corporate purchasing arrangements where they exist;
  - establish and maintain sound and efficient systems for the ordering, receipt, checking and payment of goods and services in a form approved by the Head of Resource Management and which incorporate, as far as possible, separation of duties between the ordering, receiving and payment process;
  - maintain an up-to date list of those officers authorised to sign official orders and/or authorise payment and supply a copy of the list to the Head of Resource

Management. The list is to clearly show the financial limits of authority which apply to each officer together with specimen signatures and initials.

- ensure that official orders are used for all goods and services except where the prior written approval of the Head of Resource Management has been obtained;
- ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment;

## **6.4 Purchase Cards**

- 6.4.1 Purchasing cards are available for use by council staff for buying small value items or to address specific requirements such as the payment of court costs. Each Service Area has a number of card holders and authorisers. Key controls are built into the system through card limits, merchant categories, defined suppliers, and other measures. The Head of Resource Management is responsible for issuing guidance on the use of purchasing cards.
- 6.4.2 Misuse of a purchasing card would normally constitute gross misconduct and could result in dismissal. Heads of Service are responsible for ensuring the cards are operated in a responsible manner and that they are only used where there is sufficient budget available to cover the cost of the transaction.
- 6.4.3 All lost or stolen cards must be reported to the Head of Resource Management immediately.
- 6.4.4 The purchasing card accounts are settled through the bank on a monthly basis. Statements are provided to enable cardholders to check transactions and coding.

## **6.5 Imprest and Petty Cash Accounts**

- 6.5.1 An imprest or petty cash account must only be used where it is not appropriate to use a purchase order or purchasing card for the goods or services in question. It is the responsibility of Heads of Service to ensure that systems are in place to monitor and control this.
- 6.5.2 Imprest and petty cash accounts can facilitate very minor items of expenditure where it would not be cost effective to use a purchasing card or purchase order. Imprest and petty cash accounts must not be used to reimburse employee expenses which will be made through Payroll.
- 6.5.3 The Council has a single petty cash account operated by Cashiers. There are a number of imprest holders across the Council. The establishment of and procedures for the operation of imprest accounts must be approved by the Head of Resource Management.
- 6.5.4 Officers must complete an official petty cash voucher to draw cash or a cheque from petty cash or an imprest account. Supporting documentation must be attached including VAT receipts and the voucher should be authorised to confirm that the expenditure is reasonable and there is sufficient budget provision to cover the expenditure.

- 6.5.5 Imprest holders must reconcile their accounts on a monthly basis or prior to seeking reimbursement. Imprest holders should seek reimbursement from the main petty cash account through Cashiers using the standard documentation and attaching supporting information. A certificate of value must be completed once a year and the cash/receipts must be produced on demand.
- 6.5.6 Imprest accounts must never be used to cash personal cheques or to make personal loans and the only payments into the account should be the reimbursement of the float and change relating to purchases where an advance may have been made on an exceptional basis.

## **6.6 Bank Accounts**

- 6.6.1 The Head of Resource Management shall maintain and operate such bank accounts as he/she considers necessary. No bank account may be opened or closed except on the prior approval of the Head of Resource Management.
- 6.6.2 The Head of Resource Management is responsible for managing the banking contract and the day to day administration and reconciliation of accounts.
- 6.6.3 Staff must not open accounts in the name of the Council, Members or officers unless they are acting on the instructions of the Head of Resource Management. Opening an unauthorised bank account is a disciplinary offence.

## **6.7 Payments to Councillors and Employees.**

- 6.7.1 Staff costs are the largest item of expenditure for most services. It is therefore important that payments are accurate, timely, and made only where they are due for services to the authority, and that payments accord with an individual's conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that members' allowances are authorised in accordance with the scheme adopted by the full Council.
- 6.7.2 The Head of Corporate Management is responsible for all payments of salaries and wages and expenses to staff, including payments for overtime, honoraria etc and submission of tax returns to HM Revenue and Customs by their due date for the above. The Head of Corporate Management is also responsible for the timely provision of information, and the maintenance of sound financial controls to meet the responsibilities in connection with taxation issues arising from payments to employees.
- 6.7.3 The Head of Corporate Management shall:
- arrange and control secure and reliable payment of salaries, wages, compensation, other emoluments, expenses and allowances in accordance with procedures produced in agreement with the Head of Resource Management;
  - record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions to the collecting authority;

- provide accounting records of all transactions in the form determined by the Head of Resource Management.

#### **6.7.4 Heads of Service shall:**

- ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scales of pay and that budget provision is available;
- promptly notify the Head of Corporate Management of all appointments, terminations or variations which may affect the pay of an employee, in the form determined by the Head of Corporate Management;
- maintain an up-to date list of those officers authorised to sign records and returns relating to payments to employees and councillors and supply a copy of the list to the Head of Corporate Management and the Head of Resource Management. The list is to clearly show the financial limits of authority which apply to each officer together with specimen signatures and initials;
- ensure that all payments to employees and councillors, including all casual and temporary staff, are processed only through the payroll system.

### **6.8 Taxation**

6.8.1 The Head of Resource Management is responsible for providing information to HMRC in relation to the Construction Industry Tax Deduction Scheme as required and advising Heads of Service of their responsibilities under the scheme.

6.8.2 Heads of Service are responsible for ensuring that the appropriate controls and procedures are operated within the service area in relation to taxation issues.

6.8.3 The Head of Resource Management is responsible for completing the monthly return of VAT (inputs and outputs) to HMRC.

### **6.9 Trading Accounts and Business Units**

6.9.1 In some areas the Council may operate a trading account. This means that the costs and income from charges relating to the service are ring-fenced in the accounts. Any surplus or deficit is added to a reserve each year. The Head of Resource Management is responsible for ensuring that trading accounts are treated properly in the Council's accounts.

6.9.2 Heads of Service are responsible for ensuring that, in line with the Local Government Act 2003, charges are set to recover costs without building up significant surpluses, and that any changes in take up of the service which could result in a deficit are reported at an early stage. All charges must be reviewed on a regular basis and annually as a minimum as part of integrated service and financial planning

6.9.3 The Head of Resource Management shall determine the need for the establishment and operation of trading accounts and business units.

## **6.10      Retention of Documents**

- 6.10.1 Heads of Service shall be responsible for ensuring that records are carefully and systematically filed and retained for inspection by the Head of Resource Management or internal or external audit and agencies such as HM Revenue and Customs.
- 6.10.2 The advised minimum periods for the retention of financial records are set out below:
- mortgages, bonds, stocks and other holdings, insurance, contracts, pension information and transfer values should be held indefinitely;
  - other contract documents including the final account where the contract is under seal should be retained for 12 years; and
  - The majority of accounting records should be retained for a period of 6 years following audit.

## 7. Projects, Partnerships & External Funding

### **Importance of this area**

Partnerships are likely to play a key role in delivering community strategies and helping to promote and improve the well being of the area.

#### **7.1 Projects & Partnerships**

- 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 the Borough.
- 7.1.2 The Cabinet is responsible for approving delegations, including frameworks for partnerships.
- 7.1.3 The Head of Resource Management must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are proper. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- 7.1.4 Executive Directors and Heads of Service must ensure that the full implications of any partnership are explored and that Finance and Legal officers are consulted at an early stage. The following issues should be addressed:
- Is a partnership the best vehicle for achieving the desired outcome?
  - What are the objectives of the partnership and are they consistent with the Council's priorities?
  - What is the legal status of the partnership and how will it be governed?
  - What is the liability of the Council and the other partners?
  - Are the roles and responsibilities clear?
  - What are the risks and how will they be managed and monitored?
  - How will the performance of the partnership be monitored and how will success be measured?
  - How will the partnership be funded and who is responsible for the financial management, accounts and audit arrangements?
  - Are there any taxation issues?
  - Is there a robust business case?
  - How will goods and services required by the partnership be procured?
  - What are the resource implications in terms of staff, premises etc?

- 7.1.5 Executive Directors and Heads of Service are responsible for appropriate approvals before any commitment or agreement is entered into.
- 7.1.6 A partnership arrangement must not be used as a means of avoiding the procurement rules.

## **7.2 External Funding**

- 7.2.1 The Council bids for funds from a number of UK and European programmes. Each funding regime is subject to rules and regulations and the process for submitting applications and drawing down funding varies.
- 7.2.2 It is important to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the Council are clearly understood. Executive Directors and Heads of Service should:
  - ensure that all applications for funding are consistent with the Council's priorities and approve them in principle before detailed work commences;
  - ensure that the Council's project management framework is applied and that a project initiation document (PID) is completed where appropriate;
  - consult the relevant Finance Manager / Service or Project Accountant when preparing applications to ensure that full costs are identified including any match funding required, and ongoing commitments are taken into account;
  - ensure that the application is signed off by the Head of Resource Management or an appropriate officer in the Service;
  - where applications are successful, ensure that the expenditure and income budgets are amended as necessary;
  - ensure that the rules and regulations for the particular funding stream are complied with at application stage and throughout the life of the project;
  - ensure that all requirements relating to the delivery of outputs and spend are met in line with the approved bid or project plan;
  - ensure that all funding notified by external bodies is claimed, received and properly recorded in the authority's accounts; and
  - check the audit requirements and notify the Head of Resource Management of any claims that must be audited by the Council's external auditor.

## **7.3 Work for Third Parties**

- 7.3.1 Executive Directors and Heads of Service must ensure that work for third parties is Cabinet approved and is covered by a suitable contract or agreement so that the responsibilities of each party are clear.
- 7.3.2 Financial and legal advice should be sought at an early stage. This will ensure that the Council only carries out work that is within its legal powers, and that financial issues such as insurance and taxation are properly considered.

- 7.3.3 Executive Directors and Heads of Service must ensure that:
- the Council is not put at unnecessary risk from bad debts
  - contracts are not subsidised by the Council.
- 7.3.4 Executive Directors and Heads of Service must provide appropriate information to the Head of Resource Management to enable a note to be entered into the Statement of Accounts where necessary.

#### **7.4 Work By Third Parties**

- 7.4.1 Executive Directors and Heads of Service must ensure that work carried out by third parties (for instance the Arms Length Management Organisation) for the Council is approved and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial, legal and procurement advice should be sought at an early stage. This will ensure that the organisation only carries out work that is within the relevant legal powers, and that financial issues such as responsibility for managing budgets, insurance and taxation are properly considered.

## 8 Financial Limits

The financial limits below will be reviewed annually as part of the budget process.

Limit No.	Description	Cabinet	Portfolio Holders	Head of Service	Head of Resource Management	Limit (£)
1	Virement within a service			X		10,000
2	Virement between services within the same portfolio			X	X	25,000
3	Virement within a portfolio / between portfolios		X		X	50,000
4	Virement	X				250,000
5	Maintain an asset register of all assets with a value in excess of £10,000				X	10,000
6	Agree the write-off of bad debts				X	Up to £5,000
7	Agree the write-off of bad debts		X			Over £5,000