

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL**

**25 February 2009**

**1. CORPORATE PLAN 2009/10 TO 2011/12**

**Submitted by:**           **Head of Corporate Policy and Performance**

**Portfolio:**               **Customer Services and Transformation**

**Ward(s) affected:**   **All**

**Purpose of the Report**

To adopt the Corporate Plan for 2009/10 to 2011/12

**Recommendation**

**That the Council adopts the Corporate Plan for 2009/10 to 2011/12**

**Reasons**

The Corporate Plan underpins the whole planning structure of the Authority and demonstrates the Council's links with our partners in delivering national and regional priorities, through the agreed Sustainable Community Strategy and Local Area Agreement. It sets out the priorities, values and vision of the Council and how this is to be delivered over the next three years.

**1. Background**

- 1.1 The previous Corporate Plan was adopted for the period 2007/8 to 2011/12. Since then the Sustainable Community Strategy (SCS) for the Borough has been agreed and the Local Area Agreement (LAA) for Staffordshire. Both the SCS and the LAA identify important issues that need to be addressed in order to enhance the quality of life of local communities. In order to ensure that the linkages between the plans were transparent the Corporate Plan has been refreshed to reflect these.
- 1.2 The Plan has been refreshed with the knowledge of existing consultation, partner plans, demographic data, performance management information, and a Cabinet away day in which priorities were revisited.
- 1.3 Formal Cabinet approval recommending that the Council adopt the plan was given on the 14 January, with proposals for a number of refinements which have been incorporated into the plan submitted to Council. The Transformation and Resources Overview and Scrutiny Committee also reviewed the plan at their meeting on the 21 January and supported its approval with the incorporated changes.
- 1.4 A full copy of the revised Corporate Plan will be available to members prior to the Council meeting.

## 2. **Issues**

2.1 The priorities that form the Corporate Plan were considered at a Cabinet away day and reconfirmed with the proposal that the priority of 'Creating a cleaner, greener and safer Borough' is adapted to reflect the Council's wish to provide sustainable services to the public. It is proposed that the refreshed priority will read, 'Creating a cleaner, safer and sustainable Borough. The four Council priorities will then be:

- Creating a cleaner, safer and sustainable Borough,
- Creating a Borough of opportunity,
- Creating a healthy and active community and
- Transforming our Council to achieve excellence.

2.2 The proposed plan has also seen the Council values being refined from five to three in order to improve their clarity. These values are the key principles that underpin everything that the Council does in delivering its priorities, they are:

- Putting people first,
- Delivering excellent and sustainable services, and
- Making the best use of our resources.

These reflect the Council's desire to deliver excellent and sustainable services to its communities, satisfying their needs and priorities. This will be done by providing cost effective quality services in an ethical, fair, open, honest way with integrity and impartiality. In doing this the Council will ensure that its workforce and members are developed to optimise their contribution to service delivery.

2.3 In reviewing the Corporate Plan it has been designed in two parts.

- The first part demonstrates the vision of the Council, its priorities and values and how they link with our Sustainable Community Strategy and plans of our partners. Part A will remain unchanged for the life of the plan.
- Part two shows under each of the four Council priorities the specific projects in year one that will be delivered against these priorities with measureable success measures in terms of goals and outcomes. It also identifies a list of indicative actions for future years. Part two will be refreshed annually, in order to ensure its currency, to reflect rapidly developing areas and to update the Medium Term Financial Strategy on a timely basis. In agreeing the Medium Term Financial Strategy for the current year the Plan has reflected and informed its update.

2.4 The Plan reinforces the 'golden thread'. This is where there is a process through which National and Regional priorities can be seen feeding into the Local Area Agreement and the Sustainable Community Strategy through to this Corporate Plan. The Corporate Plan then informs the internal planning framework through the Medium Term Financial Strategy, service and financial plans, business plans and through to individual employee appraisals.

## 3. **Proposal**

3.1 That Council adopt the Corporate Plan for 2009/10 to 2011/12, and that part B is reviewed and updated annually to inform the financial and service planning process.

4. **Reasons for Preferred Solution**

4.1 Without a Corporate Plan, it would be difficult to demonstrate a cascade approach to planning in the Council and links with community strategies and priorities external to the Council.

5. **Outcomes Linked to Corporate Priorities**

5.1 This document identifies the corporate priorities of the Authority linked to expected outcomes.

6. **Legal and Statutory Implications**

The Corporate Plan is not a statutory responsibility but it is considered best practice.

7. **Earlier Cabinet/Committee Resolutions**

Cabinet Agenda: Corporate Plan 2007/8 to 2011/12

8. **List of Appendices**

Corporate Plan, to be provided separately before the meeting

9. **Background Papers**

Corporate Plan 2009/10 files

2. **DRAFT STRATEGY FOR ELECTED MEMBER DEVELOPMENT 2008/09**

**Submitted by:** Head of Central Services

**Portfolio:** Customer Service and Transformation

**Ward(s) affected:** All

**Purpose of the Report**

To update the Council regarding progress that has been made regarding Elected Member Development and to gain approval for the proposed Strategy for Elected Member Development.

The proposed strategy will assist Elected Members in identifying what is required or recommended with regards to training needs and the format and frequency of training events.

**Recommendation**

**That the draft Strategy for Elected Member Development be agreed.**

**Decision Required**

Approval of the proposed Strategy for Elected Member Development.

## 1. **Background**

- 1.1 At the meeting of the Member Development and Performance Review Sub-Committee held on 26 June 2007, the Committee reaffirmed its decision to sign up to the West Midlands Member Development Charter (WMMDC) and agreed that a cross party target group be formed to help progress the situation.
- 1.2 The first meeting of this target group was held on Tuesday 4 September 2007. Members received a presentation from Edwina Grant, a representative from the West Midlands Local Government Association (WMLGA). Ms Grant outlined the main aspects of the Charter and the various stages that would need to be implemented in order to achieve a successful outcome. The main stages included:
- Planning
    - strategy
    - policy
    - budget setting
    - top level commitment
  - Implementation and Delivery
  - Monitoring and Review – **Ongoing**
  - Evaluation
    - Value for money
    - Impact in relation to investment in member development
- 1.3 Ms Grant highlighted the fact that the Charter needed to be a genuinely Member owned initiative and that by adopting appropriate processes and procedures, would add value to the Council as a whole. Ms Grant also stated that any processes put in place for evaluation would need go beyond simply measuring activity and outputs and that any training undertaken would need to feed back into the Council to ensure the delivery of quality leadership and services to the public. The Council have now officially signed up to the Charter.

## 2. **Work carried out to Date**

- 2.1 Following the meeting of the Member Development & Performance Review Sub-Committee held on 30 October 2007, a Training Needs Analysis Questionnaire was distributed to all Members. The questionnaire was designed to ascertain where Members felt that they were currently lacking in skills and knowledge and whether there existed a high priority for training in these areas. The results of the Training Needs Analysis Questionnaire were then studied in the context of the Local Government White Paper (2005) and ongoing corporate priorities in order to provide an initial programme for Member training. The following training courses have now been provided:
- Overview and Scrutiny Training
  - Speaking with Confidence to Build Rapport with Constituents
  - Public Speaking
  - Charing Meetings
  - Finance Training
  - IT training
  - Equalities and Diversity Training
  - Local Community Leadership training

- Licensing
- Risk Management

2.2 Feed back from these training sessions has where possible also been collected.

2.3 In addition to this, all training courses attended by elected members will now be recorded on individual personal development records.

### 3. **Issues**

3.1 The terms of reference for the Working Group were:

- To identify and implement the requirements of the West Midlands Member Development Charter and to develop and implement a Member Development Strategy.
- To identify a process for the implementation of Personal Development Plans and offer all Members the opportunity to participate.
- To ensure that all Member development and training opportunities relate to Newcastle under Lyme Borough Council's corporate priorities.
- To engage all elected members in the process of member development and training.
- To establish a mechanism to evaluate overall effectiveness of Member Development.
- Identify financial resources required to deliver development needs.

3.2 A draft Strategy for Elected Member Development has now been developed by the Working Group and is attached at Appendix 'A' (cream paper) for you consideration.

#### **Member Personal Development Plans**

The next stage in the implementation of the strategy will be the development of a Personal Development Plan (PDP) structure for Members will play a fundamental role in the achievement of the Charter, such a process will enable the identification of training needs for Members which can then be fed into one of the key requirements of the Charter – the implementation of a cohesive Member Development Plan.

The implementation of a structured PDP process will also enable the Council to meet, in part with many other key elements required by the Charter:

- Commitment from top political and managerial leadership
- Financial commitment
- Member led strategy/approach
- Linkage between investment and the authorities priorities
- An agreed approach for establishing priorities
- Effective and continuous evaluation

A PDP process will require commitment from top political and corporate leaders in order to formulate an initial process and to encourage participation in its implementation and continuation. The process will facilitate the creation of a planned and structured approach for the identification of both individual and corporate needs that will enable the Council to establish priority areas for development and thus ensure that any investments made are in the areas of greatest need. The continuous and ongoing nature of a PDP structure will also be key to the evaluation process as feedback received at each PDP session can then be fed back into the Member Development Strategy.

3. **Outcomes Linked to Corporate Priorities**

3.1 Member Development will contribute in a positive way to all of the Council's Corporate Priorities.

4. **Financial and Resource Implications**

4.1 There are staffing implications in delivering a member development programme which, is currently being carried out by a number of staff within Central Services. It may be necessary to review this in the future if demands increase significantly.

4.2 The costs involved in delivering most of the training can be met from the Members training budget.

5. **List of Appendices**

Appendix 'A' Draft Strategy for Elected Member Development 2008/09.

3. **REPORT OF THE OVERVIEW AND SCRUTINY COMMITTEE CHAIRS**

**Submitted by:** Scrutiny Officer

**Portfolio:** Customer Service and Transformation

**Ward(s) affected:** Non-specific

**Purpose of the Report**

To introduce the progress reports of the Overview and Scrutiny Committee Chairs.

**Recommendations**

(a) That Council receive the information.

(b) That the Council adopt the Overview.

**Reasons**

It is important that information on the progress of the various committees is shared with all Members of the Council. This report also provides an opportunity for Members of the Council to ask questions of the Chairs of the Overview and Scrutiny Committees on the work that they are conducting at the present time.

Reports of the Chairs are attached at Appendix 'B' (white paper ) as follows:

- (i) Overview and Scrutiny Co-ordinating Committee
- (ii) Cleaner Greener and Safer Communities Committee
- (iii) Economic Development and Enterprise Committee
- (iv) Active and Cohesive Communities Committee
- (v) Transformation and Resources Committee

#### 4. **REVISED FINANCIAL REGULATIONS**

**Submitted by:** Head of Finance

**Portfolio:** Resources and Efficiency

**Wards Affected:** All

##### **Purpose**

To approve revised Financial Regulations and Procedures.

##### **Recommendations**

**(a) That the revised Financial Regulations and Procedures be approved.**

**(b) That the Terms of Reference of the Audit and Risk Committee be amended by the addition of the following: “(j) To approve the Council’s Statement of Accounts”.**

##### **Reason**

It is important that the Council’s Financial Regulations and Procedures are reviewed regularly and revised where necessary so that they reflect the current structure and requirements of the Council.

#### 1. **Background**

- 1.1 Financial Regulations are designed to ensure that the Council’s financial affairs are conducted in a proper, standardised and accountable manner. They set out for officers and members the practices and procedures which must be followed when dealing with financial and allied matters.
- 1.2 The Regulations comprise Key Regulations and associated Financial Procedures. The Key Regulations set out the general principles which are to be followed and the Financial Procedures set out in detail the procedures which must be followed. This is in accordance with the best practice format as recommended by the Chartered Institute of Public Finance and Accountancy.
- 1.3 The current Regulations were approved by the Council on 12 December 2007. As part of the arrangements to ensure good corporate governance of the Council, a review of the Regulations is now carried out on an annual basis. Following this year’s review a number of areas have been found where the current Regulations do not fully reflect the current Council management structure and responsibilities and a few new activities or interlinked strategies and the like need to be covered in the Regulations. Accordingly, revised Regulations have been compiled, in consultation with the Chief Executive, Monitoring Officer and the Audit Manager, and are now submitted for your consideration and approval.

#### 2. **Issues**

- 2.1 The revised Regulations are appended to this report at Appendix ‘C’ (salmon paper). A copy of the Regulations, showing the changes which have been made, compared to the current Regulations, is available in the Members Room.

## 2.2 The main changes are:

- Some third tier officers' job titles have changed from being Managers to Heads of Service and amendments have been made where necessary;
- Internal Audit is now within the Resources Directorate, requiring a few amendments;
- Provision is made for the Statement of Accounts to be approved by the Audit and Risk Committee rather than Full Council. The Committee is also to receive risk management reports and ensure business risks are actively managed. The Risk Management Strategy is to be approved by the Audit and Risk Committee rather than the Cabinet. The Risk Management Group to report to the committee rather than Cabinet;
- Capital Strategy to be approved by the Cabinet rather than Full Council;
- The revised scrutiny arrangements are recognised;
- Regard is to be had to the following strategies, policies, etc: Human Resources Strategy, Charging Policy, Commissioning Framework for the Third Sector, Code of Practice for Partnerships,
- Significant variances are defined as the larger of 10% of budget or £2,000 with all variances to be investigated if over £15,000 (was 10% or £1,000, all to be investigated, if over £20,000);
- To enable budgets to be prepared based on the approved Medium Term Financial Strategy, rather than requiring managers to prepare detailed estimates;
- Reference to Customs and Excise changed to HM Revenues and Customs;
- A requirement to notify the Executive Director (Resources and Support Services) of efficiency savings to assist in calculation of national performance indicator NI179;
- Budget holders required to possess the necessary competencies for the role;
- Reference to the DSO Advisory Group with regard to trading accounts has been deleted;
- Reference made to the Capital Programme Review Group (CPRG). All proposed new projects to be considered by the CPRG before submission to the Cabinet, which will have regard to any views expressed by the CPRG;
- In relation to all capital schemes estimated to cost more than £20,000, a copy of the benefits card used to appraise the project is to be appended to the report requesting Cabinet to approve the carrying out of the project;
- Reporting to Cabinet upon completed capital schemes may be done by way of a schedule reported periodically, rather than on a scheme by scheme basis;
- Use of credit cards is covered;
- Requirement to use the corporate risk management system to record and manage risks and to supply data for its update;
- Requirement to conform with the government's Code of Connection in relation to data security;
- Head of Human resources to compile and keep up to date a Human Resources Strategy, which shall be approved by the Cabinet;
- Absence management procedures, recruitment procedures, capability procedures and those for the employment of agency staff must be followed.

2.3 It will be necessary to amend the terms of reference of the Audit and Risk Committee in order to permit it to approve the Statement of Accounts, rather than this being done by Full Council. This change is recommended because it is felt that the Audit and Risk Committee, as a specialised committee, whose members will have received training in accounts scrutiny, will be able to thoroughly examine the accounts and as a result be qualified to approve them. It also has the practical advantage of allowing a little more time for the accounts to be completed.

## 3. **Appendices**

Financial Regulations and Procedures - Appendix 'C' (salmon paper).



5. **TREASURY MANAGEMENT STRATEGY 2009/10**

**Submitted by:** Finance Manager

**Portfolio:** Resources and Efficiency

**Ward(s) affected:** All indirectly

**Purpose of the Report**

To approve the Treasury Management Strategy for 2009/10, including the Prudential Indicators, Investment Strategy and Minimum Revenue Provision Strategy contained within it.

**Recommendations**

- (a) That the Treasury Management Strategy Report for 2009/10 be approved.
- (b) That the Prudential Indicators contained within the report be approved.

**Reasons**

The Council needs to have an approved Treasury Management Strategy for 2009/10 in place before the start of the 2009/10 financial year.

1. **Background**

- 1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires a report to be prepared and approved by the Council concerning the strategy to be followed in carrying out its treasury management activities in the forthcoming financial year, 2009/10.
- 1.2 The Local Government Act 2003 and Regulations thereto specify that local authorities must have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities in setting their affordable borrowing limits. This is to be achieved by setting a number of “prudential indicators” covering various aspects of treasury management. Accordingly, the appropriate prudential indicators have been incorporated in the relevant sections of the Treasury Management Strategy Report.
- 1.3 In addition the Office of the Deputy Prime Minister (now the Department of Communities and Local Government) have issued “Guidance on Local Authority Investments” under powers contained in Section 15 (1) (a) of the Local Government Act 2003. The Act states that local authorities must have regard to this guidance. The Guidance recommends that an Annual Investment Strategy, setting out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments is produced and approved by the Full Council.

2. **Issues**

- 2.1 The Strategy Report for 2009/10 is attached at Appendix ‘D’ (blue paper).
- 2.2 The proposed prudential indicators relating to treasury management are contained in the report.
- 2.3 The Investment Strategy for 2009/10 is contained in Annex A to the report.

2.4 Details of the methodology involved in the production of the counterparty listing are contained in Annex B to the report.

2.5 The Minimum Revenue Provision Strategy for 2009/10 is contained in Annex C to the report.

3. **Legal and Statutory Implications**

See Background for details.

4. **Financial and Resource Implications**

There are no specific financial implications arising from the strategy report.

5. **Major Risks**

5.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with. It is also necessary to ensure that there is no danger of the Council's invested funds being lost owing to placing them with insecure counterparties.

5.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.

5.2 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

6. **List of Appendices**

Appendix 'D' (blue paper) – Treasury Management Strategy Report.

7. **Background Papers**

7.1 CIPFA Treasury Management Code of Practice; Council's Treasury Management Policy Statement, CIPFA Prudential Code for Capital Finance in Local Authorities and guidance notes thereto, Local Government Act 2003, Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and Butlers "Capital Watch" dated 13 December 2004, Guidance on Local Authority Investments issued by the Office of the Deputy Prime Minister (now the Department of Communities and Local Government) in March 2004.

6. **REVIEW OF RESERVES AND BALANCES**

A report on this matter will be circulated prior to your meeting.

7. **REVENUE AND CAPITAL BUDGETS**

A report on this matter will be circulated prior to your meeting.

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**SUPPLEMENTARY REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL**

**25 February 2009**

8. **REPORTS OF THE OVERVIEW AND SCRUTINY COMMITTEE CHAIRS** (to replace item 3 – page 6 of original report)

**Submitted by:**           Scrutiny Officer

**Portfolio:**               Customer Service and Transformation

**Ward(s) affected:**    Non-specific

**Purpose of the Report**

To introduce the progress reports of the Overview and Scrutiny Committee Chairs.

**Recommendations**

(a)    **That Council receive the information.**

(b)    **That the Council adopt the Relationship Management Protocol for Overview and Scrutiny Members, Cabinet Members and officers as detailed at Appendix ‘B’ (white paper) to the report, and that the protocol be inserted at Appendix 6 of the Constitution.**

**Reasons**

It is important that information on the progress of the various committees is shared with all Members of the Council. This report also provides an opportunity for Members of the Council to ask questions of the Chairs of the Overview and Scrutiny Committees on the work that they are conducting at the present time.

1.    **List of Appendices**

Appendix ‘B’ (white paper) - Reports of the Chairs of the

- (vi)    Overview and Scrutiny Co-ordinating Committee
- (vii)   Cleaner Greener and Safer Communities Committee
- (viii)   Economic Development and Enterprise Committee
- (ix)    Active and Cohesive Communities Committee
- (x)     Transformation and Resources Committee

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**SUPPLEMENTARY REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL**

**25 February 2009**

**9. SCHEME OF DELEGATIONS**

**Submitted by:**           **Head of Central Services**

**Portfolio:**               **Resources and Efficiency**

**Ward(s) affected:**   **All**

**Purpose of the Report**

For full Council to approve an addition to the Scheme of Delegations to delegate the power to require removal of waste unlawfully deposited under Section 59 of the Environmental Protection Act 1990 to the Public Protection Committee/Executive Director – Operational Services.

**Recommendation**

**That the addition to the Scheme of Delegations be approved for this Municipal Year.**

**1. Background**

The Council's current Scheme of Delegations was approved by Extraordinary Full Council in January 2008. Your Officers are aware that there are currently no delegated powers to either the Public Protection Committee or the Executive Director – Operational Services in respect of Section 59 of the Environmental Protection Act 1990 – Powers to require removal of waste unlawfully deposited. This provision allows the Council in its capacity as the waste collection authority to serve notice on an occupier of land to remove waste from land, and/or to take such steps within a specified period to eliminate or reduce the consequences of the deposit. Under specified circumstances, the Council may also act in its own right to remove waste from land or take steps to reduce or eliminate the consequences of the deposit and recover its costs.

**2. Legal and Statutory Implications**

The powers of the Executive to delegate the exercise of functions to officers are set out in Section 15 of the Local Government Act 2000.

**3. Corporate Priorities**

The Scheme of Delegations enables the efficient conduct of the Council's business and links to creating a cleaner, greener and safer borough.

**4. Financial and Resource Implications**

There are no financial implications flowing directly from this report.

5. **Major Risks**

There needs to be documented approval of the Scheme of Delegations to ensure the legality of transactions carried out under the Scheme of Delegations.

6. **Key Decision Information**

This is not a key decision.

## **Draft Strategy for Elected Member Development 2008/2009**

### **I. A Strategic Approach**

- I. Research carried out by the West Midlands LGA has identified three specific areas that constitute key drivers behind any strategic member development plan.
  - Requirements placed upon Elected Members by the Local Authority
  - Personal aspirations of Elected Members
  - Requirements placed upon Elected Members by their constituents and community organisations.
- II. The models attached at Appendix A (pink paper) show some of these key drivers, the possible outcomes that can be achieved from them and the areas of development and training that could help to achieve these outcomes.
- III. The models can help Elected Members to identify areas where they might like to concentrate their training and development and focus their attention. They can also act as a check list to ensure that all key aspects of Member Development are being explored.

### **2. Objectives**

- I. To establish a culture whereby Elected Member development is seen as a key component in the success of the Organisation.
- II. To equip Elected Members with the skills and knowledge necessary to enable the Council to deliver high quality services that are valued by their customers.

- III. To ensure that all Elected Members are trained to a level appropriate to their roles and responsibilities.

### **3. How these objectives will be achieved:**

- I. By ensuring that the training strategy derives from and contributes to the Council's Corporate Priorities.
- II. By providing training opportunities in response to organisational, individual and statutory needs that will be assessed on an annual basis through the use of Personal Development Plans (PDPs).
- III. By monitoring and evaluating all training and development activities to ensure that value for money is obtained and that the benefits to individuals and the Council are measurable.

By making all training equally available to all Elected Members.

### **4. Induction Process for Newly Elected Members**

- I. An induction process will be completed by all newly Elected Members and will include a tour of the Borough, presentations from Chief Officers, some basic training and an induction handbook. Re-elected Members will also be invited to attend the induction session to share their knowledge with those who have been newly elected.
- II. All newly elected Members will be offered mentoring from an individual council officer or member of a political group for the first six months following their election.

### **5. Member development Annual Training Plan**

- I. An Annual Training Plan will be compiled by the end of April each year. (Appendix B, grey paper).

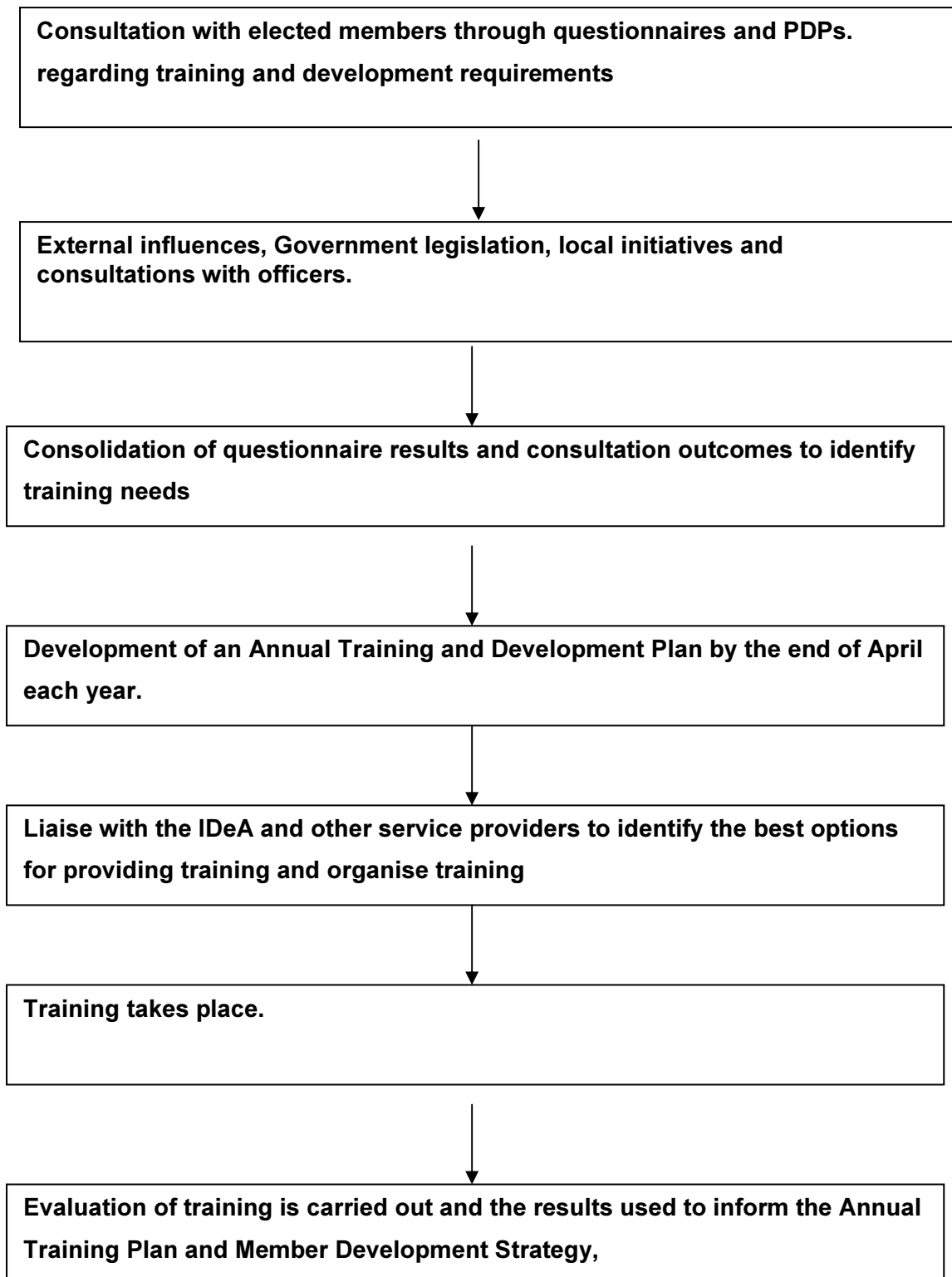
- II. The Annual Training Plan will be compiled from a number of sources including requests from individual Members, learning needs analysis questionnaires, PDPs, new legislation, Central Government initiatives and any other external influences.
- III. All training undertaken will be evaluated, reviewed and the outcomes fed back into all future training strategies, plans and policies.

## **6. Training Courses**

- I. All Chairs and Vice Chairs of Committees will be strongly encouraged to attend a chairing skills course.
- II. Elected Members sitting on quasi-judicial committees such as Planning, Licensing and Public Protection will be required to undertake committee specific training prior to attending their first meeting.
- III. Members sitting on Audit and Risk, Scrutiny and any other specialised committees will be strongly encouraged to attend related training courses prior to attending the first meeting of the committee.
- IV. All Elected Members will be required to undertake ICT training in order to fully contribute to the work carried out by the Council and in particular any Committees to which they are appointed.



## **Process for Elected Member Training and Development**



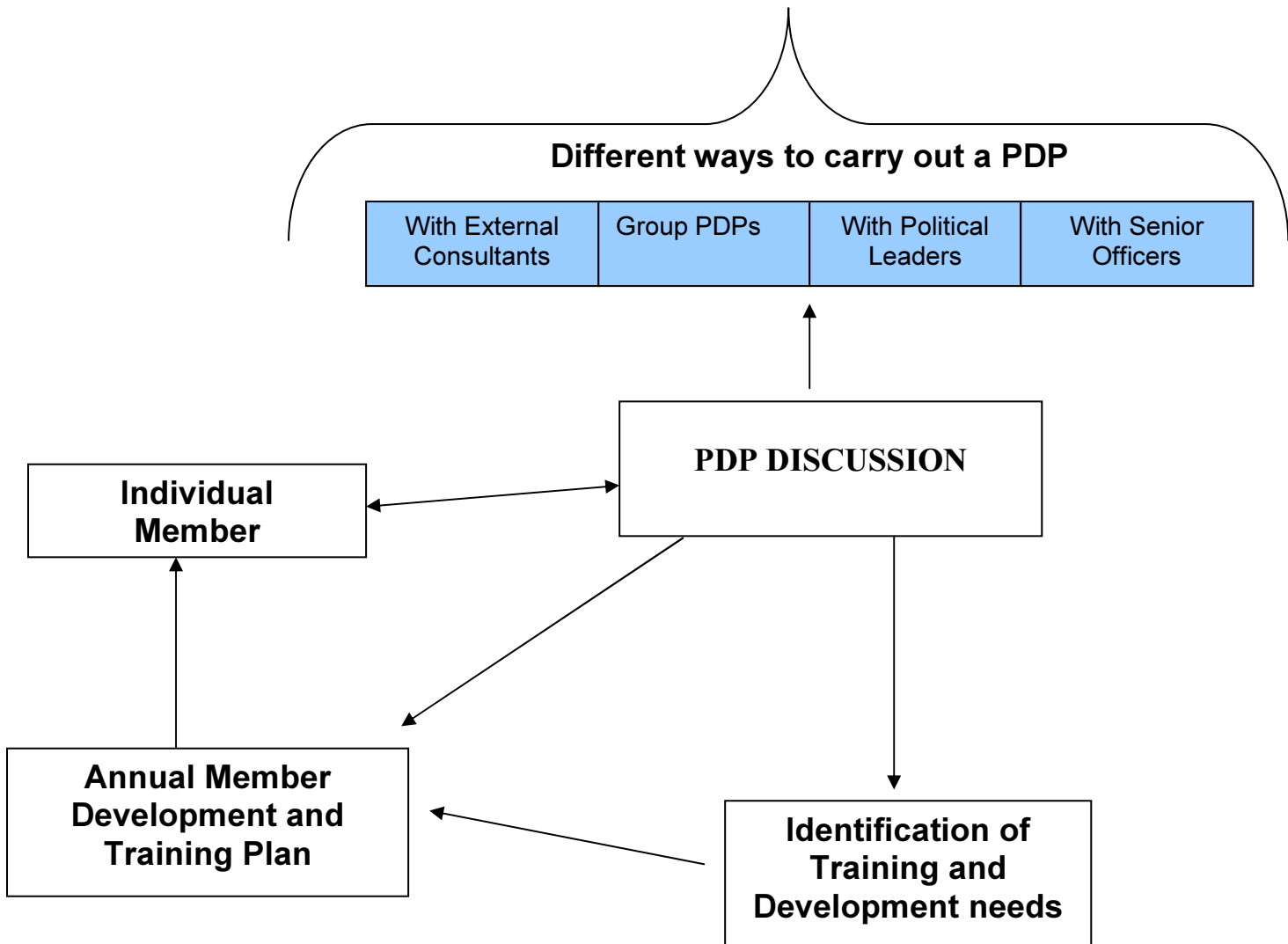
## **7. The West Midlands Member Development Charter (WMMDC)**

**‘An overall framework aimed at securing a sustainable improvement in political leadership. The ‘big picture’ within which all member activities are prioritised, planned, managed and evaluated’**

- I. The aim of the Charter will be to:
  - Ensure that we deliver quality leadership and services to the public and to the community
  - To raise the profile of and encourage commitment to Elected Member development
  - To have a Member led strategy and approach to member development
  - To create processes that are meaningful and add value to the Council as a whole.
  - To raise the level of performance of those responsible for the political management and direction of the Local Authority.
  - To raise the standard of Elected Member development and support across the region.

## 8. Personal Development Plans

- I. Each Elected Member will be given the opportunity to complete an annual Personal Development Plan (PDP) process which will help to identify individual training needs that can then be fed into the annual training plan.
- II. How the Development and Implementation of an Elected Member Personal Development Plan Strategy will Contribute to the Achievement of the WMMDC.



- **Commitment from political leadership**

Group Leaders will be required to carry out PDP discussions with their political parties thus demonstrating commitment to the Members Development and Training Programme.
- **Member led strategy approach**

PDPs will be agreed by Members identifying their individual training and development needs. These individual plans will then provide officers with the information needed to produce an individual training programme for each Elected Member. It will be a completely Member-led process with Officers available as facilitators.
- **The Creation of an Annual Member Development Plan**

The feedback from the PDP discussions will help officers to produce an Annual Member Development Plan that will detail how the authority will address development priorities including how, when, and who is responsible, including responsibility for implementing, monitoring and evaluating the plan. The PDP process will be available to all Elected Members.
- **Monitoring of progress against the Member development Plan**

Completion of Annual PDPs will ensure that progress is being made and that member development needs are being successfully addressed.
- **Evaluation**

Feedback from Elected Members at PDP discussions can help to form part of the evaluation process which will then help to inform improvement.

## 9. Summary

Through the implementation of this strategy we hope to ensure the provision of identified training and development needs for all Elected Members.

Training needs will be identified based upon the needs of elected Members, the Councils Corporate Priorities and external local and national influences. Any training undertaken will be continuously evaluated and the results used to modify and inform the Annual Training Plan.

Member training and development will be a Member led strategy and will result in:

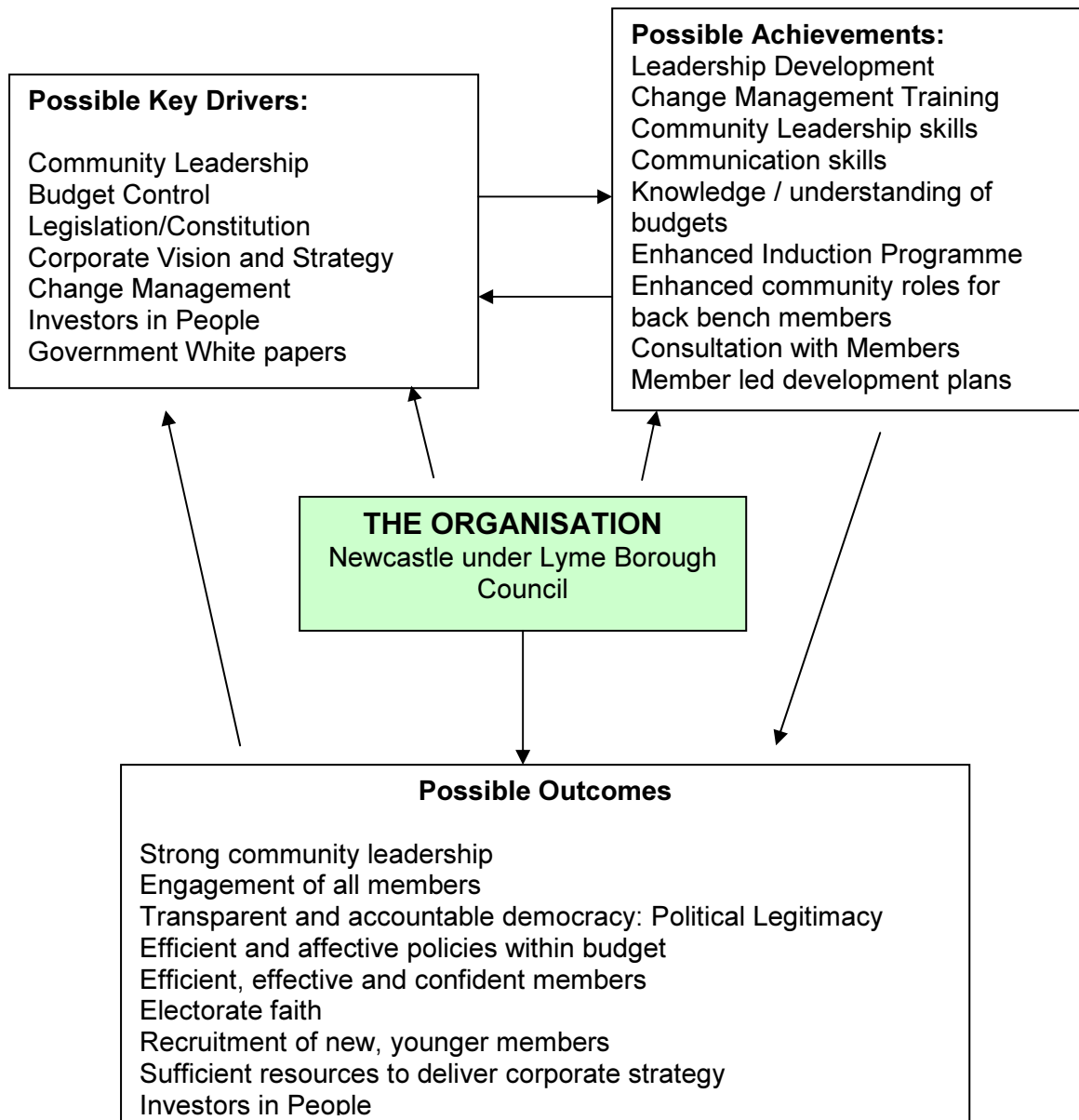
- A member led PDP process to identify individual training and development needs.

- A strategy for transforming these needs into an annual member development plan.
- The identification of resources to ensure that this plan can be implemented.
- A continuous process of feedback and evaluation from members and officers.
- The use of this evaluation to feedback into the next publication of the member development plan.

In conjunction with this process and closely intertwined with it will be the Council's commitment to achieving the West Midlands Local Government Charter. Benefits of the Charter include access to professional training and advice from representatives of the WMLGA, the provision of a structured approach to member development and a means by which the Council can measure its improvements and achievements.

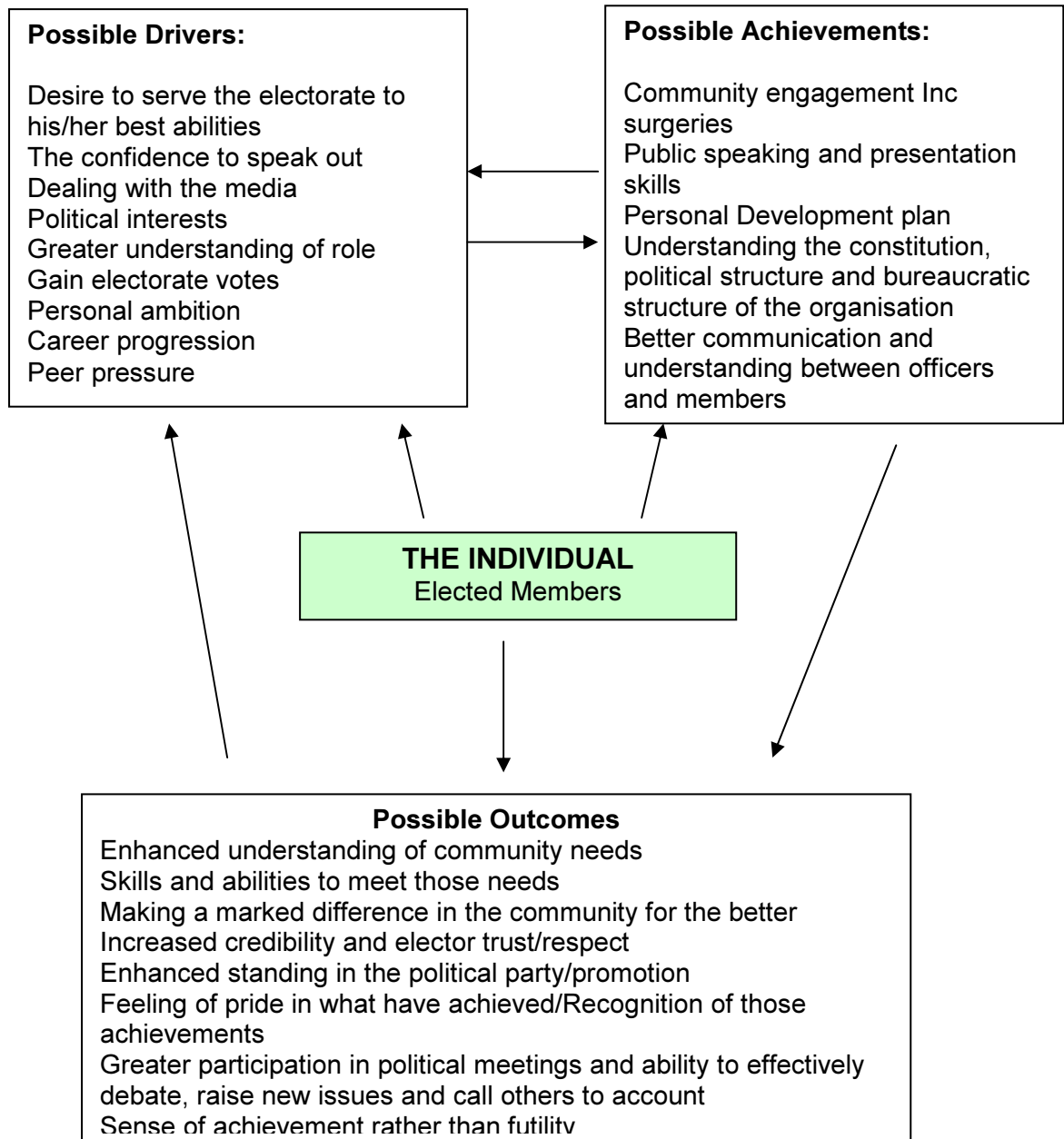
## Member Development Strategic Model

Key Driver = The Organisation



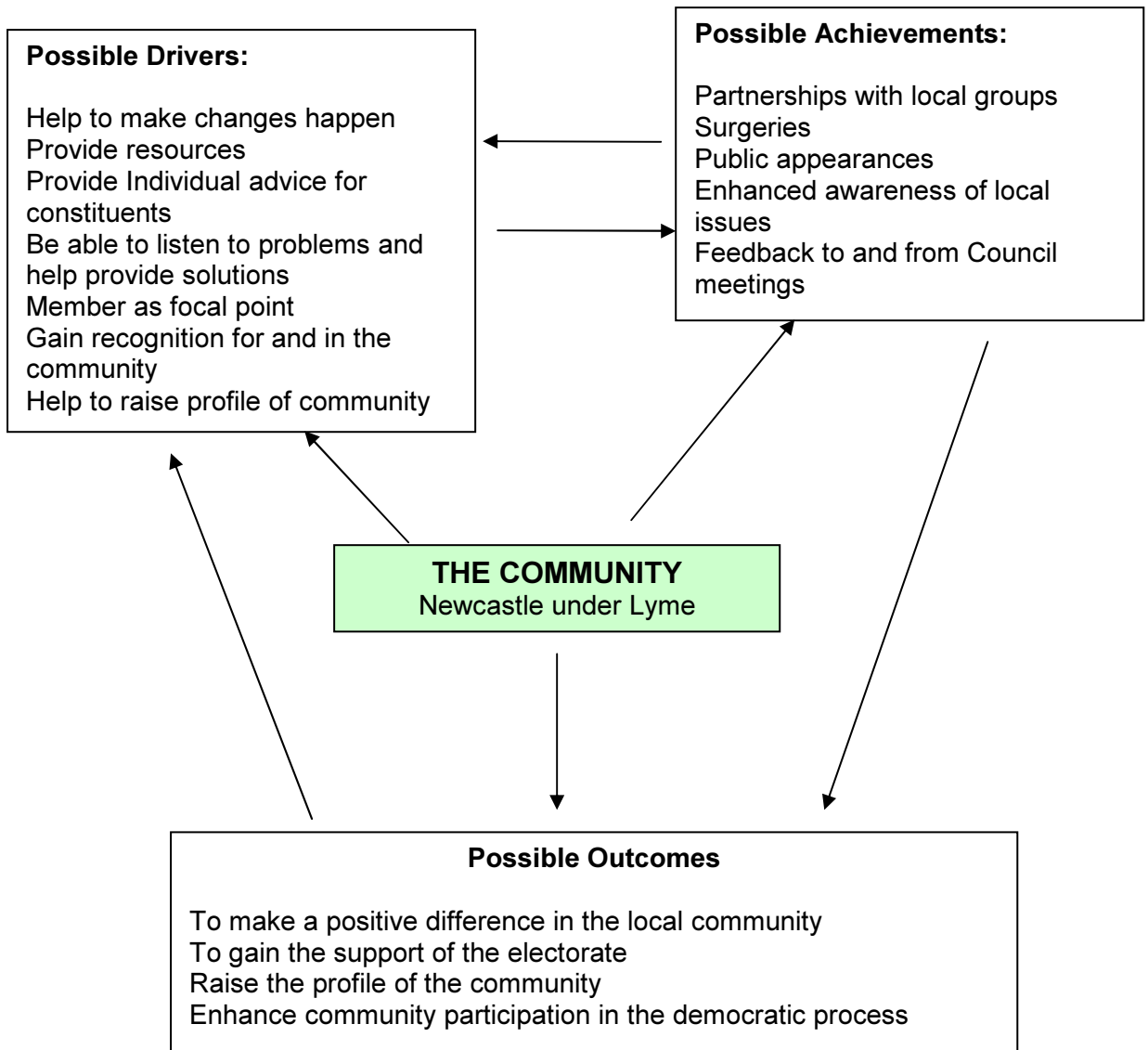
## Member Development Strategic Model

Key Driver = The Individual



## Member Development Strategic Model

Key Driver = The Community





## Draft Elected Member Training and Development Plan

Month	Events	Training Event	Training Event
<b>May</b>	Newly Elected Members	New Members Induction packs	New Members Induction Day
<b>June</b>	Specific Training for quasi judicial committees*.	Learning Needs Analysis Questionnaires	IT Training for new members – given usernames etc.
		Learning Styles Questionnaires	
<b>July</b>	Analysis of feedback from questionnaires		
<b>August</b>	Sourcing of training events		
<b>September</b>		2 training days	1 <sup>st</sup> PDP session
<b>October</b>		2 training days	
<b>November</b>		2 training days	
<b>December</b>		1 training day	
<b>January</b>		1 training day	
<b>February</b>	Info for prospective candidates	2 training days	Open Event for prospective candidates
<b>March</b>		2 training days	2 <sup>nd</sup> PDP session
<b>April</b>	Nomination packs		

\*Training Session prior to 1<sup>st</sup> Audit and Risk meeting  
 Training Session prior to 1<sup>st</sup> Planning meeting  
 Training Session prior to 1<sup>st</sup> Licensing Meeting  
 Training Session prior to 1<sup>st</sup> Public Protection meeting

## Report of the Chair of the Overview & Scrutiny Co-ordinating Committee

### What we have done

The last meeting of the Overview and Scrutiny Co-ordinating Committee took place on 8 December 2008 where Members considered three reports:

- Draft Relationship Management Protocol for Overview and Scrutiny Members, Cabinet Members and officers
- Overview and Scrutiny Member Satisfaction Survey
- Suggestion from Member for Scrutiny Work – Ward Member 'No Surprises' Protocol

I have previously reported to Council on the development of a relationship management protocol for Overview and Scrutiny Members, Cabinet Members and officers. This draft document, which is appended to my report, was available to all Members for comment during October and November 2008. Committee Members challenged the content and grammar used in the document and made changes, which should make it easier to read and understand. The Cabinet at its meeting on 14 January 2009 considered the draft document where no objections were raised to its content. I therefore recommend that the Council adopt the Relationship Management Protocol for Overview and Scrutiny Members, Cabinet Members and officers and that it be included within the Overview and Scrutiny Procedure Rules at Appendix 6 of the Constitution of the Council.

During October and November 2008, councillor colleagues had the opportunity to participate in the annual Member Satisfaction Survey in respect of Overview and Scrutiny. Whilst the report was intended to inform the committee of the outcome of the survey, Members embarked on a wider discussion on the scrutiny function and the demands it is perceived to be placing on councillors. I will advise Council of how these concerns can be aired and influence the future direction of Overview and Scrutiny in the next section of my report. With regard to increasing participation in future surveys, we recommended that officers' circulate such surveys at meetings of the full Council, as well as making the survey available electronically.

Councillor Tomkins referred a copy of a Ward Member 'No Surprises' Protocol from Wyre Forest District Council and requested that the committee give consideration to the development of a similar document to ensure clarity of respective roles and responsibilities in sharing information with Members. The Committee felt that the informal arrangements in place already covered much of the content of the document from Wyre Forest and

recommended that it should be referred to the Neighbourhood Partnerships and Ward Councillors' Roles Working Group to inform their workload.

Discussions also took place in respect of the call-in procedure, which had been used for the first time at an extraordinary meeting of the Active and Cohesive Communities Overview and Scrutiny Committee. Councillor Gorton, Chair of that Committee, indicated that the success of the call-in procedure was dependent on the relevant member(s) who had instigated the call-in attending the meeting at which the matter was to be considered. The Committee agreed with the comments made by Councillor Gorton and suggested that the importance of attending a meeting to explain the reasons for a call-in should be stressed to Members when that course of action is taken. It was also suggested that the Chair of the relevant Committee could write to the relevant Member expressing their disappointment in the event of them not attending the meeting to discuss the call-in.

### **What we are going to do**

When we agreed to change our Overview and Scrutiny structures at the beginning of last year the Council also resolved that the arrangements should be reviewed after a year to measure their effectiveness. At the December meeting of the Co-ordinating Committee, the officers provided guidance to Members on how this review might be undertaken. It has been suggested that an event be held in late February or early March for all Members who are entitled to sit on an Overview and Scrutiny Committee to express their views. This event will be facilitated by an Associate of the Centre for Public Scrutiny (hopefully, this will be a current or former councillor from another local authority who understands the function and also understands the aspirations and frustrations of councillors) and no officers from the Borough Council will be in attendance to allow us the opportunity to freely outline our views on how scrutiny currently works and how we think it should work in the future. Since the meeting, I have met with the officers to also request that the Chairs of the Overview and Scrutiny Committees, the Leader and Deputy Leader of the Council, the Chief Executive and the Scrutiny Officer should meet with the facilitator to discuss their views in detail. I hope that the event for Members and the more detailed one-on-one interviews will provide the external facilitator with a full picture of our scrutiny arrangements and enable them to work with me and the officers to bring forward any suggested changes to how we currently work.

We will soon need to give thought to the publication of the Annual Report on Overview and Scrutiny, which the Constitution requires the function to produce. I will be requesting that the Chairs of the Overview and Scrutiny Committees, along with any other Member who wishes to participate, work closely with the Scrutiny Officer to highlight the achievements of scrutiny in the last year, the difficulties that have been faced and our ambitions for the future. The Annual Report will be presented to full Council in May for consideration.

**Councillor Eileen Braithwaite**  
**Chair of the Overview and Scrutiny Co-ordinating Committee**

# Newcastle-under-Lyme Borough Council

## Draft Relationship Management Protocol for Overview and Scrutiny Members, Cabinet Members & Officers

### 1. Introduction

- 1.1 This protocol applies to all Members and officers of Newcastle-under-Lyme Borough Council. It provides guidance on the way in which Overview and Scrutiny Members, Cabinet Members and officers interact to enable the Council to undertake the Overview and Scrutiny function.
- 1.2 The objectives of this protocol are:
- (i) to enable Overview and Scrutiny Members, Cabinet Members and officers to fully understand their powers, roles and responsibilities in relation to the Overview and Scrutiny function, so as to maximise their personal effectiveness
  - (ii) to establish a positive framework and build upon the constitutional procedures which exist to enable the Overview and Scrutiny Committees and working groups to undertake effective scrutiny
  - (iii) to promote an ethos of mutual respect, trust and courtesy in the interrelationships between Overview and Scrutiny Members, Cabinet Members and officers to foster a climate of openness leading to constructive debate, with a view to securing service improvements
  - (iv) to create a culture of accountability to improve the electorate's perception of decision making within the local authority, by monitoring the effectiveness of the Council's policies and through the regular review of its performance in relation to service delivery
  - (v) to define and clarify the role of the Cabinet and officers within the Overview and Scrutiny process

### 2. Holding the Cabinet to Account

- 2.1 The Centre for Public Scrutiny has defined providing 'critical friend' challenge to executives, as well as external authorities and agencies as one of the four principles of good scrutiny. In the case of local government, one area of Overview and Scrutiny activity is to hold the Cabinet to account. A key method of measuring the effectiveness of the Cabinet is to critically and routinely consider the impact of the decisions that have been implemented.
- Overview and Scrutiny Committees can challenge the Cabinet about decisions it has taken collectively or by way of decisions by individual portfolio holders
  - Overview and Scrutiny Committees may consider relevant performance information in respect of service delivery

- Overview and Scrutiny Committees may query or make recommendations in respect of decisions that Cabinet are proposing to take, which should be detailed in the Forward Plan of Key Decisions
- The Cabinet will be required to consider any recommendations or views expressed by the Overview and Scrutiny Committees and to take action where it considers it to be required. However, if a decision is taken by Cabinet which is not in accordance with advice provided by an Overview and Scrutiny Committee, the relevant Cabinet Member should be prepared to provide an explanation of the reasons for that decision to the Overview and Scrutiny Committee concerned.
- In holding the Cabinet to account, Overview and Scrutiny Members will be mindful that they should challenge the effectiveness of the Cabinet by examining the subsequent outcomes of such decisions. Overview and Scrutiny is not about challenging individuals or personalities, it is about challenging decisions and securing improvements where possible.

### **3. Powers of the Overview and Scrutiny Committees**

3.1 Article 6 and Appendix 2 of the Council's Constitution set out the relevant powers of the Overview and Scrutiny Committees, which include the powers to:

- Review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions within their terms of reference
- Consult or question Cabinet Members, the Chief Executive, Executive Directors and Senior Officers and others with a 'duty to co-operate'
- Make reports and/or recommendations to full Council and/or the Cabinet in connection with the discharge of any Council functions or policy matters
- Review and scrutinise the performance of external bodies in the area
- Make reports and/or recommendations to public service providers
- Question and gather relevant evidence from any person with knowledge of the topic under investigation

3.2 Overview and Scrutiny Committees are autonomous in their work programming and are able to request any amount of information to support a piece of scrutiny work. The responsibility of those setting Overview and Scrutiny work programmes is to ensure that items of work come from a strategic approach as well as a need to challenge service performance and respond to issues of high public interest.

### **4. Overview and Scrutiny Committee Agenda**

4.1 The agendas of each Overview and Scrutiny Committee will contain a report which details the future Cabinet decisions which are likely to be made in the next four months (which should be listed in the Forward Plan of Key Decisions). This report will detail the decisions which come under the remit of the appropriate Overview and Scrutiny Committee. Such a report will provide an opportunity for Overview and Scrutiny Members to ask questions and seek

clarification about the nature of any future key decisions and raise any fundamental issues regarding the proposals with the Cabinet Member.

- 4.2 Regardless of the foregoing, on an annual basis the agenda of each Overview and Scrutiny Committee should contain an item which provides an opportunity for the relevant Cabinet Member to outline the achievements from the past year and the vision for the future, including the overall service aims and key development areas within the portfolio. This report should be submitted to the final scheduled meeting of an Overview and Scrutiny Committee in a municipal year.
- 4.3 On an annual basis, usually at the first meeting in the municipal year, the Overview and Scrutiny Committees will consider and determine their priorities for the forthcoming year, which are to be included in their work programme. The appropriate Cabinet Member(s) may be invited to attend to comment on the Committee's proposed priorities within the work programme. This will inform the selection process and the Cabinet Member(s) may be invited to assist the Committee by providing advice on any potential conflict between proposed areas of activity.
- 4.4 The Cabinet or Cabinet Member(s) may also request the Overview and Scrutiny Committee to assist the Cabinet in undertaking an investigation or policy development activity. This complements the provision that any Member of the Council can propose an item for inclusion in the Overview and Scrutiny Work Programme at any time. Topics can include any relevant item which affects Newcastle-under-Lyme or its residents and should take account of items listed in the Forward Plan of Key Decisions.
- 4.5 The agenda of the Transformation and Resources Overview and Scrutiny Committee (or its successor committee in the event of changes to the committee structure) will normally include, at such regular intervals as the Committee may decide, relevant budget and performing monitoring information. The purpose of this item will be to assist Members in monitoring the performance of services against the available financial information.

## **5. Attendance by Cabinet Members and Officers at Overview and Scrutiny Committees**

- 5.1 If Cabinet Members and officers are required then they will be invited to attend an ordinary meeting of an Overview and Scrutiny Committee, which has responsibility for the Overview and Scrutiny function in connection with his/her portfolio or service area, and at which it is intended to consider any matter referred to in the foregoing.
- 5.2 The Chair and/or Members of an Overview and Scrutiny Committee or Working Group may invite more general participation of Cabinet Members and officers at their meetings to assist them by informing the debate, to clarify matters of fact and to contribute to the Overview and Scrutiny process as a whole.
- 5.3 Cabinet Members and officers are encouraged to avail themselves of every opportunity to gauge the views of Overview and Scrutiny Members on any issues falling within their remit. A close working relationship and open exchange of views will be of particular importance to the Cabinet Members

and Overview and Scrutiny Members where consideration is being given to the development of the Council's budget or policy framework. This should be managed through continued planning of the Overview and Scrutiny work programme for each committee.

- 5.4 The presence of a Cabinet Member or officer may hinder the full and frank exchange of views between Overview and Scrutiny Members and other attendees at the meeting. Cabinet Members and officers do not, therefore, have a right to attend an Overview and Scrutiny Committee or Working Group meeting, but may be invited or required to do so. The Chair of the Overview and Scrutiny Committee or Working Group will inform the Cabinet Member(s) and/or officers if they are invited or required to attend. Cabinet Members and/or officers so invited should refrain from involvement in the meeting unless invited to do so by the Chair.
- 5.5 The relevant Cabinet Member(s) and officers will normally be expected to attend any meeting of an Overview and Scrutiny Committee at which it is intended to consider a call-in request in relation to his/her area of responsibility.
- 5.6 Where a Cabinet Member is unable to attend on a particular date he/she should notify the Chair of the Overview and Scrutiny Committee or Working Group as soon as possible, and wherever practicable prior to the dispatch of the agenda, in order to agree the most appropriate course of action.
- 5.7 In the event of any disagreement about Cabinet Member or officer attendance at Overview and Scrutiny Committee meetings, reference shall be made to the formal procedure for Members and Officers giving Account set out in paragraph 12 of the Overview and Scrutiny Procedure Rules at Appendix 6 of the Council's Constitution.

## **6. Ethos of the Meeting**

- 6.1 All Members should promote an atmosphere of openness at Overview and Scrutiny Committee meetings and should strive to ensure that questioning and debate takes place within a climate of mutual respect and trust between Overview and Scrutiny Committee or Working Group Members and with any other attendees or participants.
- 6.2 Overview and Scrutiny Committee Members should be prepared to ask searching questions of Cabinet Members, who in turn should be willing to respond to any question put, subject to the following limitation. Overview and Scrutiny Committee Members should be aware of and show an understanding of the fact that Cabinet Members may not be in a position to answer every question immediately or in detail.
- 6.3 Cabinet Members should, in so far as possible, anticipate and be prepared to answer questions on decisions taken, or proposed to be taken, which fall within their remit. Cabinet Members should also value the contribution of Overview and Scrutiny Committee Members who raise questions under these headings and respond in an appropriate and professional manner.
- 6.4 Cabinet Members should be authorised by the Committee or Working Group to speak upon an item on the agenda for which they have been invited to attend. They may at any time offer their assistance in providing factual

information or advice in relation to the matters under discussion, but their participation remains at the discretion of the Chair.

- 6.5 The Chair of the meeting shall at all times ensure that the conduct of the meeting shall be fair and that all participants are treated courteously.
- 6.6 The Chair, supported by the authority's scrutiny support, should provide leadership and guidance to the Committee or Working Group on all scrutiny matters and should promote the Committee's role to improve services and monitor the effectiveness of Council policies.

## **7. Response of Cabinet Members to Questions from Overview and Scrutiny Committees**

- 7.1 As described above, the Overview and Scrutiny Committees will receive a report detailing the proposed decisions to be taken as listed in the Forward Plan of Key Decisions. The Cabinet Member(s) may be invited to attend to answer questions in respect of the proposed decisions that come within his/her area of responsibility.
- 7.2 The Cabinet Member may give an answer:-
  - by way of a direct oral answer;
  - where the information is in a publication of the Council or other published work, by reference to that publication;
  - where an officer is in attendance at the meeting, who can reasonably be expected to be in a position to give a reply, by referring the matter to the officer concerned;
  - where the reply cannot conveniently be given orally, by way of a written answer circulated to the questioner within five working days, or to the whole Committees, if the Committee so request immediately after the consideration of the matter; and
  - where the reply cannot be given within the above timescale, a brief explanation for the delay and the likely timescale for response should be provided to the question.

## **8. Consideration of Overview and Scrutiny Review Reports**

- 8.1 The relevant Overview and Scrutiny Committee will consider whether, or not, any formal Scrutiny Review Report should be commended to the Cabinet for detailed consideration. In doing so, the Overview and Scrutiny Committee should identify those areas within the report, which contain recommendations which are outside the budget or policy framework and which will require the approval of the Council.
- 8.2 Prior to the meeting of the Cabinet at which the report will be considered, the Cabinet Member concerned and the Chair of the relevant Overview and Scrutiny Committee, or the Lead Member responsible for the review report, should normally meet to discuss the detailed recommendations contained within the report. The purpose of the meeting shall be to highlight and examine areas of potential agreement or disagreement in relation to the findings of the report to enable the Cabinet Member to formulate his/her response to the recommendations. Overview and Scrutiny Committees will be required, within a specified period of time, to produce evidence-based and



deliverable recommendations, which are specific, measurable, attainable, relevant and time-constrained where possible.

- 8.3 The Chair of the relevant Overview and Scrutiny Committee, or the Lead Member responsible for the review report, should normally attend the meeting of the Cabinet at which the report is due to be considered, in order to present the finding of the review.
- 8.4 Following consideration of the report by the Cabinet and, where necessary, by the Council, the Chief Executive will arrange for the response of the Cabinet or Council, along with an action plan for the implementation of agreed recommendations, to be reported to the relevant Overview and Scrutiny Committee. At the Committee meeting the relevant Cabinet Member(s), if invited to do so, should be prepared to respond to any questions raised upon areas where the Cabinet has resolved not to act in accordance with the original recommendations of the Overview and Scrutiny Committee.
- 8.5 The action plan for implementation of agreed recommendations will include details of the key officers responsible for overseeing delivery, along with a timescale of when actions are expected to be implemented. The relevant Overview and Scrutiny Committee will be responsible for monitoring the progress made against each agreed recommendation. In addition, the Cabinet Member may, from time to time, be required to comment upon the overall progress made in relation to the review report.

## **9. Overview and Scrutiny Committee Chairs and Cabinet Members Interaction**

- 9.1 Whilst the Overview and Scrutiny process is essentially a public one, it is recognised that the development of an informal dialogue between the Overview and Scrutiny Committee Chair and/or Working Group Chair and the relevant Cabinet Member will enhance the interaction between the two functions. Regular informal meetings will therefore be encouraged in order to allow the Cabinet Member to understand the Overview and Scrutiny Committee and/or Working Group Members' viewpoints and will afford the opportunity to have further input into the strategic elements of the work programme
- 9.2 Cabinet Members are well placed to identify those areas that are strategic and where Overview and Scrutiny is able to bring added value to the discussions. It is anticipated that such suggestions for the work programme will be offered at the beginning of the year in the first instance, and then as and when issues arise. This does not equate to a veto process and it is recognised that the Overview and Scrutiny Committee have complete autonomy over their own work programmes.
- 9.3 The quality and effectiveness of the contribution made by the Overview and Scrutiny function relates directly to the degree of trust and openness in the Cabinet/Overview and Scrutiny relationship. Accordingly, Overview and Scrutiny, Cabinet Members and officers will pursue a 'no surprises' policy, such that, without compromising the 'critical friend' role of Overview and Scrutiny, prior notice will be given of any issue about which either party needs to be aware. Examples of such a policy include:

- Where such forewarning will improve the quality of response to questions
- Where information is available to one party which would materially aid the other in its discharge of its duties
- Where either party becomes aware of issues relating to third parties (e.g. partners and external organisations) which will adversely or beneficially affect the work of the other

## 10. Role of Officers at Overview and Scrutiny Committees

- 10.1 Each Overview and Scrutiny Committee can expect to have the support of Senior Managers responsible for services which are under the remit of the committee. The role of these officers will be to assist the Committee through the provision of professional advice, to ensure access to relevant information and personnel and to seek to improve the effectiveness of the committee. These officers will be advised when they are required at meetings of the Overview and Scrutiny Committee.
- 10.2 The authority's designated scrutiny support, the scrutiny officer, will attend all meetings of every Overview and Scrutiny body to provide advice, guidance and support to Members and officers. This officer will assist in the management of the Overview and Scrutiny arrangements at the Council and will undertake research, provide detailed information and project management support to the various areas identified for review by the Overview and Scrutiny Committees.

### Draft: Version 5.0

Cabinet Approval?	Cabinet Resolution – 14/01/2009
Overview and Scrutiny Approval?	Co-ordinating Committee – 08/12/2008
Approved by full Council?	

## **Report of the Chair of the Cleaner Greener & Safer Communities Overview and Scrutiny Committee**

### **What we have done**

The Committee met on **25 November 2008** to consider the problems of under-age drinking and associated anti-social behaviour within the Borough. We received presentations from the Borough Council's Alcohol Harm Reduction Officer, Trevor Smith, and Chief Inspector Boyle of Staffordshire Police advising us of the schemes being put into place to tackle under-age drinking. Whilst Members have previously had the opportunity to read the minutes of that meeting, I thought I would draw the following information to the attention of colleagues:-

- A not-for-profit Juice Bar will be established in the town centre as a venue for young people to come together in a safe place
- A new Alcohol Strategy for the Borough will be complete by April 2009
- A safer routes project will help to "gate-off" problem alleyways across the Borough to reduce incidences of anti-social behaviour

On 16 December 2008 the Committee held a joint meeting with Members of the Recycling and Performance Working Party to consider the proposed award of tender for the new recycling service. The Committee and Working Group broadly supported the proposed course of action and made a number of other recommendations to the Cabinet and officers regarding the communication of the changes to the waste and recycling service.

We met again on 26 January 2009 and received a presentation from the Head of Operations on the progress made by the Streetscene service and the plans for its future development. Issues discussed included clarification of the term 'community education', dog fouling, fly-posting and grass-cutting. Whilst the Committee thanked the Head of Operations at the meeting for the excellent presentation and work undertaken by the Streetscene Team, I would recommend any Member of the Council to get involved with the good work being done by a service of which we can be rightly proud.

There is one other matter to draw to the attention of councillor colleagues. The working group established by this committee has now adopted a more strategic approach and is now known as the 'Enabling Our Communities to Fight Crime Working Group'. This group is chaired by Councillor Elizabeth Shenton and we are anticipating that a final report will be produced in time for our meeting on 20 April 2009. This takes over the workload of the former 'Improving Police Accessibility and Engagement in the Borough' project.

## **What we are going to do**

At the present time, our work programme is light as the two main issues identified at the beginning of the municipal year, community safety and recycling, are being addressed by the two working groups established under the committee. However at the time of preparing this report, I am aware that two potential work areas have been identified for the committee following a suggestion by a Member and a referral by another committee.

The Economic Development and Enterprise Committee have recommended that the committee should be liaise with the County Council in respect of the proposed changes to the Household Recycling Centre at Leycett. Another suggested area of activity is to investigate, with representatives of the Active and Cohesive Communities Committee, the provision of youth services across the Borough in combating anti-social behaviour by young people.

**Councillor Stephen Sweeney**  
**Chair of the Cleaner Greener & Safer Communities Committee**

## **Report of the Chair of the Economic Development & Enterprise Overview and Scrutiny Committee**

### **What we have done**

As you would expect in the current economic climate, there has been a lot of activity by this committee since my last report to Council in October 2008. The Committee met on 22 October to consider the responses received to the consultation on the draft Affordable Housing Supplementary Planning Document. Officers submitted the responses received and requested our views on:

- the requirements for affordable housing;
- off-site provision and financial contributions;
- Section 106 Legal Agreement on affordable housing; and
- design standards

Members also agreed at this meeting to commence a review looking at what the Council can do to assist economic development and support existing businesses in uncertain times. Councillor Richards was tasked with proposing a project plan for this review. The Committee asked him to work with the officers before bringing a detailed proposal to the committee. We also recommended the Health Scrutiny Sub-Committee to investigate public transport provision to health facilities across the Borough. The Chair of the sub-committee, Councillor Maskery, is acting upon this and it is my understanding that a report will be brought forward in April on this matter.

On the morning of 4 December 2008, Councillors Jones and Richards attended a meeting of the Newcastle Business Panel to listen to the views of traders and businesses on what they felt the Council could and should be doing to encourage economic development in a downturn. This was a very productive meeting and the ideas put forward were collated by officers to action where appropriate. Our review report 'Encouraging Economic Development in Uncertain Times' will detail the views of the business panel in more detail. This report will be completed in March and will be brought to full Council for information.

On the evening of 4 December 2008, the committee attended a presentation at Keele Science Park detailing the successes of recent developments and the plans for further expansion of the science park, which include the construction of IC5 and re-development of Home Farm. The expansion programme is anticipated to create 1100 new, predominantly high value, high skilled jobs that will provide opportunities for graduates from both Keele and Staffordshire Universities and therefore bringing about greater private sector investment to North Staffordshire. The presentation was fascinating and generated enthusiasm and concerns amongst Members. It is understood that all Members of the Committee supported the notion

that skills retention is vital to the success of the local economy, particularly if North Staffordshire is to attract highly skilled jobs. It was also interesting to hear about the proposed highways improvements at Gallowstree Roundabout and concerns were expressed about commuters using roads through Thistleberry and the Westlands as short cuts and increasing the risk of road traffic accidents.

We met again on 4 February 2009 and began the meeting by considering the draft new Housing Allocations Policy and plans to develop and implement a Choice Based Lettings scheme. This document was considered by Cabinet at its meeting in January 2009 and again received support from the committee. Members did comment on the need for a comprehensive risk assessment of the proposals to be commenced at the earliest opportunity to avoid difficulties at the end of the process.

The Committee also considered the Planning Service Improvement Plan and welcomed the outcome of the prioritisation process undertaken the officers to secure action in the most important areas, which is in line with the Service and Financial Plan 2009-12 for the Planning, Housing and Development Service. Members agreed that this process was receiving a significant level of oversight through performance management processes, the Cabinet and the Planning Committee. Therefore, we have asked for an annual update to enable us to monitor the progress made in implementing the priority actions identified by the officers.

As part of our ongoing project looking into the role of the Council in encouraging economic development in uncertain times, the Committee considered the report of the Chief Executive detailing the issues facing the local economy and the actions being taken by the Council directly and through partnership to mitigate the effects of the downturn. Officers provided detail on the actions being taken and those planned in the near future. Again, we will report on these in March at the end of our review. We were also due to consider the draft Asset Management Strategy and a report on the potential housing development partnership for Newcastle. We have requested that those reports be brought to a future meeting.

### **What we are going to do**

Our project 'Encouraging Economic Development in Uncertain Times' remains our top priority as we aim to produce a report and recommendations that are relevant to the unprecedented times that we live in. The Committee will invite representatives from the Newcastle Chamber of Trade, Instaffs and the North Staffordshire Chamber of Commerce to attend our next meeting so that we can listen to the viewpoints of these important stakeholders in the local economy. As I referred to earlier, we hope to bring this report to full Council on 8 April for information and submit it to the Cabinet around that time too.

I am keen for the Committee to develop an appreciation of the housing needs of the Borough, particularly social housing and new extra care schemes. To this end, I will be inviting the District Director of Social Care and Health and representatives from Aspire Housing to a future meeting to provide us with more detail on current and future developments.

**Councillor John Williams**

**Chair of the Economic Development and Enterprise Committee**

## **Report of the Chair of the Active & Cohesive Communities Overview and Scrutiny Committee**

### **What we have done**

The Committee met on 20 November 2008 to consider the call-in of the Third Sector Commissioning Framework. As the Chair of the Co-ordinating Committee has referred to in her report, the most disappointing aspect of this meeting was that only one member of the six councillors who had “called-in” the decision actually attended to provide the Committee with the reasons behind the call-in. Confusion around the future of the Sports Council appeared to be the main reason for the call-in of the Third Sector Commissioning Framework. The Committee agreed with the call-in and made a recommendation to the Cabinet to make an additional decision acknowledging the role of the Sports Council. In making that recommendation, the Committee also asked the Cabinet to note its concerns in respect of the adequacy of future consultations on all major policy changes or strategic decisions, suggesting that consultation with the appropriate Overview and Scrutiny Committee prior to making a decision should be an integral part of the process in future.

We met again on 10 December 2008 to consider the role of the Borough Council and partners in supporting the local post office network in the face of potential closures in the future. We invited representatives from Staffordshire County Council and the Neighbourhood and Partnerships Team to attend the meeting. In general terms, the position that the County Council have adopted is that of trying to sustain the remaining post office network through partnership working, with the intention of helping post offices to withstand similar closure proposals in the future. With regard to partnerships, we learned that partnership activities with the third sector had the potential to sustain post offices where communities were in a position to provide such a service for themselves. However, we advised that such partnerships would require a large amount of legal work. Councillor Julie Cooper provided the committee with some feedback from a meeting she had attended in November at which representatives from the Post Office Ltd had been present and outlined a number of services that could be provided on behalf of local authorities by the post office network. It was agreed that I should arrange a meeting with the Leader of the Council and key officers to determine the current approach of the Borough Council towards supporting the local post office network. This meeting was held in early January and the officers are currently following up a number of agreed actions.

### **What we are going to do**

Our next meeting takes place on 16 February 2009, which is after the print deadline for the Council agenda. We are due to consider reports on the Heritage and Learning Strategy and the Arts Strategy for the Borough. Our views on these documents will be forwarded to the



Cabinet as part of the consultation process. The Committee will also continue its work in respect of supporting local post offices.

**Councillor Richard Gorton**  
**Chair of the Active and Cohesive Communities Committee**

## **Report of the Chair of the Transformation & Resources Overview and Scrutiny Committee**

### **What we have done**

We have met on 12 November 2008 to consider the Medium Term Financial Strategy. Unfortunately, not enough councillors were able to attend the meeting and we were inquorate. This was disappointing as the meeting had been arranged specially to consider the Medium Term Financial Strategy and the date had been checked with Members at our meeting on 1 October 2008. I hope that we can all be more organised in future.

On 21 January 2009, the Committee considered the following reports:

- Budget and Performance Report to end of Quarter 2 (September) 2008
- West Midlands Member Development Charter Working Group
- Revenue and Capital Budget 2009/10
- Scale of Fees and Charges
- Corporate Plan 2009/10 to 2011/12

The most important of those reports was the Revenue and Capital Budget 2009/10 (which is dealt with elsewhere on this agenda). In broad terms, the Committee supported the proposals put forward by the Cabinet for the budget. However, we sought clarification of the Council's financial position following the recent upheaval in the world's financial and banking systems, particularly focusing on the council's investment portfolio. The officers confirmed that at the present, given the volatility of the world markets, the Council only makes fixed-term investments for three to six months to minimise risk. We also discussed the anticipated running costs of the Guildhall Customer Services Centre and have requested a report to our next meeting, which Cabinet considered at its meeting on 18 February, before deciding whether to look at this in detail.

The Cabinet had referred the report on the Scale of Fees and Charges for 2009/10, which it had approved on 19 January. We indicated our support for the proposed fees and charges detailed within the report. A copy of the draft Corporate Plan for 2009/10 to 2011/12 also received support and we recommend that Council approve the document. Likewise, the Committee recommend the Council to approve the strategy framework in relation to Member training arising from the work of West Midlands Member Development Charter Working Group.

We also considered a report covering the budget and performance levels of the authority at the end of the second quarter of 2008. Again, we noted the information and raised concerns in respect of performance levels for the indicator 'Average time to process litigation (weeks)'. I

would also like to convey the thanks of the committee to the officers who are working hard to improve performance on the percentage of invoices paid on time. There has been a considerable turnaround in performance and this needs to be recognised and sustained, particularly in these uncertain economic times.

### **What we are going to do**

As I have outlined above, we want to consider the report reviewing the Guildhall Customer Services Centre at our next meeting. We also expect to receive reports on the issues arising from the Performance Monitoring Report and Corporate Improvement Programme Report. Members have also requested an update on the progress made in implementing agreed actions from the review of the Revenues and Benefits Service.

**Councillor Sandra Bowyer**  
**Chair of the Transformation and Resources Committee**

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# FINANCIAL REGULATIONS

## 1.0 INTRODUCTION

- 1.1 The Council has a legal responsibility to make proper arrangements for the administration of its financial affairs, and must appoint an employee to undertake that responsibility. The employee so appointed is the Executive Director (Resources and Support Services). In addition, since public money is involved, the Council should be able to demonstrate that Members and Employees are acting with openness, integrity and accountability.
- 1.2 The Financial Regulations of Newcastle under Lyme Borough Council as set out in the following pages are aimed at achieving four main objectives:
- (a) To maintain sound and proper financial records, procedures, and arrangements for the administration of all the Council's financial affairs.
  - (b) To demonstrate to the public that proper safeguards and controls exist.
  - (c) To assist employees and Members in their delivery of services to the public.
  - (d) To safeguard Members and employees by giving them procedures to follow which ensure that the Council's expected standards are met in terms of managing public money and assets. In addition, employees can feel confident that they will have no difficulty in explaining their actions to Auditors, the Cabinet, Committees, Executive Management Team, Service Managers or the public, if they have followed Financial Regulations.
- 1.3 All Members and employees have a personal responsibility for taking reasonable action to provide for the security of the assets under their control, for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value. This should be done whilst acting in accordance with these regulations.
- 1.4 The Executive Director (Resources and Support Services) is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Council. The Executive Director (Resources and Support Services) is also responsible for reporting, where appropriate, breaches of Financial Regulations to the Cabinet and the Council.
- 1.5 The Council's detailed financial procedures, setting out how the key regulations will be implemented, are shown as procedural regulations.
- 1.6 Directors are responsible for ensuring that all employees in their departments are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that their staff have access to the Regulations, either via the Council's Intranet or, where appropriate, through the provision of hard copies.
- 1.7 The Financial Regulations have been divided into five areas reflecting the latest model regulations published by CIPFA. They are:
- Financial Management;
  - Financial Planning;
  - Risk Management and Control of Resources;
  - Financial Systems and Procedures;
  - External Arrangements.

For each of these there are key regulations and procedural regulations. Compliance to all is required. The procedural regulations are more detailed describing the actions required to ensure compliance with the key regulations. The key regulations relating to all five areas are set out first, followed by the procedural regulations relating to them.

- 1.8 Financial regulations and procedures must be capable of a clear "legal" interpretation. They have been written in a formal manner and **it must be remembered that it is the actual regulation and procedure that must be understood and observed.** In an effort to remove some of the complexities, each section of the booklet is followed by an explanatory note, which conveys the "spirit" of the

regulations. It is hoped that readers will find this helpful. **However, the explanatory notes do not form part of the Financial Regulations.** In addition where it is felt that a particular expression used in the regulations requires further definition, this has been provided in a Glossary to be found at the end of the regulations.

- 1.9 If you are in any doubt at all over compliance with a Financial Regulation, please consult the Financial Management Section of the Resources Directorate or Internal Audit.
- 1.10 Any reference in the Council's Financial Regulations to "the Cabinet" shall be deemed also to include any Sub-Committees of the Cabinet which may be given power to determine relevant matters.
- 1.11 Any reference in the Council's Financial Regulations to words denoting the masculine gender shall be deemed also to include reference to the feminine, and vice versa.
- 1.12 Wherever the Council acts in a trustee capacity regarding the affairs of charities and other bodies, these Financial Regulations shall apply.

**NEWCASTLE UNDER LYME BC FINANCIAL REGULATIONS: FEBRUARY 2009**

**SUMMARY TABLE SHOWING CONTENTS OF FINANCIAL REGULATIONS AND PROCEDURES AT A GLANCE**

<b>Ref.</b>	<b>KEY REGULATIONS</b>	<b>RELATED PROCEDURAL REGULATIONS</b>	<b>Ref.</b>
<b>A</b>	<b>FINANCIAL MANAGEMENT includes:</b>		
A1-A12	The Full Council The Cabinet Scrutiny Committees Standards Committee Audit and Risk Committee Other Regulatory Committees	Responsibilities of the Cabinet	Aa1
A13-A22	The Statutory role of officers Chief Executive Executive Director (Resources and Support Services) Directors	Responsibilities of the Executive Director (Resources and Support Service) Responsibilities of the Chief Executive and other Directors	Ab1 Ac1-Ac4
A23 -A29	Virement Treatment of year end balances Accounting policies Financial records E-commerce and the Internet Final accounts	Virement Financial Records Final Accounts Separation of Duties Grant and Other Claims	Ad1-Ad2 Ae1-Ae5 Af1-Af2 Ag1-Ag4 Ah1
<b>B</b>	<b>FINANCIAL PLANNING includes:</b>		
B1-B3	Policy framework Preparation of the Corporate and Performance Plan	Performance plans	Ba1
B4-B13	Council tax Budget strategy & preparation Budget monitoring & control	General Fund Revenue Budget Format of the budget Revenue budget, preparation, monitoring and control Trading accounts Other accounts	Bb1 Bb1 Bb2-Bb20 Bc1-Bc3 Bf1
B14-16	Project Appraisal		
B17	Maintenance of reserves	Maintenance of reserves	Be1-Be4
B18	Preparation of the capital programme	Capital programme	Bd1-Bd23
B19	Guidelines on budget preparation		
<b>C</b>	<b>RISK MANAGEMENT AND CONTROL OF RESOURCES includes:</b>		
C1-C3	Risk Management	Risk Management Insurances	Ca1-Ca3 Cb1-Cb3

**NEWCASTLE UNDER LYME BC FINANCIAL REGULATIONS: FEBRUARY 2009**

C4-C6	Internal Control	Internal controls	Cc1-Cc3
C7-C9	Audit requirements	Internal Audit External Audit	Cd1-Cd5 Ce1-Ce2
C10	Preventing fraud and corruption	Preventing fraud and corruption	Cf1-Cf3
C11	Assets	Assets Inventories Stocks Intellectual property Asset disposal Imprest accounts (petty cash)	Cg1-Cg5 Ch1-Ch6 Ci1-Ci8 Cj1-Cj2 Ck1-Ck2 Cm1-Cm2
C12-C16	Treasury management	Treasury management Banking arrangements	C11-C15 Cn1-Cn4
C17-C20	Staffing	Staffing	C01-Co3
C21	Gifts and Hospitality		
<b>D</b>	<b>SYSTEMS AND PROCEDURES includes:</b>		
D1-D2	General	General Delegation Information security	Da1-Da2 Db1 Dc1
D3	Income & Expenditure	Recording & notification of sums due Separation of duties Receipts Money received Payment by credit & debit cards Security Banking Records Issue of Debtors Accounts Recovery procedures Write offs Fees & Charges Changes in sources of Revenue Requisitioning and Ordering of Work, Supplies & Services Contracts Works contracts Completion of contracts	Dd1-Dd8 De1 Df1-Df2 Dg1-Dg4 Dh1-Dh7 Di1 Dj1-Dj5 Dk1-Dk3 Dl1-Dl4 Dm1-Dm2 Dn1-Dn2 Do1-Do2 Dp1 Dq1-Dq24 Dr1-Dr2 Dr3-Dr4 Dr5-Dr9

NEWCASTLE UNDER LYME BC FINANCIAL REGULATIONS: FEBRUARY 2009

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		Goods and materials contracts General Variations to contracts Paying for work, supplies & services	Dr10 Dr11-Dr12 Dr13-Dr15 Ds1-Ds15
D4-D5	Payments to Employees & Members	Payments to Employees & Members Allowances to Members, travelling and subsistence Travelling and subsistence allowances	Dt1-Dt10 Dt11-12 Dt13-15
D6	Taxation	Taxation	Du1-Du3
D7	Trading Accounts	Trading Accounts	Dv1-Dv2
<b>E</b>	<b>EXTERNAL ARRANGEMENTS: includes</b>		
E1-E5	Partnerships	Partnerships	Ea1-Ea4
E6	External funding	External funding	Eb1-Eb2
E7	Work for third parties	Work for third parties	Ec1-Ec2



**MONETARY AMOUNTS**

<b>Ref.</b>		<b>Amount</b>
Ad1-A	<b>Virement</b> Directors approval limit notifiable to the Executive Director (Resources and Support Services) Cabinet limit above which it must be reported to Full Council	Below £20,000 Below £50,000
Ac4	<b>Financial management</b> Amount over which the Executive Director (Resources and Support Services) needs involved with negotiations and/or agreements/ arrangements	£50,000
B13	<b>Variiances</b> Significant variiances are those which are greater than:  All variiances must be investigated if in excess of:	The larger of 10% of the budget c £2,000 £15,000
B14	<b>Benefits Management Model</b> Estimated cost of improvement project above which the model must be employed	£20,000
B15	<b>Capital Appraisals</b> Estimated cost of capital project above which an appraisal must be carried out	£20,000
Cb3	The minimum level of Public Liability insurance cover as specified by the Cabinet, agreement of the Executive Director (Resources and Support Services)	£5,000,000
Ch1	<b>Inventories</b> Level above which items should be included on an inventory	£50
Ci8	<b>Stock levels (amounts which may be written off)</b> (a) Executive Director (Resources and Support Services)	Below £1,000
	(b) Cabinet	Above £1,000
Cm2	<b>Petty Cash</b> Amounts to be paid out of Petty Cash - Not to exceed	£100
Cn3	<b>Banking arrangements</b> Cheques requiring personal signatures are: (a) Creditors, in excess of (b) Housing Benefits, in excess of (c) Wages and Salaries, in excess of	£30,000 £5,000 £5,000
Dh5	<b>Payment by Credit and Debit cards</b> Authorisation required through the bank terminal for amounts above: (a) Credit cards (b) Debit cards	£10 £50
Dh7	<b>Payment by Credit and Debit cards</b> Limit above which Credit card payments are acceptable	£10
Dj4	<b>Banking</b> Amount above which money is to be banked without delay	£500
Dk3	<b>Records</b> Amount above which schedules of amounts outstanding where a debtors account has raised need supplying to the Executive Director (Resources and Support Services)	£100
D12	<b>Issue of debtors accounts</b> Amount below which it is considered uneconomic to raise an account	£40
Dn1	<b>Write offs of Debtors Accounts</b> (a) Approval from the Executive Director (Resources and Support Services) below (b) Approval from Cabinet above	£2,500 £2,500
Dq18	<b>Ordering of work, supplies and services</b> (a) <b>Low value procurement:</b> Where alternative prices are available for the level of estimated cost and a minimum of two written quotations is required; (b) <b>Intermediate value procurement:</b> Where alternative prices are available for the level of estimated cost and a minimum of three written quotations is required. <b>High value procurement:</b> The estimated cost above which Financial Regulation Standing Orders relating to contracts shall apply.	£3,000 < £30,000 £30,000 < £50,000 > £50,000

NEWCASTLE UNDER LYME BC FINANCIAL REGULATIONS: FEBRUARY 2009

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Dq22	The amount above which Standing Orders and Financial Regulations in relation to d applies to orders of a repetitive nature when totalled	£50,000
Ds12	<b>Paying for work, supplies and services.</b> Amount above which schedules of accounts need supplying to the Executive Direct (Resources and Support Services)	£100

**KEY REGULATIONS**

**A: FINANCIAL MANAGEMENT**

- A1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.
- A2 All employees and Members have a duty to abide by the highest standards of probity in dealing with financial issues, to be aware of and comply with these Financial Regulations.
- A3 **DEPARTURES:** In the event of it being impracticable to apply any of these Regulations in any particular case the Executive Director (Resources and Support Services) shall be authorised to waive compliance subject to reporting any major departure to the next meeting of the Cabinet.

**The Full Council**

- A4 The Full Council shall be responsible for:
- (a) Adopting the Council's constitution and Members' code of conduct and for approving the policy framework and budget within which the Cabinet operates. It shall also be responsible for approving and monitoring compliance with the Council's overall framework of accountability and control in the form of standing orders and financial regulations and for monitoring compliance with the agreed policy and related Cabinet decisions;
  - (b) Approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the council and its committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution.

**The Cabinet**

- A5 The Cabinet shall be responsible for proposing the policy framework and budget to the Full Council, and for discharging executive functions in accordance with the policy framework and budget.
- A.6 Cabinet decisions can be delegated to a committee of the Cabinet, an individual Cabinet Member, an employee or a joint committee.
- A.7 The Cabinet has the authority:
- (a) to consider all financial matters which are of an executive nature or not reserved by law to Full Council;
  - (b) to investigate any aspect of income and expenditure relating to all departments of the Council, and to call for the production of all relevant documentation necessary for such an investigation;
  - (c) after a full investigation to make such recommendations to the Full Council as it considers necessary, with a view to securing greater economy in the administration of the services controlled by the Council and on financial matters generally.
  - (d) To determine any matter, which is an executive function or not reserved by law to Full Council.
- A8 The Cabinet shall:
- (a) be responsible for establishing protocols to ensure that individual Members of Cabinet consult with relevant employees before taking a decision within their delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

**Scrutiny Committees**

- A9 The Scrutiny Committees shall be responsible for scrutinising Cabinet decisions before or after they have been implemented and for holding the Cabinet to account. The Scrutiny Committees shall also be responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Council.

**Standards Committee**

- A10 The Standards Committee shall be responsible for promoting and maintaining high standards of conduct amongst Members. In particular, it 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.

**Audit and Risk Committee**

- A11 The Audit and Risk Committee shall have right of access to all the information it considers necessary and can consult directly with internal and external auditors. It shall be responsible for reviewing the external auditor's reports and the annual audit letter and internal audit's annual report and for approving and reviewing the internal audit plan. It shall also receive and approve the Council's Statement of Accounts and receive risk management reports and ensure that corporate business risks are being actively managed.

**Other regulatory committees**

- A12 Planning, Licensing, Public Protection and other regulatory functions are not Cabinet functions but are exercised through the Planning, Licensing, Public Protection and other regulatory committees under powers delegated by the Full Council. These committees report to the Full Council.

**The statutory role of officers**

**Chief Executive**

- A13 The Chief Executive shall be designated as The Head of Paid Service and shall be responsible for the corporate and overall strategic management of the Council as a whole. He shall report to and provide information for the Cabinet, the Full Council, the Scrutiny Committees and any other committees. He shall be responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the Council. He shall also be responsible for the system of record keeping in relation to the Full Council's decisions (see below).
- A14 The Chief Executive must ensure that Cabinet decisions and the reasons for them are made public. He must also ensure that Council Members are aware of decisions made by the Cabinet and of those made by employees who have delegated executive responsibility.

**Executive Director (Resources and Support Services)**

- A15 The Executive Director (Resources and Support Services) is responsible for advising the Cabinet or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- (a) initiating a new policy;
  - (b) committing expenditure in future years to above the budget level;
  - (c) incurring interdepartmental transfers above virement limits;
  - (d) causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- A16 The Executive Director (Resources and Support Services) shall, in carrying out his functions, have regard to his statutory duties (which cannot be over-ridden) in relation to the financial administration and stewardship of the Council arising from:
- (a) Section 151 of the Local Government Act 1972;
  - (b) The Local Government Finance Act 1972;
  - (c) The Local Government Act 2003;
  - (d) The Accounts and Audit Regulations 2003 or any successor legislation.
- A17 The Executive Director (Resources and Support Services) shall be responsible for:
- (a) the proper administration of the Council's financial affairs;
  - (b) setting and monitoring compliance with financial management standards;
  - (c) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;

- (d) preparing the revenue budget and capital programme;
- (e) treasury management.

- A18 The Executive Director (Resources and Support Services), in accordance with Section 114 of the Local Government Finance Act 1988, shall report to the Full Council, Cabinet and external auditor if the Council or one of its employees:
- (a) has made, or is about to make, a decision which involves incurring unlawful expenditure;
  - (b) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council;
  - (c) is about to make an unlawful entry in the Council's accounts.
- A19 The Executive Director (Resources and Support Services) shall nominate a properly qualified Member of staff to deputise should he be unable to perform his duties under Section 114 personally.
- A20 The Council shall provide the Executive Director (Resources and Support Services) with sufficient employees, accommodation and other resources, including legal advice where this is necessary, to carry out his duties under Section 114.

#### **Monitoring Officer**

- A21 The Monitoring Officer shall be responsible for:
- (a) reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to the Cabinet and for ensuring that procedures for recording and reporting key decisions are operating effectively;
  - (b) advising all Members and employees about who has authority to take a particular decision;
  - (c) advising the Cabinet or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework;
  - (d) maintaining an up-to-date constitution.

#### **Directors**

- A22 Directors and their delegated representatives shall be responsible for:
- (a) Ensuring that Cabinet Members are advised of the financial implications of all proposals and that the Executive Director (Resources and Support Services) has agreed the financial implications;
  - (b) Consulting with the Executive Director (Resources and Support Services) and seeking approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

#### **Virement**

- A23 The Full Council shall determine the limits, above which a Director may not approve virement without reference to the Full Council. The limits may be set by reference to an absolute amount or to a specified percentage of a budget head. Any virement between budget heads should **only** be made in order to cover any **unavoidable** overspendings elsewhere and must be notified to and agreed **in advance** with the Executive Director (Resources and Support Services).

#### **Treatment of year-end balances**

- A24 Carry forward to the following financial year of under or overspendings on budget headings shall only be permitted with the prior approval of the Executive Director (Resources and Support Services).

#### **Accounting policies**

- A25 The Council will comply, in all cases, with the Accounts and Audit Regulations 2003 and any other Regulations, Accounting Codes of Practice or external audit requirements that may replace or supplement them.

- A26 The Executive Director (Resources and Support Services) shall be responsible for selecting accounting policies and ensuring that they are applied consistently. Directors shall adhere to the accounting policies and guidelines approved by the Executive Director (Resources and Support Services).

**Financial records**

- A27 The Executive Director (Resources and Support Services), in consultation with Directors, shall determine all accounting procedures and the form and content of all of the Council's financial records, both manual and computerised. No introductions or amendments shall be made without his approval.

**E-Commerce and the Internet**

- A28 The Council is committed to maximise the benefits available from the introduction of e-commerce and the use of the Internet. Therefore all reference to documents and procedures for their use should be taken to allow for the use of electronic facilities instead of printed matter where appropriate and where approval has been given by the Executive Director (Resources and Support Services) in advance.

**Final Accounts**

- A29 The Executive Director (Resources and Support Services) shall prepare and publish an annual statement of accounts, in accordance with the relevant code of practice currently in force and in accordance with the statutory timetable. The Audit and Risk Committee shall approve the statement of accounts and any amendments subsequently made to it.

**B: FINANCIAL PLANNING**

**Policy framework**

- B1 The Full Council shall:
- (a) Agree and approve the Council's policy framework and budget, the key elements of which will be the Community Plan, Performance Plan, General Fund Revenue Budget and the Capital Programme;
  - (b) Approve variations to approved budgets, where those variations increase the overall amount of the budget or are contrary to the approved policy framework;
  - (c) Approve variations to plans and strategies forming the policy framework;
  - (d) Determine the circumstances in which a decision will be deemed contrary to the budget or policy framework;
  - (e) Set the level at which Directors may reallocate budget funds from one service to another. Directors shall be responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the limits set by the Full Council.

**Preparation of the Sustainable Community Strategy and Performance Plan**

- B2 The Chief Executive is responsible for proposing a Sustainable Community Strategy to the Cabinet for consideration before its submission to the Full Council for approval.
- B3 The Chief Executive is responsible for proposing a Performance Plan to the Cabinet for consideration before its submission to the Full Council for approval.

**Council Tax**

- B4 The Cabinet shall recommend, and the Full Council approve, the Council Tax to be set by the Council.

**Budget strategy and preparation**

- B5 The Executive Director (Resources and Support Services) shall ensure, in relation to the General Fund, that a Revenue Budget is prepared on an annual basis, together with a Medium Term Financial Strategy covering a minimum of three years beyond the current year, for submission to the Cabinet for approval. The Cabinet will recommend the budget to Full Council for approval.
- B6 The Cabinet shall, no later than the end of September each year, consider and agree the strategy to be followed in the preparation of the General Fund Revenue Budget and the Capital Programme, in particular, for the following year, but also generally for, at least, the next three years (the budget strategy). In order to achieve this it will:
- (a) Review the current capital and revenue service programmes and expenditure, taking into account the Council's corporate priorities and approved policies; partnership working, consultation with and the needs of the community;
  - (b) Analyse gaps in service provision and evaluate and prioritise all new initiatives and statutory duties requiring resources;
  - (c) Assess the capital and revenue resources available to the Council;
  - (d) Seek to match the resources in (c) to the priorities in (a) and (b).
- B7 The Cabinet will have regard to the following factors when considering and agreeing the budget strategy in respect of its review of current programmes:
- (a) Information contained in the current budget book supported by supplementary notes and supporting information; the Council's approved or emerging Sustainable Community Strategy, policies and business plans; the results of any best value service reviews; the latest reports on all areas of partnership working and the results of consultation with the community, businesses and other partners; including an analysis of needs and gaps;
  - (b) In the evaluation and prioritisation of new initiatives and statutory duties whether mandatory or discretionary; the level of support for each of the Council's key priorities;

- the capital and revenue implications; involvement of partners and the implications if not carried out;
- (c) In respect of its assessment of available resources: the latest information concerning available capital and revenue resources in the light of the previous year's out-turn and assumptions for the following year;
  - (d) In respect of the matching of resources to priorities: new initiatives are to be weighed and prioritised both against each other and against current programmes and services.
- B8 The Executive Director (Resources and Support Services) shall advise the Cabinet and Full Council on the robustness of the revenue budget and provide all necessary information to the Cabinet to enable it to carry out the process of consideration and agreement of the budget strategy.
- B9 Following agreement of the budget strategy by the Cabinet, it shall be referred to the Transformation and Resources Overview and Scrutiny Committee for their consideration and the results of such scrutiny shall be reported back to the Cabinet, which shall reconsider the strategy in the light of any comments made.
- B10 The Cabinet shall issue guidance on the general content of the General Fund Revenue Budget and, following advice from the Executive Director (Resources and Support Services), on any assumptions to be made or particular factors to be taken into account in its preparation.
- B11 Directors shall
- (a) Assist the Executive Director (Resources and Support Services) in presenting the budget strategy to Cabinet by providing him with any supporting information or data required to enable him to adequately report to the Cabinet;
  - (b) Prepare budget estimates reflecting agreed service plans in line with guidance issued by the Cabinet. These estimates shall be based on the assumptions contained in the relevant Medium Term Financial Strategy approved by the Cabinet and shall be aggregated and summarised by the Executive Director (Resources and Support Services) and submitted by him, in that form, to the Cabinet for approval. At the same time he will recommend proposed taxation levels and the other means of financing the proposed budget, including any contributions from reserves; and
  - (c) Prepare Service and Financial Plans to feed into the financial information collated by the Chief Executive in the format approved by him.

**Budget monitoring and control**

- B12 The Executive Director (Resources and Support Services) shall provide appropriate financial information to enable Directors to monitor budgets effectively. He, assisted by Directors as set out in the Regulation below, shall monitor and control expenditure and income against budget allocations and report to the Cabinet on the overall position on a regular basis.
- B13 Directors shall control expenditure and income within their areas of responsibility, taking account of financial information provided by the Executive Director (Resources and Support Services). They shall report on variances within these areas and take any action necessary to avoid exceeding their budget allocation and alert the Executive Director (Resources and Support Services) to any problems of which they become aware. They shall provide the Executive Director (Resources and Support Services) with any information that he may require in order that he may report to the Cabinet upon expenditure or income compared to budget.
- B14 If an improvement project (either of a capital or revenue nature) is proposed, and for which no current provision exists in a budget, the Benefit Management Model will be employed in order to identify the benefit arising from the project, make the business case for it and to monitor the realisation of the ensuing benefits.
- B15 If a capital project other than an improvement project is proposed, it will be subject to an appraisal. The appraisal shall be in a form approved by the Cabinet but such appraisal shall, as a minimum, set out the project's contribution towards meeting corporate objectives and



service priorities, its output measures and milestones, its cost and sources of funding. The results of this appraisal will be included in any report made to the Cabinet or Council requesting approval to carry out the scheme. Upon completion of the project, a report shall be made to the Cabinet detailing the actual performance compared with the data contained in the original appraisal.

- B16 The Requirement to employ the Benefits Management Model or to submit capital projects to appraisal will apply in cases where the proposed cost exceeds the sum specified in the table of "Monetary Amounts". The Executive Director (Resources and Support Services) may waive the requirement in cases where he considers this to be appropriate.

**Maintenance of reserves**

- B17 The Executive Director (Resources and Support Services) shall advise the Full Council and the Cabinet on prudent levels of reserves for the Council.

**Preparation of the capital programme**

- B18 The Executive Director (Resources and Support Services) shall prepare a Capital Programme on an annual basis for consideration and approval by the Cabinet and the Full Council. He shall also update the Programme on a regular basis during each year and report thereon to the Cabinet. In considering the total amount of the capital programme the Cabinet and the Full Council shall have regard to the resources available or expected to be available, to the Council to finance such a programme over the period covered by it, including the revenue consequences of the programme. The Executive Director (Resources and Support Services) shall report to the Cabinet and the Full Council at the time that the programme is considered upon the availability of such resources.

**Guidelines**

- B19 Guidelines on budget preparation are issued to Members and Directors by the Cabinet following agreement with the Executive Director (Resources and Support Services). The guidelines will take account of:
- Legal requirements
  - Medium long term planning prospects
  - The corporate plan
  - Available resources
  - Risk factors
  - Spending pressures
  - Best value and other relevant government guidelines
  - Other internal policy documents
  - Cross cutting issues (where relevant).

## **C: RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **Introduction**

- C1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

### **Risk management**

- C2 The Audit and Risk Committee shall be responsible for approving the Council's risk management strategy and for reviewing the effectiveness of risk management. The Cabinet shall be responsible for ensuring that proper insurance exists where appropriate.
- C3 The Chief Executive shall be responsible for preparing the Council's risk management strategy, for promoting it throughout the Council and for advising the Cabinet on proper insurance cover where appropriate.

### **Internal control**

- C4 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.
- C5 The Executive Director (Resources and Support Services), in conjunction with the Audit Manager, shall be responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C6 Directors shall establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

### **Audit requirements**

- C7 The Accounts and Audit Regulations 2003 require every Council to maintain an adequate and effective internal audit.
- C8 The Audit Commission is responsible for appointing external auditors to each Council. 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.
- C9 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs, who have statutory rights of access.

### **Preventing fraud and corruption**

- C10 The Audit Manager shall be responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

### **Assets**

- C11 Directors shall ensure that records and assets are properly maintained and securely held. They shall ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

**Treasury Management**

- C12 The Council adopts the key recommendations of CIPFA's "Treasury Management in the Public Services: Code of Practice" (the Code), as described in Section 4 of that Code. Accordingly, it will create and maintain, as the cornerstones for effective treasury management:
- (a) A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities;
  - (b) Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- The content of the Policy Statement and the TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations.
- C13 The Cabinet shall be responsible for the implementation and monitoring of the Council's treasury management policies and practices.
- C14 The Executive Director (Resources and Support Services) shall be responsible for the execution and administration of treasury management decisions. He shall act in accordance with the Council's Policy Statement and TMPs and if he is a CIPFA Member, CIPFA's "Standard of Professional Practice on Treasury Management". He may, in connection with leasing, share the responsibility with the relevant Director.
- C15 The Full Council shall receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year and an annual report after its close, in the form prescribed in the TMPs.
- C16 The Executive Director (Resources and Support Services) shall control all money in the hands of the Council and all investments of money and borrowings under its control shall be made in the name of the Council.

**Staffing**

- C17 The Full Council shall be responsible for determining how employee support for executive and non-executive roles within the Council will be organised.
- C18 The Chief Executive shall be responsible for determining the structure of services and for providing overall management to employees. He shall also be responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- C19 The Cabinet shall approve the posts that shall constitute the Council's establishment and shall also approve the grade that shall apply to each post.
- C20 Directors shall be responsible for controlling total employee numbers by:
- (a) Ensuring that an approved post exists (by reference to the establishment list) and that budget provision has been made to cover the cost of filling the post for the period contemplated before commencing the recruitment process.
  - (b) Advising the Cabinet on the budget necessary in any given year to cover estimated staffing levels
  - (c) 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
  - (d) The proper use of appointment procedures.

**Gifts and Hospitality**

- C21 Every employee has a personal responsibility to be aware of and comply with the Council's Official Gifts and Hospitality Policy.

**D: SYSTEMS AND PROCEDURES**

**General**

- D1 The Executive Director (Resources and Support Services) shall:
- (a) be responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. The Executive Director (Resources and Support Services) must approve any changes made by Directors to the existing financial systems or the establishment of new systems;
  - (b) agree any changes to agreed procedures by Directors to meet their own specific service needs.
- D2 Directors shall:
- (a) ensure that their employees receive relevant financial training that has been approved by the Executive Director (Resources and Support Services);
  - (b) ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation;
  - (c) ensure that employees are aware of their responsibilities under freedom of information legislation;
  - (d) be responsible for the proper operation of financial processes in their own departments.

**Income and Expenditure**

- D3 Directors shall ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify employees authorised to act on the Director's behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority. The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

**Payments to Employees and Members**

- D4 The Head of Human Resources shall be responsible for all payments of salaries and wages to all employees, including payments for overtime, and for payment of basic and special responsibility allowances to Members.
- D5 The Head of Human Resources shall be responsible for all payments of claimable allowances to Members.

**Taxation**

- D6 The Executive Director (Resources and Support Services) shall be responsible for advising Directors, on all taxation issues that affect the Council. Such advice shall be given in the light of guidance issued by appropriate bodies and relevant legislation as it applies. Responsibility for the maintenance of tax records, authorising tax payments, calculating tax credits due and the submission of tax returns by their due date shall be on the same basis.

**Trading Accounts**

- D7 The Executive Director (Resources and Support Services) shall be responsible for advising on the establishment and operation of trading accounts.

**E: EXTERNAL ARRANGEMENTS**

**Partnerships**

- E1 The Cabinet:
- (a) Shall be responsible for approving delegations, including frameworks for partnerships;
  - (b) Shall be the focus for forming partnerships with other public, private, voluntary and community sector organisations to address local needs;
  - (c) May delegate their functions – including those relating to partnerships – to employees. These are set out in the scheme of delegation that forms part of the authority's constitution. Where functions are delegated, the Cabinet remains accountable for them.
- E2 Where a delegation is made the Chief Executive or employee nominated by him shall represent the Council on partnership and external bodies, in accordance with the scheme of delegation.
- E3 The Chief Executive shall be responsible for promoting and maintaining the same high standards of conduct in partnerships that apply throughout the Council.
- E4 The Executive Director (Resources and Support Services) shall ensure that the:
- (a) Accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory;
  - (b) Overall corporate governance arrangements and legal issues are considered when arranging contracts with external bodies and if necessary, referred to the Head of Legal Services.
  - (c) Risks have been fully appraised before agreements are entered into with external bodies.
- E5 Directors shall be responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

**External funding**

- E6 The Executive Director (Resources and Support Services) shall be responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

**Work for third parties**

- E7 The Cabinet shall be responsible for approving the contractual arrangements for any work for third parties or external bodies.

**PROCEDURAL REGULATIONS**

**A: FINANCIAL MANAGEMENT**

**Responsibilities of the Council**

- Aa1 The Full Council shall:
- (a) approve and publish Financial Regulations governing the conduct of the Council's financial affairs. The regulations shall be reviewed and amended as necessary;
  - (b) have regard to the observance of the Council's Financial Regulations and Standing Orders throughout all Services under its control.

**Responsibilities of the Executive Director (Resources and Support Services)**

- Ab1 The Executive Director (Resources and Support Services) shall:
- (a) ensure the proper administration of the financial affairs of the Council (s151);
  - (b) set the financial management standards and monitor compliance with them;
  - (c) ensure proper professional practices are adhered to and act as head of profession in relation to the standards, performance and development of finance employees throughout the Council;
  - (d) advise on the key strategic controls necessary to secure sound financial management;
  - (e) ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

**Responsibilities of the Chief Executive and other Directors**

- Ac1 Where responsibilities are attributed to the Executive Director (Resources and Support Services), ultimate authority rests with the Chief Executive, except with regard to the discharge of the responsibilities of the Executive Director (Resources and Support Services) under section 151 of the Local Government Act 1972 and section 114 of the Local Government Act 1988.
- Ac2 Every Director shall:
- (a) be responsible for the accountability and control of employees and the security, custody and control of all other resources including plant, buildings, materials, cash and stocks appertaining to his service;
  - (b) ensure that every employee under his control or person acting on the Council's behalf, shall be made aware of the contents of these regulations;
  - (c) promote the financial management standards set by the Executive Director (Resources and Support Services) in their services and monitor adherence to the standards and practices, liaising as necessary with the Executive Director (Resources and Support Services);
  - (d) promote sound financial practices in relation to the standards, performance and development of employees in their departments;
  - (e) provide on an annual basis written assurance as to the soundness of the systems of internal control they are responsible for.
- Ac3 All reports shall contain reference to any financial implications, which the item reported upon may have for the Council. This shall include whether the item is provided for in an approved budget, the proposed amount, any significant revenue consequences in future years, and the financing of any expenditure. The Executive Director (Resources and Support Services) shall approve the wording of all such references.
- Ac4 The Executive Director (Resources and Support Services) shall be consulted in all cases where an agreement or other arrangement, **in excess of the monetary amount as specified in these regulations**, with external third parties is contemplated which may have financial implications for the Council. Such consultations shall take place before such an agreement or other arrangement, is placed before the Full Council or Cabinet for its consideration, and in all cases before such an agreement or other arrangement, is formally entered into. Wherever he

considers it appropriate, the Executive Director (Resources and Support Services) shall take part in any negotiations or discussions concerning such an agreement or other arrangement.

**Explanatory notes**

*Financial management standards need to be promoted through the Council and a monitoring system needs to be in place to review compliance with them. Regular comparisons of performance indicators and benchmark standards are reported to the Cabinet and the Full Council.*

*The Cabinet is responsible for all decisions made within the budget set by Full Council.*

*The Cabinet has delegated some of its financial responsibilities to the Executive Director (Resources and Support Services). It does however retain ultimate authority, and may at any time choose to exercise it. The Executive Director (Resources and Support Services) may, in appropriate cases refer items back to the Cabinet for its consideration.*

*The law requires that there must be a designated employee legally responsible for the Council's financial affairs, the Section 151 officer. The Council has therefore designated the Executive Director (Resources and Support Services) as the legally responsible employee.*

*Financial Regulations will be drawn up by the Executive Director (Resources and Support Services) and approved by the Full Council to provide the framework and lay down the ground rules for the conduct of the Council's financial affairs. These Regulations will be regularly reviewed and revised to keep them up to date.*

*All of the following must enforce and comply with Financial Regulations: the Cabinet, Directors, Council Employees, and any other person or body acting on the Council's behalf - e.g. a contractor where services have been contracted out.*

*The financial implications of any reports submitted to the Cabinet should always be outlined in the text and agreed with the Executive Director (Resources and Support Services) in advance.*

*The Executive Director (Resources and Support Services) should be involved in discussions, negotiations and/or arrangements with third parties where there are to be financial implications in excess of the approved monetary amount.*

*Financial Regulations apply to employees and Members dealing with the affairs of charities and other organisations, e.g. Barracks Trust, etc.*

**Virement**

- Ad1 Virement to meet an estimate variation shall not be permitted:
- (a) where the amount of the estimate variation to be met from virement exceeds the limit which has been determined by Full Council, in accordance with Financial Regulation A23, unless it has been referred to the Cabinet, or back to the Full Council if it exceeds the limits for the Cabinet;
  - (b) where the budget head or heads from which virement is proposed to be made relate to any of the following centrally controlled estimates, unless it has been referred to the Executive Director (Resources and Support Services), who shall determine whether the proposal may be dealt with in accordance with relevant Financial Regulations or whether it shall be referred to the Full Council:
    - i Capital Financing Charges;
    - ii Central Support Services recharges;
    - iii Contributions to reserves or provisions;
    - iv Any other budget head specified by the Executive Director (Resources and Support Services) or the Cabinet;



- (c) where the saving on a budget head or heads from which virement is proposed to be made should, in the opinion of the Executive Director (Resources and Support Services), be treated as a Corporate saving;
- (d) where the Cabinet or Full Council has already turned down the project in principle.

Ad2 Where during the course of the financial year, it is proposed to incur new or additional expenditure or to reduce income in respect of an item not provided for, or insufficiently provided for, within an approved budget, virement should be the first option, which should be considered to deal with the resulting budget variation.

#### **Explanatory notes**

*Virement is administered by the Executive Director (Resources and Support Services) within the guidelines set by the Full Council; any variation from this requires Full Council approval.*

*The overall budget is set by the Cabinet and approved at Full Council. Directors are authorised to incur expenditure in accordance with the approved estimates. These procedures cover virement – the switching of resources between approved estimates or heads of expenditure.*

*A budget head is considered to be a line in the approved estimate.*

*Virement does not create additional overall budget liability. Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Directors must plan to fund such commitments from within their own budgets.*

#### **Financial Records**

- Ae1 The Executive Director (Resources and Support Services) shall be consulted before the introduction of, or amendment to, any books, forms, records, administrative procedures or computerised systems used in connection with accounting for cash, income, expenditure, stocks and financial transactions generally. No such introductions or amendments shall be made without his approval.
- Ae2 All of the Council's transactions, material commitments and contracts and other essential accounting information shall be recorded completely, accurately and promptly. Directors must maintain adequate records to provide a management trail leading from the source of expenditure/income through to the accounting statements.
- Ae3 All financial records must be kept securely, and shall be retained for periods specified by the Executive Director (Resources and Support Services). Arrangements for the disposal of any obsolete or surplus records, including unused items, shall be agreed with the Executive Director (Resources and Support Services). Disposal of confidential waste must be made in compliance with the Council's Information Security Management Policy.
- Ae4 The Executive Director (Resources and Support Services) shall keep a Cash Book or Account recording, in summary form, all receipts and payments of the Council. The Cash Book or Account shall be kept up to date and be reconciled promptly to the Council's bank accounts following the end of each calendar month.
- Ae5 Records should be in electronic form where appropriate and approved by the Executive Director (Resources and Support Services).

#### **Explanatory notes**

*All executive Members, finance employees and budget managers must operate within the required accounting standards and timetables*

*All of the Council's transactions, material commitments and contracts and other essential accounting information must be recorded completely, accurately and on a timely basis*

*Procedures are in place to enable accounting records to be reconstituted in the event of systems failure.*

*Reconciliation procedures are carried out to ensure transactions are correctly recorded.*

*Prime documents are retained in accordance with legislative and other requirements.*

#### **Final Accounts**

- Af1 The Executive Director (Resources and Support Services) shall in accordance with the Accounts and Audit Regulations 2003 or any successor legislation:
- a) prepare Final Accounts to summarise the financial transactions of the Council during each year of account and to show the financial position of the Council at the end of each year of account. Each year of account shall commence on the first of April and end on the thirty first of March;
  - b) make proper arrangements for the audit of the Council's accounts.
- Af2 Directors shall supply the Executive Director (Resources and Support Services) with any information that he requires in order to produce the Council's Final Accounts and Statement of Accounts. Such information shall be supplied in the form requested by the Executive Director (Resources and Support Services) and by the date specified by him.

#### **Explanatory notes**

*The Council is required to make arrangements for the proper administration of its financial affairs and to identify an employee with the responsibility for the administration of these affairs, the Executive Director (Resources and Support Services).*

*The final accounts and the statement of accounts must be kept and prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP) (CIPFA/LASAAC). All data that he requests in order to produce the final accounts and the statement of accounts must be supplied promptly to the Executive Director (Resources and Support Services).*

#### **Separation of Duties**

- Ag1 The task of providing information, calculating, checking and recording the sums due to or from the Council shall be separated as completely as possible from the task of collecting or paying out these sums.
- Ag2 Employees responsible for examining and checking records of cash transactions shall not themselves be engaged in any of these transactions.
- Ag3 Wherever possible, arrangements shall be made to ensure that:
- (a) the ordering of works, supplies and services;
  - (b) the acknowledgement of their receipt; and
  - (c) the examination /certification of invoices /accounts
- are carried out by different persons. The Executive Director (Resources and Support Services) shall be informed, in writing, of situations where this cannot occur in practice.
- Ag4 Each Director must notify the Executive Director (Resources and Support Services) in advance of all employees authorised to sign or certify official documents in accordance with Financial Regulations.

**Explanatory Notes**

*The separation of duties is most important to protect the Council against the possibility of fraud, and to place its employees above suspicion. Different employees should therefore, perform the functions of ordering and paying for supplies and services, collection of sums due and the verification of such operations.*

**Grant and Other Claims**

Ah1 The Executive Director (Resources and Support Services) shall ensure, in conjunction with Directors that all claims for funds, including grants are made by the due date and that the grants coordinator, based in Financial Management, is notified of all grants and claims in advance and provided with actual forms, documents and supporting evidence verifying entries on the grants and claims in advance of their certification as required by the Executive Director (Resources and Support Services).

## **B: FINANCIAL PLANNING**

### **Performance Plans**

- Ba1 Directors and Heads of Service shall
- (a) supply to the Head of Corporate Policy and Performance any information, relevant to services within their areas of responsibility, required for inclusion in performance plans, or for monitoring performance targets included in such plans, in accordance with statutory requirements and agreed timetables.
  - (b) contribute to the development of performance plans, corporate and service targets and objectives and performance information.
  - (c) ensure that systems are in place to measure activity and collect accurate information for use as performance indicators
  - (d) ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met and to take any such action whenever necessary.

### **Explanatory notes**

*Performance plans should be produced so that they are consistent and in accordance with statutory provisions. Plans should meet timetables set and all performance information included in them should be accurate, complete and up to date. Plans should provide improvement targets that are SMART, specific, measurable, achievable, realistic and timed.*

### **General Fund Revenue Budget**

#### **Format of the budget**

- Bb1 Estimates shall show in convenient detail the sums required for each purpose and also under comparative headings the original estimate, and the actual result for the last completed year. Estimates shall comply with the Code of Practice currently in force in relation to financial reporting and any guidance issued by the Cabinet

#### **Revenue budget, preparation, monitoring and control**

- Bb2 The timetable and procedures for estimate preparation and the detailed format of the estimates will be determined and co-ordinated by the Executive Director (Resources and Support Services).
- Bb3 The Executive Director (Resources and Support Services) shall aggregate and summarise the estimates prepared by the Directors, based on the Medium Term Financial Strategy assumptions, in order to report thereon to the Cabinet. He shall advise the Cabinet as to the robustness of the estimates and ensure that they are compiled on a 'proper' basis. When reported to Cabinet the budgets will include the relevant prudential indicators demonstrating the impact of capital expenditure on the revenue budget.
- Bb4 Items which are proposed to be included in the budget and which involve a new policy, or a significant departure from present policy or create significant financial commitments in future years, shall be brought to the attention of the Executive Management Team before being included in the budget submitted to the Cabinet. Their inclusion shall be drawn to the attention of the Cabinet in the accompanying report. No commitment to any such new policies or departures shall be incurred until the Cabinet has approved their inclusion in the budget.
- Bb5 Directors shall be authorised to incur expenditure and must collect income strictly in accordance with the estimates contained in the approved budgets relating to services within their areas of responsibility.
- Bb6 Each Director shall continuously monitor the budgets relating to services within his area of responsibility in order to determine:

- (a) that approved estimates of expenditure within those budgets are not, or are not likely to become, overspent; and
  - (b) that approved estimates of income within those budgets are likely to be matched by actual receipts of income.
- Bb7 The Executive Director (Resources and Support Services) shall be responsible for overall budget monitoring. He shall provide suitable regular reports to Directors, containing details of actual expenditure and income compared to the corresponding approved estimates, to assist them to fulfil their responsibility for controlling budgeted expenditure and income under Procedural Financial Regulation Bb6. He shall also notify the Director in any case where he believes that an estimate, forming part of a budget for which the Director is responsible, has been or may become exceeded by actual expenditure or, in the case of an income estimate, not matched by actual income.
- Bb8 If it appears to a Director that an excess of expenditure or a shortfall in income has occurred, or is likely to occur, in relation to any of the estimates forming part of a budget for which he is responsible, he shall take immediate steps to deal with the variation from the approved estimate.
- Bb9 In order to deal with a variation from an approved estimate a Director shall:
- (a) where a variation appears likely, but has not yet occurred, immediately take action to reduce the level of activity relating to the budget head in question, thereby containing expenditure within the approved estimate; or
  - (b) after consultation with the Executive Director (Resources and Support Services), determine that the increased cost can be met from an increase in the amount of income to be received; or
  - (c) determine that the variation can be met by means of virement from another budget head or heads (in accordance with the scheme of virement set out in Procedural Financial Regulation Ad1).
- All instances of the use of Directors' authority under a, b, and c above shall be recorded in a form approved by the Executive Director (Resources and Support Services).
- Bb10 Where he is consulted by a Director with regard to any of the proposals described in Procedural Financial Regulation Bb9, for dealing with an estimate variation, the Executive Director (Resources and Support Services) shall be authorised to either approve the proposal or require it to be referred to the Cabinet for approval.
- Bb11 A Director shall not be permitted to take any of the measures described in Procedural Financial Regulation Bb9 if to do so would result in a significant reduction in the level of service provided to the general public. Any measure which would, for this or any other reason, constitute a material departure from the policies implicit in the approved budget shall be referred to the Cabinet.
- Bb12 Where a Director is unable to deal with the occurrence, or likely occurrence, of a variation from an approved budget estimate by means of any of the measures described in Procedural Financial Regulation Bb9 he shall immediately report it to the Cabinet.
- Bb13 All reports to the Cabinet concerning budget estimate variations shall contain the reason(s) for the variation from the approved estimate and the implications, if any, for future years' budgets and shall recommend that the Cabinet:
- (a) amends the approved estimate relating to the budget head in question by approving virement from another budget head or heads of an amount equivalent to the amount of the variation; or
  - (b) approves a supplementary estimate for the amount of the variation.
- Bb14 The Cabinet on receiving a report concerning budget variations shall resolve to either approve virement or a supplementary estimate.
- Bb15 Where a Director proposes to incur expenditure:
- (a) for a purpose which has not been estimated for within an approved budget; or

- (b) which will result in an approved estimate relating to a budget head becoming overspent; this shall be treated as a variation from an approved estimate and all Financial Regulations relating to such variations shall apply.
- Bb16 Where it can be demonstrated that urgent Cabinet approval, outside of normal Cabinet meeting dates, is necessary for a proposal to make a supplementary estimate or approve virement the following extraordinary procedures shall apply:
- (a) The relevant Director in consultation with a Member of the Cabinet may give approval, in writing, to the proposal.
  - (b) The relevant Director should state the advice given by the Executive Director (Resources and Support Services) on the financial implications of the proposal in writing to the Member.
  - (c) The proposal shall be reported to the next meeting of the Cabinet for information. A copy of all such approvals shall be provided to the Head of Legal Services.
- Bb17 Directors shall ensure that performance and levels of service are monitored in conjunction with the budget and that necessary action is taken to align service outputs with budgets. In order to achieve this they shall ensure that a monitoring process is in place to review performance and levels of service and that it is operating effectively.
- Bb18 Directors shall seek to identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery. Directors shall notify the Executive Director (Resources and Support Services) of all such efficiency savings made or proposed to be made to assist in the calculation of the efficiency savings indicator NI 179.
- Bb19 Within their areas of responsibility Directors shall designate particular named employees as Budget Holders, who possess the necessary competencies for the role, in respect of cost centres or groups of cost centres. Budget Holders shall be responsible for assisting the relevant Director to discharge his responsibility in respect of budget preparation, monitoring and control as set out in these regulations. Budget Holders shall be specifically responsible only for income and expenditure that they can influence. Directors shall notify the Executive Director (Resources and Support Services) of the employees who have been so designated. The Executive Director (Resources and Support Services) shall provide Budget Holders with the financial and other data that they may require in order to carry out their responsibilities.
- Bb20 The Executive Director (Resources and Support Services) shall, in conjunction with Directors, ensure that a monitoring process is in place to review the effectiveness and operation of budget preparation and ensure that any corrective action is taken.

**Explanatory notes**

***There is specific budget approval for all expenditure and income.***

***Budget holders are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Cabinet / Council for their budgets and the level of service to be delivered***

***A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.***

***The budget format must comply with all legal requirements, with CIPFA's Best Value Accounting – Code of Practice and must reflect the accountabilities of service delivery.***

***Budget managers should be responsible only for the income and expenditure that they can influence. There is a nominated budget holder for each cost centre heading and they accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities. Budget managers follow an approved certification process for all expenditure and their income and expenditure is properly recorded and accounted for.***

***Performance levels in respect of services are monitored in conjunction with the budget and necessary action is taken to align service outputs and budgets.***

**Trading Accounts**

- Bc1 Where the Cabinet so requires, Directors responsible for the operation of activities covered by Trading Accounts shall prepare annual budget estimates for those accounts (including any holding accounts). These estimates shall be referred for approval to the Cabinet.
- Bc2 The Cabinet shall set a timetable and, advised by the Executive Director (Resources and Support Services), lay down the procedures to be followed within which these estimates shall be prepared.

**Capital Programme**

- Bd1 Only expenditure which conforms with the statutory definition of capital expenditure, as contained in the Local Government Act 2003 or any subsequent Act or Regulations shall be treated as capital expenditure and all Financial Regulations in Section Bd shall apply to it.
- Bd2 The capital programme submitted to the Cabinet and Full Council for consideration and approval shall comprise a list of General Fund capital schemes. This shall show in respect of each scheme the amount which it is intended shall be spent in the current year, the following year and in future years.
- Bd3 Reports submitted by the Executive Director (Resources and Support Services) to the Cabinet concerning updates to the capital programme during the year shall include reference to any significant variance in estimated scheme costs from current approved estimates or instances where schemes are proposed to be added to or deleted from the approved programme. He shall also refer to the resources available, or expected to be available, to finance the programme taking account, where necessary, of any proposed amendments to it. The revenue implications of all capital schemes in the form of the whole life cost of the project shall also be reported to ensure that the impact on the revenue budget is known and appropriate provision approved. Directors shall provide, in a timely manner, any information he requires in order to compile his report.
- Bd4 A Capital Programme Review Group (CPRG) will be established to monitor and review the capital programme. The CPRG will be chaired by the Executive Director (Resources and Support Services) and the Cabinet Portfolio Holder for Resources and Efficiency shall be a member of the Group. The CPRG shall review progress in respect of the capital programme and shall consider all proposed new projects before the Cabinet or Full Council are requested to add them to the capital programme and shall consider any revisions to the capital programme before a revised programme is submitted to Cabinet or Full Council for consideration or approval.
- Bd5 Before any order shall be placed or expenditure incurred relating to any capital scheme, the appropriate Director, shall make a report in consultation with the Executive Director (Resources and Support Services), to the Cabinet. The report shall state the total estimated cost of the scheme and whether provision has been made for it in the approved capital programme, together with the amount of any such provision. For schemes estimated to cost in excess of £20,000 the applicable benefits card will be appended to the report. The report shall refer to any costs which may fall to be met from any revenue account of the Council as a result of the scheme being carried out, and to any grant or contribution, including its amount and any conditions which may be attached to such payment, which it is expected may be payable towards its cost. The Cabinet shall determine whether the scheme is to be carried out and, if so, shall approve the estimated cost of the scheme together with any other relevant financial matters relating to the scheme. No such reports shall be brought to the Cabinet unless the relevant scheme has been considered and approved for submission to the Cabinet by the Capital Programme Review Group.
- Bd6 The Cabinet may consider a new scheme for inclusion in the approved capital programme at any time. In doing so it shall:

- (a) have regard to its estimated costs, the comments of the relevant Director and the Executive Director (Resources and Support Services), the composition and total cost of the approved programme and the resources available or expected to be available to finance that programme.
  - (b) either give approval for the scheme to be included in the approved programme or determine that it shall not be included in the programme.
  - (c) in cases where approval is given to include a scheme in the approved programme, determine the estimated cost at which it is to be included.
  - (d) Have regard to the contents of any relevant Benefit Management Model or Capital Appraisal, as referred to in B14 and B15 and to any views expressed by the Capital Programme Review Group which are reported to it.
- Bd7 Where the Cabinet has determined that a scheme shall be included in the approved capital programme and has also approved the estimated cost of the scheme, it shall either:
- (a) add the scheme to the approved programme at the estimated cost amending at the same time the cost of another scheme or costs of other schemes within the programme (including the deletion of such schemes in their entirety) such that the total cost of the programme remains unaltered; or
  - (b) add the scheme to the approved programme, as above, with no amendment or deletion of any other schemes included in the programme, thereby increasing the total cost of the programme; or
  - (c) deal with the proposal by a combination of the two methods provided for at a and b above.
- Bd8 Directors shall:
- (a) be authorised to incur expenditure upon any capital scheme within their area of responsibility strictly in accordance with the approved estimate relating to it;
  - (b) continuously monitor the progress of each capital scheme within his area of responsibility, comparing actual expenditure incurred, or likely to be incurred, with the approved estimate for the scheme.
- Bd9 If it appears to a Director that an excess of expenditure has occurred, or is likely to occur, relating to a scheme within his area of responsibility, he shall immediately report the variation to the Cabinet.
- Bd10 The Cabinet on receiving a report concerning an actual or probable estimate variation shall resolve:
- (a) to reduce the extent of the scheme and approve a revised estimated cost for it in order to contain its cost within the approved estimate; or
  - (b) to deal with the variation by means of virement, by reducing the estimate relating to another scheme or schemes within the approved capital programme sufficient to cover it; or
  - (c) to approve a supplementary estimate for the amount of the variation; or
  - (d) not to proceed with the scheme.
- In determining how to deal with an estimate variation, the Cabinet shall have regard to the factors referred to in Financial Regulation Bd6, sub paragraph a.
- Bd11 No expenditure shall be incurred on any scheme which is to be financed, in whole or in part, by means of a grant or contribution from central government or another person or body until a written commitment, to the satisfaction of the Executive Director (Resources and Support Services), has been received by the Council from the relevant government department, person, or body that it will be paid.
- Bd12 In the event of an anticipated grant or contribution not being payable or its amount being reduced to a material extent, having regard to the total cost of a scheme, or the conditions attached to its payment being materially altered, the Director responsible for the scheme shall inform the Executive Director (Resources and Support Services) and immediately report this occurrence to the Cabinet.



Bd13 Where a shortfall of grant or contribution, or a material change in conditions, is reported to the Cabinet it shall treat it as an estimate variation and follow the procedure described in Financial Regulation Bd10.

Bd14 In cases only of genuine emergency, where it can be demonstrated that urgent Cabinet approval, outside of normal Cabinet meeting dates, is necessary to a proposal to incur capital expenditure upon a scheme, including a request for a supplementary estimate or virement as a result of an estimate variation, the extraordinary procedure permitted by Financial Regulation Bb16 shall apply.

In all cases where the extraordinary procedure permitted by this Financial Regulation is followed, the same information and advice, which would be provided, in the form of a report, to a normal meeting of the Cabinet, shall be provided to the Cabinet Member. In particular he must be informed whether the proposed expenditure is within the sum included for the scheme within the approved capital programme.

A copy of all such approvals shall be provided to the Head of Legal Services.

Bd15 The Executive Director (Resources and Support Services) shall determine the method of financing to be employed in respect of each capital scheme, subject to any instructions which may be given by the Cabinet.

Bd16 Directors shall ensure that adequate records are maintained in respect of all capital contracts.

Bd17 All claims or requests for any grant or contribution which may be payable towards capital expenditure incurred by the Council shall be made as soon as is possible. The Executive Director (Resources and Support Services) shall be responsible for the submission of all such claims or requests and for liaison with the external auditor wherever certification of a grant claim is required. However, he may, in appropriate cases, agree that another Director shall submit a claim or request, provided that the Director complies with any instructions that he may give. In such cases the Executive Director (Resources and Support Services) shall be supplied promptly with a copy of the claim or request which has been submitted. Directors shall promptly supply the Executive Director (Resources and Support Services) with any information which he may require in order to submit a claim or request within any time scale laid down by the body or person to whom the claim is to be submitted.

Bd18 The Executive Director (Resources and Support Services) shall be responsible for the submission of all bids for Supplementary or other Credit Approvals from central government. However, he may, in appropriate cases, agree that another Director shall submit such a bid provided that the Director complies with any instructions that he may give. In such cases the Executive Director (Resources and Support Services) shall be supplied promptly with a copy of the bid which has been submitted. Directors shall promptly supply the Executive Director (Resources and Support Services) with any information that he may require in order to submit a bid within any timescale laid down.

Bd19 No bid under any government, EU or other programme shall be made for capital grant or other resources where this may commit the Council to capital expenditure not already approved until the proposed bid has been referred to and approved by the Cabinet. The Cabinet shall consider the effect that a successful bid would have upon the capital programme, taking into consideration the resources available to finance capital expenditure and may approve any schemes involved and amend the programme accordingly. The Cabinet shall be kept informed of the progress of any bid, including any changes which may be proposed to its composition or to the amount of any external resources to be provided and shall, if it considers it to be necessary require that the bid be withdrawn. The Chief Executive or his delegated employee or the Cabinet may accept any offer, which may be made to the Council as a result of a bid submission which is within the approved capital programme budget. Full Council approval will be required for a bid that exceeds the total of the approved capital programme.

Bd20 No lease, hire, rental or other arrangement of a similar nature which involves a charge against the Council's credit approvals shall be entered into without reference, together with the

Executive Director (Resources and Support Services)' comments thereon, to the Cabinet for approval.

- Bd21 The Executive Director (Resources and Support Services) shall be consulted before any proposal is considered to either acquire or dispose of capital assets, including by way of exchange, in order that he may advise with regard to the impact of the capital control regulations upon the proposed transaction.
- Bd22 Upon completion of each capital scheme a report shall be made to the Cabinet its costs and any other relevant matters. This report may take the form of a schedule of completed schemes, reported periodically to Cabinet, showing the relevant data for each individual completed scheme.
- Bd23 The Executive Director (Resources and Support Services) shall ensure that a Capital Strategy is produced and revised annually. He shall submit the strategy to the Cabinet for approval.

**Explanatory notes**

*The key controls for capital programmes are: -*

- ◆ *There is specific annual approval by the Full Council for the programme of capital expenditure. During the year the Cabinet is responsible for approving additions or other changes to the programme.*
- ◆ *Expenditure on capital schemes is subject to the approval of the Executive Director (Resources and Support Services)*
- ◆ *A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by cabinet.*
- ◆ *Approval by the Cabinet where capital schemes are to be financed from the revenue budget, up to a specified amount, and subject to the approval of the full council, where the expenditure exceeds this amount*
- ◆ *Proposals for improvements and alterations to buildings must be approved by the appropriate Director*
- ◆ *Schedules for individual schemes within the overall budget approved by the Full Council must be submitted to the Cabinet for approval (for example, minor works), or under other arrangements approved by the full council*
- ◆ *The development and implementation of asset management plans*
- ◆ *Accountability for each proposal is accepted by a named manager*
- ◆ *Monitoring of progress in conjunction with expenditure and comparison with approved budget.*

**Maintenance of reserves**

- Be1 All reserves shall be maintained in accordance with the current applicable accounting code of practice.
- Be2 The purpose, usage and basis of transactions of each reserve established shall be clearly identified by the Full Council informed by the Executive Director (Resources and Support Services).
- Be3 Directors shall not incur any expenditure which is proposed to be met from reserves without consultation with the Executive Director (Resources and Support Services) who may require the proposal to be submitted to the Cabinet for approval, in which case it may not be incurred until such approval has been given.
- Be4 In advising the Full Council or Cabinet upon the prudent levels of reserves for the Council, the Executive Director (Resources and Support Services) shall have regard to advice from the Council's external auditor. He shall assess the adequacy of the General Fund balances by reference to a risk assessment of items contained within the General Fund Budget or which may become a charge against it.

**Explanatory notes**

*Reserves should be maintained in accordance with the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (CIPFA/ LASAAC) and agreed accounting policies. For each reserve established, the purpose, usage and basis of transactions should be clearly identified. Authorisation and expenditure from reserves by the appropriate Director will be in consultation with the Executive Director (Resources and Support Services).*

*No expenditure or income may be charged or credited directly to a reserve. All must be charged or credited initially to a revenue account with an appropriation (transfer) made from or to the reserve to meet the expenditure or transfer the income to it.*

**Other Accounts**

- Bf1 Expenditure proposed to be charged to any other revenue account of the Council shall be referred to the Cabinet for approval where:
- (a) the proposed expenditure is not covered by, or is likely to exceed, any existing limit or approval applicable to expenditure to be charged to that revenue account; or
  - (b) in the opinion of the Executive Director (Resources and Support Services), the proposed expenditure is of such a nature or magnitude that it should be so referred.

**C: RISK MANAGEMENT AND CONTROL OF RESOURCES**

**Risk management**

- Ca1 Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The Audit and Risk Committee shall approve a risk management Strategy for the Council and shall promote a culture of risk management awareness throughout the Council.
- Ca2 The Executive Director (Resources and Support Services) shall;
- (a) Chair a Risk Management Group (which responsibility shall not be delegated), comprising of at least one representative of each Director and any other individuals he may deem appropriate. The Group shall advise the Audit and Risk Committee of any risks to the Council and shall be responsible for the review, updating and promotion of the risk management strategy. It shall propose any amendments to the Strategy that it considers necessary to the Audit and Risk Committee.
  - (b) Be responsible for developing risk management controls in conjunction with other Directors.
- Ca3 Directors shall:
- (a) Be responsible for risk management and must have regard to advice from the Chief Executive and the Executive Director (Resources and Support Services and other specialist employees (e.g. crime prevention, fire prevention, health and safety and cash handling).
  - (b) Ensure that there are regular reviews of risk within their departments.
  - (c) Complete the Corporate Strategic/ Operational Risk Assessment Control documents for each service and update them annually.
  - (d) Ensure that business continuity plans are compiled and maintained in respect of all business critical systems and that comprehensive working notes, explaining those systems' mode of operation, are compiled and maintained.
  - (e) Utilise the corporate IT system for risk management (currently GRACE) to record and manage their risks and shall promptly supply any data requested for its update to the Head of Corporate Policy and Performance.
- Ca4 All reports shall contain reference to any major risks which the item reported upon may have for the Council and, where appropriate, a risk assessment in the corporate style will be appended.

**Explanatory note**

***Procedures should be in place to identify, assess, prevent or contain material known risks and ensure these procedures are operating effectively throughout the Council.***

***A monitoring procedure is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls.***

***Risk management processes should be conducted on a continuing basis, managers should know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives. Provision may be made for losses that might result from the risks that remain through insurance.***

***The Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.***

**Insurances**

- Cb1 The Head of Corporate Policy and Performance shall be responsible for the arrangement of appropriate insurance cover through external insurance and internal funding. He shall, after such consultation as he thinks appropriate with other employees, settle all claims within

individual policy excesses, and pass on all claims over individual policy excesses to the relevant insurer.

- Cb2 Directors shall:
- (a) give prompt notification to the Head of Corporate Policy and Performance of all new risks, properties, vehicles or any other assets which require to be insured and of any alteration affecting existing insurances;
  - (b) notify the Head of Corporate Policy and Performance in writing of any loss, liability or damage or any event likely to lead to a claim against the Council together with any information or explanation required by him or the Council's insurer's, and inform the police where necessary;
  - (c) ensure that all appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance;
  - (d) consult the Head of Corporate Policy and Performance in respect of any indemnity which the Council is requested to give;
  - (e) ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- Cb3 The Head of Corporate Policy and Performance shall:
- (a) keep a register of all insurances arranged by the Council and the property and risk covered by them;
  - (b) annually or at such other period as he may consider necessary, furnish Directors with details of all insurances in force affecting their Departments. Each Director shall review all such insurances, and any risks not insured against, or inadequately insured against, shall be notified immediately to the Head of Corporate Policy and Performance;
  - (c) ensure the adequacy of all insurances entered into by contractors of the Council. Contractors carrying out work for the Council shall have a minimum level of Public Liability insurance cover as specified by the Cabinet, unless a lower figure has been agreed in advance with the Head of Corporate Policy and Performance. An employee shall not authorise work to be commenced by a Contractor until the Head of Corporate Policy and Performance has advised such an employee that the appropriate insurances have been effected to his satisfaction.

**Explanatory note**

***The Head of Corporate Policy and Performance is responsible for arranging insurance cover and for settling claims. It is the duty of Directors to notify the Head of Corporate Policy and Performance of all new risks and possible claims.***

***Procedures are in place to investigate claims within required time scales***

***Acceptable levels of risk are determined and insured against where appropriate.***

**Internal controls**

- Cc1 The Council accepts that controls and control systems must be in place to ensure that its financial and other activities are carried out in a secure environment, in a manner that complies with the law and that fulfils its stewardship obligations. To achieve this the following key controls and control objectives and systems shall be in place:
- (a) key controls shall be reviewed on a regular basis and the Council shall make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
  - (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
  - (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;

- (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline 'Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom' and with any other statutory obligations and regulations.
- Cc2 The Executive Director (Resources and Support Services), in conjunction with the Audit Manager, shall assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- Cc3 Directors shall:
- (a) manage processes to check that established controls are being adhered to and evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks;
  - (b) review existing controls in the light of changes affecting the Council and establish and implement new ones in line with guidance from the Executive Director (Resources and Support Services). Directors shall also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication after consultation with the Executive Director (Resources and Support Services);
  - (c) ensure that employees have a clear understanding of the consequences of lack of control.

**Explanatory note**

*The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.*

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

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

*The system of internal controls is established in order to provide measurable achievement of:*

- (a) *efficient and effective operations*
- (b) *reliable financial information and reporting*
- (c) *compliance with laws and regulations*
- (d) *risk management.*

**Audit requirements**

**Internal audit**

- Cd1 The Council under delegation to the Chief Executive shall maintain an adequate and effective continuous internal audit of all the Council's activities. Such internal audit is to be performed in accordance with the Accounts and Audit Regulations 2003 and with the policy statements on internal audit issued by the Chartered Institute of Public Finance and Accountancy.
- Cd2 Internal Audit shall be independent in its planning and operation. The Audit Manager shall have direct access to the Head of Paid Service, all levels of management and to elected Members. Internal Auditors shall comply with the Auditing Practices Board's guideline 'Guidance for Internal Auditor's, as interpreted by the Chartered Institute of Public Finance and Accountancy's 'Code of Practice for Internal Audit in Local Government in the United Kingdom'.
- Cd3 Internal Auditors shall have the authority to:
- (a) enter at all reasonable times any Council establishment;
  - (b) have access to all records, documents, information and correspondence relating to any financial and other transaction as he considers necessary;

- (c) evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud;
- (d) request explanations as considered necessary to provide assurance as to the correctness of any matter under examination;
- (e) require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control;
- (f) access records belonging to third parties, such as contractors, when required and
- (g) directly access the Chief Executive, the Cabinet and the Audit and Risk Committee.

Cd4 The Audit Manager shall:

- (a) prepare the strategic and annual audit plans which will take account of the relative risks of the audit areas and submit such plans for approval to the Audit and Risk Committee;
- (b) be notified immediately by any Director, of any circumstances which may suggest the possibility of irregularity affecting cash, stocks or other property of the Council and of the potential of any fraud or corrupt activities. The Audit Manager shall report to the Chief Executive, the Section 151 Officer, the Full Council, Audit and Risk Committee, Cabinet, Standards Committee, or the external auditor any matter of a significant nature. Pending investigation and reporting, the Audit Manager shall take all necessary steps to prevent further loss and to secure records, information and documentation against removal or alteration;
- (c) exercise the utmost confidentiality in all matters relating to the audit of the Council's activities; and
- (d) ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Cd5 Directors shall:

- (a) ensure that all employees within their departments are aware of the Council's fraud and corruption policy and the arrangements for "whistleblowing" contained therein;
- (b) ensure that Internal Auditors are given access at all reasonable times to premises, personnel, documents, information and assets that the auditors consider necessary for the purposes of their work;
- (c) ensure that auditors are provided with any information and explanations that they seek in the course of their work;
- (d) consider and respond promptly to recommendations in audit reports;
- (e) ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and
- (f) ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Audit Manager prior to implementation.

#### **Explanatory note**

*The Chief Executive by delegation is required by statute to maintain an adequate and effective internal audit of the Council in order to guard against waste and fraud and is therefore, entitled to examine all documents, records and computer files maintained by the Council. Where an irregularity is suspected it is important that the Audit Manager becomes involved as quickly as possible so that for example, the rules of evidence are not breached.*

*It is management's responsibility to prevent and detect fraud arising. The audit function is to investigate the surrounding circumstances and report on the adequacy of internal controls.*

#### **External audit**

Ce1 The Executive Director (Resources and Support Services) shall:

- (a) ensure that external auditors are given access at all reasonable times to premises, personnel, documents, information and assets that the external auditors consider necessary for the purposes of their work;
- (b) ensure there is effective liaison between external and internal audit;
- (c) work with the external auditor and advise the Full Council, Cabinet and Directors on their responsibilities in relation to external audit.

- Ce2 Directors shall:
- (a) ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work;
  - (b) ensure that all records and systems are up to date and available for inspection.

**Explanatory note**

*The Audit Commission, normally for a minimum period of five year's appoints external auditors. The Audit Commission prepares a code of audit practice, which external auditors follow when carrying out their audits.*

**Preventing Fraud and Corruption**

- Cf1 The Audit Manager shall:
- (a) develop and maintain an anti-fraud and anti-corruption policy;
  - (b) maintain adequate and effective internal control arrangements;
  - (c) ensure that all suspected irregularities are reported to the Chief Executive, the Section 151 Officer and the Audit and Risk Committee.
- Cf2 Directors shall:
- (a) ensure that all suspected irregularities are reported to the Audit Manager;
  - (b) instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour;
  - (c) ensure that where financial impropriety is discovered, the Audit Manager is informed and after taking advice from the Monitoring Officer where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place;
  - (d) ensure that they and their employees complete the register of interests maintained by the Head of Legal Services;
  - (e) ensure that they and their employees comply with the anti-fraud and anti-corruption policy and the advice provided to employees.
- Cf3 The Head of Legal Services as Monitoring Officer shall have overall responsibility for the maintenance and operation of the whistleblowing policy.

**Explanatory note**

*The Council will not tolerate fraud and corruption and its expectations of propriety and accountability are that Members and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.*

*The key controls regarding the prevention of financial irregularities are that: the Council has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption; all Members and employees 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 Council or who are corrupt; high standards of conduct are promoted amongst Members by the Standards Committee; the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded; whistle blowing procedures are in place and operate effectively and that legislation including the Public Interest Disclosure Act 1998 is adhered to.*

*Irregularities must be reported to the Audit Manager immediately when they occur in order to ensure that, amongst other things, rules of evidence are not breached.*

**Assets**

- Cg1 The Executive Director (Regeneration and Development), in conjunction with the Executive Director (Resources and Support Services), shall keep an Asset Register which shall record all of the material capital assets owned by the Council, together with their values. Assets shall



be valued in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice' (CIPFA/LASAAC). The Asset Register shall be kept up to date and in accordance with the requirements of the Executive Director (Resources and Support Services). Directors shall supply any information required by the Executive Director (Regeneration and Development) or the Executive Director (Resources and Support Services) in order to maintain the Register.

- Cg2 The Executive Director (Regeneration and Development) shall maintain an up to date terrier of all land owned, leased or licensed by the Council and of land sold or leased off. The terrier must:
- (a) record the purpose for which the land is held and;
  - (b) record the location, extent and plan reference of the land.
- Cg3 The Executive Director (Regeneration and Development) shall ensure that an Asset Management Plan is produced and revised annually. Assisted by relevant Directors, he shall ensure that the plan is implemented and monitor performance against the targets and outputs contained in the plan.
- Cg4 Directors shall:
- (a) provide information to the Head of Regeneration and Assets on an annual basis, for him to update the Asset Management Plan;
  - (b) ensure that lessees and other prospective occupiers of council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved in consultation with the Head of Legal Services and Head of Regeneration and Assets, has been established as appropriate;
  - (c) ensure that arrangements exist for the proper security of all buildings, stocks, furniture, vehicles, equipment, money, and any other property under their control. They must ensure that all conditions of insurance are complied with in respect of cash and valuables;
  - (d) ensure that cash holdings on premises are kept to a minimum and do not exceed limits for unbanked money as set in Financial Regulation Dj4 without the express permission of the Executive Director (Resources and Support Services);
  - (e) ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times. The loss of any such keys shall be reported to the Audit Manager immediately;
  - (f) be responsible for conforming with the Data Protection Acts and the Government's Code of Connection (CoCo) and maintaining proper security and privacy regarding information held in the Council's computerised and manual systems;
  - (g) ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the council in some way;
  - (h) ensure that all software, discs and memory sticks are checked for viruses before being used on Council equipment and that computer systems are used in line with approved policies and legislation;
  - (i) ensure that in relation to all major software applications an escrow agreement is in place;
  - (j) ensure that no Council asset is subject to personal use by an employee without proper authority;
  - (k) ensure that all employees 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 management security and email and internet policies;
  - (l) recommend sale of an asset, subject to a joint report by themselves and the Executive Director (Resources and Support Services), where land or buildings are surplus to requirements;
  - (m) pass title deeds to the Head of Legal Services;
  - (n) ensure that assets are identified, their location recorded and that they are appropriately marked and insured;
  - (o) consult the Executive Director (Resources and Support Services) and the Audit Manager in any case where security is thought to be defective or where it is considered that special security arrangements may be needed;

- (p) record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Executive Director (Resources and Support Services), the Cabinet agrees otherwise.

Cg5 All documents of title, deeds, investment certificates etc. shall be kept in a secure place by the Head of Legal Services.

**Explanatory note**

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

*Directors are responsible for all security matters within their Departments.*

**Inventories**

- Ch1 Directors shall ensure that all Departments and Establishments maintain inventories under their control. Inventories shall record an adequate description of furniture, fittings, equipment, plant and machinery owned by the Council, with an initial purchase value in excess of that agreed by the Council. Directors should, where they consider it appropriate, also include items where the cumulative purchase value exceeds the figure set by the Council and those items of a portable and desirable nature below this limit.
- Ch2 All Directors shall notify the Executive Director (Resources and Support Services) of details of all ICT hardware and software equipment in order that he can maintain a central inventory. Directors are responsible for ensuring that only authorised software is utilised in their Departments and that no illegal copies are operational.
- Ch3 Inventories shall be in a form approved by the Audit Manager.
- Ch4 Each Director shall carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- Ch5 The Audit Manager shall have access to all Council property and to the inventories and any relevant documents.
- Ch6 The Council's property shall not be removed except in accordance with the ordinary course of the Council's business. Council property shall only be used for the Council's purposes unless specifically authorised by the appropriate Director.

**Explanatory note**

*Directors are responsible for maintaining records of furniture, fittings and equipment under their control. The regulations cover movements, write offs and disposals of such property. The disposal of obsolete materials and equipment is normally by means of tenders to buy.*

**Stocks**

**Records**

- Ci1 Each Director shall:
- (a) be responsible for the care and custody of stocks in his department. Stock accounts and records, including records of issues, write-offs and other adjustments, shall be kept by the

Director in such form as may be approved by the Executive Director (Resources and Support Services);

- (b) furnish the Executive Director (Resources and Support Services) with such documentation in connection with stock records or cost records as may be necessary for the purpose of completing the accounting and financial records of the Council. The Executive Director (Resources and Support Services), in conjunction with the Director concerned, shall determine the method to be followed in the valuation of stocks.

Ci2 A delivery note signed by the person receiving the supplies shall be obtained in respect of every delivery of supplies at the time of delivery. All supplies shall be checked for quantity at the time delivery is made and inspected for quality and compliance with the specification as soon as possible after delivery, following which FIMS shall be immediately updated with delivery details.

#### **Verification of Stocks**

Ci5 Annually at 31st March, or such other date as may be agreed with the Executive Director (Resources and Support Services), a complete stock taking of all items shall be carried out by a responsible employee authorised for that purpose by each Director. That employee shall be responsible for ensuring that actual physical stocks agree with the stock records. However, annual stocktakings may be waived in cases where the Executive Director (Resources and Support Services) is satisfied that a satisfactory system of continuous stocktaking is in operation.

Ci6 Senior Managers shall:

- (a) sign all stock sheets or stock records and certify that the particulars and prices shown on them are correct;
- (b) forward to the Executive Director (Resources and Support Services) such certificates relating to stocks as the Executive Director (Resources and Support Services) may require.

#### **Stock Levels**

Ci7 Directors shall be responsible for ensuring that stocks are not held in excess of reasonable requirements.

Ci8 No deficiency in stocks, and no items, which have become unserviceable, obsolete, stolen or irrecoverable shall be written off except on the authority of:

- (a) the Executive Director (Resources and Support Services) on the recommendation of the Director if the current value on the open market is not greater than that agreed by Council;
- (b) the Cabinet on the recommendation of the Director and the Executive Director (Resources and Support Services) if the current value on the open market is greater than that agreed by Council.

#### **Explanatory note**

*It is the responsibility of Directors to keep accurate records of the stocks received, held and issued by their Departments.*

*Directors must also ensure that actual stock levels are verified with stock records on a continuous basis or at least annually.*

*It is in the interests of the Council that stocks are kept at optimum level and Directors are responsible for ensuring that procedures exist to ensure this.*

#### **Intellectual property**

Cj1 The Head of Legal Services shall provide advice on intellectual property procedures.

- Cj2 Directors shall ensure that controls are in place to ensure that employees do not carry out private work in council time and that employees are aware of an employer's rights with regard to intellectual property.

**Explanatory note**

*Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property. In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the advice.*

**Asset disposal**

- Ck1 The Executive Director (Resources and Support Services) shall:
- (a) issue guidelines representing best practice for disposal of assets;
  - (b) ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.
- Ck2 Directors shall:
- (a) seek advice and agreement from the Audit Manager on the disposal of surplus or obsolete materials, stocks, vehicles, plant and equipment, etc before deletion from an inventory or stock list;
  - (b) ensure that income received for the disposal of an asset is properly banked and coded;
  - (c) notify the Executive Director (Resources and Support Services) of any material surplus in stocks, etc. in excess of requirements, having a resale value. These shall be disposed of by competitive tender in accordance with the provisions in the Council's Standing Orders relating to contracts or by public auction dependant on the type of supplies and the values concerned.

**Explanatory notes**

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

*Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Council, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.*

*Procedures protect employees involved in the disposal from accusations of personal gain.*

**Treasury Management**

- Cl1 All treasury management activities shall be carried out in accordance with the Council's approved Treasury Management Policy Statement. The Executive Director (Resources and Support Services) shall review the Policy Statement annually and report to the Full Council upon any amendments that may be required to it. The Full Council must approve all such amendments.
- Cl2 The Executive Director (Resources and Support Services) shall:
- (a) report to Council at any time, as he considers necessary, upon matters relating to treasury management activities. All such reports shall be made to either the Full Council or the Cabinet, as appropriate and consistent with these regulations.
  - (b) compile a Treasury Management Strategy Report, to include an annual investment strategy, covering treasury management activities to be carried out during the following financial year. The report shall be submitted to the Full Council before the

commencement of the year to which it relates and the Full Council must approve such a report before the year in question commences.

- (c) compile an annual report reviewing the previous year's treasury management activities. The report shall be submitted to the Full Council by September 30<sup>th</sup> following the end of the year to which it relates.
  - (d) compile, and the Cabinet approve, suitable Treasury Management Policies (TMPs). The Executive Director (Resources and Support Services) shall compile and maintain up to date schedules to the TMPs.
  - (e) ensure that all treasury management transactions are recorded and that there is an effective division of duties between operations.
  - (f) before the start of each year, ensure compliance with the Prudential Code of Practice and that the prudential indicators are compiled and approved by the Full Council.
  - (g) monitor the prudential indicators and report to Full Council any deviations from them.
- CI3 All securities which are the property of or in the name of the Council or its nominees shall be held in the custody of the Head of Legal Services, except in the case of externally managed funds which shall be held by an independent custodian approved by the Executive Director (Resources and Support Services).
- CI4 Loans shall not be made to third parties and interests shall not be acquired in companies, joint ventures or other enterprises without the approval of the Cabinet, following consultation with the Executive Director (Resources and Support Services).
- CI5 All trust, charitable and third party funds shall be held, wherever possible, in the name of the Council. All employees acting as trustees by virtue of their official position or otherwise shall deposit all relevant securities, etc with the Head of Legal Services. The responsible Director shall make arrangements, approved by the Executive Director (Resources and Support Services), for the secure administration of such funds and records, approved by him, shall be maintained of all transactions. All funds dealt with on behalf of such bodies shall be operated within any relevant legislation and the specific requirements of each body.

**Explanatory note**

*Treasury Management is "The Management of the Council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks."*

*Apart from some arrangements in connection with leases of plant and equipment etc, all Treasury Management functions are carried out by the Executive Director (Resources and Support Services) under the direction of the Cabinet.*

**IMPREST ACCOUNTS (Petty cash)**

- Cm1 The Executive Director (Resources and Support Services) shall:
- (a) maintain an imprest account for making departmental petty cash advances for petty cash purposes, i.e. urgent payments;
  - (b) provide employees of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and prescribe rules for operating these accounts. A receipt shall be signed in respect of each advance by the employee concerned who shall be held responsible for the cash advance received;
  - (c) determine the petty cash limit and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances;

- (d) reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

- Cm2 Directors shall ensure that employees operating an imprest account:
- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
  - (b) make adequate arrangements for the safe custody of the account;
  - (c) provide and forward details of the expenditure with supporting receipts and vouchers to the Executive Director (Resources and Support Services) with a claim for reimbursement at times agreed with him;
  - (d) Limit payments out of departmental petty cash to minor items of expenditure, not exceeding the level set by Council except by special arrangement with the Executive Director (Resources and Support Services) and all payments shall be supported by a receipt and a certified voucher;
  - (e) produce upon demand by the Audit Manager cash and all vouchers to the total value of the imprest amount;
  - (f) cross through receipts to avoid duplicate use as reclaimed from petty cash;
  - (g) record transactions promptly;
  - (h) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
  - (i) provide the Executive Director (Resources and Support Services) with a certificate of the value of the account held at 31 March each year;
  - (j) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made;
  - (k) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, account to the Executive Director (Resources and Support Services) and the Audit Manager for the amount advanced to them and repay the Executive Director (Resources and Support Services) the balance of the advance held by them.

**Explanatory note**

***Advance accounts are authorised to enable petty cash and other minor expenses to be defrayed.***

***A cash advance will be given to an authorised employee who must always be in a position to account for the full amount of the advance.***

***Complete and comprehensive records of all transactions should be maintained.***

**BANKING ARRANGEMENTS**

- Cn1 The Executive Director (Resources and Support Services) shall operate any bank or giro accounts that are considered necessary. No bank or giro accounts shall be opened without the approval of the Executive Director (Resources and Support Services).
- Cn2 Payments and receipts shall be made and received electronically where approved in advance by the Executive Director (Resources and Support Services).
- Cn3 All cheques drawn on behalf of the Council shall bear the printed signature of the Executive Director (Resources and Support Services), or be signed personally by him or his designated authorised employee. Cheques in excess of the limits specified in the Monetary Amounts table must be signed personally by him or another employee designated in writing by him.
- Cn4 The Executive Director (Resources and Support Services) shall be responsible for:
- (a) making arrangements with regard to any payments from the Council's bank accounts by means of cheques or any other method;
  - (b) all arrangements concerning the amendment, stopping, opening and cancellation of cheques.

Cn5 The Audit Manager shall be responsible for the ordering, safe custody and control and issue of cheques and for the preparation, signing and despatch of cheques.

**Explanatory note**

*The Executive Director (Resources and Support Services) is responsible for organising the Council's banking arrangements and only authorised signatories can sign Council cheques.*

*The Council is moving towards making as many transactions as possible via electronic means. In doing this the controls in relation to electronic systems have to be considered to ensure that risks are managed and minimised and the possibility of fraud is not increased by using the electronic systems.*

*To combat the possibility of fraud, close supervision must be exercised over the supply, custody, preparation, signing and despatch of cheques. Procedures for amending, stopping, opening and cancellation of cheques must be tightly controlled. There is a presumption against the opening of cheques, and a clear policy is in place to address this.*

**STAFFING**

Co1 The Executive Director (Resources and Support Services) shall ensure that budget provision exists for all existing and new employees included on the approved establishment list. **The budget will not include vacancies for which there is no budget provision.**

Co2 The Head of Human Resources shall:

- (a) Compile and keep up to date an establishment list containing all those posts that have been approved by the Cabinet. A unique reference number shall identify each post included on the list. The list shall show, for each post, the grade applicable to that post and the name of the employee currently filling that post. (Where a post is not presently filled, substituting "vacant" for the employee's name shall indicate this). The list shall be set out according to the Council's current departmental structure;
- (b) act as an advisor to Directors on areas such as National Insurance and pension contributions, as appropriate.
- (c) Compile and keep up to date a Human Resources Strategy, which shall be approved by the Cabinet.

Co3 Directors shall:

- (a) ensure that the personnel estimates are an accurate forecast of staffing levels and are equated to an appropriate revenue budget provision (including on-costs and overheads);
- (b) monitor employee activity to ensure adequate control over such costs as sickness (where the Council's Absence Management Procedures must be applied), overtime, training and temporary employees (the procedures for the employment of agency staff, issued by the Head of Human Resources must be followed where such staff are to be engaged);
- (c) ensure that the personnel estimates are not exceeded without due authority and that they are managed to enable the agreed level of service to be provided;
- (d) ensure that the Executive Director (Resources and Support Services) is immediately informed if the personnel estimate is likely to be materially over- or underspent;
- (e) ensure that employees are appointed only to posts included in the Council's establishment list and for which adequate budget provision has been made to meet the costs of employing such employees;
- (f) have regard to the Human Resources Strategy;
- (g) follow the Council's recruitment procedures;
- (h) apply the Council's Capability Procedures (where these exist) in relation to individual posts and staff occupying those posts.

**Explanatory notes**

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

*The key controls for staffing are that:*

- ◆ *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;*
- ◆ *controls are implemented that ensure that staff time is used efficiently and to the benefit of the Council and*
- ◆ *checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.*



**D: FINANCIAL SYSTEMS AND PROCEDURES**

**General**

- Da1 The Executive Director (Resources and Support Services) shall make arrangements for the proper administration of the Council's financial affairs, including to:
- (a) issue advice, guidance and procedures for employees and others acting on the Council's behalf;
  - (b) determine the accounting systems, form of accounts and supporting financial records;
  - (c) establish arrangements for audit of the Council's financial affairs;
  - (d) approve any new financial systems to be introduced and approve any changes to be made to existing financial systems.
- Da2 Directors shall ensure:
- (a) that accounting records are properly maintained and held securely;
  - (b) that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Audit Manager;
  - (c) in respect of any financial system employed by incorporating appropriate controls, that:
    - (a) all input is genuine, complete, accurate, timely and not previously processed;
    - (b) all processing is carried out in an accurate, complete and timely manner;
    - (c) output from the system is complete accurate and timely.
  - (d) that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice;
  - (e) that all systems are documented and employees required to operate them are trained in their operation;
  - (f) that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained;
  - (g) that no existing financial system shall be changed or new system introduced without consulting the Executive Director (Resources and Support Services).

**Delegation**

- Db1 Directors shall supply lists of authorised employees, with specimen signatures and delegated limits, to the Executive Director (Resources and Support Services), together with subsequent variations, in respect of payments, income collection and placing orders.

**Information Security**

- Dc1 Directors shall take all necessary action to ensure compliance with the Council's Information Security Management Policy, including to:
- (a) ensure that there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption;
  - (b) ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information shall be securely retained in a fireproof location, preferably at an alternative location;
  - (c) ensure that where, appropriate, computer systems are registered in accordance with data protection legislation and that employees are aware of their responsibilities under that legislation;
  - (d) ensure that relevant standards and guidelines issued by the Executive Director (Resources and Support Services) via the ICT Section are observed;
  - (e) ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc; and
  - (f) comply with the copyright, design and patents legislation, in particular to ensure that only software legally acquired and installed by the Council is used on its computers, that employees are aware of legislative provisions and that in developing systems due regard is given to the issue of intellectual property rights.
- Dc1 Directors shall have regard to the requirements of the Government's Code of Connection (CoCo) in relation to information security and shall take all necessary action to ensure

compliance with the Code in all respects, as notified to them by the Executive Director (Resources and Support Services) and the Head of ICT Services.

**Explanatory notes**

*The key controls for systems and procedures are:*

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

The Government has published a Code of Connection (CoCo) which all public authorities who transmit or receive data to or from central government departments must comply with. The Code sets out standards and procedures relating to information security which must be complied with, otherwise the Council will not be permitted to exchange electronic data with any government departments. It is, therefore, absolutely essential that the Council complies with the Code in all respects.

**Income and Expenditure**

**Recording and notification of sums due**

- Dd1 The collection of all monies due to the Council shall be under the control of the Executive Director (Resources and Support Services).
- Dd2 The Executive Director (Resources and Support Services) in conjunction with the Director concerned shall make and maintain adequate arrangements to ensure the proper recording of all sums due to the Council and for its prompt collection and the custody, control, and deposit, of all money received, and for the prompt and proper accounting of such money.
- Dd3 Directors shall ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded
- Dd4 The Head of Legal Services, or Directors where appropriate, shall inform the Executive Director (Resources and Support Services) as soon as possible of all monies due to the Council under contracts, leases, tenancy agreements, licenses, agreements for sales of property and any other agreements involving the receipt of monies by the Council. They shall also review leases, tenancy agreements, licences and any other agreements, which involve the receipt of money, at regular and reasonable intervals. The Executive Director (Resources and Support Services) shall have the right to inspect any documents or other evidence in connection with such matters.
- Dd5 The Executive Director (Resources and Support Services) shall be informed whenever significant expenditure is likely to occur in an area of activity that generates VAT exempt income and whenever a new or a one-off source of VAT exempt income is to be generated.
- Dd6 Cash payments in excess of £5,000 will not be accepted by the Council. Other payments in excess of £5,000 that are not paid directly to the bank shall only be received at **the Civic Offices, Cashiers Counter.**
- Dd7 All Directors shall ensure that employees involved in handling payments are aware of and comply with the Money Laundering Guidance.
- Dd8 All claims for reimbursements, contributions, grants etc. shall be made by the Executive Director (Resources and Support Services), or by arrangement with him, by the appropriate Director. Any information required for the completion of such claims shall be supplied promptly to the Executive Director (Resources and Support Services) or to his Grant Coordinator by the Director concerned. All such claims shall be made promptly and by the

due dates and the Executive Director (Resources and Support Services), or other Director, where the claim was made by them, shall ensure that all monies due to the Council are received.

### **Separation of Duties**

- De1 Directors shall ensure that the responsibility for cash collection should be separated from that:
- (a) for identifying the amount due;
  - (b) for reconciling the amount due to the amount received.

### **Receipts**

- Df1 Employees shall only give a receipt for money received on behalf of the Council on the official receipt form or in the event of electronic transactions by providing a receipt transaction number, no other form of receipt shall be used. Where a receipt is not required for a payment, no receipt will be issued but a separate record shall be kept of all such payments.
- Df2 Every transfer of money from one employee to another shall be evidenced in the records of the Departments concerned. The receiving employee must sign for the transfer and the transferor must retain a copy.

### **Money Received**

- Dg1 Income shall not be used to cash personal cheques or other payments.
- Dg2 Where cheque payments are presented personally, the receipting employee shall ensure that a cheque guarantee card supports such payments. They shall also ensure:
- (a) that the card holder signs the cheque in the presence of the receipting employee, who must ensure that the signature corresponds with that on the cheque card;
  - (b) that the code number shown on the cheque guarantee card is the same as that shown on the cheque;
  - (c) that the receipting employee personally writes the card number on the reverse of the cheque;
  - (d) that the amount of the payment does not exceed the limit shown on the face of the card;
  - (e) that the card expiry date has not passed.

Exceptions to this process will only be allowed where there is an account raised for the debt or with the written approval of the Executive Director (Resources and Support Services).

- Dg3 All cheques received shall be made payable to "Newcastle Under Lyme Borough Council". All bank payments to be into the Council's General Fund Account or other account if specified by the Executive Director (Resources and Support Services).
- Dg4 Receipts, in excess of £10,000, and any bank payments from unknown or overseas banks shall be evaluated and evidenced to ensure the legitimate source of the funds.

### **Payment by Credit and Debit cards**

- Dh1 Directors shall consult with the Executive Director (Resources and Support Services) before introducing facilities for payment by credit or debit cards.
- Dh2 All operational and commission costs relating to facilities for payment by credit and debit cards are to be met from the budget of the department offering the facilities.
- Dh3 Payments shall only be collected for credit income at establishments authorised by the Executive Director (Resources and Support Services) and on systems approved by him. This includes payments over the Internet via the Council's website which will be permitted subject to the approval of the Executive Director (Resources and Support Services). Credit income includes council tax, community charge, business rates and debtors accounts.

- Dh4 Payments will not be accepted by this method where the Council acts as a collecting agent on behalf of another organisation.
- Dh5 Where the cardholder is present for payment by credit and debit cards, the receipting employee shall ensure that:
- (a) the card holder signs the receipt in the presence of the receipting employee, who must ensure that the signature corresponds with that on the credit/ debit card or that the pin number is validated;
  - (b) that the amount being paid has been authorised independently through the bank's terminal where the amount exceeds the level set by Council for credit cards and debit cards;
  - (c) the cardholder is given a receipt from the authorising terminal as proof of payment and as well as the official receipt from the Council;
  - (d) that the expiry date on the card is still valid;
  - (e) payment by this method should be rejected if the card has expired, the signature is not comparable, or the PIN is not recognised.
- Exceptions to this process will only be allowed with the written approval of the Executive Director (Resources and Support Services).
- Dh6 A cash back facility shall not be available.
- Dh7 Credit cards shall only be accepted for payments over the amount set by Council.

#### **Security**

- Di1 Directors shall:
- (a) hold securely unused receipts, tickets and other records of income. Used receipts, tickets and other records of income shall be held securely for the appropriate period as specified by the Executive Director (Resources and Support Services);
  - (b) lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

#### **Banking**

- Dj1 Directors shall ensure, by arrangement with the Executive Director (Resources and Support Services), that all money received on behalf of the Council in any Department or Establishment is deposited with the Executive Director (Resources and Support Services). Except where by agreement with him the money is to be deposited directly with the Council's bankers.
- Dj2 For the purpose of paying money to the Council's bankers, the Executive Director (Resources and Support Services) shall provide a paying in book for the use of the employee; no other paying in stationery shall be used.
- Dj3 Every employee paying money to the Council's bankers shall enter on a paying in slip and on the counterfoil or duplicate, particulars of such payment, including in the case of each cheque paid in:
- (a) the amount of the cheque;
  - (b) some reference (such as the number of the receipt given or the name of the debtor) which will connect the cheque with the debt or debts in discharge or partial discharge of which it was received.
- Dj4 All money shall be deposited not less than weekly or such longer periods as may be arranged with the Executive Director (Resources and Support Services). Except that whenever receipts in hand exceed the amount set by Council, or such other sum as may be specified by the Executive Director (Resources and Support Services), they shall be deposited without delay.

- Dj5 Money collected and deposited shall be reconciled to the Council's bank account on a regular basis by an employee not involved in the collection or banking process.

### **Records**

- Dk1 The Executive Director (Resources and Support Services) shall agree arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection. Every employee who receives money on behalf of the Council shall comply with these arrangements.
- Dk2 All official receipt forms, books or tickets shall be in a form approved by the Executive Director (Resources and Support Services). All such forms, books or tickets and licenses for which fees are chargeable, shall be ordered, controlled and issued to all departments by the **Head of Legal Services**. All receipts and issues thereof shall be properly recorded and acknowledged and controlled to the satisfaction of the Executive Director (Resources and Support Services).
- Dk3 Directors shall, as soon as possible after the 31st March in each year, and in all cases within the timescale set, supply to the Executive Director (Resources and Support Services) schedules of all amounts outstanding where a debtors account has not been raised, in excess of the amount set by Council, or such other sum as specified by the Executive Director (Resources and Support Services), relating to their department for the previous financial year. Such schedules shall be in a form prescribed by the Executive Director (Resources and Support Services).

### **Issue of Debtors Accounts**

- Dl1 Directors shall:
- (a) promptly notify the Executive Director (Resources and Support Services), in a form approved by him, of all sums due. Debtors accounts shall be raised by the Executive Director (Resources and Support Services) in all cases unless arrangements have been agreed in writing between him and the relevant Director for accounts to be sent out directly from Departments/ Establishments. In these cases a copy of each account must be forwarded to the Executive Director (Resources and Support Services);
  - (b) assist the Executive Director (Resources and Support Services) in collecting debts that they have originated, by providing any further information requested by the debtor;
  - (c) take all practical steps to satisfy themselves as to the correct VAT treatment of their income and shall consult with the Executive Director (Resources and Support Services) when in doubt.
- Dl2 Debtors accounts shall not normally be issued for amounts less than a limit to be determined by the Council. In such cases Directors shall arrange for payment to be made before supplies/ services are supplied unless alternative arrangements are agreed with the Executive Director (Resources and Support Services).
- Dl3 There shall be no Cancellation of accounts except by full payment or final write off.
- Dl4 A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.

### **Recovery procedures**

- Dm1 The Executive Director (Resources and Support Services) will establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- Dm2 Directors shall assist the Executive Director (Resources and Support Services) in carrying out these recovery procedures by providing any information or assistance requested.

### **Write offs**

- Dn1 No debtor's account or part thereof due to the Council shall be written off unless authorised as follows:
- (a) for accounts not exceeding the financial limit established by the Council, by the Executive Director (Resources and Support Services) in consultation with the appropriate Director;
  - (b) for accounts exceeding the financial limit established by the Council, by resolution of the Cabinet on the recommendation of the Executive Director (Resources and Support Services) in consultation with the appropriate Director.
- Dn2 The Executive Director (Resources and Support Services) shall:
- (a) make appropriate accounting adjustments following write off action;
  - (b) define timescales within which write off action must occur;
  - (c) adhere to the requirements of the Accounts and Audit Regulations 2003 in relation to write offs.

### **Fees & Charges**

- Do1 All fees and charges levied or made shall be in accordance with the Council's current approved scale of charges and the law.
- Do2 Directors shall review at least annually all fees and charges for which they are responsible and report to the Cabinet which shall approve or otherwise the proposals.
- Do3 Directors shall have regard to the Charging Policy when setting fees and charges.

### **Changes in Sources of Revenue**

- Dp1 Any proposal made by a Director concerning recommended charges for new or significant variations to existing sources of revenue shall be subject to a report to the Cabinet which shall include the comments of the Executive Director (Resources and Support Services).

### **Explanatory notes**

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

### **Collection and Accounting for Income**

*Directors, in consultation with the Executive Director (Resources and Support Services), are responsible for establishing and maintaining the financial organisation necessary to ensure proper and accurate recording of sums due to the Council, and for the prompt collection and banking of such monies.*

*Local authorities are limited as to the amount of VAT they can incur on expenditure that is connected with income generating activities that are exempt of VAT. Activities that fall into this category are: cremation; sports lessons and land transactions (i.e. sales of land, commercial rents, hire of rooms, letting of market stalls and long term hire of sports facilities). The Financial Management Section has to monitor expenditure on such activities to ensure that it remains within limits set by H.M. Revenues and Customs. Where an employee is aware that significant expenditure (i.e. over and above normal running costs) is to occur on one of the above categories, he should contact the Executive Director (Resources and Support Services). Employees should also contact the Executive Director (Resources and Support Services) when the Council is to sell land or when a new source of VAT exempt income is to be generated e.g. new industrial units.*

*Where cash is received or people are present when making a payment a receipt is issued. In the case of non cash payments, or where the person is not present i.e payment through the post, over the telephone or internet, receipts are issued if requested or a transaction number is provided*

#### **Issue of Debtors Accounts**

*The limit set by the Council below which it is considered uneconomic to normally issue a debtors account is shown in the monetary amounts table. Accounts currently raised directly are crematorium, cemetery accounts and car park excess charges. The Executive Director (Resources and Support Services) still needs to be informed of the details for possible recovery action, write off information and year end information on accounts outstanding.*

#### **VAT**

*Particular care must be taken in the preparation of debtors accounts to ensure compliance with VAT regulations, given the ability of H M Revenues and Customs to impose fines for non compliance on both the Council and in extreme cases individual employees. If an employee has any doubt about the VAT liability in relation to a particular debtor's account he should contact the Executive Director (Resources and Support Services).*

#### **Debtor Account Write Offs**

*The limit set by the Council, to operate from the adoption of these Financial Regulations, above which Directors must seek Cabinet approval is set in the monetary amounts table. Below this the Director needs the approval of the Executive Director (Resources and Support Services).*

#### **New Projects**

*Where a new project is going to bring in additional income or an existing project is changing significantly, i.e. being upgraded to provide a better level of service, the repercussions on income shall be reported to the Cabinet.*

*The Charging Policy sets out the principles to be applied in setting fees and charges and these should be followed when doing this.*

#### **Requisitioning and Ordering of Work, Supplies and Services**

- Dq1 Every employee and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.
- Dq2 Each order must conform to the guidelines approved by the Full Council on procurement. Standard terms and conditions must not be varied without the prior approval of the Executive Director (Resources and Support Services).
- Dq3 Requisitions, orders and associated terms and conditions shall be in a form approved by the Executive Director (Resources and Support Services) in conjunction with the Head of Corporate Policy and Performance and shall be issued for all works, supplies and services except for:
- (a) supplies of public utility services;
  - (b) periodical payments, e.g. rent;
  - (c) petty cash purchases; and
  - (d) other exceptions agreed and authorised in writing by the Executive Director (Resources and Support Services).
- Dq4 No other order shall be recognised by the Council and orders produced by FIMS will be raised automatically following the approval of the requisition. Orders may be printed for despatch to suppliers or transmitted to them electronically (the latter being the preferred method).

- Dq5 Requisitions shall be initiated on the FIMS and shall clearly indicate:
- (a) the nature of the purchase;
  - (b) the quantity required;
  - (c) any contract or agreed prices relating to the purchase;
  - (d) in relation to contracts, the amount of retention money to be withheld;
  - (e) the delivery date when specified and location; and
  - (f) the charge code.
- Dq6 The approval of a requisition shall be by an employee authorised by the Director and via the FIMS. Approval of a requisition shall lead to its conversion into an order against which, if all details match and goods have been received and recorded as such on the FIMS, payment will be made on receipt of the invoice. No other approval will be required.
- Dq7 Requisitions and orders in excess of £50,000 shall require authorisation in accordance with Standing Orders in relation to Contracts.
- Dq8 The Director shall:
- (a) ensure that only those employees authorised by him approve requisitions electronically, or in the event of the FIMS not being available sign manual orders;
  - (b) maintain an up-to-date list of such authorised employees, including specimen signatures identifying in each case the limits of their authority;
  - (c) notify all authorisations in writing to the Executive Director (Resources and Support Services);
  - (d) ensure that unique numbered official orders are used for all supplies and services. (Other than the exceptions specified in Dq3;
  - (e) ensure that requisitions and orders are only used for supplies and services provided to the Council for its own use or that of approved partnerships. Employees must not use official requisitions or orders to obtain supplies or services for their private use;
  - (f) ensure that product information is inserted and maintained regularly within the FIMS for which they are responsible and that the correct tax codes are applied to products.
- Dq9 The authoriser of the requisition or order must be satisfied that the supplies and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles shall underpin the Council's approach to procurement. Value for money should always be achieved. The Director is responsible for the control and security of unused orders within his service.
- Dq10 Where, as a matter of urgency or emergency works, supplies or services have to be ordered verbally (without using FIMS), an official order number shall be quoted and a written confirmatory order, marked as such, shall be issued promptly.
- Dq11 Where, goods are ordered from a safe Internet site and subject to settlement at a later date, an official order number shall be quoted and a written confirmatory order, marked as such, shall be issued promptly.
- Dq12 Each order shall conform with Standing Orders relating to contract procedures and to any other relevant directions of the Council with respect to central purchasing, standardisation of supplies and materials and any other matters.
- Dq13 No commitment to purchasing items where there is an approved corporate purchasing policy, even if provided for in an approved budget, shall be undertaken without prior agreement with the appropriate section to ensure that the policy is complied with. No commitment to purchasing items where there is an approved purchasing officer responsible for that type of product shall be undertaken without prior agreement with the relevant officer to ensure that any agreement is complied with, e.g. printing and stationery (other than that used in connection with a specialised system or equipment) or Information Technology equipment.
- Dq14 All product groups shall have designated owners and only they shall update and maintain the FIMS for those products. All product owners shall identify the correct VAT codes against the



products. Where product catalogues and market places are identified and are available electronically these shall be used in preference to manual sources.

- Dq15 Orders shall clearly indicate:
- (a) the nature of the purchase;
  - (b) the quantity required;
  - (c) any contract or agreed prices relating to the purchase;
  - (d) the delivery dates where specified and location;
  - (e) the charge code in the case of manual orders and
  - (f) the address to which an account must be sent, which shall be the central address for invoices.
- Dq16 The issue of "open" orders will not be permitted unless prior written approval has been obtained from the Executive Director (Resources and Support Services).
- Dq17 Directors shall ensure that the department obtains value for money from purchases by taking appropriate steps to obtain competitive prices for supplies and services of the appropriate quality.
- Dq18 The limits will be those as specified by the Cabinet that apply to quotations in respect of orders for works, supplies and services as set out in these regulations in the monetary amounts table.
- Dq19 In the absence of any good reason to the contrary, which should be clearly indicated on file, the lowest quotation shall be accepted.
- Dq20 In cases where the minimum requirements as set out in Dq18 have not been satisfied, the reason for non compliance shall be clearly indicated on the copy order and invoice.
- Dq21 If the works, supplies or services to be supplied consist of emergency repairs to or parts supplied in an emergency for existing machinery or plant, written quotations may not be required.
- Dq22 Where orders of a repetitive nature occur and it is likely that the total value will exceed the monetary amount as specified in these regulations in any twelve-month period Financial Regulations and Standing Orders in relation to contracts shall apply.
- Dq23 Directors shall ensure that:
- (a) loans, leasing or rental arrangements are not entered into without prior agreement from the Executive Director (Resources and Support Services). This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained;
  - (b) two authorised employees are involved in the ordering, receiving and payment process. If possible, a different employee from the person who signed the order, and in every case, a different employee from the person checking a written invoice, should authorise the invoice.
- Dq24 Regard should be had to the content of the Council's Commissioning Framework for the Third Sector in applicable cases.

### **Contracts**

- Dr1 All contracts for supplies or work carried out on behalf of the Council shall be subject to the Council's Standing Orders.
- Dr2 Directors shall inform the Executive Director (Resources and Support Services) at the time of raising a requisition, that the transaction relates to a contract and the relevant retention figure shall be notified at this stage.

### **Works contracts**

- Dr3 Each Director shall:
- (a) **keep a register of Contracts** in a form approved by the Executive Director (Resources and Support Services). The Head of Legal Services shall notify the relevant Directors and the Audit Manager as soon as possible, after any contract or subcontract has been made;
  - (b) continually monitor expenditure under a contract and take such action, as he considers necessary to prevent the final contract sum exceeding that approved unless he certifies such excess is unavoidable. If the final contract sum appears likely to exceed the approved sum, this must be reported to the Cabinet and approval obtained for the additional spending before further payment can be made.
- Dr4 Payments to a contractor shall be made on receipt of an invoice, where interim measurements are to be authorised for payment by the Director, the details of which shall be requested prior to agreement of the submission of the invoice.

#### **Completion of Contracts**

- Dr5 The final invoice on completion of any contract shall not be paid until the appropriate employee or consultant has produced to the Audit Manager a detailed statement of account, all relevant documents required and the provisions of Financial Regulations Dr14 and Dr15 are satisfied.
- Dr6 The Audit Manager shall, to the extent that he considers necessary, examine final accounts for contracts and be entitled to make all such enquiries and receive all such explanations as he may require in order to satisfy himself as to the accuracy of the accounts. The Audit Manager shall notify, in writing, the appropriate Director (or private architect, engineer, consultant as appropriate) that the examination is complete and that the final payment, less retention can be issued.
- Dr7 Directors shall report to the Cabinet on the final total cost of the contract giving reasons for any variations from the original approved contract amount. This may be done via the schedule of completed schemes referred to in Financial Regulation Bd22.
- Dr8 Where completion of a contract is delayed, the Head of Legal Services shall be informed by the Director concerned in order that he may take appropriate action in respect of any claim for liquidated damages.
- Dr9 Directors shall request payment of retention monies in writing from the Audit Manager when they are due.

#### **Goods and materials contracts**

- Dr10 Each Director shall continually monitor expenditure under a contract and take such action as he considers necessary to prevent the contract sum exceeding approved budget limits where these are applicable.

#### **General**

- Dr11 Except after consultation with the Head of Legal Services an employee shall not authorise work to be commenced or goods to be supplied where such work or goods are to be the subject of a formal contract, entered into between the Council and the Contractor until the Head of Legal Services has advised such employee that the contract has been signed by the contractor and that the appropriate insurances and bonds have been effected to his satisfaction and the Executive Director (Resources and Support Services) is satisfied that the contractor is financially competent to undertake the contract.
- Dr12 The Head of Legal Services shall be responsible for keeping in secure custody all contract documents, including plans, specifications, bills of quantities, bonds etc.

#### **Variations to Contracts**

- Dr13 Subject to the provisions of the contract and Financial Regulations Dr3b and Dr10, every variation, addition to or omission from, a contract duly authorised shall be notified in writing to the Contractor by the responsible Director. Such authorisations shall, wherever practical be given before the variation etc. is carried out.
- Dr14 No variation order or instruction shall be issued which would cause the expenditure on a project to exceed the amount authorised in relation to that project by the Cabinet under Financial Regulation **Dq9** without first seeking and obtaining Cabinet approval.
- Dr15 Claims from contractors in respect of matters not clearly within the terms of an existing contract shall be referred to the Head of Legal Services for consideration of the Council's legal liability before a settlement is reached.

**Explanatory notes**

*Clearly defined standard procedures for the ordering of supplies and services are essential. Directors are responsible for ensuring that they have appropriate authority to incur expenditure on behalf of the Council and for clearly defining those employees who have authority to approve requisitions and orders on behalf of the service. With the introduction of the new FIMS the approval of the requisition will be the stage at which an order will be automatically raised and issued, Payment of the invoice following the goods receipting will be completed automatically if all aspects match. In the event of a system failure it will be necessary to return to a manual ordering system and requisition authorisers under the electronic FIMS will need to sign manual orders. The details of such emergency orders will be uploaded into the FIMS as soon as possible following its revival. Reference to written confirmation orders relates to the despatch of electronic orders where possible in preference to paper copies.*

*Reference in the regulations is made to authorising the requisition on the FIMS and the order in the case of emergency manual orders.*

*All invoices must be sent to the central creditors processing team, not to departments or outlying council buildings.*

*The Council enters into many contracts for the supply of supplies and services and the carrying out of various direct labour works. The Regulations, together with Contract Standing Orders, are designed to ensure that the Council receives value for money under the contractual arrangements and has appropriate legal recourse in the event of a supplier failing to meet contractual conditions.*

***Contract registers are maintained to show the state of account between the Council and the Works Contractor, together with any other payments and the related professional fees.***

*It is the responsibility of the Director to arrange for the monitoring, verification and certification of contract payments. The Executive Director (Resources and Support Services) relies on Directors informing him if account payments are to be held back.*

*The scope for variations to a contract will normally be governed by the terms of the contract. Directors must ensure that the terms are adhered to and/or the supplier/contractor is notified, in writing, of all variations.*

*Directors must ensure that the appropriate Capital and Revenue budgetary approvals (in accordance with Sections B of these regulations) exist where substantial variations to contracts have occurred.*

**Paying for Work, Supplies and Services**

- Ds1 The Executive Director (Resources and Support Services) shall:
- (a) make all payments on behalf of the Council, with the exception of payments out of advance accounts. The normal method of payment from the Council shall be by BACS or other instrument or approved method, drawn on the Council's bank account by the

Executive Director (Resources and Support Services). The use of direct debit shall require the prior agreement of the Executive Director (Resources and Support Services);

- (b) provide advice and encouragement on making payments by the most economical means, preferably electronic. Directors shall encourage suppliers of supplies and services to receive payment by the most economical means, preferably electronic, for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Executive Director (Resources and Support Services).

Ds2 Where the facility exists every invoice submitted to the Executive Director (Resources and Support Services) for payment shall be scanned electronically and paid where it matches the order details on the FIMS. Where a match is not made, the invoice shall require further approval prior to payment in the form approved by the Executive Director (Resources and Support Services).

Ds3 Directors shall ensure that the department maintains and reviews periodically a list of employees approved to authorise invoices. Names of authorising employees together with specimen signatures and details of the limits of their authority shall be forwarded to the Head of Finance;

Ds4 In cases where there is no electronic matching of the invoice to the order within the FIMS, the Director whose authorised employee approved the relevant requisition shall be responsible for certifying that the account is properly payable by the Council. He shall submit it to the Finance Manager as soon as possible and in all cases not later than **fifteen** working days after its receipt, unless he has established that he cannot certify the account given the requirements of Financial Regulation Ds7. Where he cannot certify an account within the **fifteen**-day period he shall promptly take all action necessary to permit him to certify the account as soon as possible. Where an invoice is disputed, he shall notify the Executive Director (Resources and Support Services) to that effect as soon as practicable.

Ds5 Every employee should be aware of and comply with “The Late Payment of Commercial Debts (Interest) Act 1998” and the corporate requirement for all invoices to be paid within 30 days of receipt unless different terms are mutually agreed with the supplier.

Ds6 The Executive Director (Resources and Support Services) shall:

(a) make payments from the Council’s funds on the Director’s certification by authorised employees that the expenditure has been duly incurred in accordance with financial regulations;

(b) make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.

(c) Make payments where electronic matching of invoices within the FIMS has taken place once the authorised officer has approved and updated FIMS for receipt of the goods and services.

Ds7 The approval of an invoice for payment via the FIMS, or certification if a manual system is used, shall mean:

- (a) that Standing Orders and Financial Regulations have been complied with;
- (b) that the receipt of the invoice has been entered on the departmental copy of the official order, or registered and matched immediately to the electronic order, unless other arrangements have been agreed with the Executive Director (Resources and Support Services);
- (c) that the works, supplies, or services have been carried out or received to the correct quantity and quality and approved as in accordance with the specification and that the prices and discounts (if any) are correct and in accordance with the contract, tenders, quotation or order and the FIMS is updated to reflect this. The system shall only be updated to record receipt of goods and services received if the authorised employee is satisfied with them. Such updating shall take place as soon as practicable by the authorised employee;
- (d) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;

- (e) that where, in exceptional circumstances, payment has to be made to a supplier/contractor in advance of the receipt of the supplies or the work being carried out, the Head of Legal Services and the Chief Executive shall be notified if those supplies/services fail to be provided following payment;
  - (f) that the net amount of the invoice can be met from within an approved estimate;
  - (g) that the invoice is arithmetically correct;
  - (h) that the invoice has not previously been passed for payment;
  - (i) that all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule;
  - (j) that appropriate entries have been made in inventories, stock records, and the asset register as required;
  - (k) that where the invoice includes VAT, it meets the requirements of H M Revenues and Customs, it is correctly calculated on the account;
  - (l) that in the case of charges for gas, electricity, and water, any standing charges are correct, consumption is charged on the correct tariff and that the consumption recorded is reasonable in the light of previous and present experience;
  - (m) For non ordered items Directors shall indicate on the FIMS against the appropriate invoice, the expenditure headings to which the invoice should be properly charged and details of the contract against which expenditure is chargeable;
  - (n) that there are no outstanding credit notes which are to be applied against the invoice;
- Ds8 All amendments to an invoice, above or below the agreed tolerance levels as approved by the Executive Director (Resources and Support Services), shall be agreed with the supplier in writing by the employee making the amendment. Such amendments shall be made in ink and signed by the employee making the amendment and initialled by the certifying employee if a different person, stating briefly the reason for the amendment if it is not obvious. An employee shall not add any additional item or items to an invoice rendered by a supplier. VAT shall not be adjusted, the invoice must be returned to the supplier for amendment or a credit note obtained.
- Ds9 All payments are to be made to subcontractors, as defined by Inland Revenue regulations where the subcontractor is in possession of a valid current registration card or certificate. All suppliers' accounts submitted to the Executive Director (Resources and Support Services) for payment must show that the card or certificate has been examined to ensure that the relevant deductions will be made.
- Ds10 Invoices shall not be made out by employees of the Council, except where the payment to be made is in respect of a recurring payment, or another payment for which the supplier will not issue an invoice. In all such cases the invoice made out shall be in a form approved by the Executive Director (Resources and Support Services).
- Ds11 The Director shall ensure that all invoices are stamped with the date received in the department. Invoices shall be forwarded to the Executive Director (Resources and Support Services) for electronic scanning (when this is available) and for matching with the originating order in the FIMS (where these facilities exist). In the case of manual orders, copies of all corresponding orders shall be marked with the date the invoice is passed to the Executive Director (Resources and Support Services) for payment together with the amount of the invoice, including a separate note of the amount of VAT on the invoice. All invoices received shall be registered within the FIMS to indicate their date of receipt. Payment will only be made if goods/ services received has been updated on the FIMS or otherwise certified by a responsible officer. The Executive Director (Resources and Support Services) may where he considers it appropriate, agree alternative arrangements to these procedures;
- Ds12 Each Director shall:
- (a) notify the Executive Director (Resources and Support Services) immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision; and
  - (b) as soon as possible after the 31st March in each year, supply to the Executive Director (Resources and Support Services) schedules of all outstanding accounts for which orders have not been matched within the FIMS, over the amount specified by Cabinet or such

other sum as may be specified by the Executive Director (Resources and Support Services), in respect of the previous financial year. Such schedules shall be in a form, prescribed by the Executive Director (Resources and Support Services).

- Ds13 The Executive Director (Resources and Support Services) shall have the right to carry out such additional checks as he considers appropriate in respect of an invoice, either before or after it is paid. In addition, he shall have the right to satisfy himself that the proper procedure laid down as to the authorising and ordering of supplies and services and the examination of accounts has been properly carried out in the spending department. All explanations and information regarding such invoices and all books and documents relating to them and facilities for inspecting supplies provided or work done shall be provided to him.
- Ds14 All payments which include VAT shall be supported by a VAT invoice or receipt.
- Ds15 Payments may be made by means of corporate credit cards. All cardholders must be approved by the Executive Director (Resources and Support Services). Where such cards are used, the current Corporate Credit Card Procedures and Terms and Conditions of Use relating to corporate credit cards, issued by the Audit Manager, must be complied with.

**Explanatory note**

*Except for payments out of advance accounts and via authorised corporate credit cards, the Executive Director (Resources and Support Services) makes all payments on behalf of the Council.*

*Invoices will be received, scanned and registered in the FIMS where they will be paid if they match with an order and the goods/ services are noted as received. In the event that they do not match to orders or receipt of goods and services has not been noted they will be queried with the relevant department and which will be required to approve the invoice for payment, to update FIMS with the receipt of goods/services.*

*The procedures and checks to be carried out on invoices are set out in the Financial Regulations. Directors are required to check the accuracy and validity of invoices payable by the Council. They must also ensure that only employees authorised by them certify invoices for payment.*

*Accurate treatment of VAT on invoices is essential; especially as H M Revenues and Customs can impose fines on the Council for non-compliance with VAT regulations. In extreme cases, H M Revenues and Customs can impose fines on individual employees. Guidance on the correct treatment of VAT can be obtained from the Council's VAT manual, which has been issued to all departments.*

*The Executive Director (Resources and Support Services) will agree procedures with Directors on the records to be maintained at departmental level.*

*The Executive Director (Resources and Support Services) will carry out pre and post payment checks, as he considers necessary.*

*The Executive Director (Resources and Support Services) needs to be informed as to the details of outstanding accounts or creditors (reserves) in order that the year end accounts can be finalised.*

*Certification – this refers to the checking and approval of invoices manually.*

*Approval – computerised – this refers to the matching of invoices to order details on the FIMS following the system being updated to confirm receipt of the goods and/or services.*

Where corporate credit cards are used, the relevant procedures and terms and conditions applicable to their use must be complied with.

**Payments to Employees and Members**

- Dt1 The Head of Human Resources shall make arrangements to:

- (a) pay all salaries, wages, pension benefits, compensation, Members allowances and other emoluments to existing and former employees, properly payable by the Council on the due date;
  - (b) record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions;
  - (c) pay Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
  
- Dt2 Directors or their authorised employee shall confirm and certify the correctness of information for all appointments, resignations, dismissals, absences from duty, suspensions, secondments, transfers, and changes in remuneration (other than normal increments), of employees. The information shall then be notified to the Head of Human Resources in order that records of employment and conditions of service can be maintained.
  
- Dt3 The Head of Human Resources shall:
  - (a) as soon as possible arrange for the necessary adjustment of any information received under Dt2 that may affect the salaries, wages or emoluments of any employee or former employee;
  - (b) provide advice and encouragement to secure payment of salaries, wages and Members allowances by the most economical means.
  
- Dt4 Directors shall notify the Head of Human Resources of all matters affecting the payment of items referred to in Dt1 and Dt2 above as soon as possible and in the prescribed form, subject to special arrangements agreed by the Head of Human Resources; and in particular of:
  - (a) absences from duty for sickness or other reason, apart from approved annual, compensatory and flexitime leave with pay;
  - (b) changes in remuneration, other than normal increments and pay awards and agreements of general application;
  - (c) information necessary to maintain records of service for pension, income tax, national insurance, etc.
  
- Dt5 Directors shall:
  - (a) ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule;
  - (b) ensure that appointments of all employees are made in accordance with the Council's policies and the approved establishments, grades and rates of pay and that adequate budget provision is available.
  
- Dt6 All time records shall be in a form approved by the Head of Human Resources and shall be certified by the appropriate Director, or his designated employee. Timesheets shall be forwarded to the Head of Human Resources in accordance with a timetable prescribed by him.
  
- Dt7 All records required for the calculation of bonus payments shall be in a form approved by the Executive Director (Resources and Support Services) and shall require such checks or certifications as he may consider necessary.
  
- Dt8 The Executive Director (Resources and Support Services) shall impose such checks on wage records, as he considers desirable.
  
- Dt9 A Director may certify payment of overtime to employees on spinal column point 35 and above only where:
  - (a) prior approval has been obtained from the Chief Executive or a Member of the Cabinet for overtime payments which are identifiable and for work of an exceptional nature; or
  - (b) a long-term vacancy (of more than two months), exists. Payments may be approved by the Director and are limited to the savings resulting from the vacancy giving rise to the additional workload.
  
- Dt10 Directors shall:
  - (a) ensure that adequate and effective systems and procedures are operated, so that:
    - payments are only authorised to bona fide employees,

- payments are only made where there is a valid entitlement,
  - conditions and contracts of employment are correctly applied,
  - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness;
- (b) send an up-to-date list of the names of employees authorised to sign records to the Head of Human Resources, together with specimen signatures;
- (c) give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HM Revenues and Customs apply a tight definition for employee status, and in cases of doubt, advice should be sought from the Executive Director (Resources and Support Services) and the Head of Human Resources;
- (d) ensure that payments are only allowed through the PAYE system ;
- (e) ensure that the Head of Human Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

#### **Allowances to Members, Travel and Subsistence**

- Dt11 Members shall submit claims for travel and subsistence allowances within two months of the date of the meeting or duty to which the claim relates and, in any event, within one month of the year-end.
- Dt12 All claims by Members of the Council shall be made in a form approved by the Executive Director (Resources and Support Services). Claims shall be certified by the Member concerned as a true and correct record and certified as correct by the Head of Legal Services or his designated employee.

#### **Travelling and Subsistence Allowance**

- Dt13 Directors shall:
- (a) certify travel and subsistence claims. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved;
- (b) be responsible for the arithmetical check of travelling and subsistence claims, the accuracy of the mileage claimed, the validity of the journeys undertaken and for ensuring compliance with the Council's car allowance regulations, car leasing scheme and such other decisions of the Council as may be appropriate.
- Dt14 The Executive Director (Resources and Support Services) shall rely on the certification of employees authorised by each Director and shall be empowered, to pay, on behalf of the Council, all claims so certified. All claims by Employees of the Council shall be made in a form approved by the Executive Director (Resources and Support Services).
- Dt15 Employee's claims must be submitted promptly and those submitted more than six months after the expenses were incurred, will only be paid with the express approval of the Executive Director (Resources and Support Services).

#### **Explanatory notes**

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

***The Head of Human Resources is responsible for the payment of employees on behalf of the Council. Directors are responsible for notifying and certifying to the Head of Human Resources all information necessary to ensure the correct payment of salaries, wages, etc.***



*There is a presumption against the payment of overtime to employees on spinal point 35 and above. However, the regulation allows exceptions to the rule in extreme circumstances*

*The Executive Director (Resources and Support Services) will pay allowances to Members in accordance with the procedures laid down by regulation Dt12. This regulation is subject to review in the light of any detailed regulations issued by the DCLG.*

*Directors are responsible for checking the accuracy and validity of employees' claims for travelling and subsistence allowances and for certifying the claims for payment.*

### **Taxation**

- Du1 The Head of Human Resources shall complete all HM Revenues and Customs returns regarding PAYE.
- Du2 The Executive Director (Resources and Support Services) shall:
- (a) complete a monthly return of VAT inputs and outputs to HM Revenues and Customs;
  - (b) provide details to HM Revenues and Customs regarding the construction industry tax deduction scheme;
  - (c) provide details to HM Revenues and Customs regarding the Council's liability under Section 53 of the Income and Corporation Tax Act 1970.
- Du3 Directors shall:
- (a) ensure that the correct VAT liability is attached to all income due and that all VAT recovered on purchases complies with HM Revenues and Customs regulations;
  - (b) ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements;
  - (c) ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency;
  - (d) follow guidance on taxation issued by the Executive Director (Resources and Support Services)

### **Explanatory notes**

*Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all employees to be aware of their role. The Executive Director (Resources and Support Services) has made arrangements for the Head of Human Resources to provide taxation help in respect of payments to Employees and Members.*

### **Trading Accounts**

- Dv1 Except where specifically stated, these financial regulations apply to the activities of trading services.
- Dv2 Directors shall:
- (a) consult with the Executive Director (Resources and Support Services) where a trading activity wishes to enter into a contract with a third party where the contract expiry date exceeds the arrangement previously agreed by the Council. In general, such contracts should not be entered into unless they can be terminated within the main agreement period without penalty;
  - (b) observe all statutory requirements in relation to trading activities, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts;
  - (c) ensure that the same accounting principles are applied in relation to trading accounts as for other services;

**Explanatory notes**

*Trading accounts have become more important as local authorities have developed a more commercial culture. The best value accounting code of practice identifies when authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the BVPP.*

**E: EXTERNAL ARRANGEMENTS**

**Partnerships**

- Ea1 Where appropriate, partnerships shall only be entered into with organisations which, in the opinion of the Chief Executive, Executive Director (Resources and Support Services) and the relevant Executive Director:-
- (a) are aware of their responsibilities under the Council's financial regulations and standing orders in relation to contracts;
  - (b) ensure that risk management processes are in place to identify and assess all known risks;
  - (c) ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
  - (d) agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences;
  - (e) communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- Ea2 The Executive Director (Resources and Support Services) shall:
- (a) advise on effective controls that will ensure that resources are not wasted;
  - (b) advise on the key elements of funding a project; they include:
    - a scheme appraisal for financial viability in both the current and future years approved by Cabinet;
    - risk appraisal and management ;
    - resourcing, including taxation issues;
    - audit, security and control requirements;
    - carry-forward arrangements.
  - (c) ensure that the accounting arrangements are satisfactory.
- Ea3 Directors shall:
- (a) maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Executive Director (Resources and Support Services)
  - (b) ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared and a pre partnership questionnaire completed as part of an overall evaluation of the partnership controls. This will form part of the control document that shall be approved by the Executive Management Team prior to seeking Cabinet approval;
  - (c) ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council;
  - (d) ensure that all agreements and arrangements are properly documented;
  - (e) provide appropriate information to the Executive Director (Resources and Support Services) to enable a note to be entered into the Council's statement of accounts concerning material items.
- Ea4 Regard shall be had to the content of the Council's Code of Practice for Partnerships.

**Explanatory notes**

*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. Councils are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Councils will still deliver many services themselves, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.*

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

*The main reasons for entering into a partnership are:*

- (a) the desire to find new ways to share risk;*
- (b) the ability to access new resources;*
- (c) to provide new and better ways of delivering services;*
- (d) to forge new relationships.*

*A partner is defined as either:*

- (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project; or*
- (b) a body whose nature or status give it a right or obligation to support the project.*

*Partners participate in projects by:*

- (a) acting as a project deliverer or sponsor, solely or in concert with others;*
- (b) acting as a project funder or part funder;*
- (c) being the beneficiary group of the activity undertaken in a project.*

*Partners have common responsibilities:*

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

*Clear reasons must be provided to Cabinet where the Council is the accountable body in the partnership and yet the regulations in Ea1 are not adopted by the partners.*

#### **External funding**

- Eb1 The Executive Director (Resources and Support Services) shall:
- (a) ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts;*
  - (b) ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements;*
  - (c) ensure that audit requirements are met.*
- Eb2 Directors shall:
- (a) ensure that funds are acquired only to meet the priorities approved in the policy framework by the Full Council;*
  - (b) ensure that the key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are understood;*
  - (c) ensure that all claims for funds are made by the due date;*
  - (d) ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.*

#### **Explanatory notes**

*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. Councils are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies, such as the National, 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.*

**Work for third parties**

- Ec1 The Executive Director (Resources and Support Services) shall give advice with regard to the financial aspects of third party contracts and the maintenance of the contract register.
- Ec2 Directors shall:
- (a) ensure that the approval of the Cabinet is obtained where necessary before any negotiations are concluded to work for third parties;
  - (b) maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Executive Director (Resources and Support Services);
  - (c) ensure that appropriate insurance arrangements are made;
  - (d) ensure that the Council is not put at risk from any bad debts;
  - (e) ensure that no contract is subsidised by the Council except where there are justifiable reasons acceptable to the Executive Director (Resources and Support Services);
  - (f) ensure that, wherever possible, payment is received in advance of the delivery of the service;
  - (g) ensure that the relevant department/unit has the appropriate expertise to undertake the contract;
  - (h) ensure that such contracts do not impact adversely upon the services provided for the Council;
  - (i) ensure that all contracts are properly documented; and drawn up using guidance provided by the Head of Legal Services and that the formal approvals process is adhered to;
  - (j) ensure that proposals are costed properly in accordance with advice provided by the Executive Director (Resources and Support Services);
  - (k) provide appropriate information to the Executive Director (Resources and Support Services) to enable a note to be entered into the statement of accounts.

**Explanatory note**

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

**DEFINITIONS/ GLOSSARY OF TERMS**

BACS	Bankers Automated Clearing Services. A system for making payments directly from one bank account to another.
BUDGET HEAD	Every line in the detailed budget book represents a budget head
CASH FIGURES	The cash limits approved by the Cabinet to apply to these Regulations exclude VAT recoverable by the Council
COMMITTEE	Where appropriate this includes Sub Committees and working parties
DIRECTOR	Means an employee who reports directly to the Chief Executive (excluding any employee in the Chief Executive's department) (currently termed Executive Directors) and the Chief Executive and shall include other such appropriate employees as may be designated by the Council as employees, or any employee authorised by a 'Director' to carry out such duties as delegated to the Head of that Service to whom the definition shall apply. Where Directors are referred to by their specific designation, e.g. Chief Executive, the same meaning applies.
FIMS	Financial Information Management System that incorporates the general ledger and the purchase to pay system, presently Agresso
GRANT COORDINATOR	A Member of Accountancy responsible for collating information from Directors in respect of grants due in, payment claims and their supporting evidence
HEADS OF SERVICE	Means an employee of the Council at the Third Tier level, i.e. immediately below the level of Director, currently comprising Heads of Service, plus any other employee who may be designated to act in a Head of Service role by the Council.
INVOICE/ ACCOUNT	The terms invoice and account in relation to payments are interchangeable.
SCRUTINY COMMITTEES	Comprises the following Overview and Scrutiny Committees: Transformation and Resources; Economic Development and Enterprise; Cleaner, Greener and Safer; Active and Cohesive Communities.
SECTION 151 OFFICER	The Officer designated by the Council to act in accordance with Section 151 of the Local Government Act 1972 in relation to the financial administration and stewardship of the Council.
SERVICE/ DEPARTMENT	The terms service and department are interchangeable
VIREMENT	Means the permission to spend more money on one budget head to cover unavoidable overspending when this is matched by a corresponding reduction on another head, or heads or combination of heads.

## Treasury Management Strategy Report 2009/10

### 1.0 Background

- 1.1 The aim of this report is to lay down the strategy to be followed for the financial year commencing 1<sup>st</sup> April 2009 in respect of the Council's treasury management activities. It is prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice published in December 2001.
- 1.2 The broad framework within which the treasury management function is to be operated is set down in the Treasury Policy Statement approved by the Council on 27<sup>th</sup> February 2002. This report sets more detailed parameters within which your officers will operate in carrying out the various treasury management functions during 2009/10.

### 2.0 Prudential Indicators

- 2.1 The report also incorporates a number of Prudential Indicators in relation to treasury management in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities ("the Code"). Regulations to the Local Government Act 2003 lay down that the Council shall have regard to the Prudential Code in determining an affordable borrowing limit.
- 2.2 The indicators are intended to demonstrate that the Council has fulfilled the objective of ensuring that its capital investment decisions are affordable, prudent and sustainable – or in exceptional cases to demonstrate that there is a danger of not ensuring this, so that timely remedial action can be taken. They are further designed to ensure that treasury management decisions are taken in a manner that supports prudence, affordability and sustainability.
- 2.3 It should be clearly understood that the prudential indicators are intended to support and record local decision making. They are not designed to be comparative performance indicators and the use of them in this way would be likely to be misleading and counter-productive.
- 2.4 All forward looking indicators must be monitored, comparing actual results with the estimate, with procedures in place to do this. Significant deviations require investigation, possible action and, where appropriate, reporting to members. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year.
- 2.5 Indicators, other than actuals derived from information in the Council's accounts, are required to be set, and where they are revised, revised through the process established for the setting and revising of the Council's budget. This report contains the indicators relating specifically to treasury management. The indicators relating to capital expenditure and its effect upon the Council Tax are reported to the Council meeting which sets the General Fund Revenue Budget and the Council Tax (25<sup>th</sup> February 2009).
- 2.6 Adoption of the CIPFA Treasury Management Code of Practice is prescribed as a Prudential Indicator in relation to treasury management generally. The Council adopted the Code at the Council meeting on 27<sup>th</sup> February 2002. The other indicators relevant to treasury management are:
  - Ratio of Financing Costs to Net Revenue Stream (estimates and previous year's actual)
  - Net Borrowing and the Capital Financing Requirement
  - Capital Financing Requirement (estimates and previous year's actual)
  - Operational Boundary

- Authorised Limit
- Upper limit on fixed interest rate exposures
- Upper limit on variable interest rate exposures
- Maturity structure of borrowings – Upper Limit
- Maturity structure of borrowings – Lower Limit
- Total principal sums invested for periods longer than 364 days
- Actual External Debt
- *Estimates of Capital Expenditure*
- *Actual Capital Expenditure*
- *Estimates of the incremental impact of capital investment decisions on the Council Tax.*

The final three Prudential Indicators shown in italics are more relevant to the setting of the General Fund Revenue and Capital Budgets. These are reported to the Council within reports relating to those matters.

### **3.0 Current Position in Relation to the Council's Debt and Investment Portfolio Debt**

- 3.1 Currently the Council has no long term external debt and is now categorised as a 'debt free' authority. Short term external loans (i.e. repayable on demand or within 12 months) can be taken to fund any temporary capital or revenue borrowing requirement. The amounts involved would fluctuate according to the cash flow position at any one time. Such short term borrowing does not affect the Council's 'debt free' status.
- 3.2 Any surplus funds arising, for example from favourable cash flow or as a result of asset sales, are potentially available for use as an alternative to short term borrowing. The Actual External Debt of the Council as at the end of the previous financial year is a Prudential Indicator. This indicator comprises actual borrowing (short and long term) plus any other relevant long term liabilities as shown in the Council's balance sheet. The indicator is not directly comparable to the authorised limit or the operational boundary since the actual external debt will reflect the actual position at one point in time. As at 31<sup>st</sup> March 2008 the Actual External Debt of the Council was nil.

#### **Investments**

- 3.3 As a result of the sale of its housing stock on 1st February 2000, the Council has a considerable capital sum available for investment. It is estimated that the approximate capital value of these investments at the 31<sup>st</sup> March 2009 will be £40,000,000 all of which will be managed In House. The strategy and detailed arrangements to be followed for the investment of the Council's funds during 2009/10 is detailed under 'Investment of Surplus Funds' later in this report.

### **4.0 Outlook for 2009/10**

- 4.1 The sub prime crisis of early 2008 was supplanted by the banking crisis of autumn 2008. The world banking system came near to collapse and governments around the world were forced to recapitalise and rescue their major banks. The resulting dearth of lending from banks anxious to preserve capital led to economic forecasts being sharply reduced and recession priced into markets. This in turn led to sharp falls in oil and other commodity prices with the result that inflation, which in the UK was running at over 5%, became yesterday's story and recession fears drove interest rate sentiment and policy.
- 4.2 The current interest rate view is that the Bank of England base rate will fall from current levels because of the intensifying global recession. Starting 2009 at 2%, it is forecast to fall to 0.5% by the end of March 2009. It is then expected to remain there until starting to rise gently from April 2010 until



it reaches 4% in January 2012. There is downside risk to these forecasts if the recession proves to be deeper and more prolonged than currently expected.

4.3 Medium term Bank of England rate forecasts are detailed below:

Calendar Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2009	0.5%	0.5%	0.5%	0.5%
2010	0.5%	0.75%	1%	1.25%
2011	1.75%	2.5%	3.25%	3.75%

#### 5.0 *Borrowing*

##### *Amount Required for Year*

5.1 The Local Government Act 2003 requires each local authority to determine and keep under review how much money it can afford to borrow. This is to be determined by the calculation of an affordable borrowing limit which Regulations to the Act specify should be calculated with regard to the CIPFA Prudential Code.

5.2 At present borrowing is not being used to fund the capital programme in view of the Council currently possessing sufficient reserves and useable capital receipts to finance capital expenditure from these sources. Borrowing may become an option if these resources become sufficiently depleted that they are insufficient to finance proposed capital expenditure deemed to be affordable or, if the costs of borrowing compare favourably with those of alternatives such as using unapplied capital receipts.

5.3 There may be a requirement to temporarily fund some capital expenditure by means of borrowing during the interim period before a permanent means of finance becomes available, for example whilst awaiting receipt of Government grant. As well as temporary borrowing required for capital purposes, it may also be necessary to borrow in order to cover any temporary shortfall in revenue income which may arise owing to either a mismatch between income and expenditure or problems concerning the non payment of amounts due to be paid by the Council's customers. These factors have been taken into account in calculating the Prudential Indicators referred to below.

#### **Prudential Indicators for Borrowing Requirement**

5.4 In order to identify the Council's underlying need to borrow for capital purposes the Code specifies that a Capital Financing Requirement Indicator should be calculated. The Capital Financing Requirement is derived from the Council's balance sheet by consolidating various items appearing in it which relate to capital, such as: fixed assets; deferred charges; fixed asset restatement reserve; capital financing reserve. The relevant figures for this Council are set out in the table below:

31/03/08 Actual (£000's)	31/03/09 Estimate (£000's)	31/03/10 Estimate (£000's)	31/03/11 Estimate (£000's)	31/03/12 Estimate (£000's)
(896)	(896)	(896)	(896)	(896)

5.5 It should be noted that a negative Capital Financing Requirement reflects the position of the Council in having no outstanding external long term debt and no present intention of taking out any over the period concerned. A further Indicator, which should be continually monitored, is a comparison of the Capital Financing Requirement with the Council's Net Borrowing (borrowing less investment). Net Borrowings should always be less than the Capital Financing Requirement. This indicator is intended to ensure that over the medium term net borrowing will only be for a capital purpose.

##### *Borrowing Limits*

5.7 The following two control figures will be applied to set the parameters within which borrowing is permitted to take place. Both of them are Prudential Indicators in terms of the Code.

### *Operational Boundary*

- 5.8 This indicates the probable external debt during the course of the year. It is not a limit and actual borrowing can vary around this boundary for short times during the year. It should act as an indicator to ensure that the Authorised Limit is not breached. The Code requires the inclusion of a figure, separately shown, for Other Long Term Liabilities representing commitments in relation to credit arrangements such as finance leases, etc. Since these do not apply in the Council's case, a nil amount is shown against this item. As referred to under 'borrowing requirement' above, the Council may, if considered desirable from a treasury management point of view, take out long term loans to finance capital expenditure incurred in 2009/10, 2010/11 and 2011/12. The figures shown in the table below reflect the possibility that up to £5,000,000 may be borrowed at any one time on a long term basis in 2009/10. The Operational Boundaries for the Council are set out below:

	<b>2009/10 Estimate (£000's)</b>	<b>2010/11 Estimate (£000's)</b>	<b>2011/12 Estimate (£000s)</b>	<b>2012/13 Estimate (£000's)</b>
<b>Borrowing</b>	5,000	5,000	5,000	5,000
<b>Other Long Term Liabilities</b>	0	0	0	0

### *Authorised Limit*

- 5.9 This represents the limit beyond which borrowing (long and short term added together) is prohibited. Officers responsible for day-to-day treasury management operations must ensure that the Council's borrowings do not exceed this limit. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. It is a statutory limit which Councils must determine in accordance with Section 3 (1) of the Local Government Act 2003. The Authorised Limits for the Council are set out in the table below:

	<b>2009/10 Estimate (£000's)</b>	<b>2010/11 Estimate (£000's)</b>	<b>2011/12 Estimate (£000s)</b>	<b>2012/13 Estimate (£000's)</b>
<b>Borrowing</b>	15,000	15,000	15,000	15,000
<b>Other Long Term Liabilities</b>	0	0	0	0

### *Sources of Borrowing*

- 5.10 Temporary borrowing will take place via money brokers, from building societies, banks, local authorities, individuals and commercial organisations and from other funds of the Council. If the Council decides to borrow on a long term basis to fund capital expenditure it is anticipated that this will be via the Public Works Loans Board.

### *Interest Rates, Loan Periods and Types of Loan*

- 5.11 The most favourable options will be selected, depending upon market conditions prevailing at the time of borrowing. The aim will be to minimise the impact upon revenue accounts and to achieve efficient management of the Council's debt portfolio. Advice will be taken, as appropriate from the Council's treasury management consultants.

## 6.0 Investment of Surplus Funds

6.1 The strategy in relation to investments together with the relevant prudential indicators is set out in Annex A. This has been compiled according to Guidance on Local Government Investments issued by the Office of the Deputy Prime Minister under powers contained in Section 15 (1) (a) of the Local Government Act 2003. The Act states that local authorities must have regard to this guidance. The Guidance recommends that an Annual Investment Strategy, setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments is produced and approved by the Full Council.

## 7.0 Interest Rate Exposure

7.1 The following limits will apply in relation to the Council's interest rate exposure. They relate to interest on both borrowings and investments. These limits are intended to reduce the risk of the Council suffering unduly from significant adverse fluctuations in interest rates.

*Limit on Fixed Interest Rate Exposures expressed as a percentage of total borrowings/investments*

	Borrowing		Investments	
	Upper	Lower	Upper	Lower
<b>2009/10</b>	100%	0%	100%	0%
<b>2010/11</b>	100%	0%	100%	0%
<b>2011/12</b>	100%	0%	100%	0%
<b>2012/13</b>	100%	0%	100%	0%

*Limit on Variable Interest Rate Exposures expressed as a percentage of total borrowings/investments*

	Borrowing		Investments	
	Upper	Lower	Upper	Lower
<b>2009/10</b>	100%	0%	100%	0%
<b>2010/11</b>	100%	0%	100%	0%
<b>2011/12</b>	100%	0%	100%	0%
<b>2012/13</b>	100%	0%	100%	0%

7.2 In relation to both investing and borrowing fixed rate investments and loans may be anything between 0% and 100% of the total, with the same proportions being permitted for variable rate loans – in effect there is no limit on each type. This enables maximum flexibility to be afforded to your officers to take advantage of prevailing interest trends to obtain the best deal for the Council. It will also enable a greater spread of risk via the Council utilising Money Market Funds (variable interest rates) to extend the Counterparties that the Council currently invests with.

## 8.0 Leasing

*Requirement for Year*

8.1 In previous years the Council has acquired many of its vehicles and items of plant by means of operating leases and major items of equipment may also be obtained in the same way.

8.2 The total amount of operating leases to be entered into during the year will depend upon the replacement requirement for vehicles and plant and upon any new requirements arising during the year. It will also depend upon the attraction of leasing as opposed to other forms of finance which may be available, in particular in comparison with contract hire terms for vehicles and plant and the

availability and relative cost of internal sources of funding (see below). The appropriate form of finance will be chosen to obtain the best deal for the Council at the time that the requirement arises.

*Period and Type of Lease*

- 8.3 An appropriate lease period will be chosen in relation to the type of asset concerned and to achieve the most satisfactory revenue account impact. Either fixed or variable rate leases may be taken out. Which is chosen will depend upon market conditions prevailing at the time the decision is made.
- 8.4 It is not the intention to employ finance leases during 2009/10 in respect of new items of vehicles, plant or equipment. However, where existing leases reach the end of their term and it is beneficial for the Council to retain the use of the leased items, a secondary lease on much reduced payment terms may be entered into, which could technically be classified as a finance lease.

*Leasing Consultants*

- 8.5 Approval has been given by the Cabinet to appoint a leasing consultant, if required, on an annual basis. Owing to there only being a limited need to acquire items of plant and equipment, giving rise to a leasing requirement, it is not intended to employ consultants in 2009/10. Any requirement which may arise is likely to be met from the internal leasing arrangement referred to below.

*Internal Leasing Fund*

- 8.6 The Cabinet has approved the establishment of an internal leasing fund, initially to finance the acquisition of Information and Communications Technology (ICT) equipment, software, etc, utilising surplus LSVT receipts. This has been extended to finance the acquisition of other items and may, therefore, be used as a source of funding for the acquisition of such vehicles, plant and equipment during 2009/10.

**9.0 Ratio of Financing Costs to Net Revenue Stream**

- 9.1 In order to show how much of the General Fund Revenue Budget is taken up by financing costs and thereby enable a judgement to be made as to whether this is a reasonable proportion, the Prudential Code requires the calculation of a Prudential Indicator to show financing costs as a percentage of Net Revenue Stream.
- 9.2 Financing Costs comprise the aggregate of, interest payable on loans and finance leases; premiums or discounts in relation to premature debt repayment; interest receivable and investment income; the amount charged as a 'Minimum Revenue Provision; depreciation and impairment charges that have not been reversed out of the revenue account.
- 9.3 Net Revenue Stream is defined as the 'amount to be met from government grants and local taxpayers'. This is the Council's 'budgetary requirements' figure shown in the General Fund Revenue Budget, being the net expenditure for the year before deducting government grants (Revenue Support and NNDR) and adjusting for the Collection Fund Surplus/Deficit. The relevant figures for this Council are set out in the table below:

	<b>2007/08 Actual (£000's)</b>	<b>2008/09 Estimate (£000's)</b>	<b>2009/10 Estimate (£000's)</b>	<b>2010/11 Estimate (£000's)</b>	<b>2010/11 Estimate (£000's)</b>
<b>Net Revenue Stream</b>	15,400	17,170	17,350	17,525	17,695
<b>Financing Costs</b>	(3,224)	(1,967)	(1,115)	(811)	(927)
<b>Ratio</b>	(20.94%)	(11.46%)	(6.43%)	(4.63%)	(5.24%)

9.4 The negative Financing Costs reflect the position that the Council's investment income exceeds the interest paid to service its external debt.

## **10.0 Cash Flow**

10.1 Every effort will be made to match receipts with payments. Prompt billing of customers in respect of sums due to the Council will take place and arrears will be actively pursued. Any cash surpluses arising will be dealt with in accordance with the procedure outlined under "Investment of Surplus Funds" above.

## **11.0 Treasury Management Consultants**

11.1 The current contract with the Council's Treasury Management Consultants, Butlers, expires on 31<sup>st</sup> March 2009. Your officers and the Portfolio holder for Resources and Efficiency worked together during November and December 2008 on a quotations exercise for the provision of the Treasury Management Consultancy service. Four companies were invited to provide a quotation based upon our detailed specification and were subsequently invited to the Civic Offices for a presentation and questions and answers session.

11.2 Accordingly, based upon a number of criteria it was decided that the most economically advantageous quotation was received by Sector, they have subsequently been awarded the Treasury Management Consultancy service contract from 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2012 (with an option to extend for a further 2 year period).

11.3 The Treasury Management Consultancy service specification includes the monitoring of market trends, counterparties, advice on strategic considerations affecting borrowing strategy and sums available for investment and any other relevant treasury management matters.

**Investment Strategy 2009/10**

**1.0 Introduction**

- 1.1 This Strategy is compiled according to Guidance on Local Government Investments issued by the Office of the Deputy Prime Minister in March 2004. It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

**2.0 General Principles**

**Security of Investments**

- 2.1 In accordance with the Investment Guidance, the Council will, in considering the security of proposed investments, follow different procedures according to which of two categories, Specified or Unspecified, the proposed investment falls into. Specified Investments offer high security and high liquidity and are:

- a) Denominated, paid and repaid in sterling;
- b) Not long term investments, i.e. they are due to be repaid within 12 months of the date on which the investment was made;
- c) Not defined as capital expenditure; and
- d) Are made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency or are made with the UK Government, a Local Authority in England, Wales, Scotland or Northern Ireland or a Parish or a Community Council.

Non-Specified Investments are those which do not meet the definition of Specified Investments.

- 2.2 In order to determine the counterparties with which it may place its funds the Council has laid down a specified criteria which determines both the counterparties that can be invested with and with limits to be applied to investments placed with them. The counterparty criteria was reviewed and amended by the Cabinet at its meeting on 30<sup>th</sup> July 2008 to a 'lowest common denominator' methodology.
- 2.3 An annual review of the counterparty list is to be undertaken by your Officers in conjunction with Sector, the Council's new treasury management consultants from 1<sup>st</sup> April 2009. The findings of this exercise will be reported to the July Council Meeting.
- 2.4 There are three major rating companies which apply financial ratings in terms of providing an opinion on the relative ability of counterparties to meet financial constraints. The 'lowest common denominator' methodology criteria used to ascertain our counterparties is included as Annex B.
- 2.5 The main reason for the change was to ensure consistencies in terms of how limits of principal can be invested are applied. The introduction of the 'lowest common denominator' methodology to selecting our counterparties and applying the limits of principal which can be invested reduces the risk to the Council of potential financial losses incurred through a counterparty's inability to repay investments and interest due.
- 2.6 The current turmoil of the credit crunch which is affecting financial institutions has reaffirmed the need to adhere to the basic principles of Local Authority investment which are security first, liquidity second and yield third, the use of a 'lowest common denominator' approach reinforces the Council's risk appreciation.

- 2.7 The Council's Treasury Management Consultants continually monitor counterparties ratings as provided by the rating agencies, and a monthly counterparty lending list is provided. The Council is informed of any changes in counterparty ratings during the month and the effect that this has on the counterparty lending list.
- 2.8 In addition Council approved on the 27<sup>th</sup> June 2007 that the Treasury Management strategy be revised to allow for investments for periods in excess of 364 days and that for these investments the Executive Director (Resources and Support Services), in consultation with the Portfolio Holder for Finance, Resources and Efficiency, be authorised to fix the period and amount for investment taking account of the prevailing market conditions at the time.
- 2.9 Currently the only Non-Specified Investments in which the Council places funds are those which have a term greater than 12 months and with some building societies which do not have a short term credit rating. It is not intended to use any other category of Non-Specified investment during 2009/10. In considering whether to place funds for longer than 12 months and in determining the period of such investment the principles and limits set out under "Liquidity" below will apply together with the criteria set out in set out as Annex B.
- 2.10 The Council has laid down a list of approved investment instruments in the Schedule to Treasury Management Practice 4 (TMP4). These are reproduced below:

***Extract from Schedule to TMP 4***

*"The following types of investments will be permitted, fixed cash deposits, certificates of deposit issued by organisations falling into the categories listed under TMP1 (5), registered British Government Securities (Gilts) and Money Market Funds. Officers of the Council may only invest in Fixed Cash Deposits and Money Market Funds."*

- 2.11 Because fund managers are not currently employed this means that investments in 2009/10 will be limited to fixed cash deposits, money market funds and the Debt Management Account Deposit Facility (DMADF). The DMADF is guaranteed by HM Government and offers investors a flexible and secure facility to supplement their existing range of investment options.
- 2.12 If the Council were to consider placing funds in any other type of investment which would be categorised as Non-Specified, the security of the capital sum would be the paramount concern. The same requirements as to credit ratings relating to Specified Investments will apply, and in appropriate cases the advice of the Council's treasury management consultants will be sought.

**Liquidity of Investments**

- 2.13 The Council will determine the maximum periods for which funds may prudently be committed. Investments will be for whatever period is considered appropriate by your officers at the time that the investment is made. Regard will be had to relevant matters such as likely future capital values and the Council's forecast need to realise investments in the future in order to finance capital expenditure or for any other purpose. The principles concerning time limits contained in the Schedule to the Treasury Management Practices will be followed.
- 2.14 There will be a limit placed upon the amount which may be invested for periods in excess of 364 days. This limit has been set using one of the Prudential Indicators required by the Chartered Institute of Public Finance and Accountancy Prudential Code for Capital Finance in Local Authorities.
- 2.15 This Prudential Indicator is intended to limit the Council's exposure to the possibility of loss that might arise as a result of it having to seek early repayment of sums invested. It consists of the amount that it is considered prudent to have invested for a period greater than 364 days in each of the next three years. The limits as set out in the table below will apply.

	<b>£000's</b>
<b>Beyond 31/03/10</b>	10,000
<b>Beyond 31/03/11</b>	10,000
<b>Beyond 31/03/12</b>	10,000

## **Yield**

- 2.16 Priority will be given to security and liquidity. Consistent with achieving the proper levels of security and liquidity, the highest rate of return will be sought for any investment made.

## **Interest Rate Exposure**

- 2.17 Limits will apply in relation to the Council's interest rate exposure. These are intended to reduce the risk of the Council suffering unduly from significant adverse fluctuations in interest rates. The limits which will apply are set out in the body of the Treasury Management Strategy Report.

- 3.0 Specific Strategy for 2009/10

## **Capital Receipts in Hand and Balances Held in Reserves**

### *Amount Available for Investment*

- 3.1 It is estimated that the amount of receipts in hand, plus reserve balances, and available for investment at the 1<sup>st</sup> April 2009 will be in the region of £40,000,000.

### *Period of Investment*

- 3.2 This will be determined in accordance with 2.2. (Liquidity of Investments) above.

### *Forward Commitment*

- 3.3 This involves agreeing in advance to place an investment with a borrower at a future specified date at an agreed interest rate. It is done in order to obtain the benefit of what are considered to be better rates than might be available later, when physical funds are likely to be available. In 2008/09 no forward commitment took place. It is intended to employ forward commitment in 2009/10 in instances whereby market conditions warrant it.

### *Return to be Obtained*

- 3.4 The overriding consideration is safeguarding the Council's capital. At all times the risk to the Council will be minimised. Within these constraints, the aim will be to maximise the return on investments made.

## **Other Temporary Surpluses**

### *Amount Available for Investment*

- 3.5 In addition to the receipts and reserve balances referred to above, the Council will, from time to time, find itself in possession of funds in excess of its immediate requirements. This may occur, for example, if income is received at a faster rate than expenditure is incurred or if grant payments are made to the Council in advance of the expenditure being incurred to which they relate. This is not a permanent state of affairs and the extent to which it will occur and, therefore, the amounts available at any time cannot be predicted.



- 3.6 Prudent financial management dictates that these temporary surpluses should be invested or used to redeem temporary loans if any are outstanding, rather than being left to lie idle in the Council's bank account. Such surpluses will normally be placed in a short term deposit account with the Council's bankers. Occasionally, where the size of the surplus warrants, short term investments will be made in the market.
- 3.7 Capital receipts which arise during the year, as a result of asset sales, will be invested with the Council's Central Loans Financing Account in substitution for external borrowing or invested on the money market on a short term basis if the Council does not have a borrowing requirement at any particular time for which they could be employed. When any useable receipts are required to finance capital expenditure or for any other purpose, the appropriate amount will be disinvested and so utilised.

*Period of Investment*

- 3.8 All temporary surplus funds will be invested on a short term basis in order that they will be available for use as and when required. This requirement has been recognised in the calculation of the Prudential Indicator relating to total principal sums invested for periods longer than 364 days set out earlier.

*Return to be obtained*

- 3.9 The aim will be to obtain the maximum rate of return which is available at the time the investment is made with an external body. This must, however, be consistent with the safeguarding of the Council's capital. At all times the risk to the Council will be minimised.

**Lowest Common Denominator Methodology**

**1.0 Upper Criteria**

1.1 Counterparties meeting our upper criteria can be invested with for up to a period of 3 years, up to £10m of principal may be invested with such counterparties. To meet the upper criteria of our counterparty listing a Bank or Building Society must as a minimum meet the following Fitch Rating Agency ratings or the equivalent rating from Moody's or Standard and Poor's:

<b>Rating Agency</b>	<b>Rating Type</b>	<b>Definition</b>	<b>Rating Required</b>	<b>Description</b>
Fitch	Short Term Rating	Places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner	F1+	Indicates the strongest capacity for timely payment of financial commitments; + denotes an exceptional credit feature
	Long Term Rating	Used as a benchmark measure of probability of default	AA-	They indicate very strong capacity for payment of financial commitments
	Individual	Assesses how a bank/building society would be viewed if it were entirely independent and could not rely on external support.	C	An adequate bank/building society, which, however, possesses one or more troublesome aspects.
	Support	Judgement on whether a bank/building society would receive support should this become necessary.	3	A bank/building society for which there is a moderate probability of support.

**2.0 Middle Criteria**

2.1 Counterparties meeting our middle criteria can be invested with for up to a period of 12 months, up to £7.5m of principal may be invested with such counterparties. To meet the middle criteria of our counterparty listing a Bank or Building Society must as a minimum meet the following Fitch Rating Agency ratings or the equivalent rating from Moody's or Standard and Poor's:

<b>Rating Agency</b>	<b>Rating Type</b>	<b>Definition</b>	<b>Rating Required</b>	<b>Description</b>
Fitch	Short Term Rating	Places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner	F1	Indicates the strongest capacity for timely payment of financial commitments
	Long Term Rating	Used as a benchmark measure of probability of default	A-	The capacity for payment of financial commitments is considered strong
	Individual	Assesses how a bank/building society would be viewed if it were entirely independent and could not rely on external support.	C	An adequate bank/building society, which, however, possesses one or more troublesome aspects.
	Support	Judgement on whether a bank/building society would	3	A bank/building society for which there is a moderate

		receive support should this become necessary.		probability of support.
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### **3.0 Lower Criteria**

- 3.1 Counterparties meeting our lower criteria can be invested with for up to a period of 6 months, up to £5m of principal may be invested with such counterparties. To meet the lower criteria of our counterparty listing a Building Society must have assets totalling greater than £1bn.

**Minimum Revenue Provision Strategy**

- 1.1 Local Authorities are required to set aside a minimum amount from revenue to fund capital expenditure, this is known as the Minimum Revenue Provision.
- 1.2 The new proposals for MRP, under The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007, became effective from April 2008.
- 1.3 An annual strategy on MRP has to be prepared and approved by Full Council. This document outlines the proposed treatment of MRP for 2009/10. There is a general duty placed on Local Authorities to make an amount of MRP which it considers to be prudent.
- 1.4 The Council's Capital Financing Requirement is a negative amount as a result of the capital receipt from the Housing Stock Transfer. This means that there is no longer any requirement to set aside a MRP for the redemption of external debt. Accordingly, this has not been provided for.