

Public Document Pack

Date of meeting Monday, 9th March, 2020
Time 7.00 pm
Venue Keele Cemetery Meeting Room - Keele
Contact Geoff Durham



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Castle House
Barracks Road
Newcastle-under-Lyme
Staffordshire
ST5 1BL

Audit and Standards Committee

AGENDA

PART 1 – OPEN AGENDA

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 **MINUTES OF PREVIOUS MEETING** (Pages 3 - 8)
To consider the minutes of the previous meeting(s).
- 4 **CORPORATE RISK MANAGEMENT REPORT- QUARTER THREE** (Pages 9 - 16)
- 5 **INTERNAL AUDIT PROGRESS REPORT - QUARTER THREE** (Pages 17 - 26)
- 6 **EXTERNAL AUDIT PLAN 2019-20** (Pages 27 - 44)
- 7 **INFORMING THE AUDIT RISK ASSESSMENT FOR NEWCASTLE UNDER LYME BOROUGH COUNCIL 2019 -20** (Pages 45 - 78)
- 8 **UPDATE OF FINANCIAL REGULATIONS** (Pages 79 - 148)
- 9 **URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors P Waring (Chair), K. Owen (Vice-Chair), S. Dymond, S. Pickup, M. Stubbs, G. Burnett and B. Panter

Members of the Council: If you identify any personal training/development requirements from any of the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Democratic Services Officer at the close of the meeting.

Meeting Quorums :- 16+= 5 Members; 10-15=4 Members; 5-9=3 Members; 5 or less = 2 Members.

SUBSTITUTE MEMBER SCHEME (Appendix 9, Section 4 of Constitution)

The Constitution provides for the appointment of Substitute members to attend Committees. The named Substitutes for this meeting are listed below:-

Substitute Members:	M. Holland	K. Robinson
	G. Hutton	G Williams
	A. Parker	B. Proctor

If you are unable to attend this meeting and wish to appoint a Substitute to attend in your place you need to:

- Identify a Substitute member from the list above who is able to attend on your behalf
- Notify the Chairman of the Committee (at least 24 hours before the meeting is due to take place) NB Only 2 Substitutes per political group are allowed for each meeting and your Chairman will advise you on whether that number has been reached

Officers will be in attendance prior to the meeting for informal discussions on agenda items.

NOTE: THERE ARE NO FIRE DRILLS PLANNED FOR THIS EVENING SO IF THE FIRE ALARM DOES SOUND, PLEASE LEAVE THE BUILDING IMMEDIATELY THROUGH THE FIRE EXIT DOORS.

ON EXITING THE BUILDING, PLEASE ASSEMBLE AT THE FRONT OF THE BUILDING BY THE STATUE OF QUEEN VICTORIA. DO NOT RE-ENTER THE BUILDING UNTIL ADVISED TO DO SO.

AUDIT AND STANDARDS COMMITTEE

Monday, 11th November, 2019
Time of Commencement: 7.00 pm

Present:	Councillor Paul Waring (Chair)		
Councillors:	K.Owen S. Dymond	S. Pickup G. Burnett	B Panter
Officers:	Annette Bailey	Business Improvement Officer (Risk and Insurance)	
	Nesta Barker	Head of Environmental Health Services	
	Geoff Durham	Mayor's Secretary / Member Support Officer	
	Jan Willis	Interim Executive Director - Resources and Support Services and Section 151 Officer	
	Caroline Elwood	Interim Head of Legal / Monitoring Officer	
Also in attendance:	Clare Potts	Stoke on Trent City Council	
	Phil Butters	Keele University	
	Helen Kent	Independent Person for Standards	

1. APOLOGIES

Apologies were received from Simon Sowerby – Business Improvement Manager and Graham Payne – Independent Member.

2. DECLARATIONS OF INTEREST

There were no declarations of interest stated.

3. MINUTES OF PREVIOUS MEETINGS

Resolved: That the minutes of the meeting held on 23 September, 2019 be agreed as a correct record.

4. MATTERS ARISING

The Chair advised that under item 8 – the final line before the resolution, it would be Grant Thornton who would produce the note. This was awaited and once received, would be circulated to Members.

5. **REVIEW AND UPDATE OF RESPONSIBILITIES OF THE COUNCIL, ITS COMMITTEES AND SUB-COMMITTEES**

Consideration was given to a report advising Members of proposed changes to the Terms of Reference for the Committee.

The Council's Interim Head of Legal / Monitoring Officer referred Members to the papers that had been handed out at the meeting which showed the tracked changes to the document. A report on this would be going to the Full Council meeting on 20 November, 2019.

Mrs Elwood advised that the name of the Committee had been updated to Audit and Standards and that the existing Terms of Reference relating to risk had been deleted. These had been replaced with Best Practice Terms of Reference from CIPFA.

The terms of reference from the former Standards Committee had been brought across in their entirety but future complaints would be considered by a sub-committee consisting of three Members appointed as and when required.

Resolved: That the proposed changes to the current Terms of Reference as set out in Appendix A be noted and that Full Council be advised that this Committee recommends their approval.

6. **HEALTH AND SAFETY SIX MONTH REPORT - 2019-20**

Consideration was given to a report informing Members of issues and trends regarding health and safety at the Council.

The Council's Head of Environmental Health Services drew Members' attention to the report at page 21 of the agenda which outlined the current health and safety matters.

The Chair asked if the software update would be significant. Mrs Barker advised that it would not be a significant change. It would actually bring back features of a previous version and training would be provided.

Councillor Panter asked for progress on the ground floor remedial works that were currently underway.

Mrs Barker advised that Staffordshire County Council were commissioning the work and they would be asked for an update.

Resolved: That the report be noted.

7. **LOCAL GOVERNMENT ETHICAL STANDARDS - REVIEW BY COMMITTEE ON STANDARDS IN PUBLIC LIFE**

Consideration was given to a report updating members on the report from the Committee on Standards in Public Life on ethical standards in local government.

Mrs Elwood advised Members that there was a 108 page document available on the review.

Twenty six recommendations had been made and these were outlined at paragraph 2.2 of the agenda report.

Members' attention was drawn to the two appendices attached to the report.

The Independent Member, Helen Kent asked if the two year appointment of independent members would commence alongside the new Code of Conduct. Mrs Elwood advised that the time already served by the current independent members would be taken into account.

- Resolved:
- (i) That the list of recommendations from the Committee on Standards in Public Life at Appendix A of the report, be noted.
 - (ii) That the adoption of the list of Best Practice recommendations at Appendix B of the report be agreed and the draft action plan approved.
 - (iii) That the intention to bring a revised Code of Conduct to the next meeting of the Committee, together with an updated Action Plan, be noted.

8. CORPORATE RISK MANAGEMENT REPORT Q2

Consideration was given to a report informing Members of the progress made by the Council in enhancing and embedding risk management for the period July to September, 2019.

The Council's Business Improvement Officer (Risk and Insurance), Annette Bailey advised Members that there were no overdue risk reviews, no risk level increases and no new risks had been identified.

Members' attention was drawn to Appendix A of the report which answered queries raised at the previous meeting of this Committee. In addition, Members Were referred to Appendix B showing notable High and Medium Risks.

Mrs Bailey advised Members that several of the identified risks would not appear on this list next time.

Councillor Panter asked whether identified risk 7 referred to First Buses only or if it included D & G. It was confirmed that it was just First Buses.

- Resolved:**
- (i) That point 2.1.1 showing that there were no overdue risk reviews be noted.
 - (ii) That point 2.2.1 advising that there were no risk level increases be noted.
 - (iii) That point 2.2.2 regarding no new risks being identified between July to September, 2019 be noted.
 - (iv) That the issues from the previous meeting be noted.

(vi) That it be noted that a comprehensive review of all risk registers reporting to this Committee will be undertaken.

(vii) That Appendix B be noted.

9. TREASURY MANAGEMENT HALF YEARLY REPORT

Consideration was given to a report to receive the Treasury Management Half Yearly Report for 2019/20 and to review the Treasury Management activity for the period.

The Council's Head of Finance Sarah Wilkes introduced the report, drawing Members' attention to Appendix 1.

Resolved: That the Treasury Management Half Yearly Report for 2019/20 be received.

10. INTERNAL AUDIT PROGRESS REPORT - QUARTER TWO - JULY TO SEPT, 2019

Consideration was given to a report updating members on the work undertaken by the Internal Audit Section during the period 1 July to 30 September, 2019.

A summary of overdue audit recommendations was tabled at the meeting.

Claire Potts of Stoke on Trent City Council introduced the report drawing Members' attention to Table 1 showing the planned audit activity and Table 2 showing the proposed audits to be deferred.

Councillor Panter asked when the Director for Commercial Development and Economic Growth would be in post and was advised that this would be the beginning of December.

Councillor Panter asked, in reference to the deferral of the audits at J2, what was being looked at.

Ms Potts advised that there were no specific areas in mind and that a risk assessment would be done for next years' Plan.

Councillor Pickup asked Jan Willis if she was happy to leave the J2 Audits until next year. Ms Willis advised that she was content to go along with the proposal but the Committee needed to ensure that all of the other planned audits were delivered.

Resolved: (i) That the report be received.
(ii) That deferral of the audits listed in Table 2 of the report, be agreed.

11. URGENT BUSINESS

There was no Urgent Business.

COUNCILLOR PAUL WARING
Chair

Meeting concluded at 7.50 pm

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**REPORT OF THE EXECUTIVE MANAGEMENT TEAM
TO THE AUDIT AND STANDARDS COMMITTEE**

09 March 2020

**CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD October to
December 2019 (Quarter 3 (Q3))**

Submitted by: Executive Management Team

Portfolio: Corporate and Service Improvement, People and Partnerships

Ward(s) affected: All

Purpose of the Report

To inform Members of the progress made by the Council in enhancing and embedding risk management for the period October to December 2019 (Q3), including progress made in managing identified corporate risks.

Recommendations

The Committee is asked to:-

- (a) Note that there are no overdue risk reviews (point 2.1.1).**
- (b) Note that there are no risk level increases (point 2.2.1).**
- (c) Note that there are 14 new identified risks (point 2.2.2).**
- (d) Note the managed additional risk in relation to Major Infectious Diseases (point 2.2.3).**
- (e) Note Appendix A and scrutinise the progress that has been made in managing the risks identified within the Corporate Risk Register.**
- (f) Identify, as appropriate, individual risk profiles to be scrutinised in more detail at the next meeting of the Committee.**

Reasons

The risk management process previously adopted by the Council has been reviewed to incorporate changes in the way the Council works and to provide continuity and streamlined reporting of risks to allow the process to become further embedded at each level of the authority. This will also aid the identification of key risks that potentially threaten the delivery of the Council's corporate priorities. The Risk Management Strategy provides a formal and proportionate framework to manage these identified risks and thus reduce the Council's exposure.

1. Background

- 1.1 The Council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the Council’s software used to record and manage risks.
- 1.2 The Council currently reviews its high (red 9) risks at least monthly and its medium (amber) risks at least quarterly.
- 1.3 The last review of these risks (Q2 2019) was reported to the Council’s Audit & Standards Committee in November 2019.
- 1.4 Risk owners are challenged by the Council’s Risk Champions in respect of the controls, further actions, ratings and emerging risks related to their risks, and are also challenged on the reasons for inclusion or non-inclusion and amendment of these.
- 1.5 Projects are managed to a high level in relation to risk and are reviewed in accordance with the Risk Management Strategy (i.e. at least monthly).

2. Issues

- 2.1 Further to an Audit Assurance recommendation, your officer has been asked to report on overdue risk reviews that are 6 months out of date.
 - 2.1.1 At the time of running the report, there are no overdue risk reviews.
- 2.2 Following a previous meeting a brief point is now produced to show any risks where the risk level has increased to a Medium 7, 8 or High 9.
 - 2.2.1 Your officer can report that there were no risk level increases.
 - 2.2.2 There were fourteen (14) new risks identified. These risks form part of the new Corporate Risk Register. See Appendix A for a list of the Corporate Risks, who is responsible and the ratings. It should be noted that by their nature these risks are not within the direct control of the Council and this is reflected in the residual risk rating.
 - 2.2.3 At the end of Appendix A, a risk is identified as Major Infectious Diseases. This risk is being managed via the Civil Emergencies Risks profile. It has been raised to Executive Management Team level in regards to the recent Covid-19 (Coronavirus) outbreak. At this time there are various control measures in place to manage the risk. Action plans to control the risk include reviewing the Business Continuity Plans throughout the Council and a review of the Pandemic-Flu plan held by the council. At this time the likelihood of an outbreak in the County, and specifically the Borough, is realised as low, however Members can rest assured that their officers are controlling this risk as far as they can in current circumstances.

2.2.3 Should there be any changes or increases during January to March 2020 these will be reported to the next relevant meeting of the Committee.

3. Options Considered

3.1 Following on from the November 2019 meeting and the comprehensive review of risk profiles taking place across the council, the only risks to be reported are those from the Corporate Risk Register, unless there are any significant occurrences or increases in other profiles.

4. Proposal – Corporate, Strategic, Operational, Project and Partnership Risk Registers (Appendices)

4.1 The Council regularly reviews and refreshes its risk registers in accordance with the Risk Management Strategy.

4.2 These reviews are co-ordinated by the Strategic Risk Champion who works closely with Directors, Operational Risk Champions and Risk Owners.

4.3 The measure of the ratings for the impact and likelihood are shown below, for ease of use.

Impact Measures

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening <u>OR</u> permanent disability	Serious injury <u>OR</u> long-term absence from work (over 7 days)	Minor injury <u>OR</u> short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, Wider Management Team reporting
Service Delivery	Serious service failure directly affecting partners, stakeholders (more than 1 month)	Service failure but not directly affecting partners or stakeholders (up to 1 month)	Service disruption (between 1 day to 2 weeks)
Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and Executive Management Team	Wider Management Team

Likelihood Measures

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year <u>OR</u> is highly likely to occur in the next year	An incident has occurred in the past 2-5 years <u>OR</u> is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years <u>OR</u> is likely to occur in the next 6+ years

L I K E L I H O O D	High	7 Amber	8 Amber	9 High Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High
IMPACT				

5. Reasons for Preferred Solution

5.1 To offer a continual review process to minimise and mitigate risks.

6. Outcomes Linked to Corporate and Sustainable Community Priorities

6.1 Good risk management is a key part of the overall delivery of the Council's four corporate priorities of:

- Local Services that Work for Local People.
- Growing our People and Places.
- A Healthy, Active and Safe Borough.
- A Town Centre for all.

7. Legal and Statutory Implications

7.1 The Accounts and Audit (England) Regulations 2015, state that:

*“The relevant body **is** responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and*

operational management of the authority is effective, and includes effective arrangements for the management of risk”.

8. Equality Impact Assessment

8.1 There are no differential equality impact issues in relation to this report.

9. Financial and Resource Implications

9.1 None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members of relevant Committees.

10. Major Risks

10.1 As highlighted in Appendix A.

11. Sustainability and Climate Change Implications

11.1 Officers assess sustainability and climate change implications as part of their local services.

12. Key Decision Information

12.1 This report is for information and there are no key decision requirements pertaining to the information contained within the report.

13. Earlier Cabinet/Committee Resolutions

13.1 Previous Minutes from Committee meeting held on 11 November 2019.

14. List of Appendices

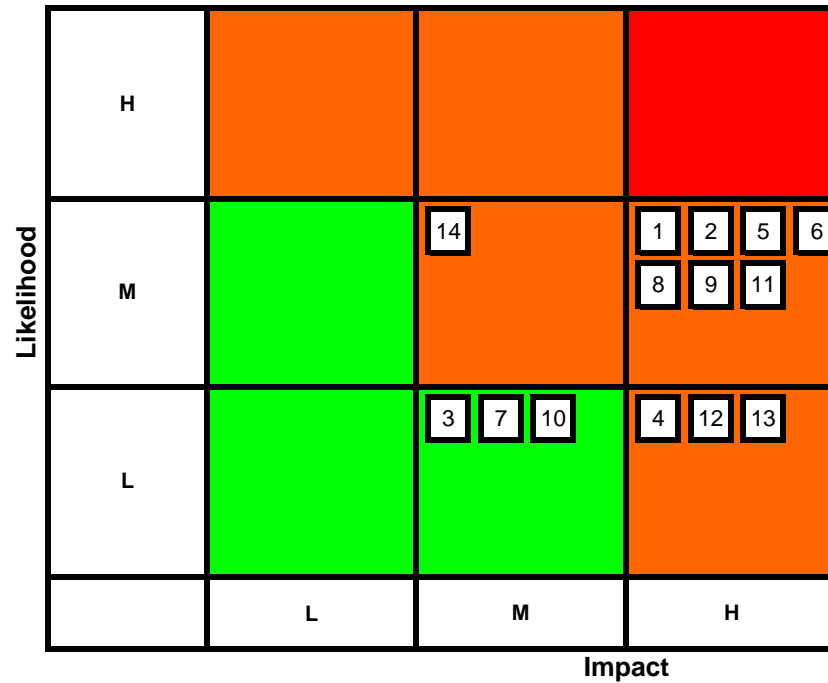
14.1 Appendix A – Corporate Risks and heat map.

15. Background Papers

15.1 Previous Minutes and reports have been circulated to relevant Members and Officers.

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Corporate Risks @ 20/02/2020



Risk #	Risk	Risk Description	Implication on the Council	Risk Owner	Risk Rating	Final Impact	Final Likelihood	Final Risk Rating
1	Breach of health and safety	Failure to comply with relevant health and safety legislation.	Reputational damage. Adverse financial implications. Third party intervention.	Martin Hamilton (Chief Executive)	9	H	M	6
2	Civil emergency	Civil emergency	Significant disruption to service delivery.	Martin Hamilton (Chief Executive)	2	M	L	2
3	Corporate Governance	Failure of Corporate Governance exposes the Council to financial, legal or reputational risk.	Reputational damage. Adverse financial implications. Third party intervention. Impacts on third parties.	Martin Hamilton (Chief Executive)	6	H	L	3
4	Cyber risk	<p>The Council's infrastructure could be compromised by the introduction of malicious software. This could include a traditional destructive virus or another type of incursion such as information gathering software, ransomware, credential harvesting, etc.</p> <p>The threat from Cyber terrorism continues to increase on a global scale and by July 2017, two high profile, highly effective ransomware attacks had already taken place, crippling organisations in both the public and private sector.</p> <p>Everything from non-criminal system failures to criminal activities (be they first or third party) can impact on our ability to operate.</p> <p>•With the new GDPR legislation the risks associated with breaches, made worse by non-compliance to security standards and general best practice, have increased the need to understand our risk landscapes and mitigate them as appropriate.</p>	<p>This risk implies that the Council's network or infrastructure has been compromised and an unknown threat actor who has successfully introduced malicious software such as a virus or ransomware to our environment. It should also be considered that this introduction has or will disrupt services or otherwise compromise the Council's information systems over an undetermined period.</p> <p>The malicious software could have been introduced in any number of ways, such as by a member of staff clicking on a link within an email, the opening of a malicious file or the failure of ICT or a service provider to sufficiently patch and update vulnerable systems. There is also the potential for an attack to make use of a zero-day exploit - something which takes advantage of a previously unknown vulnerability, for which there is no immediate fix or protection.</p>	Jan Willis (Interim Director Resource and Support Services)	9	H	M	6
	Data Breach	Non-compliance with the Data Protection Act and and General Data Protection Act	Reputational damage. Adverse financial implications. Third party intervention. Impacts on third parties.	Jan Willis (Interim Director Resource and Support Services)	6	H	M	6

	Air Quality	Failure to monitor and control the air quality in the Borough.	Damage to health / potential legal challenge and further action by Government including intervention in LA Air Quality function. Significant financial implications. Lack of Public Confidence. Reputational damage. Fines if passed down are likely to adversely impact council services. Failure to deliver existing workload commitments and statutory duties	Dave Adams (Executive Director (Operational Services))	9	H	M	6
7	Failure of major insurer	Failure of major insurer	Gaps in insurance coverage. Inability to pursue claims resulting in financial loss. Additional burden on in-house insurance section.	Martin Hamilton (Chief Executive)	2	M	L	2
8	Financial Risk	Council's financial position is unsustainable in the medium to long term.	Council unable to sustain service coverage and quality, potentially requiring large scale workforce reductions and withdrawal from non-statutory activities. Potential for intervention and reputational damage including downgrading of credit worthiness leading to higher borrowing	Jan Willis (Interim Director Resource and Support Services)	6	H	M	6
9	Loss of major contractor	Loss of major contractor or supplier to the Council.	Disruption to supply chains and service delivery resulting in reputational damage.	Martin Hamilton (Chief Executive)	6	H	M	6
10	Loss of operating building	The risk of Castle House or the Depot being unavailable due to an event	Significant disruption to service delivery. Reputational damage.	Martin Hamilton (Chief Executive)	2	M	L	2
11	Safeguarding	Failure of the Borough Council (both officers and Members) to recognise both a moral and legal obligation to ensure a duty of care for children and adults across its services. The Borough Council is committed to ensuring that all children and adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council.	Reputational damage. Legal action. Third party intervention.	Martin Hamilton (Chief Executive)	6	H	M	6
12	Strategic Priorities	Lack of capacity to deliver strategic priorities, and or resource allocation not aligned to strategic priorities	The risk is that the Council will fail to deliver its key priorities as set out in the Council plan.	Jan Willis (Interim Director Resource and Support Services)	6	H	L	3
13	Strategic Projects	Failure to delivery key strategic project or projects	Reputation damage. Financial Implications.	Simon McEneny (Exec Dir (Commercial Development and Economic Growth))	6	H	L	3
14	Workforce	Lack of capacity due to failure to replace key staff or provide resources to cover the work of staff temporarily involved in other priority areas. Failure to train and develop employees to meet the needs of the Council. Failure to implement effective reviews of policies and procedures.	The risk is that the Council will not be able to sustain service quality due to capacity issues or that skills gaps will emerge. This could impact on staff wellbeing, productivity and performance and damage employee relations.	Jan Willis (Interim Director Resource and Support Services)	6	M	M	5
	Major infectious disease	Includes pandemic flu and emerging or newly recognised diseases.	Fatalities; disruption to the supply chain; restriction of movement to try to limit the spread of disease; longevity of risk could go on for months; Major loss of staff and resources; extra service requirement in respect of dealing with fatalities (burial/cremation);	Civil Contingencies	3	H	L	3

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO AUDIT & STANDARDS COMMITTEE

Date: 10th February 2020

INTERNAL AUDIT PROGRESS REPORT – Quarter Three 2019/20

Submitted by: Chief Internal Auditor, Clare Potts

Portfolio Finance and Efficiency

Ward(s) affected Not Applicable

Purpose of the Report

To report on the work undertaken by the Internal Audit section during the period 1st October to 31st December 2019. This report identifies the key issues raised. The full individual reports issued to Officers contain the key issues and recommendations.

Recommendations

- 1. That Members consider the report.**
- 2. That Members agree to defer the audits listed in section 3.2 (Table 2) below**

Reasons

The role of Internal Audit is to ensure that the Council has assurance that controls are in place and operating effectively across all Council Services and Departments. Where required, recommendations are made and agreed with management to ensure that key controls are well designed and operating effectively which provides assurance as to the efficiency and effectiveness of the system, service or process under review.

1 Background

1.1 The Internal Audit Plan for 2019/20 allows for 365 days of audit work.

1.2 This is the third progress report of the current financial year presented to the Committee and the areas that it will cover are as follows;

- Actual against planned performance for the first two quarters, demonstrating progress against the plan
- Details of audit reviews completed and final reports issued
- Outstanding recommendations for audit work previous undertaken
- Consultancy and non-audit work

2. Performance Against Plan

2.1 The Audit & Standards Committee approved the internal audit plan for 2019/20 at the April 2019 meeting. Progress against the annual audit plan (i.e. planned audits completed), is outlined in table 1 over. As at the end of December 2019, of the 33 areas / services of scheduled assurance work for 2019/20, 19 (57.6%) had either been completed or were in progress.

Table 1
2019/2020 Planned Audit Activity as at the end of December 2019

Stage	No.	%	Comment
Audits completed	5	15.2%	Listed at Table 3: October to December 2019
Audits in progress	14	42.4%	Listed at Table 4
Remaining Audits due this Year	6	24.2%	
Audits Deferred – Quarter 2	6	18.2%	See 3.2 below
Audits Deferred – Quarter 3	2		See Table 2 below
Total	33	100.0%	

2.2 The planned work in progress at the end of December 2019 is outlined at Table 2 below. It is intended that this will be completed during the final quarter of 2019/2020.

3 Issues

3.1 Following the most recent review of the plan it has been identified that the percentage of audits completed or in progress is below the expected 75% at the third quarter stage. The plan is regularly monitored and where necessary revised to take into account both unforeseen and new developments. During the past 9 months the internal audit team have been involved in special investigations which have meant that a number of planned audits have been delayed. Whilst flexibility was included in the original plan to support internal investigations, this has not been sufficient to cover all the work required.

3.2 As audit resources are finite, it is important to target resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. To assist the internal audit team, alternative arrangements for the delivery of some audits have been put in place.

3.3 The audits approved by the Committee for deferral at the end of quarter 2 were Jubilee 2, Major projects, commercial review, GDPR compliance, project management, Application system security (Mitre Finch – Time Recording System / Guard and Payroll systems). Following a further review, it is now proposed that the audits listed in table 2 below are deferred for the reasons given in the table.

Table 2 – Further Audits to be Deferred

Audit	Rationale for Deferral
Planning	To be deferred to 2020/21 audit plan as new Head of Service in post and priority is to be given to the preparation of the Joint Local Plan.
Brexit	Audit deferred to 2020/21 audit plan in light of the Brexit deal agreed before Christmas.

3.3 Deferring the audits listed in table 2 above will enable the remainder of the 2019/20 planned to be delivered within the financial year. This will be kept under review and a further update provided to the Committee in the annual report.

3.4 The Council's s151 officer is satisfied that delivery of the remaining audits will ensure sufficient audit coverage over the course of the year to provide an acceptable level of assurance about the adequacy of management controls.

4. Audit reviews completed and final reports issued between October to December 2019

4.1 On completion of the audit reviews an opinion can be given as to the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Well Controlled	Controls are in place and operating satisfactorily. Reasonable assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money (VFM)
Adequately controlled	There are some control weaknesses but most key controls are in place and operating effectively. Some assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.
Less than adequately controlled	Controls are in place but operating poorly or controls are inadequate. Only limited assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.
Poorly controlled	Controls are failing or not present. No assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.

4.2 The table below shows the overall audit opinion and the number and types of recommendations agreed to improve existing controls, or introduce new controls on the audit review completed since the 1st October 2019.

**Table 3
Audits Completed July to September 2019**

Audit Area	Level of Assurance	Number of Recommendations and Classification			Total
		High	Medium	Low	
Chief Executives					
HR Absence Management	Less than adequately controlled	0	14	1	15
Resources & Support Services					
Purchase to Pay	Well controlled	0	1	0	1
Corporate					
Corporate Governance	Adequately controlled	0	2	3	5

4.3 In respect of the HR Absence Management Review, action has already been taken to address the identified weaknesses and 12 of the 15 audit recommendations had been implemented as at the end of Q3. A new Attendance Management Policy is

now in place. Reminders have been issued to staff and managers to ensure the key requirements of the new policy are being actioned. Training for managers on the new policy is also currently ongoing. A follow up audit was completed in January and a revised audit opinion of adequately controlled issued. This will be reported in the annual report to this Committee.

- 4.4 A number of audits were in progress at the end of December 2019 and these are shown in the table 4 below.

**Table 4
Planned Audits in progress at the end of December 2019**

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Resources & Support Services	Income Collection incl. Cash Handling	Preparation
	Asset Management Capital	Fieldwork
	Council Tax	Fieldwork
	Housing Benefits	Fieldwork
	Civica - General Ledger	Draft
	NNDR	Draft
	Sundry Debtors	Draft
Operational Services	Kidsgrove Sports Centre Community Asset Transfer	Preparation
Corporate	Ethics	Preparation
	Procurement	Fieldwork
	Contract Management Governance	Fieldwork
IT Audit Assurance (External)	Application system user security review – Housing and associated homelessness systems	Fieldwork
	Identity and Access Mgmt (Cyber Controls Managing User Privileges)	Fieldwork
	Cyber Controls Framework – Malware Prevention – including Internet content filtering controls.	Fieldwork

5. Number of Recommendations Implemented

- 5.1 At the conclusion of every audit, an audit report is issued to management detailing findings of the audit review together with any recommendations required to be implemented to address any weakness identified.
- 5.2 At the end of quarter two there were no outstanding high priority recommendations. High priority recommendations are those where action is considered imperative to ensure that the authority is not exposed to high risks. It is therefore agreed with management that high level recommendations are implemented within one month of the report date.
- 5.3 During quarter three, a full review of all outstanding recommendations was undertaken to ensure service managers were aware of the outstanding recommendations and are actively undertaking the required improvements. This has improved the number of outstanding recommendations from the quarter 2 position

but further work is required and increased monitoring will continue to ensure as many recommendations as possible are implemented by the end of the year.

- 5.3 For the current financial year, up to the end of December 2019, 50 recommendations had been made, of which 10 have not yet reached their due date for implementation. Eight recommendations are not implemented and are overdue. These relate to reviews of corporate governance, recycling and absence management. Six of the recommendations are of medium priority with three concerning recycling and two regarding corporate governance.
- 5.4 For the previous financial year (2018/19), a total of 54 recommendations were made, of which 39 have been implemented, which represents 72% of those recommendations due. The target for the implementation of all recommendations is 96% by the end of the financial year. Therefore this target has not been achieved. Internal audit will continue to work with managers to ensure that all remaining recommendations are implemented as soon as possible.
- 5.5 A number of recommendations also remain overdue from prior financial years. A summary of all overdue recommendations by financial year is in table 5 shown below. A further summary of outstanding recommendations for each of the four directorates can be found at Appendix A.

Table 5 – Recommendations Not Yet Implemented

Financial Year	Not Yet Due		Overdue		Total
	Extended	Not Extended	Extended	Not Extended	
2019/20	0	10	2	6	18
2018/19	0	2	7	6	15
2017/18	0	0	1	1	2
2016/17	0	0	0	0	0
2015/16	0	0	7	0	7
Total	0	12	17	13	42

- 1.3 With the production of the Annual Governance Statement in conjunction with the Statement of Accounts the follow up and implementation of recommendations is increasingly important, since they provide both officers and Members with assurance as to the effectiveness of key internal controls.
- 1.4 Assurance is provided on an annual basis as part of the Internal Audit Annual Report. It is also provided to each Executive Director on a monthly basis, based on the number of recommendations that have been implemented, and where the target date has been changed more than twice on either medium or high risk recommendations.
- 5.8 Internal audit will continue to work with appropriate service managers to ensure that all remaining outstanding recommendations are implemented.

6 Options Considered

- 3.1 Audit recommendations are discussed and agreed following the issue of the draft audit report. These draft discussions give management the opportunity to discuss and agree the recommendations that have been proposed.
- 3.2 The audit plan is monitored on a regular basis to ensure that it is achievable and reflects the key risks affecting the council. Due to internal audit involvement in an on-

going special investigation, a review of the planned audits not yet started has been undertaken and an option to defer a number of audits is therefore proposed.

7 Proposal

- 7.1 In agreeing to audit reports, management acknowledge the issues raised and risks identified from the review and therefore accept the recommendations that have been made.

8 Reasons for Preferred Solution

- 8.1 By implementing the recommendations, the exposure to risk is reduced and achievement of the Council's objectives maximised. The completion of the audit plan provides assurance of the Council's systems and internal controls.

9 Outcomes Linked to Corporate Priorities

- 9.1 The Internal Audit team directly contribute to the corporate priority "transforming our Council to achieve excellence". The mission of internal audit is "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight" (Public Sector Internal Audit Standards). The results of the work undertaken during the year contribute to the overall annual internal audit opinion. This assists the Audit & Standards Committee and the Executive Management Team to discharge their roles of accountability and stewardship which represents a key element within the Authority's governance framework.

- 9.2 The Internal Audit function also contributes to the prevention, detection and investigation of potential fraud and corruption incidents as well as giving assurance on the effectiveness of services in terms of value for money. Therefore ensuring the best use of the Council's resources and improving efficiency where weaknesses are identified to support all the council's priorities.

10 Legal and Statutory Implications

- 10.1 The Accounts and Audit Regulations 2015 require the Council to 'maintain an adequate and effective system of internal control in accordance with the proper internal audit practices'.

11 Equality Impact Assessment

- 11.1 There are no equality impact issues identified from this proposal.

12 Financial and Resource Implications

- 12.1 The work of the Internal Audit team is carried out within an approved budget. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

13 Major Risks

- 13.1 The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working effectively. High risk recommendations identify areas where action is required in order to manage exposure to risk. If managers fail to act upon audit recommendations assurance cannot be given on the adequacy of the systems of internal control.

- 13.2 The further risk to be considered in noting this report is that the independent and objective assurance provided by Internal Audit is, or is perceived to be, compromised. The consequence of which is that opportunities to improve the Authority's system of internal controls, governance framework and the delivery of its objectives are not identified or acted upon. This risk is managed through a combination of the governance and reporting frameworks within which Internal Audit operates and the overview carried out by this Committee. No risks have been identified that are not within acceptable tolerances.

14 Key Decision Information

- 14.1 Not applicable

15 Earlier Cabinet/Committee Resolutions

- 15.1 Approval of the Internal Audit Plan for 2019/20 (Audit and Standards Committee 15 April 2019).

16 Appendices

- 16.1 Summary of Outstanding Audit Recommendations and Level of Assurance 2019/20 – at Quarter Three 2019

17 Background Papers

- 17.1 None.

Summary of Overdue Audit Recommendations and Level of Assurance

Directorate	Total Number of Recommendations	Number of Recommendations Completed	Number of Recommendations Not Completed	Number of Recommendations Overdue for Implementation*			
				High	Medium	Low	Total
Chief Executives	60	56	4	0	1	0	1
Resources & Support Services	80	65	15	0	7	2	9
Regeneration & Development Services	12	8	4	0	2	2	4
Operational Services	59	50	9	0	6	3	9
Corporate Reviews	36	26	10	0	7	0	7
Total	247	205	42	0	23	7	30

* includes recommendations where extensions have been agreed

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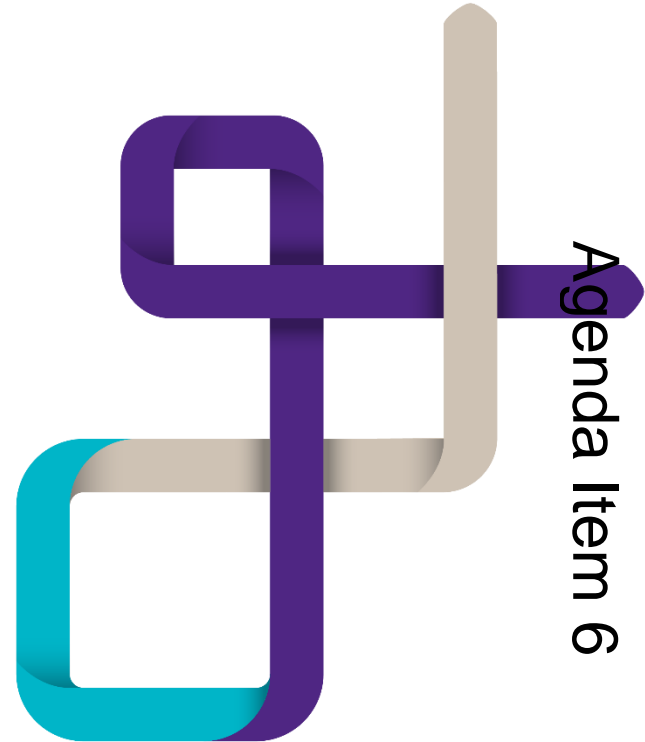
External Audit Plan

Year ending 31 March 2020

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

Newcastle-under-Lyme Borough Council
February 2020



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Introduction & headlines

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Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Newcastle-under-Lyme Borough Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Newcastle-under-Lyme Borough Council. We draw your attention to both of these documents on the [PSAA website](#). We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of land and buildings
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.25m (PY £1.250m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £62.5k (PY £62k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified a significant VFM regarding financial sustainability. This is consistent with our value for money assessment's at other local authorities'.

Audit logistics

Our interim visit will take place in February 2020 and our final visit will take place between June and September 2020. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our planned fee for the audit will be £45,852 (PY: £62,352) for the Authority, subject to the Authority meeting our requirements set out on page 13.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

2 Key matters impacting our audit

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Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Newcastle-under-Lyme Borough Council, as at the end of the third quarter, the general fund budget shows an adverse variance of £484,747. An action plan to address the adverse variance incurred to date has been devised it is forecast that a balanced year end outturn will be achieved.

In January 2020 the UK government and the EU ratified the Withdrawal Agreement and the UK's membership of the EU formally ceased on 31 January. The existence of a 'transition period' to 31 December 2020 means that there will be little practical change for the Authority until at least 2021. However, the nature of the future relationship between the UK and the EU is still to be determined and considerable uncertainty persists. The Authority will need to ensure that it is prepared for all outcomes, including those with any impact on contracts, on service delivery and on its support for local people and businesses.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Changes in Senior Management

The Authority has experienced a number of changes in senior management during the last two financial year's. A number of permanent appointments were made during 2019-20.

New Fixed Asset Register System

The Authority is introducing a new fixed asset register system in 2019 moving away from its spreadsheet based system.

Transfer of Payroll Processing to Stoke on Trent City Council

The Authority transferred the processing of its payroll to Stoke on Trent City Council in November 2019.

Our response

We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.

We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance and is subject to PSAA agreement.

We will meet with your wider management team in considering our value for money assessment.

We will consider the Authority's arrangements in implementation of the new fixed asset register including the migration of data as well as any Internal Audit testing in considering the implications for our audit testing as part of our risk assessment on the financial statements.

We will consider the transfer of payroll processing to Stoke on Trent and the assurance available from the controls in place at the Authority. We may be required to extend our testing to controls at Stoke on Trent City Council and will review the fee implications, if this is the case.

3. Significant risks identified

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Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Newcastle-under-Lyme Borough Council, mean that all forms of fraud are seen as unacceptable. 	<p>Therefore we do not consider this to be a significant risk for Newcastle-under-Lyme Borough Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

3 Significant risks identified

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Risk

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of land and buildings (Rolling revaluation)</p>	<p>The Authority revalues its land and buildings on a rolling five-yearly basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£66,147 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • test revaluations made during the year to see if they had been input correctly into the Authority's asset register and accounted for correctly • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

3. Significant risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£76.140 million, in 2018-19, in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in September 2020.

4 Other risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements. • Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC Local Authority Leasing Briefings.
New Fixed Asset Register System	<p>The Authority is introducing a new fixed asset register system in 2019 moving away from its spreadsheet based system.</p>	<ul style="list-style-type: none"> • We will consider the Authority's arrangements in implementation of the new fixed asset register including the migration of data as well as any Internal Audit testing in considering the implications for our audit testing as part of our risk assessment on the financial statements.
Transfer of Payroll Processing to Stoke on Trent City Council	<p>The Authority transferred the processing of its payroll to Stoke on Trent City Council in November 2019.</p>	<ul style="list-style-type: none"> • We will consider the transfer of payroll processing to Stoke on Trent and the assurance available from the controls in place at the Authority. We may be required to extend our testing to controls at Stoke on Trent City Council and will review the fee implications, if this is the case.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in September 2020.

5. Other matters

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Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

Page 36 6 Materiality

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The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

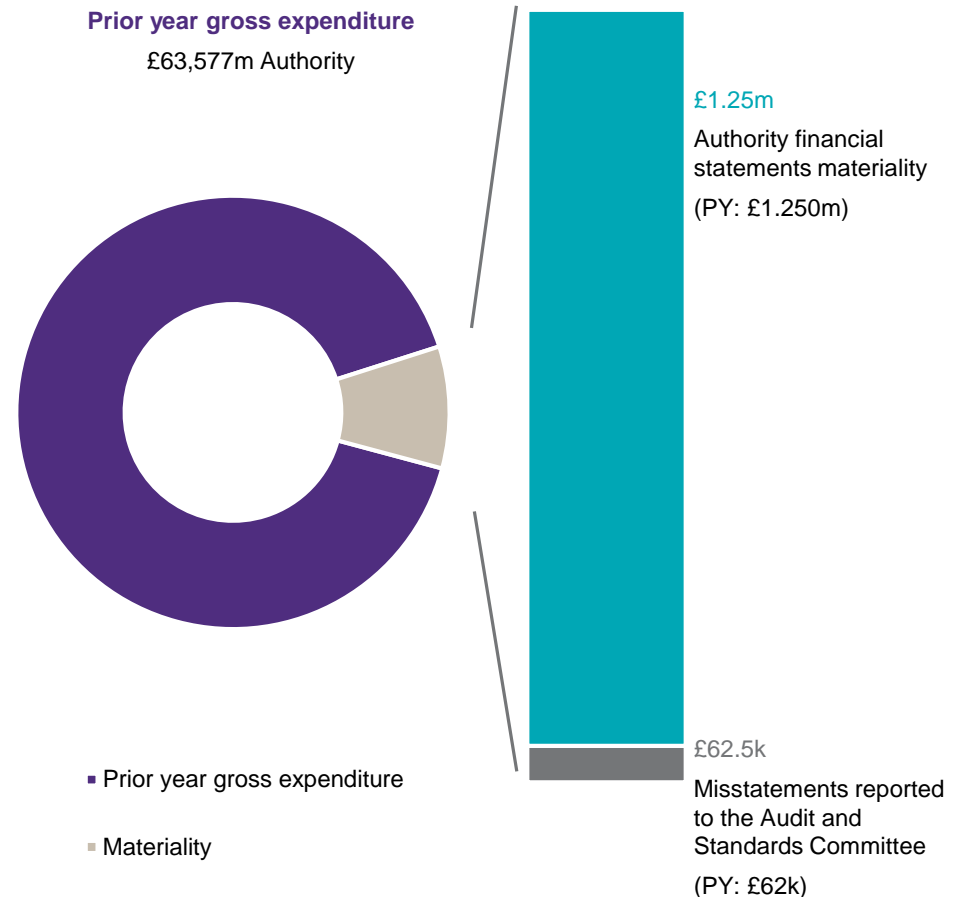
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.25m (PY £1.250m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £18k for the disclosure of Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £62.5k (PY £62k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.



7. Value for Money arrangements

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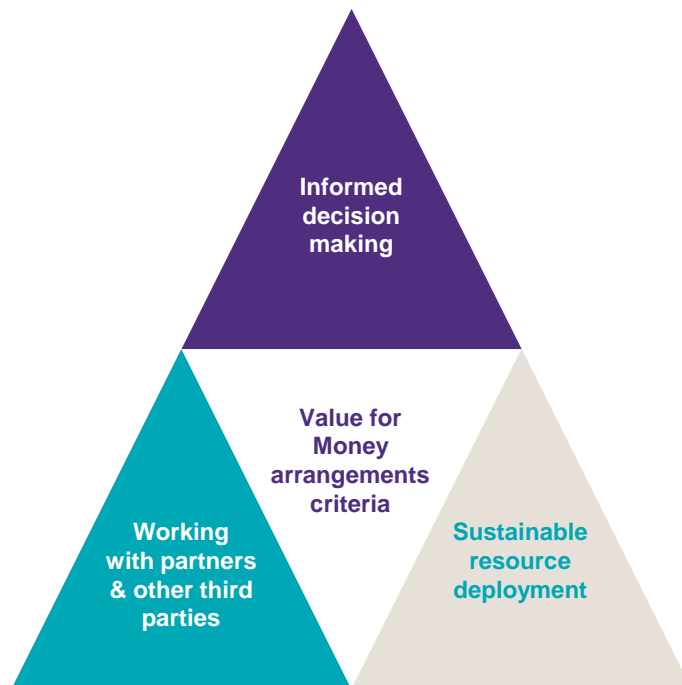
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



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Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Financial Sustainability

The Council's latest medium term financial plan has significantly reduced the funding gap over the medium term to £0.49m in 2021/22; £0.327m in 2022/23; £0.308m in 2023/24; and £0.048m in 2024/25.

The CIPFA Financial Resilience Index, which looks at a range of factors that may affect resilience and sustainability, and relies on information on earmarked reserves, shows that the Council are at a higher risk compared to it's nearest neighbours based on level and use of reserves. The Index also shows that the Councils business rates growth above the baseline is below the average of it's nearest neighbours, which means the Council is less exposed to the business rates reset expected in 2021.

The medium term financial planning process is challenging due to the uncertainty over future local government funding arrangements as well as uncertain economic conditions. The longer-term reforms for the local government finance system, including business rates retention and fairer funding have been delayed until 2021/22 and the Council recognises the significant risk that these reforms, including the planned Business Rates Reset, will have a significant effect on the Council's funding level from 2021/22.

Our value for money risk assessment remains in progress. However, given the in-year challenges and those anticipated looking forward we believe a residual VFM risk in respect of planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions remains. We will review the Council's Medium Term Financial Strategy and financial monitoring reports and assess the assumptions used and savings being achieved. This is consistent with our value for money assessment's at other local authorities'. We will keep the Audit and Standards Committee updated with our assessment.

8 Audit logistics & team

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Your audit team

Andrew J Smith, Key Audit Partner

Andrew's role will be lead to our relationship with you and be a key contact for the s151 Officer and the Audit and Standards Committee. Andrew will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority as well as ensuring that Grant Thornton's full service offering is at your disposal.

Javed Akhtar, Audit Manager

Javed's role will be to manage the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority.

Matthew J Berrisford, Audit Incharge

Matthew's role will be the day to day contact for the Authority's finance staff, will take responsibility for ensuring there is effective communication and understanding by finance of audit arrangements. Matthew will focus on the on the technical matters raised by you throughout the audit.

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

9. Audit fees

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Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Director of Finance and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Council Audit	£55,002	£62,352	£49,852
Total audit fees (excluding VAT)	£55,002	£62,352	£49,852

Fee setting assumptions

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

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Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	42,352	
Raising the bar	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	1,750	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we plan to increase the level of scope and coverage of our work in respect of IAS 19 this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion. Specifically, we have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	1,750	As above, the FRC has also determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We have therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
New Standards	1,500	You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will both be responding to the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements. We know the Council has appreciated our responsiveness in the past and we would wish to continue to be able to do this in the future.
Revised scale fee (to be approved by PSAA)	£49,852	

10. Independence & non-audit services

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Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified:

Service	£	Threats	Safeguards
Audit related:			
Housing Benefit subsidy certification	9,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,000 in comparison to the total fee for the audit of £45,852 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
None identified	-	N/a	N/a

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Standards Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-report-and-interim-transparency-report-2019.pdf>

Appendices

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A. Audit Quality – national context

Appendix A: Audit Quality – national context

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What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public

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What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the Audit and Standards Committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.

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Grant Thornton

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Informing the audit risk assessment for Newcastle under Lyme Borough Council 2019/20

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Agenda Item 7

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Council's external auditors and the Council's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Standards Committee and supports the Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Standards Committee's oversight of the following areas:

- General Enquiries of Management;
- Fraud;
- Laws and Regulations;
- Going Concern;
- Related Parties; and
- Accounting Estimates.

General Enquiries of Management

Purpose

This section includes a series of questions which we have posed and the response we have received from the Council's management. The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Page 50	Question	Management response
	<p>What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20?</p>	<p>The payroll function has been outsourced to Stoke-on-Trent City Council in November 2019.</p> <p>The Council is currently in the process of acquiring and installing a new Asset Management System.</p> <p>Finally the Council has employed a number of Interim Officers during the year whilst appointments have been made to the vacant posts. These interim arrangements have costs the Council around £250k.</p>
2	<p>Have you considered the appropriateness of the accounting policies adopted by the Council?</p>	<p>Yes</p>
3	<p>Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>The Council is proposing to change its MRP Policy from straight line method to annuity method as it will more closely reflect the income streams generated under the Commercial and Investment Strategies. It is likely that this will take effect during 2020/21.</p>
4	<p>Is there any use of financial instruments, including derivatives?</p>	<p>No</p>
5	<p>Are you aware of any significant transaction outside the normal course of business?</p>	<p>The Council has incurred settlement payments during 2019/20 in relation to two senior officers.</p>

General Enquiries of Management

	Question	Management response
6	Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
7	Are you aware of any guarantee contracts?	No
8	Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
9	Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Solicitors from Stoke-on-Trent City Council and Staffordshire County Council have been utilised during 2019/20 as part of Service Level Agreements. In addition external Solicitors have been utilised on open litigation and contingencies from prior years, these include property defect issues on J2 with the developer Morgen Sindall and the Derbyshire Hospital Trust NNDR case.
10	Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No none reported.
Page 51	Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Investigation consultants were used during the year in respect of the Executive Director of Resources. In addition advice was sort regarding disciplinary and grievance proceedings relating to this officer.



Fraud

Issue

Matters in relation to fraud

ISA (UK&I) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Standards Committee and management. Management, with the oversight of the Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

	Question	Management response
1	Have the Council assessed the risk of material misstatement in the financial statements due to fraud?	Yes, there are a number of risk assessments built into the GRACE Risk Register across the Directorates within the Council, these are reviewed and updated quarterly with any changes being reported to Audit and Standards Committee. In addition a Managers Assurance Statement is completed annually which is referred to in the Annual Governance Statement. The statement is a public assurance that the Council has a sound system of internal control, designed to help manage and control business risk which could potentially lead to material misstatement.
2	How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?	There is a Fraud Awareness guide for which requires managers to complete an assessment for their service area – these are then taken into consideration when formulating the audit plan.
3	How do the Council's risk management processes link to financial reporting?	Quarterly Risk and Performance Reports are presented to Audit and Standards Committee which include reporting on finance.
4	What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Income collection areas, Housing Benefit claims, Council Tax evasion.
5	Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2019?	No specific high risks have been identified, however Cyber Security Risks are constantly being monitored. Information Security briefing sessions will be presented to all staff which will cover the issue of Cyber Security to raise awareness amongst staff. Phishing emails are forwarded to Action Fraud and Sophos.



Fraud risk assessment

	Question	Management response
6	As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Risk issues are entered onto the Risk Register and discussed at Executive Management Team meetings, Senior Management Team meetings and Departmental Management Team meeting to be addressed, resolved and prevented.
7	Have you identified any specific fraud risks?	No specific fraud risks have been identified.
8	Do you have any concerns there are areas that are at risk of fraud?	No
9	Are there particular locations within the Council where fraud is more likely to occur?	No – due to the Council becoming predominately cashless this has minimised the risk of cash/income fraud. The Council now only collects small amounts of cash at the Museum and sport centre.
10	What processes do the Council have in place to identify and respond to risks of fraud?	There is a Fraud Awareness guide which requires managers to complete an assessment for their service area – these are then taken into consideration when formulating the audit plan.



Fraud risk assessment

	Question	Management response
11	<p>How would you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> the process for reviewing the effectiveness the system of internal control; and internal controls, including segregation of duties exist and are working effectively? <p>If not where are the risk areas and what mitigating actions have been taken?</p>	<p>The Chief Executive is ultimately responsible for preventing and detecting theft, fraud, and corruption. The Chief Executive, Executive Directors, Heads of Service and Business Managers must ensure that all staff follow this strategy, supported by the Council's Internal Audit and Human Resources functions. All managers are responsible for preventing and detecting fraud. They must, with support from Internal Audit and Human Resources, ensure that they operate effective mechanisms in their area of control to:</p> <ul style="list-style-type: none"> Prevent theft, fraud and corruption; Promote employee awareness (All staff have a responsibility to prevent, detect and report on any fraud or suspected fraud); Assess the risk of fraud; and Take prompt action in line with the Fraud Response Plan when they suspect or are alerted to possible theft, fraud or corruption.
12	<p>What other controls are in place to help prevent, deter or detect fraud?</p>	<p>The Council is part of the Staffordshire County Fraud Hub and have the following policies in place to prevent, deter and detect fraud:-</p> <p>The following policies support the Counter Fraud function;-</p> <ol style="list-style-type: none"> Anti-Fraud and Anti-Corruption Framework, Fraud Response Plan Whistleblowing Policy Anti-Money Laundering Policy
13	<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>No areas have been identified where there is a potential override of controls or inappropriate influence over the financial reporting process.</p>
14	<p>Are there any areas where there is potential for misreporting?</p>	<p>No</p>

Fraud risk assessment

Question	Management response
<p>15 Page 56</p> <p>How do the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported?</p>	<p>CIPFA's Whistleblowing e-learning package has been delivered to all staff. Reminders are also issued through monthly Team Talks.</p> <p>A whistleblowing policy is in place, we also subscribe to Protect formerly know as Public Concern at Work.</p> <p>Theft, fraud, corruption and bribery are criminal offences. Newcastle Borough Council is committed to protect public funds and ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The Council has a zero tolerance of such offences and offenders and therefore staff are expected to report any concerns they have regarding the above. There have been no significant issue reported.</p>



Fraud risk assessment

	Question	Management response
16	<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts in respect of treasury management and procurement of contracts work are considered higher risk.</p> <p>There are a number of policies already in place within the Council for preventing, detecting, managing and reporting theft, fraud and corrupt conduct; these include but are not limited to:</p> <ul style="list-style-type: none"> • Codes of Conduct for employees and members • Contract Procedures • Financial Regulations • Registers of Interests, Gifts and Hospitality • Disciplinary Rules and Procedures • The Whistleblowing Policy • Fraud Response Plan • Procurement Strategy • Risk Management Strategy • Recruitment procedures (pre-employment vetting, references, etc) • Anti-Money Laundering Policy • Information Security Management Policies
Page 57	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to instances of fraud.</p> <p>Board members are required to declare relevant interests at Board and Audit Committee meetings.</p>

Fraud risk assessment

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	Question	Management response
88	<p>What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee?</p> <p>How does the Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>If any employee suspects that theft, fraud, corruption or bribery are happening within the Council, or in any activity where the Council has a leading role or responsibility, they should report their suspicions, either to their line manager or through the Council's Whistleblowing Procedure. Managers should report all such cases to the Internal Audit, and accept advice on the steps to take over the suspicions in accordance with the fraud response plan. Internal Audit would then report these to the Audit and Standards Committee.</p> <p>Audit and Standards Committee would then approve the actions taken or request further work/information if required.</p>
19	<p>Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There has been two cases of whistle blowing against members of staff which have been dealt with via an investigation followed by disciplinary hearings. A number of whistle-blowing's have also been received via the whistle-blowing email, these in the main relate to Council Tax / Benefit fraud and have passed to the Corporate Fraud Officer.</p>
20	<p>Have any reports been made under the Bribery Act?</p>	<p>No known reports have been made under the Bribery Act.</p>



Law and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Standards Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Page	Question	Management response
60	<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Risk based audit plan</p> <p>Corporate Governance Working Group</p> <p>Annual Assurance Statements completed by Heads of Service and Executive Directors</p> <p>Statutory Officers Group – bi monthly meeting of the CEO, Section 151 Officer and Monitoring Officer</p>
2	<p>How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Regular audit reports.</p>
3	<p>Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>No, none known.</p>
4	<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No</p>

Impact of laws and regulations

	Question	Management response
5	Is there any actual or potential litigation or claims that would affect the financial statements?	The recent Derbyshire Hospital Trust NNDR case would have affected the financial statements however they have recently lost their case and therefore there will be no change to their status.
6	What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Statutory Officers Group – bi monthly meeting of the CEO, Section 151 Officer and Monitoring Officer.
7	Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Going Concern

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Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

	Question	Management response
1	Has the management team carried out an assessment of the going concern basis for preparing the financial statements for the Council? What was the outcome of that assessment?	Assessments of the authority as a going concern is regularly review via the production of quarterly budget and performance monitoring reports which includes the use of financial and performance indicators. In addition the Medium Term Financial Strategy together with regular cash flow forecasting shows that the authority has a clear financial plan for the next 5 years.
2	Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	Yes, all the Council's Business and Financial Plans are linked by strategic priorities.
3	Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes, consideration is given to all statutory or policy changes and appropriately reflected where necessary.

Going concern considerations

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	Question	Management response
	<p>Have there been any significant issues raised with the Audit and Standards Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).</p>	<p>No</p>
5	<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code?</p> <p>If so, what action is being taken to improve financial performance?</p>	<p>No, income fluctuations relating to the economy are closely monitored and an income reserve has been created to help smooth out these fluctuations for the forth coming year.</p>



Going concern considerations

	Question	Management response
6	Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes, during the year a permanent Head of Legal and Democratic Services, Executive Director of Regeneration and Commercial Services, Head of Human Resources, Head of Finance and Head of Customer and Digital Services have been appointed.
7	Does the Council have procedures in place to assess their ability to continue as a going concern?	Yes, the Medium Term Financial Strategy covers a 5 year period and is continually being reviewed and updated to ensure financial viability. In addition to this the CIPFA resilience index and financial risk assessment is carried out as part of the budget setting process.
8	Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?	No
9	Are arrangements in place to report the going concern assessment to the Audit and Standards Committee?	Audit and Standards Committee receive quarterly updates on the performance and financial position of the council.
	How has the Audit and Standards Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?	Through challenge via the committee meeting and information provided by both Internal and External Audit.



Related Parties

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Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

	Question	Management response
1	What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?	<p>Monitoring of a Register of Interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.</p> <ul style="list-style-type: none"> • Annual return of any known related party interests completed by members and senior officers • Review if in-year income and expenditure transactions with known identified related parties from prior year of known history. • Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisations.
2	What are the Council's related parties, including changes from the prior period?	<p>One of the council Members is a Director on the board of the New Victoria Theatre where we made payments of circa £58k to in 2018/19. Another council Member is employed by the HM Courts & Tribunal where we made payments of circa £12k in relation to court fees.</p> <p>There are no known changes at this point.</p>
3	Has the Council entered into any transactions with these related parties during the period, and if so, what was type and the purpose of these transactions?	<p>No, only payment made for services as stated above.</p>

Accounting estimates

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Issue 88

Matters in relation to Related Accounting estimates

Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Audit and Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates

	Question	Management response
1	How are transactions, events, and conditions identified that may give rise to the need for accounting estimates to be recognised or disclosed in the financial statements?	Monthly budget monitoring is completed and reported to budget holders, Executive Management Team and members at Cabinet and scrutiny committees.
2	Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Yes through regular departmental and senior management team meeting.
3	Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
4	How is the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate?	Through the Statement of Accounts.

Appendix A Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	Valuations are made by senior valuation staff (RICS Members) inline with RICS guidance on the basis of 5 year valuations with interim reviews	Capital Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation	In-house valuer RICS Member	Valuations are made in-line with RICS guidance – reliance on expert	No
Estimated remaining useful lives of PPE	Other land & buildings – 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset concerned. Vehicles, Plant, Furniture & Equipment – 5 years for most items, 15 years to wheeled bins Infrastructure – no specific life. Depreciation is based on historical composite calculation Community Assets – 20 years	Consistent asset lives applied to each asset category	In-house valuer RICS Member	This life would be recorded in accordance with the qualified RICS Member's valuation and this would be cross checked to ensure this accords with the accounting policy for the Council	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	<p>The following asset categories have general asset lives: Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer.</p> <p>Vehicles, Plant and Equipment – straight line allocation over estimated life of asset.</p> <p>Infrastructure Assets – straight line allocation over estimated life of asset.</p>	Charged in the year that the Council becomes aware of the obligation	No	<p>The length of the life is determined at the point of acquisition or revaluation according to:</p> <p>Assets acquired in the financial year are not depreciated until the following financial year.</p> <p>Assets that are not fully constructed are not depreciated until they are brought into use.</p>	No



Appendix A Accounting Estimates (Continued)

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired	Use the in-house valuers, RICS Members	Valuations are made in line with RICS guidance – reliance on experts	No
Measurement of Financial Instruments	Council Values financial instruments at fair value based on the advice of their external treasury consultants and other financial professionals	Take advice from finance professionals	Yes	Take advice from finance professionals	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities (including NNDR provision)	<p>Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.</p> <p>The provision for NNDR appeals relating to the 2010 rating list is calculated by Inform CPI using an audit approved method.</p> <p>The provision for NNDR appeals relating to the 2017 rating list is calculated based on 4.7% of rates currently payable.</p>	<p>Charged in the year that the Council becomes aware of the obligation</p>	<p>No Reference is made to the Insurance Brokers Report for Insurance Provision.</p>	<p>Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.</p>	<p>No</p>

Appendix A Accounting Estimates (Continued)

Page 74

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing	Revenues provide the aged debt listing and Finance calculate the provision	No	Consistent proportion used across aged debt as per the SORP	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Finance collate accruals of expenditure and income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest information has been used.	No
Non Adjusting events – events after the balance sheet date	<p>S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an un-adjusting event.</p> <p>For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.</p>	Heads of Service notify the S151 Officer	This would be considered in individual circumstances	This would be considered in individual circumstances	No



Appendix A Accounting Estimates (Continued)

Page 76

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension liability	The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Staffordshire County Council – this has a career average revalue earnings (CARE) benefit design, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Liabilities have been assessed on an actuarial basis using the projected credit method, an estimate of the pensions that will be payable in future years, salary levels etc.	Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.	Hyman Robertson have completed an independent review.	Sensitivity analysis are completed to sure up assumptions made.	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Overhead Allocation	The total absorption costing principal is used – full cost of overheads and support services are shared between users in proportion to the benefits received. With the exception of Corporate and Democratic Core and Non-Distributed Costs	All support service cost centres are allocated according to agreed allocations	No	Apportionment bases are reviewed each year to ensure equitable.	No





NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
09 March 2020

Report Title: Update of Financial Regulations

Submitted by: Head of Finance

Portfolios: Finance and Efficiency

Ward(s) affected: Not Applicable

Purpose of the Report

For Audit & Standards Committee to review the proposed revisions to the Council's Financial Regulations and Procedures and recommend their adoption to Council.

Recommendation

That Audit & Standards Committee recommend to Council that the revised Financial Regulations and Procedures, appended as Appendix 1 hereto, be adopted.

Reasons

The Council's Financial Regulations and Procedures need to be 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 (CIPFA).
- 1.3 As part of the arrangements to ensure good corporate governance of the Council, a review of the Regulations is carried out on a regular basis. Following this year's review a number of amendments are proposed.
- 1.4 The revised Financial Regulations will be presented to the Constitution and Member Support Working Group on 11 March. Any observations from that Group will, along with the recommendations of this Committee, be reported to Council on 1 April 2020.

2. **Issues**

- 2.1 A full copy of the Regulations, showing the track changes which have been made, is appended to this report.
- 2.2 The main changes are as follows:

Section	Amendment
1.4 and 1.11	A sentence added to reflect that the Financial Regulations need to be submitted to the Audit and Standards Committee prior to being submitted to Council in accordance with the Constitution.
1.19	Noted that the first choice of deputy for the Executive Director (Resources and Support Services) should be the Head of Finance.
1.24	New paragraph entered re Supplementary Estimates
1.4.3	New paragraph entered with a table for Revenue and Capital Virement approval limits to tie in with the new Constitution figures for key decisions.
1.5	New section entered in respect of Supplementary Estimates with a table for Revenue and Capital approval limits to tie in with the new Constitution figures for key decisions.
3.1.2	Reference to The Executive Director (Resources and Support Services) being the Chair of the Corporate Governance Working Group, replaced with the Chief Executive being Chair of the Information Governance Group (IGG) and wording updated to reflect the role of the IGG in resolving issues and providing assurance that risks are being managed in accordance with the Risk Management Strategy.
3.6.3	The Head of Legal and Governance replacing the Head of Audit and Elections as the Council's Monitoring Officer.
3.14.2/ 4.24.1(a)	Responsibility for approving direct debit or standing order transactions changed from Executive Director (Resources and Support Services) to Head of Finance on the basis that they are small in number and generally for insignificant amounts i.e. for annual subscriptions.
3.15.4	A line added to state the Executive Director (Resources and Support Services) shall authorise all employee settlements, pension strain payments, Mutually Agreed Resignation Scheme applications and gratuities in conjunction with the Head of People and Organisational Development and the Pay Policy Statement.
4.16.4	A line added to state that any revisions to existing or any new fees and charges part way through the year can be added to the published Scale of Fees and Charges with the approval of the relevant Portfolio Holder and Head of Finance.
4.18.7	Requisitions and Orders in excess of £50,000 to be approved by a member of EMT (currently only the Chief Executive and Executive Director (Resources and Support Services)) to tie in with the new financial limits/approval criteria in the Constitution.
4.18.9 & 4.24.7(c)	Additional wording to state that quotations or tenders need to be by an open procurement process or compliant framework (either further competition or direct award).
4.19.1	A line added to state "The Council's Contract Procedural Rules must also be followed when considering a contract extension".
4.25 & 4.28.1	Section updated to reflect changes in responsibilities now that the Council has a SLA with Stoke-on-Trent City Council to provide payroll services.
7.1	New section added regarding Commercial Governance.

General	The title Executive Director (Regeneration and Development) changed to Executive Director (Economic Growth and Commercial Development)
General	The title Head of Customer and ICT Services changed to Head of Customer and Digital Services.
General	The title Head of Human Resources changed to Head of People and Organisational Development.
General	Removal of the role Head of Audit and Elections with responsibility passing to the Head of Legal and Governance, Chief Internal Auditor or the Head of Finance depending on the item.

3. **Legal and Statutory Implications**

3.1 There are no specific legal implications arising.

4. **Financial and Resource Implications**

4.1 There are no specific financial implications arising.

5. **Major Risks**

5.1 There are none.

6. **List of Appendices**

6.1 Appendix A – Financial Regulations – Tracked Changes

7. **Background Papers**

7.1 There are none.

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FINANCIAL REGULATIONS – FEBRUARY 2020 ~~NOVEMBER 2019~~⁸

INTRODUCTION

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.

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.

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.

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 Audit and Standards Committee prior to being submitted](#) 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.

The Council's detailed financial procedures, setting out how the key regulations will be implemented, are shown as procedural regulations.

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.

The Financial Regulations have been divided into six areas based on 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.
- Compliance with the Local Government Transparency Code

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.

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 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.

If you are in any doubt at all over compliance with a Financial Regulation, please consult the Financial Management Section or Internal Audit.

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.

Wherever the Council acts in a trustee capacity regarding the affairs of charities and other bodies, these Financial Regulations shall apply.

Reference to approvals may include approval by email in appropriate cases where authorisation has been obtained from the Executive Director (Resources and Support Services). References to "written approval" or "authorisation" by the Executive Director (Resources and Support Services) include approval/authorisation via email.

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

<u>Key Reg Ref.</u>	KEY REGULATIONS	RELATED PROCEDURAL REGULATIONS (PR1-PR6)	Proc Reg Ref.
KR1A	FINANCIAL MANAGEMENT includes:		
1.1-1.12 (pgs. 8-9) A1-A12	The Full Council The Cabinet Scrutiny Committees Audit and Standards Committee Other Regulatory Committees	Responsibilities of the Cabinet	1.1 (pg 18)
1.13-1.22 (pgs.9-10) A13-A22	The Statutory role of officers Chief Executive Executive Director (Resources and Support Services) Directors	Responsibilities of the Executive Director (Resources and Support Services) Responsibilities of the Chief Executive and other Directors	1.2 (pg 18) 1.3 (pgs.18-19)
1.23-1.30 (pgs.10-11) A23-A29	Virement Supplementary Estimates Treatment of year end balances Accounting policies Financial records E-commerce and the Internet Final accounts	Virement Supplementary Estimates Financial Records Final Accounts Separation of Duties Grant and Other Claims	1.4 (pgs. 19-20) 1.5 (pgs. 20-21) 1.6 (pg 21) 1.7 (pg 22) 1.8 (pg 22) 1.9 (pgs. 22-23)
KR2B	FINANCIAL PLANNING includes:		
2.1-2.2 (pg 11) B1-B2	Policy framework	Performance plans	2.1 (pg 23)
B3-B12 2.3-2.12 (pgs. 11-13)	Council tax Budget strategy & preparation Budget monitoring & control	General Fund Revenue Budget and Format of the budget Revenue budget, preparation, monitoring and control Trading accounts Other accounts	2.2 (pg 23) 2.3 (pgs.23-25) 2.4 (pgs. 25-26) 2.5 (pg 26)
B13-B15 2.13-2.15 (pgs.12-13)	Project Appraisal		

2.16 (pg 13) B16	Maintenance of reserves	Maintenance of reserves	2.6 (pg 26)
B17 2.17 (pg 13)	Preparation of the capital programme	Capital programme	2.7 (pgs. 26-29)
2.18 (pg13) B18	Guidelines on budget preparation		

KR3C	RISK MANAGEMENT AND CONTROL OF RESOURCES includes:		
3.1-3.3 (pg 13-14)	Risk Management	Risk Management Insurances	3.1 (pg 30) 3.2 (pgs. 30-31)
3.4-3.6 (pg 14)	Internal Control	Internal controls	3.3 (pgs. 31-32)
3.7-3.9 (pg 14)	Audit requirements	Internal Audit External Audit	3.4 (pgs. 32-33) 3.5 (pg 33)
3.10 (pg 14)	Preventing fraud and corruption	Preventing fraud and corruption	3.6 (pgs. 33-34)
3.11 (pg 14)	Assets	Assets Inventories Stocks Intellectual property Asset disposal Minor expenditure	3.7 (pgs. 34-35) 3.8 (pg 35) 3.9 (pgs. 36-37) 3.10 (pg 37) 3.11 (pg 37-38) 3.12 (pg 38)
3.12-3.17 (pgs. 14-15)	Treasury management	Treasury management Banking arrangements	3.13 (pgs.38-39) 3.14 (pg 39-40)
3.18-3.20 (pg 15)	Staffing	Staffing	3.15 (pgs.40-41)
3.21 (pg15)	Gifts and Hospitality		
KR4D	SYSTEMS AND PROCEDURES includes:		
4.1-4.2 (pg 15)	General	General Delegation Information security	4.1 (pg 41) 4.2 (pg 41) 4.3 (pgs. 41-42)

4.3 (pg 16)	Income & Expenditure	Recording & notification of sums due	4.4 (pg 43)
		Separation of duties	4.5 (pg 43)
		Receipts	4.6 (pg 43)
		Money received	4.7 (pg 43)
		Payment by credit & debit cards	4.8 (pgs. 43-44)
		Direct Debit Collection	4.9 (pgs. 44-45)
		Security	4.10 (pg 45)
		Banking	4.11 (pg 45)
		Records	4.12 (pg 45)
		Issue of Debtors Accounts	4.13 (pg 46)
		Recovery procedures	4.14 (pg 46)
		Write offs	4.15 (pg 46)
		Fees & Charges	4.16 (pg 46)
		Changes in sources of Revenue	4.17 (pg 47)
		Requisitioning and Ordering of Work, Supplies & Services	4.18 (pgs.48-49)
Contracts	4.19 (pg 50)		
Works contracts	4.20 (pg 50)		
Completion of contracts	4.21 (pg 51)		
Goods and materials contracts	4.22 (pg 51)		
General and Variations to contracts	4.23 (pgs.51-52)		
Paying for work, supplies & services	4.24 (pgs.52-55)		
4.4-4.6 (pg 16)5	Payments to Employees & Members	Payments to Employees & Members	4.25 (pgs.55-56)
		Allowances to Members, travelling and subsistence	4.26 (pg 56)
		Travelling and subsistence allowances	4.27 (pg 56)
4.7 (pg 16)6	Taxation	Taxation	4.28 (pg 57)
4.8 (pg 16)7	Trading Accounts	Trading Accounts	4.29 (pg 57)
KR5E	EXTERNAL ARRANGEMENTS: includes		
5.1-5.5 (pg 16)	Partnerships	Partnerships	5.1 (pgs.58-59)
5.6 (pg 16)	External funding	External funding	5.2 (pg 59)
5.7 (pg 16)	Work for third parties	Work for third parties	5.3 (pgs.59-60)

KR6F	COMPLIANCE WITH THE LOCAL GOVERNMENT TRANSPARENCY CODE		
6.1-6.4 (pg 17)	Publication of data	Publication of data	6.1 (pgs.60-61)
KR7	COMMERCIALISATION GOVERNANCE		
7.1 (pg 17)	Commercial Strategy Governance	Commercial Strategy Governance	7.1 (pg 61)

MONETARY AMOUNTS

Ref.		Amount
PR1 1.3.4 (pg18)	Financial management Amount over which the Executive Director (Resources and Support Services) needs to be involved with negotiations and/or agreements/ arrangements	£50,000
PR1 1.4.1- 1.4.3 (pgs 19-20)	Virement <u>Revenue</u> <u>Executive Director of relevant service area limit</u> <u>Directors approval limit-notifiable to the Executive Director (Resources and Support Services)</u> <u>EMT/Portfolio Holder limit</u> <u>Cabinet limit above which it must be reported to Full Council</u> <u>Cabinet approval for in excess of limit</u> <u>Council approval in excess of</u> <u>Capital</u> <u>Executive Director of (relevant service area Resources and Support Services) limit</u> <u>EMT/Portfolio Holder limit</u> <u>Cabinet approval for in excess of limit</u> <u>Council approval for in excess of</u>	 £20,000 £50,000 £100,000 £50, £100,000 1m £1m £1050,000 £250,000 £250,000 £2m £2m
PR1 1.5.1 & 1.5.4 (pgs 20-21)	Supplementary Estimates (a) <u>Revenue</u> <u>Executive Director (Resources and Support Services) limit</u> <u>of relevant service area limit</u> <u>EMT/Portfolio Holder limit</u> <u>Cabinet approval in excess of limit</u> <u>Council approval in excess of</u> <u>Capital</u> <u>Executive Director (Resources and Support Services) of relevant service area limit</u> <u>EMT/Portfolio Holder limit</u> <u>Cabinet approval for in excess of limit</u> <u>Council approval for in excess of</u>	 £50,000 £100,000 £250,000 £250,000 £1050,000 £250,000 £250,000 £2m £2m
Ae4	Financial management Amount over which the Executive Director (Resources and Support Services) needs to be involved with negotiations and/or agreements/ arrangements	£50,000
KR2 2.12 (pg12)	Variations Significant variations are those which are greater than: All variations must be investigated if in excess of:	The larger of 10% of the budget or £2,000 £15,000
KR2 2.15 (pg13)	Capital Appraisals Estimated cost of capital project above which an appraisal must be carried out	£100,000
PR3 3.2.1- 3.2.3 (pgs 30-31)	Insurances The minimum level of Product and Public Liability insurance cover as specified by the Cabinet, subject to agreement of the Executive Director (Resources and Support Services) The minimum level of Employers Liability insurance cover as specified by the Cabinet, subject to agreement of the Executive Director (Resources and Support Services)	£5,000,000 £10,000,000

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	The minimum level of Professional indemnity insurance cover (where applicable) as specified by the Cabinet, subject to agreement of the Executive Director (Resources and Support Services)	£2,000,000
PR3 3.8.1 (pg35)	Inventories Level above which items should be included on an inventory	£ 5 1,000
PR3 3.9.6 (pg37)	Stock levels (amounts which may be written off) (b) (a) Executive Director (Resources and Support Services) (e) (b) Cabinet	Below £54,000 Above £54,000
PR3 3.11.1 (pg37)	Asset Disposal Amount above which the residual value of the asset to be written off/disposed of should be written off/disposed of in liaison with the Head of Audit and Elections <u>Head of Finance</u> .	£ 500 1,000
PR4 4.11.4 (pg45)	Banking Amount above which money is to be banked without delay	£500
PR4 4.13.1 (pg46)	Records Amount above which schedules of amounts outstanding where a debtors account has not been raised need supplying to the Executive Director (Resources and Support Services)	£500
PR4 4.13.1- 4.13.4 (pg46)	Issue of debtors accounts Amount below which it is considered uneconomic to raise an account	£40
PR4 4.15.1- 4.15.2 (pg 46)	Write offs of Debtors Accounts (a) Approval from the Executive Director (Resources and Support Services) (b) Approval from <u>Portfolio Holder</u> (b) (c) <u>Approval from Cabinet</u>	£5,000 or below <u>Above £5,000 to £10,000</u> <u>Over £10,000</u>
PR4 4.18.18 (pg48)	Ordering of work, supplies and services (a) Low value procurement: Where alternative prices are available for the level of estimated cost and a minimum of two written quotations is required; (b) Intermediate value procurement: Where alternative prices are available for the level of estimated cost and a minimum of three written quotations is required. (c) High value procurement: The estimated cost above which Financial Regulations and Contract Procedural Rules shall apply.	£5,000 <>£30,000 £30,000 <> £50,000 > £50,000
PR4 4.18.22 (pg49)	The amount above which Contract Procedural Rules and Financial Regulations in relation to contracts applies to orders of a repetitive nature when totalled	£50,000
PR4 4.24.12 (pg 53)	Paying for work, supplies and services. Amount above which schedules of accounts need supplying to the Executive Director (Resources and Support Services)	£1,0500

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KEY REGULATIONS**KR1A: FINANCIAL MANAGEMENT**

- 1.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.
- [1.2A2](#) 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.
- [1.3A3](#) **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

- [1.4A4](#) The Full Council shall be responsible for:
- 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 contract procedural rules and financial regulations and for monitoring compliance with the agreed policy and related Cabinet decisions;
 - 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

- [1.5A5](#) 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.
- [1.6A6](#) Cabinet decisions can be delegated to a committee of the Cabinet, an individual Cabinet Member, an employee or a joint committee.
- [1.7A7](#) The Cabinet has the authority:
- to consider all financial matters which are of an executive nature or not reserved by law to Full Council;
 - 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;
 - 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.
 - To determine any matter, which is an executive function or not reserved by law to Full Council.
- [1.8A8](#) The Cabinet shall:
- 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

- [1.9A9](#) 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.

Audit and Standards Committee

[1.10A10](#) The Audit and 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.

[1.11A11](#) The Audit and Standards 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. [The Audit and Standards Committee shall also receive any proposed amendments to the Council's Financial Regulations prior to these being approved by Full Council.](#)

Other regulatory committees

[1.12A12](#) 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

[1.13A13](#) 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-They~~ shall report to and provide information for the Cabinet, the Full Council, the Scrutiny Committees and any other committees. They shall be responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the Council. ~~They-He~~ shall also be responsible for the system of record keeping in relation to the Full Council's decisions (see below).

[1.14A14](#) The Chief Executive must ensure that Cabinet decisions and the reasons for them are made public. They must also ensure that Council Members are aware of decisions made by the Cabinet and of those made by employees who have delegated executive responsibility.

Executive Director (Resources and Support Services)

[1.15A15](#) 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.

[1.16A16](#) The Executive Director (Resources and Support Services) shall, in carrying out ~~their~~his functions, have regard to ~~their~~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 (England) Regulations 2015 or any successor legislation.

[1.17A17](#) 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.

[1.18A18](#) 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.

[1.19A19](#) The Executive Director (Resources and Support Services) shall nominate a properly qualified Member of staff to deputise should ~~they~~he be unable to perform ~~their~~his duties under Section 114 personally [with the first choice being the Head of Finance](#).

[1.20A20](#) 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 their duties under Section 114.

Monitoring Officer

[1.21A21](#) 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; and
- (d) maintaining an up-to-date constitution.

Directors

[1.22A22](#) 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

[1.23A23](#) 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).

Supplementary Estimates

[1.24](#) [Where services wish to undertake an activity not originally identified in the budget or incur additional revenue expenditure on an existing activity where this is fully funded \(for example through additional specific grant allocations\), approval must be sought for a supplementary estimate in accordance with Section Ae below.](#)

Treatment of year-end balances

[1.25A24](#) 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

[1.26A25](#) The Council will comply, in all cases, with the Accounts and Audit (England) Regulations 2015 and any other Regulations, Accounting Codes of Practice or external audit requirements that may replace or supplement them.

[1.27A26](#) 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

[1.28A27](#) 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 their approval.

E-Commerce and the Internet

[1.29A28](#) 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

[1.30A29](#) 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 Standards Committee shall approve the statement of accounts and consider the external auditor's "audit findings" report submitted to it in accordance with International Standard on Auditing 260.

KR2B: FINANCIAL PLANNING

Policy framework

[2.1B4](#) The Full Council shall:

- (a) Agree and approve the Council's policy framework and budget, the key elements of which will be the Council Plan, Sustainable Community Strategy, 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.

[2.2B2](#) The Chief Executive is responsible for proposing a Council Plan to the Cabinet and scrutiny before its submission to the Full Council for approval.

Council Tax

[2.3B3](#) The Cabinet shall recommend, and the Full Council approve, the Council Tax to be set by the Council.

Budget strategy and preparation

[2.4B4](#) 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 five years beyond the current year, for submission to the Cabinet for approval. The Cabinet will recommend the budget to Full Council for approval.

[2.5B5](#) The Cabinet shall, no later than the end of October 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 a number of 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).

2.6B6 The Cabinet ~~will~~ shall 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 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 years;
- (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.

2.7B7 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.

2.8B8 Following agreement of the budget strategy by the Cabinet, it shall be referred to the Finance, Resources and Partnerships 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.

2.9B9 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.

2.10B10 Directors shall

- (a) Assist the Executive Director (Resources and Support Services) in presenting the budget strategy to Cabinet by providing them with any supporting information or data required to enable them to adequately report to the Cabinet;
- (b) Where required by the Executive Director (Resources and Support Services), 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. Otherwise, Directors shall provide them with sufficient information to enable the Medium Term Financial Strategy to be updated to reflect changes affecting the budgets of services under their control, for example in respect of new pressures or unusual or unexpected price changes. The service budgets shall be aggregated and summarised by the Executive Director (Resources and Support Services) and submitted by them, 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 Plans to feed into the financial information collated by the Chief Executive in the format approved by them.

Budget monitoring and control

2.11B11 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.

2.12B12 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 they may require in order that they may report to the Cabinet upon expenditure or income compared to budget.

2.13B13 If a project (either of a capital or revenue nature) is proposed, for which no current provision exists in the budget, the benefits arising from the project will be identified as part of the initial proposal for the project, the business case will then be made and – in the case of approval – the project lead will be expected to monitor the realisation of the ensuing benefits.

2.14B14 If a capital project is proposed, it ~~will~~ shall be subject to an appraisal. The appraisal shall be in a form approved by the ~~Cabinet~~ Executive Director (Resources and Support Services) but such an appraisal shall, as a minimum, set out the project's contribution towards meeting corporate objectives and service priorities, its output measures and milestones, and its cost and sources of funding. The results of this appraisal ~~will~~ shall 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.

2.15B15 The requirement to set out a business case which includes the expected benefits from the project 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 they ~~considers~~ this to be appropriate.

Maintenance of reserves

2.16B16 The Executive Director (Resources and Support Services) shall carry out an annual assessment of the Council's financial risks and advise the Full Council and the Cabinet on prudent levels of reserves for the Council.

Preparation of the capital programme

2.17B17 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. They 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

2.18B18 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 be determined through the approval by the Cabinet of the Medium Term Financial Strategy and the assumptions contained therein and will take account of:

- Legal requirements
- Pay and price increases
- Income projections
- Medium long term planning prospects
- The Council Plan
- Available resources
- Risk factors
- Spending pressures
- Relevant government guidelines
- Other internal policy documents
- Cross cutting issues (where relevant).

KR3: RISK MANAGEMENT AND CONTROL OF RESOURCES

Introduction

- 3.1 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

- 3.2 The Audit and Standards 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.
- 3.3 The Chief Executive shall be responsible for preparing the Council's Risk Management Strategy, for promoting the management of risk throughout the Council and for advising the Cabinet on proper insurance cover where appropriate.

Internal control

- 3.4 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.
- 3.5 The Executive Director (Resources and Support Services), in conjunction with the ~~Chief Internal Auditor~~ Head of Audit and Elections, 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.
- 3.6 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

- 3.7 The Accounts and Audit (England) Regulations 2015 require every Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control.
- 3.8 Full Council is responsible for appointing the Council's external auditors. This responsibility may be delegated (e.g. Public Sector Audit Appointments acting on behalf of the Council). The basic duties of the external auditor are governed by the Local Audit and Accountability Act 2014.
- 3.9 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

Preventing fraud and corruption

- 3.10 The Head of ~~Finance~~ Finance & Audit and Elections shall be responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

Assets

- 3.11 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

- 3.12 The Council adopts the clauses contained in CIPFA's "Treasury Management in the Public Services: Code of Practice" (the Code), as described in Section 5 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, objectives and approach to risk management 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 principles.
- 3.13 The Cabinet shall be responsible for the implementation of the Council's treasury management policies and practices.
- 3.14 The Audit and Standards Committee shall be responsible for the regular monitoring of the Council's treasury management policies and practices and shall receive a mid-year review of treasury management activities and the annual report prior to its submission to Full Council.
- 3.15 The Executive Director (Resources and Support Services) shall be responsible for the execution and administration of treasury management decisions. They shall act in accordance with the Council's Policy Statement and TMPs and if ~~they are~~ ^{is} a CIPFA Member, CIPFA's "Standard of Professional Practice on Treasury Management". ~~They~~ ^{He} may, in connection with leasing, share the responsibility with the relevant Director.
- 3.16 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.
- 3.17 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

- 3.18 The Full Council shall be responsible for determining how employee support for executive and non-executive roles within the Council will be organised.
- 3.19 The Chief Executive shall be responsible for determining the structure of services and for providing overall management to employees. They 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.
- 3.20 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.
- 3.21 Authorisation from the Executive Director (Resources and Support Services) is required for settlements, pension strain, payments made in accordance with the Mutually Agreed Resignation Scheme and gratuities.

Gifts and Hospitality

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

KR4: SYSTEMS AND PROCEDURES

General

- 4.1 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.

4.2 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 information is held securely and in accordance with the council's information security policies and that systems are registered in accordance with the General Data Protection Regulations (GDPR);
- (c) ensure that employees are aware of their responsibilities under Freedom of Information and GDPR;
- (d) be responsible for the proper operation of financial processes in their own departments.

Income and Expenditure

- 4.3 Directors shall ensure that a proper and documented 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

- 4.4 The Head of ~~Finance Human Resources~~ shall be responsible for all payments of salaries and wages to all employees, including payments for overtime. ~~The Head of Legal and Governance is responsible and for the~~ payment of basic and special responsibility allowances to Members.
- 4.5 The Head of ~~Legal and Governance~~~~Human Resources~~ shall be responsible for all payments of claimable allowances to Members.
- 4.6 ~~The Chief Executive and Democratic Elections Manager are responsible for all payments to staff employed for elections.~~

Taxation

- 4.7~~6~~ 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 and Wholly Owned Companies

- 4.8~~7~~ The Executive Director (Resources and Support Services) shall be responsible for advising on the establishment and operation of trading accounts and wholly owned companies.

KR5: EXTERNAL ARRANGEMENTS

Partnerships

- 5.1 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.

- 5.2 Where a delegation is made the Chief Executive or employee nominated by them shall represent the Council on partnership and external bodies, in accordance with the scheme of delegation.
- 5.3 The Chief Executive shall be responsible for promoting and maintaining the same high standards of conduct in partnerships that apply throughout the Council.
- 5.4 The Executive Director (Resources and Support Services) shall ensure that the:
- Accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory;
 - Overall corporate governance arrangements and legal issues are considered when arranging contracts with external bodies and if necessary, referred to the Chief Executive.
 - Risks have been fully appraised before agreements are entered into with external bodies.
- 5.5 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

- 5.6 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

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

KR6: COMPLIANCE WITH THE LOCAL GOVERNMENT TRANSPARENCY CODE

- 6.1 The Council will comply with the Local Government Transparency Code 2015 and all subsequent versions of the Code.
- 6.2 Data required by the Code to be published will be published in as complete a form as practicable and within the timescales set out in the Code.
- 6.3 The Executive Director (Resources and Support Services) will be responsible for co-ordinating the publication of the data required by the Code and for monitoring compliance with the Code.
- 6.4 Directors will be responsible for ensuring that data in relation to services under their control is published.

KR7: COMMERCIALISATION GOVERNANCE

- 7.1 Commercial investment decisions linked with the Revolving Investment Fund and Investment Strategy will be taken by full Cabinet in order to achieve the following strategic outcomes:-
- To generate income through commercial activity that can be reinvested in local priorities, services and improvements for ~~our~~ borough residents.
 - To build strong working relationships with public, private and third sector partners in order to maximise collaboration and generate efficiencies.
 - To embed a commercial culture within the council and ensure that ~~our~~ Council staff are equipped with the skills they need to operate in a more commercial environment.
 - To support the council in delivering the council plan and growth agenda as a key pillar of the medium term financial strategy and ~~our~~ goal of financial self-sufficiency.
 - To optimise the council's use of technology and support ~~our~~ the digital agenda in order to enable new, more efficient and flexible ways of working and interacting with customers and residents.
- 7.2 Some changes may be required to the Council's Constitution to enable timely decision making as commercial opportunities present themselves.

PROCEDURAL REGULATIONS**PR1: FINANCIAL MANAGEMENT****1.1 Responsibilities of the Council**

- 1.1.1 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 Contract Procedural Rules throughout all Services under its control.

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

- 1.2.1 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.

1.3 Responsibilities of the Chief Executive and other Directors

- 1.3.1 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.
- 1.3.2 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 their service;
 - (b) ensure that every employee under their 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.

1.3.3 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.

1.3.4 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 they 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 submitted these to the Audit and Standards Committee prior to being 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, secondments from other authorities or agency workers recruited to assist in the provision of a Council service.

The financial implications of any reports submitted to the Cabinet must always be outlined in the text and agreed with the Executive Director (Resources and Support Services) in advance. All reports to be considered for inclusion in agendas must be signed off by the Executive Director (Resources and Support Services) or Head of Finance to evidence that their financial content has been approved by them. If this is not done, the report will not be placed on the agenda by the Committee Section.

The Executive Director (Resources and Support Services) should must 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. United Charities, etc.

1.4 Virement

1.4.1 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) [as S151 Officer](#), 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.

1.4.2 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.

1.4.3 [Approval Limits for virements are as follows:](#)

Revenue Virements:

<u>Virement Amount</u>	<u>Approval Level</u>
Up to and including £50,000	Executive Director for relevant Service area
In excess of £50,000 and up to and including £100,000	EMT/Portfolio Holder Approval required
Over £100,000	Cabinet

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Capital Virements:

<u>Virement Amount</u>	<u>Approval Level</u>
Up to and including £50,000	Executive Director for relevant Service area
In excess of £50,000 and up to and including £250,000	EMT/Portfolio Holder Approval required
Over £250,000	Cabinet

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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 budget.

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.

1.5 Supplementary Estimates**Supplementary Revenue Estimates**

1.5.1 Approval limits for supplementary revenue estimates are as follows:

Supplementary Estimate Amount	Approval Level
Up to and including £50,000	Executive Director for relevant Service area
In excess of £50,000 and up to and including £100,000	EMT/Portfolio Holder Approval required
Over £100,000 to £1m	Cabinet
Over £1m	Council

1.5.2 In respect of additional specific grant allocations, the S151 Officer Executive Director (Resources and Support Services) must be consulted to ensure that the funding identified can be legitimately linked to the expenditure in question.

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1.5.3 Supplementary revenue estimates that are to be funded wholly or in part from general reserves must be approved by Council regardless of Value.

Supplementary Capital Estimates

1.5.4 Approval limits for supplementary capital estimates are as follows:

Supplementary Estimate Amount	Approval Level
Up to and including £5100,000	Executive Director for relevant Service area (Resources and Support Services)
In excess of £1050,000 and up to and including £250,000	EMT/Portfolio Holder Approval required
Over £250,000 to £2m	Cabinet
Over £2m	Council

1.5.5 Capital budget increases funded wholly or in part from additional Council resources such as capital reserves, borrowing and capital receipts, regardless of Value, must be approved by Council.

1.5.6 Council approval is required where there are significant revenue implications for future year's budgets.

1.6 Financial Records

1.6.1 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 their approval.

1.6.2 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.

1.6.3 All financial records must be kept securely, and shall be retained for periods specified by the Executive Director (Resources and Support Services) as per the Council's policy on the retention of records. 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.

- 1.6.4 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.
- 1.6.5 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. A list of documents and the periods they must be kept for is available on the Intranet or from Internal Audit.

1.7 Final Accounts

- 1.7.1 The Executive Director (Resources and Support Services) shall in accordance with the Accounts and Audit (England) Regulations 2015 or any successor legislation:
- 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;
 - make proper arrangements for the audit of the Council's accounts.
- 1.7.2 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 and to respond to any queries raised by auditors. Such information shall be supplied in the form requested by the Executive Director (Resources and Support Services) and by the date specified by them.

Explanatory Notes

The Executive Director (Resources and Support Services) must prepare annual accounts to show the expenditure and income and balances in relation to the Council for the year. A summary of the accounts, in the form of a "Statement of Accounts", must be prepared and audited and then published by a prescribed deadline (currently 30 September).

The final accounts and the statement of accounts must be kept and prepared in accordance with proper accounting practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (published by CIPFA). All data that the Executive Director (Resources and Support Services) 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).

1.8 Separation of Duties

- 1.8.1 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.

- 1.8.2 Employees responsible for examining and checking records of cash transactions shall not themselves be engaged in any of these transactions.
- 1.8.3 Wherever possible, arrangements shall be made to ensure that:
- the requisitioning of works, supplies and services;
 - the approval of requisitions in order to produce an order to be sent to a supplier;
 - the acknowledgement of their receipt; and
 - 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.
- 1.8.4 Each Director must notify the Executive Director (Resources and Support Services) in advance of all employees authorised to approve 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 requisitioning, approval of requisitions, certifying that goods and services have been received and paying for supplies and services and similarly for the collection of sums due and the verification of such operations.

1.9 Grant and Other Claims

- 1.9.1 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).
- 1.9.2 Officers need to have regard to the possible liability that could occur for the Council in respect of the claw back of grants. Consideration should be given to the contract being entered into, the risks involved and the likelihood and impact of any claw back occurring.

PR2: FINANCIAL PLANNING**2.1 Performance Plans**

- 2.1.1 Directors and Heads of Service shall
- supply to the Business Improvement Manager any information, relevant to services within their areas of responsibility, required for inclusion in the Council Plan or Service Plans or for monitoring performance targets included in such plans, in accordance with statutory requirements where applicable and agreed timetables.
 - contribute to the development of the Council Plan/Service Plans, corporate and service targets and objectives and performance information.
 - ensure that systems are in place to measure activity and collect accurate information for use as performance indicators
 - 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

The Council Plan and Service Plans should be produced so that they are consistent and in accordance with any applicable 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).

2.2 General Fund Revenue Budget and Format of the budget

2.2.1 Estimates shall show in convenient detail the sums required for each purpose. They shall comply with the Code of Practice currently in force in relation to financial reporting and any guidance issued by the Cabinet.

2.3 Revenue budget, preparation, monitoring and control

2.3.1 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).

2.3.2 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~~ They shall advise the Cabinet as to the robustness of the estimates and ensure that they are compiled on a 'proper' basis.

2.3.3 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.

2.3.4 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.

2.3.5 Each Director shall continuously monitor the budgets relating to services within their 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.

2.3.6 The Executive Director (Resources and Support Services) shall be responsible for overall budget monitoring. ~~He~~ They 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 2.3. They shall also notify the Director in any case where they believes that an estimate, forming part of a budget for which the Director is responsible, has been or may become significantly exceeded by actual expenditure or, in the case of an income estimate, not matched by actual income.

2.3.7 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, they shall take immediate steps to deal with the variation from the approved estimate.

2.3.8 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 1.4).

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).

2.3.9 Where they are consulted by a Director with regard to any of the proposals described in Procedural Financial Regulation 2.3, 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.

2.3.10 A Director shall not be permitted to take any of the measures described in Procedural Financial Regulation 2.3 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.

- 2.3.11 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 2.3 he shall immediately report it to the Cabinet.
- 2.3.12 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.
- 2.3.13 The Cabinet on receiving a report concerning budget variations shall resolve to either approve virement or a supplementary estimate.
- 2.3.14 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.
- 2.3.15 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 Chief Executive.
- 2.3.16 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.
- 2.3.17 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 budget monitoring and planning.
- 2.3.18 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 their 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.
- 2.3.19 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.

Most parts of the budget are compiled within the Financial Management section by reference to the Medium Term Financial Strategy, using the assumptions contained therein in respect of change factors such as pay and price

increases. However, there may be some areas where budget holders will compile budgets for submission to Finance. Budget holders must inform Finance of any change factors which they are aware of which may affect the budget to be compiled.

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.

There are procedures to deal with overspendings and income shortages which should be followed by budget holders. Generally these involve the use of virement or curtailing activity to stay within the available budget or sometimes increasing income to cover the overspending/shortfall.

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.

2.4 Trading Accounts

2.4.1 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.

2.4.2 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.

2.5 Other Accounts

2.5.1 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.

2.6 Maintenance of reserves

2.6.1 All reserves shall be maintained in accordance with the current applicable accounting code of practice.

2.6.2 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).

2.6.3 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 or Full Council for approval, in which case it may not be incurred until such approval has been given.

2.6.4 In advising the Full Council or Cabinet upon the prudent levels of reserves for the Council, the Executive Director (Resources and Support Services) shall consider any advice received from the Council's external auditor. They 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

The Council has set aside money from various sources to be used to fund specific types of expenditure, for example buildings repairs, equipment replacement or capital expenditure or to be available to meet unexpected contingencies. The accounts holding these sums are referred to as reserves.

Reserves should be maintained in accordance with the Code of Practice on Local Authority Accounting in the UK (published by CIPFA) 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.

2.7 Capital Programme

- 2.7.1 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 Bf shall apply to it.
- 2.7.2 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, where appropriate, in future years.
- 2.7.3 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. They 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 their report.
- 2.7.4 ~~The Capital, Assets and Commercial Investment Review Group (CACIRG) monitors and reviews the capital programme. The CACIRG will be chaired by the Portfolio of Finance and Efficiency. The CACIRG~~ [The Capital, Assets and Commercial Investment Review Group \(CACIRG\) monitors and reviews the capital programme. The CACIRG will be chaired by the Portfolio of Finance and Efficiency. The CACIRG](#) 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.
- 2.7.5 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. The report should contain a business case, the detail of which will be dependent on the cost of the proposal. 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, Assets and Commercial Investment Review Group](#) ~~Capital, Assets and Commercial Investment Review Group~~.
- 2.7.6 The Cabinet may consider a new scheme for inclusion in the approved capital programme at any time. In doing so it shall:
- 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 Capital Appraisal, as referred to in 2.3 and to any views expressed by the Capital, Assets and Commercial Investment Review Group ~~Capital, Assets and Commercial Investment Review Group~~ which are reported to it.
- 2.7.7 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.
- 2.7.8 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 their area of responsibility, comparing actual expenditure incurred, or likely to be incurred, with the approved estimate for the scheme.
- 2.7.9 If it appears to a Director that an excess of expenditure has occurred, or is likely to occur, relating to a scheme within their area of responsibility, he shall immediately report the variation to the Cabinet.
- 2.7.10 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 2.7, sub paragraphs a and d.
- 2.7.11 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.
- 2.7.12 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.
- 2.7.13 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 2.7.
- 2.7.14 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 2.3 shall apply.
- 2.7.15 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.
- 2.7.16 A copy of all such approvals shall be provided to the Chief Executive.

- 2.7.17 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.
- 2.7.18 Directors shall ensure that adequate records are maintained in respect of all capital contracts.
- 2.7.19 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, they 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 they 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.
- 2.7.20 The Executive Director (Resources and Support Services) shall be responsible for the submission of all bids or requests for approval in respect of capitalisation directions or any other matter concerning capital accounting or funding (not covered by 2.7) from central government. However, they may, in appropriate cases, agree that another Director shall submit such a bid provided that the Director complies with any instructions that they 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 they may require in order to submit a bid within any timescale laid down.
- 2.7.21 No bid under any government 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 their 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 budget.
- 2.7.22 No lease, hire, rental or other arrangement of a similar nature shall be entered into without reference to the Executive Director (Resources and Support Services) to enable them to assess the implications for the capital or revenue budgets. If the Executive Director (Resources and Support Services) so requires, the arrangement shall be submitted, together with the Executive Director's (Resources and Support Services) comments thereon, to the Cabinet for approval.
- 2.7.23 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 they may advise with regard to the impact of the capital control regulations upon the proposed transaction.
- 2.7.24 Upon completion of each capital scheme a report shall be made to the Cabinet of 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.
- 2.7.25 The Executive Director (Resources and Support Services) shall ensure that a Capital Strategy, that includes the Council's prudential indicators, is produced and revised annually. They shall submit the Capital Strategy to Full Council for approval.

Explanatory Notes

Capital expenditure can be defined as expenditure on the acquisition of assets to be used in the provision of Council services and will include: the acquisition, reclamation and laying out of land; the acquisition, construction, preparation, enhancement or replacement of buildings and other structures; the acquisition, installation or replacement of moveable or immoveable plant, machinery, apparatus and vehicles; acquisition of computer software and hardware. It may also include

expenditure on improvement or enhancement works such as intended to lengthen the life of an asset, increase its market value or increase its usefulness. Major repairs, particularly structural repairs, can also meet the definition. Some expenditure which does not involve a Council owned asset may also be capitalised, for example disabled facilities grants and capital contributions towards capital projects being carried out by other bodies.

A capital programme, comprising a list of capital schemes, is compiled and approved by the Full Council each year. Schemes proposed for inclusion in the capital programme will in most cases be subject to an appraisal process. During the year, the Cabinet is responsible for approving changes to the programme, such as additional schemes or virements between schemes, although Full Council approval may be required where a change would cause the total amount of the approved programme to increase or additional capital financing resources such as capital receipts to be used up.

Before the procurement process can be initiated in relation to individual schemes or work commence, specific approval needs to be obtained, either from the Cabinet or the Capital, Asset and Commercial Investment Review Group in the case of low cost projects where a de minimis threshold applies.

The capital programme is monitored to ensure that schemes progress in a timely manner and that the amount approved for each scheme is not exceeded. A project officer is responsible for each capital scheme and must monitor their schemes to ensure they are completed on time and within the approved budget.

If expenditure on a scheme is likely to exceed the approved amount or a grant or contribution towards the cost of a scheme is likely to be less than anticipated this must be reported to the Cabinet. Such adverse variances may be dealt with by virement from other schemes where savings can be made or their cost reduced or from schemes which are no longer needed. It may also be possible to reduce the extent of the scheme to allow it to be completed within budget.

No bids to external bodies for grants or contributions should be made without consulting the Executive Director (Resources and Support Services). Bids and claims may be made by budget holders with the approval of the Executive Director (Resources and Support Services), otherwise they will do so. No commitment to expenditure should be made until any grant or contribution towards it has been confirmed in writing by the granting body. Grants or contributions due should be claimed promptly.

No lease, hire, rental or similar arrangements should be entered into without consulting the Executive Director (Resources and Support Services) and may require Cabinet approval.

PR3: RISK MANAGEMENT AND CONTROL OF RESOURCES

3.1 Risk management

- 3.1.1 Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The Audit and Standards Committee shall approve a Risk Management Strategy for the Council and shall promote a culture of risk management awareness throughout the Council.
- 3.1.2 The ~~Chief Executive~~Executive Director (Resources and Support Services) shall;
- (a) Chair the ~~Information Governance Group (IGG)~~Corporate Governance Working Group, comprising of at least one representative of each Director and any other individuals he may deem appropriate. The Group ~~ensures that Executive Management Team (EMT) are aware of any issues that have been escalated by the IGG that cannot be resolved and ensures that these are noted in minutes of EMT and actioned accordingly either by or on behalf of EMT. The IGG provides assurance to the Audit and Standards Committee as appropriate that the risks are being managed in accordance with the Risk Management Strategy shall advise the Audit and Standards 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 Standards Committee.~~Be responsible for developing risk management controls in conjunction with other Directors.
- 3.1.3 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.

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- (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 Business Improvement Manager.
- (f) Ensure that all inspections or programmes of work designed to identify or mitigate risks which are required by law or by the Council are carried out and evidence is retained to show that this has been done.

3.1.4 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 Notes

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 prepared business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

3.2 Insurances

3.2.1 The Business Improvement Manager 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.

3.2.2 Directors shall:

- (a) give prompt notification to the Business Improvement Manager 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 Business Improvement Manager 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 them 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 Business Improvement Manager 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.

3.2.3 The Business Improvement Manager 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 Business Improvement Manager;
- (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 Business Improvement Manager. An

employee shall not authorise work to be commenced by a Contractor until the Business Improvement Manager has advised such an employee that the appropriate insurances have been effected to their satisfaction.

Explanatory Notes

The Business Improvement Manager is responsible for arranging insurance cover and for settling claims. It is the duty of Directors to notify the Business Improvement Manager 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.

3.3 Internal controls

- 3.3.1 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:
- 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;
 - 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;
 - financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;
 - an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the joint CIPFA / IIA (Institute of Internal Auditors) auditing guideline 'Public Sector Internal Audit Standards' and with any other statutory obligations and regulations.
- 3.3.2 The Executive Director (Resources and Support Services), in conjunction with the Head of [Finance and Chief Internal Auditor](#) ~~Audit and Elections~~, 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.
- 3.3.3 Directors shall:
- 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;
 - 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);
 - ensure that employees have a clear understanding of the consequences of lack of control.

Explanatory Notes

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:

- efficient and effective operations

- (b) reliable financial information and reporting
(c) compliance with laws and regulations
(d) risk management

Audit requirements

3.4 Internal audit

- 3.4.1 The Council under delegation to the Executive Director (Resources and Support Services) 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 (England) Regulations 2015 and with the policy statements on internal audit issued by the Chartered Institute of Public Finance and Accountancy.
- 3.4.2 Internal Audit shall be independent in its planning and operation. The [Head of Chief Finance Internal Auditor Audit and Elections](#) shall have direct access to the Head of Paid Service, all levels of management and to elected Members. Internal Auditors shall comply with the Public Sector Internal Audit Standards (PSIAS) as interpreted by the Chartered Institute of Public Finance and Accountancy's Application note.
- 3.4.3 Internal Auditors shall have the authority to:
- enter at all reasonable times any Council establishment;
 - have access to all records, documents, information and correspondence relating to any financial and other transaction as he considers necessary;
 - evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud;
 - request explanations as considered necessary to provide assurance as to the correctness of any matter under examination;
 - require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control;
 - access records belonging to third parties, such as contractors, when required and
 - directly access the Chief Executive, the Cabinet and the Audit and Standards Committee.
- 3.4.4 The [Head of Finance Audit Chief Internal Auditor and Elections](#) shall:
- 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 Standards Committee;
 - 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 [Head of Finance Audit Chief Internal Auditor and Elections](#) shall report to the Chief Executive, the Section 151 Officer, the Full Council, Audit and Standards Committee, Cabinet, Standards Committee, or the external auditor any matter of a significant nature. Pending investigation and reporting, the [Head of Finance Chief Internal Auditor - Audit and Elections](#) shall take all necessary steps to prevent further loss and to secure records, information and documentation against removal or alteration;
 - exercise the utmost confidentiality in all matters relating to the audit of the Council's activities; and
 - ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- 3.4.5 Directors shall:
- ensure that all employees within their departments are aware of the Council's fraud and corruption policy and the arrangements for "whistleblowing" contained therein;
 - 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;
 - ensure that auditors are provided with any information and explanations that they seek in the course of their work;
 - consider and respond promptly to recommendations in audit reports;
 - ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and
 - ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Executive Director (Resources & Support Services) and the [Head of Finance Chief Internal Auditor Audit and Elections](#) prior to implementation.

Explanatory Notes

The Executive Director (Resources and Support Services) 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 [Head of Finance Audit Chief Internal Auditor and Elections](#) 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.

3.5 External audit

- 3.5.1 The Executive Director (Resources and Support Services) shall:
- 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;
 - ensure there is effective liaison between external and internal audit;
 - work with the external auditor and advise the Full Council, Cabinet, Audit and Standards Committee and Directors on their responsibilities in relation to external audit.
- 3.5.2 Directors shall:
- 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;
 - ensure that all records and systems are up to date and available for inspection.

Explanatory Notes

The Council's accounts and financial activities are subject to inspection by external auditors.

If the external auditor requests information or the supply of data, such as documents, staff must cooperate with the auditor. Sometimes the external auditor may channel their request via internal audit or the Council's own financial staff in which case information or data must similarly be supplied.

The external auditors were appointed following a tendering process and carry out their audit of the Council's accounts and financial activities in accordance with nationally set audit standards.

3.6 Preventing Fraud and Corruption

- 3.6.1 The [Head of Finance Audit Chief Internal Auditor and Elections](#) shall:
- develop and maintain an anti-fraud and anti-corruption policy;
 - maintain adequate and effective internal control arrangements;
 - ensure that all suspected irregularities are reported to the Chief Executive, the Section 151 Officer and the Audit and Standards Committee.
- 3.6.2 Directors shall:
- ensure that all suspected irregularities are reported to the [Head of Finance Audit Chief Internal Auditor and Elections](#);
 - investigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour;
 - ensure that where financial impropriety is discovered, the [Chief Internal Auditor Head of Finance Audit and Elections](#) is informed and after taking legal advice to ensure that 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;
 - ensure that they and their employees complete the register of interests maintained by the Monitoring Officer;
 - ensure that they and their employees comply with the anti-fraud and anti-corruption policy and the advice provided to employees.
- 3.6.3 The Head of [Legal and Governance Audit and Elections](#) as Monitoring Officer shall have overall responsibility for the maintenance and operation of the whistleblowing policy.

Explanatory Notes

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 [Chief Internal Auditor Head of Finance Audit and Elections](#) immediately when they occur in order to ensure that, amongst other things, rules of evidence are not breached.

3.7 Assets

- 3.7.1 The Executive Director ([Economic Growth and Commercial Development 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 (published by CIPFA). 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 ([Economic Growth and Commercial Development Regeneration and Development](#)) or the Executive Director (Resources and Support Services) in order to maintain the Register.
- 3.7.2 The Executive Director ([Economic Growth and Commercial Development 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:
- record the purpose for which the land is held and;
 - record the location, extent and plan reference of the land.
- 3.7.3 The Executive Director ([Economic Growth and Commercial Development Regeneration and Development](#)) shall maintain or compile an Asset Management Plan ~~is produced~~ and ensure that it is revised annually. Assisted by relevant Directors, they shall ensure that the plan is implemented and monitor performance against the targets and outputs contained in the plan.
- 3.7.4 Directors shall:
- provide information to the Executive Director ([Economic Growth and Commercial Development Regeneration and Development](#)) on an annual basis, for them to update the Asset Management Plan;
 - 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 Business Improvement Manager and Executive Director ([Economic Growth and Commercial Development Regeneration and Development](#)) has been established as appropriate;
 - 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;
 - ensure that cash holdings on premises are kept to a minimum and do not exceed limits for unbanked money as set in Financial Regulation 4.11 without the express permission of the Executive Director (Resources and Support Services);
 - 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 [Chief Internal Auditor Head of Finance Audit and Elections](#) immediately;
 - be responsible for conforming with GDPR, the Government's Public Services Network (PSN) and the Government Security Classifications scheme (GSC) 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 no Council asset is subject to personal use by an employee without proper authority;
- (i) 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 security and email and internet policies;
- (j) 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;
- (k) pass title deeds to the Chief Executive;
- (l) ensure that assets are identified, their location recorded and that they are appropriately marked and insured;
- (m) consult the Executive Director (Resources and Support Services) and the [Chief Internal Auditor Head of Finance Audit and Elections](#) in any case where security is thought to be defective or where it is considered that special security arrangements may be needed;
- (n) 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;
- (o) ensure that all records are held in accordance with the document retention policy.

3.7.5 All documents of title, deeds, investment certificates etc. shall be kept in a secure place by the Chief Executive.

Explanatory Notes

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 relating to assets held within their Departments.

The disposal of obsolete materials and equipment is normally by means of tenders to buy or in the case of more valuable items by public auction.

3.8 Inventories

- 3.8.1 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.
- 3.8.2 All Directors shall notify the Executive Director (Resources and Support Services) of details of all ICT hardware equipment and software in order that they 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 obtained or made operational.
- 3.8.3 Inventories shall be in a form approved by the Head of [Finance Audit and Elections](#).
- 3.8.4 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.
- 3.8.5 The [Chief Internal Auditor Head of Finance Audit and Elections](#) shall have access to all Council property and to the inventories and any relevant documents.

- 3.8.6 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 Notes

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.

A check should be made at least once every year to see that the actual assets held correspond with the records. Internal Audit will also carry out periodic checks to see that this is so.

3.9 Stocks

Records

- 3.9.1 Each Director shall:
- (a) be responsible for the care and custody of stocks in their 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.
- 3.9.2 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

- 3.9.3 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 stock takings 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.
- 3.9.4 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

- 3.9.5 Directors shall be responsible for ensuring that stocks are not held in excess of reasonable requirements.
- 3.9.6 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 Notes

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.

3.10 Intellectual property

3.10.1 The Chief Executive shall provide advice on intellectual property procedures.

3.10.2 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 Notes

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.

3.11 Asset disposal

3.11.1 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.

3.11.2 Directors shall:

- (a) seek advice and agreement from the ~~Chief Internal Auditor~~ ~~Internal Audit~~ ~~Head of Audit and Elections~~ 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 Contract Procedural Rules 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.

Where the value of the asset to be written off/disposed of exceeds the amount as per the monetary amounts table this should be done in liaison with the ~~Chief Internal Auditor~~ ~~Head of Finance~~ ~~Audit and Elections~~. Assets below this value should be approved for write off/disposal by the relevant Business Manager or Head of Service. Managers should ensure that following the disposal of an asset all inventories are updated accordingly.

3.12 MINOR EMPLOYEE EXPENDITURE

- 3.12.1 The Council has removed the previous imprest system that was in operation. Any minor expenditure that an employee has had to urgently undertake within their role shall be reclaimed through expenses. Staff shall not use loyalty cards when making petty cash purchases. [Prior approval for all purchases should be obtained from a Senior Officer/Line Manager.](#)

Items which should not be purchased out of expenses without the prior approval of a senior officer	
Item	Examples
Domestic appliances	Kettles, toasters, microwave ovens
Crockery and cutlery, cooking utensils, kitchen ware	
Alcoholic drinks	
Christmas and other decorations	Christmas trees, lights, streamers, tinsel, retirement banners, 50 years etc banners
Gifts for individuals (staff and others)	Leaving cards, sickness cards, bereavement cards, other cards, flowers, retirement gifts

Explanatory Notes

The Council's aim is to no longer utilise cash based transactions wherever possible.

Complete and comprehensive records of all transactions should be maintained.

Staff must not use loyalty cards (such as Tesco Clubcards, Boots Advantage Cards, etc) when making petty cash purchases. These are personal to the cardholder and if used to make purchases on behalf of the Council, there are tax implications for the Council.

3.13 Treasury Management

- 3.13.1 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 Finance, Assets & Performance Scrutiny Committee, as delegated by Full Council per the CIPFA Treasury Management Code 2017 upon any amendments that may be required to it.
- 3.13.2 The Executive Director (Resources and Support Services) shall:
- 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 delegated committee), the Cabinet or the Audit and Standards Committee, as appropriate and consistent with these regulations;
 - compile a Treasury Management Strategy, covering treasury management activities to be carried out during the following financial year. The report shall be submitted to the Full Council (or delegated committee) before the commencement of the year to which it relates and the Full Council (or delegated committee) must approve such a report before the year in question commences;
 - compile an annual report reviewing the previous year's treasury management activities. The report shall be submitted to the Audit and Standards Committee prior to being submitted to the Full Council (or delegated committee) by 30th September following the end of the year to which it relates. A mid-year report, reviewing treasury management activity to that point, shall be submitted to the Audit and Standards Committee;
 - compile, and the Full Council (or delegated committee) 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 and that the prudential indicators are compiled and approved by the Full Council via the Capital Strategy;
 - (g) monitor the prudential indicators and report to Full Council any deviations from them; and
 - (h) compile an Investment Strategy, separate to the Treasury Management Strategy, as per guidelines set by (MHCLG) Guidance on Local Government Investments. This will include both treasury and non-treasury investments.
- 3.13.3 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 Chief Executive 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).
- 3.13.4 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).
- 3.13.5 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 Chief Executive. 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 them, 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 Notes

Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as "The Management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance 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.

3.14 BANKING ARRANGEMENTS

- 3.14.1 The Executive Director (Resources and Support Services) shall operate any bank accounts that are considered necessary. No bank accounts shall be opened without the approval of the Executive Director (Resources and Support Services).
- 3.14.2 Payments and receipts shall be made and received electronically wherever possible. Payments via direct debit or standing order must be approved in advance by the [Head of Finance](#)~~Executive Director (Resources and Support Services)~~.
- 3.14.3 Payments by cheque shall only be in extreme circumstances. All cheques drawn on behalf of the Council shall be signed personally by the Executive Director (Resources and Support Services), or their designated authorised employee.
- 3.14.4 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.

Explanatory Notes

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

To maximise efficiency and reduce costs all transactions should be made 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 to prevent the possibility of fraud. Only in urgent cases can a cheque be manually issued. Due to the nature of the cheques clearing process 'urgent' instances should be minimal, with electronic payment methods being able to transfer funds instantly in some circumstances.

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.

It is Council policy not to issue open cheques. Persons requesting this should be informed of the policy and told to make appropriate arrangements themselves to receive value for the cheque, for example by opening a bank account. In very exceptional circumstances it may be possible to arrange for a cash payment to be made to such persons instead of the cheque but these cases must be "one-off" only not recurring.

3.15 STAFFING

3.15.1 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.~~

3.15.2 The Head of People and Organisational Development ~~Human Resources~~ shall:

- (a) Compile and keep up to date an establishment list. 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 Corporate Workforce Development Plan, which shall be approved by the Cabinet.
- (d) Compile and keep up to date a Pay Policy Statement in accordance with Section 38 of the Localism Act 2011. This Statement will be submitted annually to Full Council for approval and published on the Council's internet site.

3.15.3 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 People and Organisational Development ~~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 Corporate Workforce Development Plan;
- (g) follow the Council's recruitment procedures;
- (h) apply the Council's Capability Procedures in relation to individual posts and staff occupying those posts.

3.15.4 The Executive Director (Resources and Support Services) shall authorise all employee settlements, pension strain payments, payments in accordance with the Mutually Agreed Resignation Scheme ~~applications~~ and gratuities in conjunction with the Head of People and Organisational Development and the Pay Policy Statement.

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:

- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched;*
- (b) procedures are in place for forecasting staffing requirements and cost;*
- (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the Council and*
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.*

PR4: FINANCIAL SYSTEMS AND PROCEDURES

4.1 General

- 4.1.1 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.
- 4.1.2 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 Head of Finance;
 - (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).

4.2 Delegation

- 4.2.1 Directors shall supply, in writing or by electronic means, names of authorised employees, with delegated limits and, where requested, specimen signatures to the Executive Director (Resources and Support Services), together with subsequent variations, in respect of payments, income collection and placing orders, including requisitioning.

4.3 Information Security

- 4.3.1 Directors shall take all necessary action to ensure compliance with the Council's Information Security Management Policies, including to:
- (a) ensure that there is a documented and tested disaster recovery plan to allow critical 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, electronically 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 Information Security Group are observed;
 - (e) ensure that software and computer equipment including all mobile computer equipment and telephony 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
- (g) ensure that all unwanted ICT equipment is returned to ICT for secure disposal.

4.3.2 Directors shall have regard to the requirements of the Public Services Network (PSN) and the Government Security Classification Scheme (GSC)) in relation to information security and shall take all necessary action to ensure compliance with the directives in all respects, as notified to them by the Executive Director (Resources and Support Services) and the Head of Customer and [Digital](#)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 PSN 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

4.4 Recording and notification of sums due

- 4.4.1 The collection of all monies due to the Council shall be under the control of the Executive Director (Resources and Support Services).
- 4.4.2 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.
- 4.4.3 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
- 4.4.4 The Chief Executive, 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.
- 4.4.5 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.
- 4.4.6 Cash payments ~~in excess of £2,000~~ will not be accepted by the Council. ~~Cash payments below £2,000 will not be accepted at Castle House as no collections will be arranged.~~
- 4.4.7 All Directors shall ensure that employees involved in handling payments are aware of and comply with the Money Laundering Guidance.
- 4.4.8 All claims for reimbursements, contributions, grants etc. shall be made by the Executive Director (Resources and Support Services), or by arrangement with them, 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 their 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.

4.5 Separation of Duties

- 4.5.1 Directors shall ensure that the responsibility for cash collection should be separated from that:
- for identifying the amount due;
 - for reconciling the amount due to the amount received.

4.6 Receipts

- 4.6.1 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.
- 4.6.2 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.

4.7 Money Received

- 4.7.1 Income shall not be used to cash personal cheques or other payments.
- 4.7.2 Where cheque payments are presented personally, the receipting employee shall ensure that a cheque guarantee card supports such payments. They shall also ensure:
- 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;
 - that the code number shown on the cheque guarantee card is the same as that shown on the cheque;
 - that the receipting employee personally writes the card number on the reverse of the cheque;
 - that the amount of the payment does not exceed the limit shown on the face of the card;
 - 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).

- 4.7.3 All cheques received shall be made payable to "Newcastle Under Lyme Borough Council". All bank payments must be into the Council's General Fund Account or other account if specified by the Executive Director (Resources and Support Services).
- 4.7.4 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.

4.8 Payment by Credit and Debit cards

- 4.8.1 Directors shall consult with the Executive Director (Resources and Support Services) before introducing facilities for payment by credit or debit cards.
- 4.8.2 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, payments made by credit cards will not be subject to a charge.
- 4.8.3 Payments shall only be collected for credit income at establishments authorised by the Executive Director (Resources and Support Services) and on systems approved by them. 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, business rates and debtors accounts.
- 4.8.4 Payments will not be accepted by this method where the Council acts as a collecting agent on behalf of another organisation unless all associated processing fees are met by the body concerned.

- 4.8.5 Where the cardholder is present for payment by credit and debit cards, the receiving employee shall ensure that:
- the card holder presents a valid pin number, or present a card capable of contactless payment if the transaction value is less than the upper limit (currently £30);
 - 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;
 - the cardholder is given a receipt from the authorising terminal as proof of payment and as well as the official receipt from the Council;
 - that the expiry date on the card is still valid;
 - 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).

- 4.8.6 A cash back facility shall not be available.

- 4.8.7 The Council must comply with the Payment Card Industry (PCI) Data Security Standards (DSS) and ensure the security of sensitive customer information. This specifically relates to merchant receipts produced from payment card machines. All staff involved in taking debit or credit card payments must adhere to the Council's Procedure for the Handling of Merchant Receipts and Customer Card Details.

4.9 Direct Debit Collection

- 4.9.1 Payments of sums due may be collected by means of Direct Debit only with the prior approval of the Executive Director (Resources and Support Services)

- 4.9.2 The Revenues Manager shall:

- process direct debit transactions for all departments in the Council (with the exception of Leisure Gym memberships);
- process Direct Debit information within 48 hours (excluding weekend and bank holidays);
- during processing, identify issues that will prohibit the collection of monies;
- rectify any issues that will stop payment on the Direct Debit mandate;
- set up Direct Debits on the customer's account;
- set up Direct Debit collections to be made on 1st or 15th of the month for sundry debtors, on the 3rd, 15th or 25th of the month for Council Tax and on the 3rd of the month for National Non-Domestic Rates;
- transmit claims to the bank and collect all of the returns reports, forwarding to Departments where necessary;
- carry out recovery procedures for all departments in the Council (with the exception of Leisure Gym memberships) to ensure arrears are collected.

- 4.9.3 The Head of Leisure and Cultural Services (in respect of Direct Debit Collection arranged through the Leisure departmental system) shall:

- ensure that Leisure and Cultural Services have a unique originators number;
- process Direct Debit information within 48 hours (excluding weekend and bank holidays);
- during processing identify issues that will prohibit the collection of monies;
- rectify any issues that will stop payment on the Direct Debit mandate;
- set up Direct Debits on the member's account;
- set up Direct Debit collections to be made on 1st or 15th of the month;
- request BACS and AUDDIS returns to identify customer arrears and automatically update membership database (where applicable), disabling access to the facilities until any payment due in line with their membership terms is received;
- request reports on payments collected and payments defaulted;
- ensure arrears are collected.

4.10 Security

- 4.10.1 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.

4.11 Banking

- 4.11.1 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 directly with the Council's bankers.
- 4.11.2 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.
- 4.11.3 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.
- 4.11.4 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.
- 4.11.5 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.

4.12 Records

- 4.12.1 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.
- 4.12.2 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 Customer and [Digital ICT 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).
- 4.12.3 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).

4.13 Issue of Debtors Accounts

- 4.13.1 Directors shall:
 - (a) promptly notify the Executive Director (Resources and Support Services), in a form approved by them, 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 the Executive Director (Resources and Support Services) 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.

4.13.2 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).

4.13.3 There shall be no Cancellation of accounts except by full payment or final write off.

4.13.4 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.

4.14 Recovery procedures

4.14.1 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.

4.14.2 Directors shall assist the Executive Director (Resources and Support Services) in carrying out these recovery procedures by providing any information or assistance requested.

4.15 Write offs

4.15.1 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/Portfolio Holder for Finance and Efficiency](#);
- (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.

4.15.2 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.

4.16 Fees & Charges

4.16.1 All fees and charges levied or made shall be in accordance with the Council's current approved scale of fees and charges and the law.

4.16.2 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.

4.16.3 Directors shall apply the Charging Policy when setting fees and charges. Where the policy is not met, valid and acceptable reasoning must be given.

4.16.4 [Any revisions to fees and charges or new fees and charges during the year can be added with the approval of the relevant Portfolio Holder and Head of Finance.](#)

4.17 Changes in Sources of Revenue

4.17.1 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 arrangements necessary to ensure proper and accurate recording of sums due to the Council, and for the prompt collection and banking of such monies.

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 penalty charge notices. 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.

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).

VAT

Particular care must be taken in the preparation of debtors accounts to ensure compliance with VAT regulations, given the ability of H M Revenue 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).

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. Revenue 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, they 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.

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.

Charging Policy

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

4.18 Requisitioning and Ordering of Work, Supplies and Services

- 4.18.1 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.
- 4.18.2 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).
- 4.18.3 Requisitions, orders and associated terms and conditions shall be made via the FIMS except where 4.18.10 applies. They shall be issued for all works, supplies and services except for:
- supplies of public utility services;
 - periodical payments, e.g. rent;
 - petty cash purchases; and
 - other exceptions agreed and authorised in writing by the Executive Director (Resources and Support Services).
- 4.18.4 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).
- 4.18.5 Requisitions shall be initiated on the FIMS and shall clearly indicate:
- the nature of the purchase;
 - the quantity required;
 - any contract or agreed prices relating to the purchase;
 - in relation to contracts, the amount of retention money to be withheld;
 - the delivery date when specified and location; and
 - the charge code.
- 4.18.6 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 automatically on receipt of the invoice. No other approval will be required.
- 4.18.7 Requisitions and orders in excess of £50,000 shall require authorisation by [a member of the Executive Management Team](#) ~~Chief Executive or the Executive Director (Resources and Support Services)~~.
- 4.18.8 The Director shall:
- ensure that only those employees authorised by them approve requisitions electronically, or in the event of the FIMS not being available sign emergency orders;
 - maintain an up-to-date list of such authorised employees identifying in each case the limits of their authority which is to be stated on the completed online Civica new user form;
 - notify all authorisations in writing to the Executive Director (Resources and Support Services) by way of completing the online Civica new user form;
 - ensure that unique numbered official orders are used for all supplies and services. (Other than the exceptions specified in 4.17.1);
 - 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;
 - 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.
- 4.18.9 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 [\(via either an open procurement process or use of a compliant framework \(further competition or direct award\)\)](#) have been obtained if necessary. Value for money should always be achieved. The Director is responsible for the control and security of unused order books retained for emergency purposes within their service.

- 4.18.10 Where, as a consequence of the situation of using the Council's Business Continuity Procedure, supplies or services have to be ordered verbally (without using FIMS) a confirmatory order, marked as such, shall be issued as soon as possible.
- 4.18.11 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 confirmatory order, marked as such, shall be issued promptly.
- 4.18.12 Each order shall conform with the Contract Procedural Rules and to any other relevant directions of the Council with respect to central purchasing, standardisation of supplies and materials and any other matters.
- 4.18.13 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 & publicity and stationery (other than that used in connection with a specialised system or equipment). In particular all proposed procurement of Information and Communications Technology equipment must be approved by the Head of Customer and [Digital/ICT Services](#) in advance including arranging demonstrations relating to that equipment.
- 4.18.14 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.
- 4.18.15 Orders shall clearly indicate:
- the nature of the purchase;
 - the quantity required;
 - any contract or agreed prices relating to the purchase;
 - the delivery dates where specified and location;
 - the charge code; and
 - the address to which an account must be sent, which shall be the central address for invoices.
- 4.18.16 The issue of "open" orders will not be permitted unless prior written approval has been obtained from the Executive Director (Resources and Support Services).
- 4.18.17 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.
- 4.18.18 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.
- 4.18.19 In the absence of any good reason to the contrary, which should be clearly indicated on file, the lowest quotation shall be accepted.
- 4.18.20 In cases where the minimum requirements as set out in 4.18.18 have not been satisfied, the reason for non-compliance shall be clearly indicated on the copy order and invoice.
- 4.18.21 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.
- 4.18.22 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 Contract Procedural Rules shall apply.
- 4.18.23 Directors shall ensure that:
- 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. A different employee from the person entering the electronic requisition should approve it, which will then become an order. A different employee from the person who requisitioned and approved the online order should be involved in the payment process.

4.18.24 Regard should be had to the content of the Council's Procurement Strategy and its Commissioning Framework for the Third Sector in applicable cases.

4.18.25 Only authorised employees of the Council may approve requisitions or orders for goods and services. In exceptional circumstances the Executive Director (Resources and Support Services) may grant approval rights to individuals who are overseeing service areas, but are not directly employed by the Council.

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.

Goods and services should not be ordered, if this would cause a budget estimate to become overspent.

The Council operates an electronic system (part of FIMS) for requisitioning, ordering and paying for goods and services. Accordingly, the approval of a requisition will be the stage at which approval is given for an order to be automatically raised and issued.

Only Council employees can approve requisitions or orders for goods or services. Interim or agency staff or consultants or other persons who are not directly employed may not perform this function unless specific approval has been sought from the Executive Director (Resources and Support Services).

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.

4.19 Contracts

4.19.1 All contracts for supplies or work carried out on behalf of the Council shall be subject to the Council's Contract Procedural Rules. [The Council's Contract Procedural Rules must also be followed when considering a contract extension.](#)

4.20 Works contracts

4.20.1 Each Director shall 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.

4.20.2 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.

4.21 Completion of Contracts

4.21.1 The final invoice on completion of any contract shall not be paid until the appropriate employee or consultant has produced to ~~the Chief Internal Auditor~~ ~~Internal Audit~~ ~~the Head of Audit and Elections~~ a detailed statement of account, all relevant documents required and the provisions of Financial Regulations 4.23.4 and 4.23.5 are satisfied.

4.21.2 ~~Internal Audit~~ ~~The Head of Audit and Elections~~ shall, to the extent that they consider necessary, examine final accounts for contracts and be entitled to make all such enquiries and receive all such explanations as they may require in order to satisfy herself/himself as to the accuracy of the accounts. ~~Internal Audit~~ ~~The Chief Internal Auditor~~ ~~Head of Audit and Elections~~ 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.

4.21.3 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 2.7.

4.21.4 Where completion of a contract is delayed, the Chief Executive shall be informed by the Director concerned in order that he may take appropriate action in respect of any claim for liquidated damages.

4.21.5 Directors shall request payment of retention monies in writing from ~~Internal Audit~~ ~~the Head of Audit and Elections~~ when they are due.

4.22 Goods and materials contracts

4.22.1 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.

4.23 General and Variations to Contracts

4.23.1 Except after consultation with the Chief Executive 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 Chief Executive has advised such employee that the contract has been signed by the contractor and that the appropriate insurances and bonds have been effected to their satisfaction and the Executive Director (Resources and Support Services) is satisfied that the contractor is financially competent to undertake the contract.

4.23.2 The Chief Executive shall be responsible for keeping in secure custody all contract documents, including plans, specifications, bills of quantities, bonds etc.

4.23.3 Subject to the provisions of the contract and Financial Regulations 4.20 and 4.22, 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.

4.23.4 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 4.22 without first seeking and obtaining Cabinet approval.

4.23.5 Claims from contractors in respect of matters not clearly within the terms of an existing contract shall be referred to the Chief Executive for consideration of the Council's legal liability before a settlement is reached and any payment made.

Explanatory Notes

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 Procedural Rules, 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.

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 them 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 Section B of these regulations) exist where substantial variations to contracts have occurred.

4.24 Paying for Work, Supplies and Services

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

- (a) make all payments on behalf of the Council. 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 [or Standing Order](#) shall require the prior agreement of the [Head of Finance 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).

4.24.2 Every invoice submitted to the Executive Director (Resources and Support Services) for payment shall be scanned electronically and paid where it matches the goods received amount on 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). The invoice will be forwarded to the appropriate department to enable it to be coded before requiring authorisation by the relevant Budget Holder.

4.24.3 Directors shall ensure that the department maintains and reviews periodically a list of employees approved to authorise invoices.

4.24.4 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. They shall submit it to the Creditors and Purchasing Section as soon as possible and in all cases not later than fifteen working days after its receipt, unless they have established that they cannot certify the account given the requirements of Financial Regulation 4.24. Where they cannot certify an account within the fifteen-day period they shall promptly take all action necessary to permit them to certify the account as soon as possible. Where an invoice is disputed, they shall notify the Executive Director (Resources and Support Services) to that effect as soon as practicable.

4.24.5 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. The Council has signed up to the government's "Prompt Payment Code" and, therefore, all practicable action should be taken to ensure that its terms are complied with.

4.24.6 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.

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

- (a) that Contract Procedural Rules and Financial Regulations have been complied with;
- (b) that the receipt of the invoice has been registered and matched immediately to the electronic order ;
- (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, [quotationtenders, tendersquotation \(via either an open procurement process or use of a framework \(further competition or direct award\)\)](#) 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 Business Improvement Manager 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 Revenue and Customs, and 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;

4.24.8 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.

4.24.9 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.

4.24.10 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).

4.24.11 The Director shall ensure that all invoices are stamped with the date received in the department. Invoices shall be received directly within the Creditors department. Where this has not occurred then the invoice should be immediately forwarded to the Creditors department for electronic scanning and for matching with the originating order in the FIMS. 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 they consider it appropriate, agree alternative arrangements to these procedures;

4.24.12 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).

- 4.24.13 The Executive Director (Resources and Support Services) shall have the right to carry out such additional checks as they consider appropriate in respect of an invoice, either before or after it is paid. In addition, they shall have the right to satisfy themselves 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 them.
- 4.24.14 All payments which include VAT shall be supported by a VAT invoice or receipt.
- 4.24.15 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 Head of [Finance Audit and Elections](#), must be complied with.
- 4.24.16 Goods and services may also be acquired by means of Procurement Cards (P-Cards). All cardholders must be approved by the Executive Director (Resources and Support Services). Card use will be subject to procedures and terms and conditions of use laid down by the Executive Director (Resources and Support Services), which must be complied with.
- 4.24.17 Only employees of the Council may approve payments in respect of goods and services.

Explanatory Notes

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 which will be required to approve the invoice for payment, to update FIMS with the receipt of goods/services.

Wherever an order has been raised an authorised employee must update FIMS with details of goods received before any payment can be made. Payment of an invoice following goods receipting will be completed automatically if all aspects match.

The procedures and checks to be carried out on invoices are set out in the Financial Regulations. Whilst most invoices will automatically be matched to orders raised, where this is not the case or where the invoice does not match to the order, Directors, via their budget holders, 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 Revenue and Customs can impose fines on the Council for non-compliance with VAT regulations. In extreme cases, H M Revenue and Customs can impose fines on individual employees. Guidance on the correct treatment of VAT can be obtained from the Financial Management Section.

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 they consider necessary.

The Executive Director (Resources and Support Services) needs to be informed of 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.

Only Council employees can approve payment in relation to goods and services. Interim or agency staff or consultants or other persons who are not directly employed may not perform this function.

It is important that the Council pays its suppliers promptly. It has, by law, to comply with a requirement to pay them within 30 days of receipt of their invoice (provided there is no dispute) and the Council itself aims to pay local businesses within 10 days. In addition, the Council has signed up to the government's "Prompt Payment Code". This says that we will pay suppliers on time, within their terms without changing them retrospectively and without altering the length of payment for small firms on unreasonable grounds. We must also give clear guidance to suppliers about our payment procedures, have a disputes/complaints system and communicate this to them and we must advise them promptly if there is a reason why an invoice will not be paid.

4.25 Payments to Employees and Members

- 4.25.1 The Head of ~~Finance~~~~Human Resources~~ shall make arrangements to:
- 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;
 - record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions;
 - pay Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 4.25.2 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 ~~People and Organisational Development~~~~Human Resources~~ in order that records of employment and conditions of service can be maintained.
- 4.25.3 The Head of ~~People and Organisational Development~~~~Human Resources~~ shall:
- as soon as possible arrange for the necessary adjustment of any information received under 4.25 that may affect the salaries, wages or emoluments of any employee or former employee;
 - provide advice and encouragement to secure payment of salaries, wages and Members allowances by the most economical means.
- 4.25.4 Directors shall notify the Head of ~~People and Organisational Development~~~~Human Resources~~ of all matters affecting the payment of items referred to in 4.25 above as soon as possible and in the prescribed form, subject to special arrangements agreed by the Head of ~~People and Organisational Development~~~~Human Resources~~; and in particular of:
- absences from duty for sickness or other reason, apart from approved annual, compensatory and flexitime leave with pay;
 - changes in remuneration, other than normal increments and pay awards and agreements of general application;
 - information necessary to maintain records of service for pension, income tax, national insurance, etc.
- 4.25.5 Directors shall:
- ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule;
 - 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.
- 4.25.6 All time records shall be in a form approved by the Head of ~~People and Organisational Development~~~~Human Resources~~ and shall be certified by the appropriate Director, or their designated employee. Timesheets shall be forwarded to the Head of ~~People and Organisational Development~~~~Human Resources~~ in accordance with a timetable prescribed by them.

- 4.25.7 The Executive Director (Resources and Support Services) shall impose such checks on wage records, as they consider desirable.
- 4.25.8 A Director may certify payment of overtime to employees on spinal column point ~~2935~~ and above only where prior approval has been obtained from the relevant Cabinet Portfolio-holder
- 4.25.9 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) ~~provide these~~ ~~send an up-to-date list of the names of employees authorised to sign records to the~~ Head of ~~People and Organisational Development~~ ~~Human Resources,~~ ~~together with specimen signatures with an authorisation structure to be used in the Payroll System "MyView";~~
 - (c) give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HM Revenue 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 ~~People and Organisational Development~~ ~~Human Resources;~~
 - (d) ensure that payments are only allowed through the PAYE system ;
 - (e) ensure that the Head of ~~People and Organisational Development~~ ~~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.

4.26 Allowances to Members, Travel and Subsistence

- 4.26.1 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.
- 4.26.2 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 Chief Executive or their designated employee.

4.27 Travelling and Subsistence Allowance

- 4.27.1 Directors shall ~~provide an authorisation structure to confirm who can:~~
- (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.
- 4.27.2 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).
- 4.27.3 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 ~~People and Organisational Development~~ *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 ~~People and Organisational Development~~ *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 ~~2935~~ and above. However, the regulation allows exceptions to the rule in extreme circumstances

The ~~Chief Executive~~ *Executive Director (Resources and Support Services)* will pay allowances to Members in accordance with the procedures laid down by regulation 4.26.

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

4.28 Taxation

4.28.1 The Executive Director (Resources and Support Services) shall ~~retain responsibility for~~ *complete* all HM Revenue and Customs returns regarding PAYE. ~~Operationally this is carried out by Stoke-on-Trent City Council as part of the Council's Payroll Service Level Agreement and this will be monitored in accordance with the terms and conditions of the Service Level Agreement.~~

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

- complete a monthly return of VAT inputs and outputs to HM Revenue and Customs;
- provide details to HM Revenue and Customs regarding the construction industry tax deduction scheme;
- provide details to HM Revenue and Customs regarding the Council's liability under Section 53 of the Income and Corporation Tax Act 1970.

4.28.3 Directors shall:

- ensure that the correct VAT liability is attached to all income due and that all VAT recovered on purchases complies with HM Revenue and Customs regulations;
- ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements;
- 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;
- 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. Advice in relation to taxation issues affecting payments to employees and members may be obtained from the Head of ~~People and Organisational Development~~ and Head of Finance ~~Human Resources~~.

4.29 Trading Accounts

4.29.1 Except where specifically stated, these financial regulations apply to the activities of trading services.

4.29.2 Directors shall:

- 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;
- 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;
- observe all accounting requirements specific to trading accounts. Otherwise, they must ensure that the same accounting principles are applied in relation to trading accounts as for other services;

- 4.29.3 All proposals to establish alternative delivery vehicles (for example community interest companies) shall be subject to consultation with the Executive Director (Resources and Support Services) who shall advise on the financial implications of the proposals, including with regard to taxation, and in relation to the overall financial position of the Council and their comments shall be incorporated in any reports to members thereon.

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.

PR5: EXTERNAL ARRANGEMENTS

5.1 Partnerships

- 5.1.1 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:-
- are aware of their responsibilities under the Council's Financial Regulations and Contract Procedural Rules in relation to contracts;
 - ensure that risk management processes are in place to identify and assess all known risks;
 - ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
 - agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences;
 - communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- 5.1.2 The Executive Director (Resources and Support Services) shall:
- advise on effective controls that will ensure that resources are not wasted;
 - 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.
 - ensure that the accounting arrangements are satisfactory.
- 5.1.3 Directors shall:
- maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Executive Director (Resources and Support Services)
 - 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;
 - ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council;
 - ensure that all agreements and arrangements are properly documented;
 - 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.
- 5.1.4 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 positive outcomes and in helping to promote and improve the wellbeing 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 relationship.*

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 gives 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.

5.2 External funding

5.2.1 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.

5.2.2 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 plan, timetable or framework 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 Lottery, provide additional resources to enable the Council to deliver services to the local community. However, in some instances, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

5.3 Work for third parties

- 5.3.1 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.
- 5.3.2 Directors shall:
- ensure that the approval of the Cabinet is obtained where necessary before any negotiations are concluded to work for third parties;
 - maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Executive Director (Resources and Support Services);
 - ensure that appropriate insurance arrangements are made;
 - ensure that the Council is not put at risk from any bad debts;
 - ensure that no contract is subsidised by the Council except where there are justifiable reasons acceptable to the Executive Director (Resources and Support Services);
 - ensure that, wherever possible, payment is received in advance of the delivery of the service;
 - ensure that the relevant department/unit has the appropriate expertise to undertake the contract;
 - ensure that such contracts do not impact adversely upon the services provided for the Council;
 - ensure that all contracts are properly documented; and drawn up using guidance provided by the Business Improvement Manager and that the formal approvals process is adhered to;
 - ensure that proposals are costed properly in accordance with advice provided by the Executive Director (Resources and Support Services);
 - provide appropriate information to the Executive Director (Resources and Support Services) to enable a note to be entered into the statement of accounts.

Explanatory Notes

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.

PR6: COMPLIANCE WITH THE LOCAL GOVERNMENT TRANSPARENCY CODE

6.1 Publication of Data

- 6.1.1 Directors shall collate and publish all data which the Code requires to be published in relation to services for which they are responsible within the timescales set out in the version of the Code in force at the time.
- 6.1.2 Where, in order to comply with 6.1.1 above, a Director requires data from another Director, this shall be provided in a timely manner so as to enable the responsible Director to meet the deadlines for publication set out in the Code.
- 6.1.3 The Executive Director (Resources and Support Services) may by agreement ~~agree with Directors that he will~~ publish particular data on ~~their behalf of Directors~~. In such cases, Directors will ensure that they supply all data in a timely manner so as to enable The Executive Director (Resources and Support Services) to meet the deadlines for publication set out in the Code.
- 6.1.4 The Code requires data to be published on the Council's internet site. Accordingly the Head of Communications will ensure that all data supplied to them for publication will be placed on the website in a timely manner in order to comply with the timescales set out in the Code.

- 6.1.5 Regard will be had to Guidance published from time to time by the Local Government Association in respect of data to be published and the format of publication.

Explanatory Notes

The government has issued the Local Government Transparency Code, which sets out data which must be published by local authorities on their internet sites. Data required to be published includes details of payments over £500, property assets details, procurement data, senior officer remuneration and parking information. It is a legal requirement to comply with the Code.

Data must be published within set timescales. Some data must be published quarterly and some annually.

In most cases budget holders responsible for the services for which data must be published will collate the data and supply it to Communications for placing on the website. By agreement with the Executive Director (Resources and Support Services) data supplied by budget holders may be collated by the Financial Management Section and they will arrange for it to be published by forwarding it in its final form to Communications.

Data required for publication must be supplied to the responsible budget holder or Financial Management in a timely manner to enable it to be published in time to meet the Code's timescales.

The Local Government Association has produced Guidance which sets out what data must be published and the format in which publication should be made. An electronic copy of the Guidance may be obtained from the Financial Management Section.

PR7: COMMERCIALISATION GOVERNANCE

7.1 Commercial Strategy Governance

- 7.1.1 Commercial investment decisions linked with the Revolving Investment Fund and Investment Strategy will be taken by full Cabinet in order to achieve the following strategic outcomes:-
- (f) To generate income through commercial activity that can be reinvested in local priorities, services and improvements for ~~our~~ our borough residents.
 - (g) To build strong working relationships with public, private and third sector partners in order to maximise collaboration and generate efficiencies.
 - (h) To embed a commercial culture within the council and ensure that ~~our~~ our Council staff are equipped with the skills they need to operate in a more commercial environment.
 - (i) To support the council in delivering the council plan and growth agenda as a key pillar of the medium term financial strategy and ~~our~~ our goal of financial self-sufficiency.
 - (j) To optimise the council's use of technology and support ~~our~~ our the digital agenda in order to enable new, more efficient and flexible ways of working and interacting with customers and residents.
- 7.2.1 Some changes may be required to the Council's Constitution to enable timely decision making as commercial opportunities present themselves.

Explanatory Notes

The Commercial Investment Strategy will enable the Council's vision for Newcastle-under-Lyme to be a sustainable and business-oriented Council that maximises commercial opportunities in order to deliver long-term benefits for residents of the borough and support the Council's medium-term financial strategy.

This will be achieved through:

- Generation of service efficiencies and new income streams
- Maximising existing revenue streams
- Effective procurement and contract management
- Prudent investment in income generating assets
- Strategic asset development

Funding and resourcing will be through:

- *Generate a return on investment to fund services*
- *Make every penny count*
- *Explore opportunities to share services with other councils*
- *Maximise existing revenue streams*
- *Effective and proportionate risk management*
- *Robust strategic and operational planning*
- *Access to government grants and other funding*
- *Invest to save*
- *Revolving Investment Fund funded from capital receipts and prudential borrowing*
- *Pump priming for initiatives through the Borough Growth Fund*

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
BUSINESS MANAGER	Means an employee of the Council at the Fourth Tier level, i.e. immediately below the level of Head of Service, currently comprising Business Managers, plus any other employee who may be designated to act in a Business Manager role by the Council.
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 or to a Business Manager within the 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 Civica Financials
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: •Economy, Environment & Place Scrutiny Committee; •Finance, Assets & Performance Scrutiny Committee; and •Health, Wellbeing & Partnerships Scrutiny Committee.
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.

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