

## **FINANCIAL REGULATIONS -** **SEPTEMBER 2018**

### **1. INTRODUCTION**

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

- 1.8 Financial regulations and procedures must be capable of a clear “legal” interpretation. They have been written in a formal manner and **it must be remembered that it is the actual regulation and procedure that must be understood and observed.** In an effort to remove some of the complexities, each section is followed by an explanatory note, which conveys the “spirit” of the regulations. It is hoped that readers will find this helpful. **However, the explanatory notes do not form part of the Financial Regulations.** In addition where it is felt that a particular expression used in the regulations requires further definition, this has been provided in a Glossary to be found at the end of the regulations.
- 1.9 If you are in any doubt at all over compliance with a Financial Regulation, please consult the Financial Management Section or Internal Audit.
- 1.10 Any reference in the Council’s Financial Regulations to “the Cabinet” shall be deemed also to include any Sub-Committees of the Cabinet which may be given power to determine relevant matters.
- 1.11 Any reference in the Council’s Financial Regulations to words denoting the masculine gender shall be deemed also to include reference to the feminine, and vice versa.
- 1.12 Wherever the Council acts in a trustee capacity regarding the affairs of charities and other bodies, these Financial Regulations shall apply.
- 1.13 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**

<b>Ref.</b>	<b>KEY REGULATIONS</b>	<b>RELATED PROCEDURAL REGULATIONS</b>	<b>Ref.</b>
<b>A</b>	<b>FINANCIAL MANAGEMENT includes:</b>		
A1-A12	The Full Council The Cabinet Scrutiny Committees Audit and Standards Committee Other Regulatory Committees	Responsibilities of the Cabinet	Aa1
A13-A22	The Statutory role of officers Chief Executive Executive Director (Resources and Support Services) Directors	Responsibilities of the Executive Director (Resources and Support Services) Responsibilities of the Chief Executive and other Directors	Ab1 Ac1-Ac4
A23 -A29	Virement Treatment of year end balances Accounting policies Financial records E-commerce and the Internet Final accounts	Virement Financial Records Final Accounts Separation of Duties Grant and Other Claims	Ad1-Ad2 Ae1-Ae5 Af1-Af2 Ag1-Ag4 Ah1-Ah2
<b>B</b>	<b>FINANCIAL PLANNING includes:</b>		
B1-B2	Policy framework	Performance plans	Ba1
B3-B12	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	Bb1 Bb2-Bb20 Bc1-Bc2 Bd1
B13-15	Project Appraisal		
B16	Maintenance of reserves	Maintenance of reserves	Be1-Be4
B17	Preparation of the capital programme	Capital programme	Bf1-Bf23
B18	Guidelines on budget preparation		

<b>C</b>	<b>RISK MANAGEMENT AND CONTROL OF RESOURCES includes:</b>		
C1-C3	Risk Management	Risk Management Insurances	Ca1-Ca4 Cb1-Cb3
C4-C6	Internal Control	Internal controls	Cc1-Cc3
C7-C9	Audit requirements	Internal Audit External Audit	Cd1-Cd5 Ce1-Ce2
C10	Preventing fraud and corruption	Preventing fraud and corruption	Cf1-Cf3
C11	Assets	Assets Inventories Stocks Intellectual property Asset disposal Minor expenditure	Cg1-Cg5 Ch1-Ch6 Ci1-Ci8 Cj1-Cj2 Ck1-Ck2 Cl1
C12-C17	Treasury management	Treasury management Banking arrangements	Cm1-Cm5 Cn1-Cn4
C18-C20	Staffing	Staffing	Co1-Co3
C21	Gifts and Hospitality		
<b>D</b>	<b>SYSTEMS AND PROCEDURES includes:</b>		
D1-D2	General	General Delegation Information security	Da1-Da2 Db1 Dc1-Dc2
D3	Income & Expenditure	Recording & notification of sums due Separation of duties Receipts Money received Payment by credit & debit cards Direct Debit Collection Security Banking Records Issue of Debtors Accounts Recovery procedures Write offs Fees & Charges Changes in sources of Revenue	Dd1-Dd8 De1 Df1-Df2 Dg1-Dg4 Dh1-Dh7 Di1-Di3 Dj1 Dk1-Dk5 Dl1-Dl3 Dm1-Dm4 Dn1-Dn2 Do1-Do2 Dp1-Dp3 Dq1

		Requisitioning and Ordering of Work, Supplies & Services Contracts Works contracts Completion of contracts Goods and materials contracts General and Variations to contracts Paying for work, supplies & services	Dr1-Dr25 Ds1 Ds2-Ds3 Ds4-Ds8 Ds9 Ds10-Ds14 Dt1-Dt17
D4-D5	Payments to Employees & Members	Payments to Employees & Members Allowances to Members, travelling and subsistence Travelling and subsistence allowances	Du1-Du9 Du10-Du11 Du12-15
D6	Taxation	Taxation	Dv1-Dv3
D7	Trading Accounts	Trading Accounts	Dw1-Dw3
<b>E</b>	<b>EXTERNAL ARRANGEMENTS: includes</b>		
E1-E5	Partnerships	Partnerships	Ea1-Ea4
E6	External funding	External funding	Eb1-Eb2
E7	Work for third parties	Work for third parties	Ec1-Ec2
<b>F</b>	<b>COMPLIANCE WITH THE LOCAL GOVERNMENT TRANSPARENCY CODE</b>		
F1-F4	Publication of data	Publication of data	Fa1-Fa5

**MONETARY AMOUNTS**

<b>Ref.</b>		<b>Amount</b>
Ad1- Ad2	<b>Virement</b> Directors approval limit notifiable to the Executive Director (Resources and Support Services) Cabinet limit above which it must be reported to Full Council	£20,000 £50,000
Ac4	<b>Financial management</b> Amount over which the Executive Director (Resources and Support Services) needs to be involved with negotiations and/or agreements/ arrangements	£50,000
B12	<b>Variiances</b> Significant variiances are those which are greater than:  All variiances must be investigated if in excess of:	The larger of 10% of the budget or £2,000 £15,000
B15	<b>Capital Appraisals</b> Estimated cost of capital project above which an appraisal must be carried out	£20,000
Cb3	<b>Insurances</b> 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) 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)	£5,000,000 £10,000,000 £2,000,000
Ch1	<b>Inventories</b> Level above which items should be included on an inventory	£500
Ci8	<b>Stock levels (amounts which may be written off)</b> (a) Executive Director (Resources and Support Services) (b) Cabinet	Below £1,000 Above £1,000
Ck1	<b>Asset Disposal</b> 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.	£500
Dk4	<b>Banking</b> Amount above which money is to be banked without delay	£500
Dm1	<b>Records</b> 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
Dm1- Dq1	<b>Issue of debtors accounts</b> Amount below which it is considered uneconomic to raise an account	£40
Do1- Do2	<b>Write offs of Debtors Accounts</b> (a) Approval from the Executive Director (Resources and Support Services)  (b) Approval from Cabinet	£5,000 or below Above £5,000
Dr18	<b>Ordering of work, supplies and services</b> (a) <b>Low value procurement:</b> Where alternative prices are available for the level of estimated cost and a minimum of two written quotations is required; (b) <b>Intermediate value procurement:</b> Where alternative prices are available for the level of estimated cost and a minimum of three written quotations is required. (c) <b>High value procurement:</b> The estimated cost above which Financial Regulations and Contract Procedural Rules shall apply.	£5,000 <>£30,000 £30,000 <> £50,000 > £50,000
Dr22	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
Dt12	<b>Paying for work, supplies and services.</b>	

	Amount above which schedules of accounts need supplying to the Executive Director (Resources and Support Services)	£500
--	---	------

## KEY REGULATIONS

### A: FINANCIAL MANAGEMENT

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

### The Full Council

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

### The Cabinet

- A5 The Cabinet shall be responsible for proposing the policy framework and budget to the Full Council, and for discharging executive functions in accordance with the policy framework and budget.
- A6 Cabinet decisions can be delegated to a committee of the Cabinet, an individual Cabinet Member, an employee or a joint committee.
- A7 The Cabinet has the authority:
- (a) to consider all financial matters which are of an executive nature or not reserved by law to Full Council;
  - (b) to investigate any aspect of income and expenditure relating to all departments of the Council, and to call for the production of all relevant documentation necessary for such an investigation;
  - (c) after a full investigation to make such recommendations to the Full Council as it considers necessary, with a view to securing greater economy in the administration of the services controlled by the Council and on financial matters generally.
  - (d) To determine any matter, which is an executive function or not reserved by law to Full Council.
- A8 The Cabinet shall:
- (a) be responsible for establishing protocols to ensure that individual Members of Cabinet consult with relevant employees before taking a decision within their delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

### Scrutiny Committees

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

### Audit and Standards Committee

- A10 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.
- A11 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.

### **Other regulatory committees**

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

### **The statutory role of officers**

#### **Chief Executive**

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

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

- A15 The Executive Director (Resources and Support Services) is responsible for advising the Cabinet or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- (a) initiating a new policy;
  - (b) committing expenditure in future years to above the budget level;
  - (c) incurring interdepartmental transfers above virement limits;
  - (d) causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- A16 The Executive Director (Resources and Support Services) shall, in carrying out his functions, have regard to his statutory duties (which cannot be over-ridden) in relation to the financial administration and stewardship of the Council arising from:
- (a) Section 151 of the Local Government Act 1972;
  - (b) The Local Government Finance Act 1972;
  - (c) The Local Government Act 2003;
  - (d) The Accounts and Audit (England) Regulations 2015 or any successor legislation.
- A17 The Executive Director (Resources and Support Services) shall be responsible for:
- (a) the proper administration of the Council's financial affairs;
  - (b) setting and monitoring compliance with financial management standards;
  - (c) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
  - (d) preparing the revenue budget and capital programme;
  - (e) treasury management.
- A18 The Executive Director (Resources and Support Services), in accordance with Section 114 of the Local Government Finance Act 1988, shall report to the Full Council, Cabinet and external auditor if the Council or one of its employees:

- (a) has made, or is about to make, a decision which involves incurring unlawful expenditure;
- (b) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council;
- (c) is about to make an unlawful entry in the Council's accounts.

A19 The Executive Director (Resources and Support Services) shall nominate a properly qualified Member of staff to deputise should he be unable to perform his duties under Section 114 personally.

A20 The Council shall provide the Executive Director (Resources and Support Services) with sufficient employees, accommodation and other resources, including legal advice where this is necessary, to carry out his duties under Section 114.

### **Monitoring Officer**

A21 The Monitoring Officer shall be responsible for:

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

### **Directors**

A22 Directors and their delegated representatives shall be responsible for:

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

### **Virement**

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

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

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

### **Accounting policies**

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

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

### **Financial records**

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

### **E-Commerce and the Internet**

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

### **Final Accounts**

- A29 The Executive Director (Resources and Support Services) shall prepare and publish an annual statement of accounts, in accordance with the relevant code of practice currently in force and in accordance with the statutory timetable. The Audit and 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.

## **B: FINANCIAL PLANNING**

### **Policy framework**

- B1 The Full Council shall:
- (a) Agree and approve the Council's policy framework and budget, the key elements of which will be the 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.
- B2 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**

- B3 The Cabinet shall recommend, and the Full Council approve, the Council Tax to be set by the Council.

### **Budget strategy and preparation**

- B4 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.
- B5 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).
- B6 The Cabinet will have regard to the following factors when considering and agreeing the budget strategy in respect of its review of current programmes:
- (a) Information contained in the current budget book supported by supplementary notes and supporting information; the Council's 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.
- B7 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.
- B8 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.
- B9 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.
- B10 Directors shall:
- (a) Assist the Executive Director (Resources and Support Services) in presenting the budget strategy to Cabinet by providing him with any supporting information or data required to enable him to adequately report to the Cabinet;
  - (b) 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 him 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 him, in that form, to the Cabinet for approval. At the same time he will recommend proposed taxation levels and the other means of financing the proposed budget, including any contributions from reserves; and
  - (c) Prepare Service Plans to feed into the financial information collated by the Chief Executive in the format approved by him.

### **Budget monitoring and control**

- B11 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.
- B12 Directors shall control expenditure and income within their areas of responsibility, taking account of financial information provided by the Executive Director (Resources and Support Services). They shall report on variances within these areas and take any action necessary to avoid exceeding their budget allocation and alert the Executive Director (Resources and Support Services) to any problems of which they become aware. They shall provide the Executive Director (Resources and Support Services) with any information that he may require in order that he may report to the Cabinet upon expenditure or income compared to budget.
- B13 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.
- B14 If a capital project is proposed, it will be subject to an appraisal. The appraisal shall be in a form approved by the Cabinet 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 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.

- B15 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 he considers this to be appropriate.

### **Maintenance of reserves**

- B16 The Executive Director (Resources and Support Services) shall advise the Full Council and the Cabinet on prudent levels of reserves for the Council.

### **Preparation of the capital programme**

- B17 The Executive Director (Resources and Support Services) shall prepare a Capital Programme on an annual basis for consideration and approval by the Cabinet and the Full Council. He shall also update the Programme on a regular basis during each year and report thereon to the Cabinet. In considering the total amount of the capital programme the Cabinet and the Full Council shall have regard to the resources available or expected to be available, to the Council to finance such a programme over the period covered by it, including the revenue consequences of the programme. The Executive Director (Resources and Support Services) shall report to the Cabinet and the Full Council at the time that the programme is considered upon the availability of such resources.

### **Guidelines**

- B18 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).

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

### **Introduction**

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

### **Risk management**

- C2 The Audit and 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.
- C3 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**

- C4 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C5 The Executive Director (Resources and Support Services), in conjunction with the 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.

- C6 Directors shall establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

### **Audit requirements**

- C7 The Accounts and Audit (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.
- C8 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.
- C9 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**

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

### **Assets**

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

### **Treasury Management**

- C12 The Council adopts the 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.

- C13 The Cabinet shall be responsible for the implementation of the Council's treasury management policies and practices.
- C14 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.
- C15 The Executive Director (Resources and Support Services) shall be responsible for the execution and administration of treasury management decisions. He shall act in accordance with the Council's Policy Statement and TMPs and if he is a CIPFA Member, CIPFA's "Standard of Professional Practice on Treasury Management". He may, in connection with leasing, share the responsibility with the relevant Director.
- C16 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.
- C17 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**

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

## **Gifts and Hospitality**

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

## **D: SYSTEMS AND PROCEDURES**

### **General**

- D1 The Executive Director (Resources and Support Services) shall:
- (a) be responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. The Executive Director (Resources and Support Services) must approve any changes made by Directors to the existing financial systems or the establishment of new systems;
  - (b) agree any changes to agreed procedures by Directors to meet their own specific service needs.
- D2 Directors shall:
- (a) ensure that their employees receive relevant financial training that has been approved by the Executive Director (Resources and Support Services);
  - (b) ensure that 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**

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

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

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

### **Taxation**

- D6 The Executive Director (Resources and Support Services) shall be responsible for advising Directors, on all taxation issues that affect the Council. Such advice shall be given in the light of guidance issued by

appropriate bodies and relevant legislation as it applies. Responsibility for the maintenance of tax records, authorising tax payments, calculating tax credits due and the submission of tax returns by their due date shall be on the same basis.

### **Trading Accounts**

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

### **E: EXTERNAL ARRANGEMENTS**

#### **Partnerships**

E1 The Cabinet:

- (a) Shall be responsible for approving delegations, including frameworks for partnerships;
- (b) Shall be the focus for forming partnerships with other public, private, voluntary and community sector organisations to address local needs;
- (c) May delegate their functions – including those relating to partnerships – to employees. These are set out in the scheme of delegation that forms part of the authority's constitution. Where functions are delegated, the Cabinet remains accountable for them.

E2 Where a delegation is made the Chief Executive or employee nominated by him shall represent the Council on partnership and external bodies, in accordance with the scheme of delegation.

E3 The Chief Executive shall be responsible for promoting and maintaining the same high standards of conduct in partnerships that apply throughout the Council.

E4 The Executive Director (Resources and Support Services) shall ensure that the:

- (a) Accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory;
- (b) Overall corporate governance arrangements and legal issues are considered when arranging contracts with external bodies and if necessary, referred to the Head of Business Improvement, Central Services & Partnerships.
- (c) Risks have been fully appraised before agreements are entered into with external bodies.

E5 Directors shall be responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

#### **External funding**

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

#### **Work for third parties**

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

### **F: COMPLIANCE WITH THE LOCAL GOVERNMENT TRANSPARENCY CODE**

F1 The Council will comply with the Local Government Transparency Code 2015 and all subsequent versions of the Code.

F2 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.

F3 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.

F4 Directors will be responsible for ensuring that data in relation to services under their control is published.

### **PROCEDURAL REGULATIONS**

## **A: FINANCIAL MANAGEMENT**

### **Responsibilities of the Council**

Aa1 The Full Council shall:

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

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

Ab1 The Executive Director (Resources and Support Services) shall:

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

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

Ac1 Where responsibilities are attributed to the Executive Director (Resources and Support Services), ultimate authority rests with the Chief Executive, except with regard to the discharge of the responsibilities of the Executive Director (Resources and Support Services) under section 151 of the Local Government Act 1972 and section 114 of the Local Government Act 1988.

Ac2 Every Director shall:

- (a) be responsible for the accountability and control of employees and the security, custody and control of all other resources including plant, buildings, materials, cash and stocks appertaining to his service;
- (b) ensure that every employee under his control or person acting on the Council's behalf, shall be made aware of the contents of these regulations;
- (c) promote the financial management standards set by the Executive Director (Resources and Support Services) in their services and monitor adherence to the standards and practices, liaising as necessary with the Executive Director (Resources and Support Services);
- (d) promote sound financial practices in relation to the standards, performance and development of employees in their departments;
- (e) provide on an annual basis written assurance as to the soundness of the systems of internal control they are responsible for.

Ac3 All reports shall contain reference to any financial implications, which the item reported upon may have for the Council. This shall include whether the item is provided for in an approved budget, the proposed amount, any significant revenue consequences in future years, and the financing of any expenditure. The Executive Director (Resources and Support Services) shall approve the wording of all such references.

Ac4 The Executive Director (Resources and Support Services) shall be consulted in all cases where an agreement or other arrangement, **in excess of the monetary amount as specified in these regulations**, with external third parties is contemplated which may have financial implications for the Council. Such consultations shall take place before such an agreement or other arrangement, is placed before the Full Council or Cabinet for its consideration, and in all cases before such an agreement or other arrangement, is formally entered into. Wherever he considers it appropriate, the Executive Director (Resources and Support Services) shall take part in any negotiations or discussions concerning such an agreement or other arrangement.

#### **Explanatory Notes**

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

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

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

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

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

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

## **Virement**

Ad1 Virement to meet an estimate variation shall not be permitted:

- (a) where the amount of the estimate variation to be met from virement exceeds the limit which has been determined by Full Council, in accordance with Financial Regulation A23, unless it has been referred to the Cabinet, or back to the Full Council if it exceeds the limits for the Cabinet;
- (b) where the budget head or heads from which virement is proposed to be made relate to any of the following centrally controlled estimates, unless it has been referred to the Executive Director (Resources and Support Services), who shall determine whether the proposal may be dealt with in accordance with relevant Financial Regulations or whether it shall be referred to the Full Council:
  - i Capital Financing Charges;
  - ii Central Support Services recharges;
  - iii Contributions to reserves or provisions;
  - iv Any other budget head specified by the Executive Director (Resources and Support Services) or the Cabinet;
- (c) where the saving on a budget head or heads from which virement is proposed to be made should, in the opinion of the Executive Director (Resources and Support Services), be treated as a Corporate saving;
- (d) where the Cabinet or Full Council has already turned down the project in principle.

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

## **Explanatory Notes**

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

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

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

### **Financial Records**

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

### **Explanatory Notes**

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

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

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

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

*Prime documents are retained in accordance with legislative and other requirements. A list of documents and the periods they must be kept for is available on the Intranet or from Internal Audit.*

### **Final Accounts**

- Af1 The Executive Director (Resources and Support Services) shall in accordance with the Accounts and Audit (England) Regulations 2015 or any successor legislation:
- a) prepare Final Accounts to summarise the financial transactions of the Council during each year of account and to show the financial position of the Council at the end of each year of account. Each year of account shall commence on the first of April and end on the thirty first of March;
  - b) make proper arrangements for the audit of the Council's accounts.
- Af2 Directors shall supply the Executive Director (Resources and Support Services) with any information that he requires in order to produce the Council's Final Accounts and Statement of Accounts 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 him.

### **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).*

### **Separation of Duties**

Ag1 The task of providing information, calculating, checking and recording the sums due to or from the Council shall be separated as completely as possible from the task of collecting or paying out these sums.

Ag2 Employees responsible for examining and checking records of cash transactions shall not themselves be engaged in any of these transactions.

Ag3 Wherever possible, arrangements shall be made to ensure that:

- (a) the requisitioning of works, supplies and services;
- (b) the approval of requisitions in order to produce an order to be sent to a supplier;
- (c) the acknowledgement of their receipt; and
- (d) the examination /certification of invoices /accounts

are carried out by different persons. The Executive Director (Resources and Support Services) shall be informed, in writing, of situations where this cannot occur in practice.

Ag4 Each Director must notify the Executive Director (Resources and Support Services) in advance of all employees authorised to 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.*

### **Grant and Other Claims**

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

Ah2 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.

## **B: FINANCIAL PLANNING**

### **Performance Plans**

Ba1 Directors and Heads of Service shall:

- (a) supply to the Head of Business Improvement, Central Services and Partnerships 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.
- (b) contribute to the development of the Council Plan/Service Plans, corporate and service targets and objectives and performance information.
- (c) ensure that systems are in place to measure activity and collect accurate information for use as performance indicators

- (d) ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met and to take any such action whenever necessary.

### Explanatory Notes

*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).*

## **General Fund Revenue Budget**

### **Format of the budget**

- Bb1 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.

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

- Bb2 The timetable and procedures for estimate preparation and the detailed format of the estimates will be determined and co-ordinated by the Executive Director (Resources and Support Services).
- Bb3 The Executive Director (Resources and Support Services) shall aggregate and summarise the estimates prepared by the Directors, based on the Medium Term Financial Strategy assumptions, in order to report thereon to the Cabinet. He shall advise the Cabinet as to the robustness of the estimates and ensure that they are compiled on a 'proper' basis.
- Bb4 Items which are proposed to be included in the budget and which involve a new policy, or a significant departure from present policy or create significant financial commitments in future years, shall be brought to the attention of the Executive Management Team before being included in the budget submitted to the Cabinet. Their inclusion shall be drawn to the attention of the Cabinet in the accompanying report. No commitment to any such new policies or departures shall be incurred until the Cabinet has approved their inclusion in the budget.
- Bb5 Directors shall be authorised to incur expenditure and must collect income strictly in accordance with the estimates contained in the approved budgets relating to services within their areas of responsibility.
- Bb6 Each Director shall continuously monitor the budgets relating to services within his area of responsibility in order to determine:
- (a) that approved estimates of expenditure within those budgets are not, or are not likely to become, overspent; and
  - (b) that approved estimates of income within those budgets are likely to be matched by actual receipts of income.
- Bb7 The Executive Director (Resources and Support Services) shall be responsible for overall budget monitoring. He shall provide suitable regular reports to Directors, containing details of actual expenditure and income compared to the corresponding approved estimates, to assist them to fulfil their responsibility for controlling budgeted expenditure and income under Procedural Financial Regulation Bb6. He shall also notify the Director in any case where he believes that an estimate, forming part of a budget for which the Director is responsible, has been or may become significantly exceeded by actual expenditure or, in the case of an income estimate, not matched by actual income.
- Bb8 If it appears to a Director that an excess of expenditure or a shortfall in income has occurred, or is likely to occur, in relation to any of the estimates forming part of a budget for which he is responsible, he shall take immediate steps to deal with the variation from the approved estimate.
- Bb9 In order to deal with a variation from an approved estimate a Director shall:
- (a) where a variation appears likely, but has not yet occurred, immediately take action to reduce the level of activity relating to the budget head in question, thereby containing expenditure within the approved estimate; or
  - (b) after consultation with the Executive Director (Resources and Support Services), determine that the increased cost can be met from an increase in the amount of income to be received; or

(c) determine that the variation can be met by means of virement from another budget head or heads (in accordance with the scheme of virement set out in Procedural Financial Regulation Ad1).

All instances of the use of Directors' authority under a, b, and c above shall be recorded in a form approved by the Executive Director (Resources and Support Services).

Bb10 Where he is consulted by a Director with regard to any of the proposals described in Procedural Financial Regulation Bb9, for dealing with an estimate variation, the Executive Director (Resources and Support Services) shall be authorised to either approve the proposal or require it to be referred to the Cabinet for approval.

Bb11 A Director shall not be permitted to take any of the measures described in Procedural Financial Regulation Bb9 if to do so would result in a significant reduction in the level of service provided to the general public. Any measure which would, for this or any other reason, constitute a material departure from the policies implicit in the approved budget shall be referred to the Cabinet.

Bb12 Where a Director is unable to deal with the occurrence, or likely occurrence, of a variation from an approved budget estimate by means of any of the measures described in Procedural Financial Regulation Bb9 he shall immediately report it to the Cabinet.

Bb13 All reports to the Cabinet concerning budget estimate variations shall contain the reason(s) for the variation from the approved estimate and the implications, if any, for future years' budgets and shall recommend that the Cabinet:

- (a) amends the approved estimate relating to the budget head in question by approving virement from another budget head or heads of an amount equivalent to the amount of the variation; or
- (b) approves a supplementary estimate for the amount of the variation.

Bb14 The Cabinet on receiving a report concerning budget variations shall resolve to either approve virement or a supplementary estimate.

Bb15 Where a Director proposes to incur expenditure:

- (a) for a purpose which has not been estimated for within an approved budget; or
- (b) which will result in an approved estimate relating to a budget head becoming overspent;

this shall be treated as a variation from an approved estimate and all Financial Regulations relating to such variations shall apply.

Bb16 Where it can be demonstrated that urgent Cabinet approval, outside of normal Cabinet meeting dates, is necessary for a proposal to make a supplementary estimate or approve virement the following extraordinary procedures shall apply:

- (a) The relevant Director in consultation with a Member of the Cabinet may give approval, in writing, to the proposal.
- (b) The relevant Director should state the advice given by the Executive Director (Resources and Support Services) on the financial implications of the proposal in writing to the Member.
- (c) The proposal shall be reported to the next meeting of the Cabinet for information.

A copy of all such approvals shall be provided to the Head of Business Improvement, Central Services and Partnerships.

Bb17 Directors shall ensure that performance and levels of service are monitored in conjunction with the budget and that necessary action is taken to align service outputs with budgets. In order to achieve this they shall ensure that a monitoring process is in place to review performance and levels of service and that it is operating effectively.

Bb18 Directors shall seek to identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery. Directors shall notify the Executive Director (Resources and Support Services) of all such efficiency savings made or proposed to be made to assist budget monitoring and planning.

Bb19 Within their areas of responsibility Directors shall designate particular named employees as Budget Holders, who possess the necessary competencies for the role, in respect of cost centres or groups of cost centres. Budget Holders shall be responsible for assisting the relevant Director to discharge his responsibility in respect of budget preparation, monitoring and control as set out in these regulations. Budget Holders shall be

specifically responsible only for income and expenditure that they can influence. Directors shall notify the Executive Director (Resources and Support Services) of the employees who have been so designated. The Executive Director (Resources and Support Services) shall provide Budget Holders with the financial and other data that they may require in order to carry out their responsibilities.

- Bb20 The Executive Director (Resources and Support Services) shall, in conjunction with Directors, ensure that a monitoring process is in place to review the effectiveness and operation of budget preparation and ensure that any corrective action is taken.

#### Explanatory notes

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

*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.*

#### Trading Accounts

- Bc1 Where the Cabinet so requires, Directors responsible for the operation of activities covered by Trading Accounts shall prepare annual budget estimates for those accounts (including any holding accounts). These estimates shall be referred for approval to the Cabinet.

- Bc2 The Cabinet shall set a timetable and, advised by the Executive Director (Resources and Support Services), lay down the procedures to be followed within which these estimates shall be prepared.

#### Other Accounts

- Bd1 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.

#### Maintenance of reserves

- Be1 All reserves shall be maintained in accordance with the current applicable accounting code of practice.
- Be2 The purpose, usage and basis of transactions of each reserve established shall be clearly identified by the Full Council informed by the Executive Director (Resources and Support Services).

- Be3 Directors shall not incur any expenditure which is proposed to be met from reserves without consultation with the Executive Director (Resources and Support Services) who may require the proposal to be submitted to the Cabinet or Full Council for approval, in which case it may not be incurred until such approval has been given.
- Be4 In advising the Full Council or Cabinet upon the prudent levels of reserves for the Council, the Executive Director (Resources and Support Services) shall consider any advice received from the Council's external auditor. He shall assess the adequacy of the General Fund balances by reference to a risk assessment of items contained within the General Fund Budget or which may become a charge against it.

#### Explanatory Notes

*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.*

#### Capital Programme

- Bf1 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.
- Bf2 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.
- Bf3 Reports submitted by the Executive Director (Resources and Support Services) to the Cabinet concerning updates to the capital programme during the year shall include reference to any significant variance in estimated scheme costs from current approved estimates or instances where schemes are proposed to be added to or deleted from the approved programme. He shall also refer to the resources available, or expected to be available, to finance the programme taking account, where necessary, of any proposed amendments to it. The revenue implications of all capital schemes in the form of the whole life cost of the project shall also be reported to ensure that the impact on the revenue budget is known and appropriate provision approved. Directors shall provide, in a timely manner, any information he requires in order to compile his report.
- Bf4 The Capital Programme Review Group (CPRG) monitors and reviews the capital programme. The CPRG will be chaired by the Executive Director (Resources and Support Services). The CPRG shall review progress in respect of the capital programme and shall consider all proposed new projects before the Cabinet or Full Council are requested to add them to the capital programme and shall consider any revisions to the capital programme before a revised programme is submitted to Cabinet or Full Council for consideration or approval.
- Bf5 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 Programme Review Group.
- Bf6 The Cabinet may consider a new scheme for inclusion in the approved capital programme at any time. In doing so it shall:

- (a) have regard to its estimated costs, the comments of the relevant Director and the Executive Director (Resources and Support Services), the composition and total cost of the approved programme and the resources available or expected to be available to finance that programme.
- (b) either give approval for the scheme to be included in the approved programme or determine that it shall not be included in the programme.
- (c) in cases where approval is given to include a scheme in the approved programme, determine the estimated cost at which it is to be included.
- (d) Have regard to the contents of any relevant Capital Appraisal, as referred to in B14 and B15 and to any views expressed by the Capital Programme Review Group which are reported to it.

Bf7 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.

Bf8 Directors shall:

- (a) be authorised to incur expenditure upon any capital scheme within their area of responsibility strictly in accordance with the approved estimate relating to it;
- (b) continuously monitor the progress of each capital scheme within his area of responsibility, comparing actual expenditure incurred, or likely to be incurred, with the approved estimate for the scheme.

Bf9 If it appears to a Director that an excess of expenditure has occurred, or is likely to occur, relating to a scheme within his area of responsibility, he shall immediately report the variation to the Cabinet.

Bf10 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 Bf6, sub paragraphs a and d.

Bf11 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.

Bf12 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.

Bf13 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 Bf10.

Bf14 In cases only of genuine emergency, where it can be demonstrated that urgent Cabinet approval, outside of normal Cabinet meeting dates, is necessary to a proposal to incur capital expenditure upon a scheme, including a request for a supplementary estimate or virement as a result of an estimate variation, the extraordinary procedure permitted by Financial Regulation Bb16 shall apply.

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

A copy of all such approvals shall be provided to the Head of Business Improvement, Central Services and Partnerships.

- Bf15 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.
- Bf16 Directors shall ensure that adequate records are maintained in respect of all capital contracts.
- Bf17 All claims or requests for any grant or contribution which may be payable towards capital expenditure incurred by the Council shall be made as soon as is possible. The Executive Director (Resources and Support Services) shall be responsible for the submission of all such claims or requests and for liaison with the external auditor wherever certification of a grant claim is required. However, he may, in appropriate cases, agree that another Director shall submit a claim or request, provided that the Director complies with any instructions that he may give. In such cases the Executive Director (Resources and Support Services) shall be supplied promptly with a copy of the claim or request which has been submitted. Directors shall promptly supply the Executive Director (Resources and Support Services) with any information which he may require in order to submit a claim or request within any time scale laid down by the body or person to whom the claim is to be submitted.
- Bf18 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 Bf17) from central government. However, he may, in appropriate cases, agree that another Director shall submit such a bid provided that the Director complies with any instructions that he may give. In such cases the Executive Director (Resources and Support Services) shall be supplied promptly with a copy of the bid which has been submitted. Directors shall promptly supply the Executive Director (Resources and Support Services) with any information that he may require in order to submit a bid within any timescale laid down.
- Bf19 No bid under any government, EU or other programme shall be made for capital grant or other resources where this may commit the Council to capital expenditure not already approved until the proposed bid has been referred to and approved by the Cabinet. The Cabinet shall consider the effect that a successful bid would have upon the capital programme, taking into consideration the resources available to finance capital expenditure and may approve any schemes involved and amend the programme accordingly. The Cabinet shall be kept informed of the progress of any bid, including any changes which may be proposed to its composition or to the amount of any external resources to be provided and shall, if it considers it to be necessary require that the bid be withdrawn. The Chief Executive or his delegated employee or the Cabinet may accept any offer, which may be made to the Council as a result of a bid submission which is within the approved capital programme budget. Full Council approval will be required for a bid that exceeds the total of the approved capital programme budget.
- Bf20 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 him 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.
- Bf21 The Executive Director (Resources and Support Services) shall be consulted before any proposal is considered to either acquire or dispose of capital assets, including by way of exchange, in order that he may advise with regard to the impact of the capital control regulations upon the proposed transaction.
- Bf22 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.
- Bf23 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. He 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 Programme 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 he 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.*

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

### **Risk management**

Ca1 Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The Audit and Standards Committee shall approve a Risk Management Strategy for the Council and shall promote a culture of risk management awareness throughout the Council.

Ca2 The Executive Director (Resources and Support Services) shall;

- (a) Chair the Corporate Governance Working Group, comprising of at least one representative of each Director and any other individuals he may deem appropriate. The Group 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.
- (b) Be responsible for developing risk management controls in conjunction with other Directors.

Ca3 Directors shall:

- (a) Be responsible for risk management and must have regard to advice from the Chief Executive and the Executive Director (Resources and Support Services and other specialist employees (e.g. crime prevention, fire prevention, health and safety and cash handling).
- (b) Ensure that there are regular reviews of risk within their departments.
- (c) Complete the Corporate Strategic/Operational Risk Assessment Control documents for each service and update them annually.
- (d) Ensure that business continuity plans are compiled and maintained in respect of all business critical systems and that comprehensive working notes - explaining those systems' mode of operation - are compiled and maintained.
- (e) Utilise the corporate IT system for risk management (currently GRACE) to record and manage their risks and shall promptly supply any data requested for its update to the Head of Business Improvement, Central Services and Partnerships.

- (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.

Ca4 All reports shall contain reference to any major risks which the item reported upon may have for the Council and, where appropriate, a risk assessment in the corporate style will be appended.

#### Explanatory 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.*

#### Insurances

Cb1 The Head of Business Improvement, Central Services and Partnerships shall be responsible for the arrangement of appropriate insurance cover through external insurance and internal funding. He shall, after such consultation as he thinks appropriate with other employees, settle all claims within individual policy excesses, and pass on all claims over individual policy excesses to the relevant insurer.

Cb2 Directors shall:

- (a) give prompt notification to the Head of Business Improvement, Central Services and Partnerships of all new risks, properties, vehicles or any other assets which require to be insured and of any alteration affecting existing insurances;
- (b) notify the Head of Business Improvement, Central Services and Partnerships in writing of any loss, liability or damage or any event likely to lead to a claim against the Council together with any information or explanation required by him or the Council's insurer's, and inform the police where necessary;
- (c) ensure that all appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance;
- (d) consult the Head of Business Improvement, Central Services and Partnerships in respect of any indemnity which the Council is requested to give;
- (e) ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

Cb3 The Head of Business Improvement, Central Services and Partnerships shall:

- (a) keep a register of all insurances arranged by the Council and the property and risk covered by them;
- (b) annually or at such other period as he may consider necessary, furnish Directors with details of all insurances in force affecting their Departments. Each Director shall review all such insurances, and any risks not insured against, or inadequately insured against, shall be notified immediately to the Head of Business Improvement, Central Services and Partnerships;
- (c) ensure the adequacy of all insurances entered into by contractors of the Council. Contractors carrying out work for the Council shall have a minimum level of Public Liability insurance cover as specified by the Cabinet, unless a lower figure has been agreed in advance with the Head of Business Improvement, Central Services and Partnerships. An employee shall not authorise work to be commenced by a Contractor until the Head of Business Improvement, Central Services and Partnerships has advised such an employee that the appropriate insurances have been effected to his satisfaction.

#### Explanatory Notes

*The Head of Business Improvement, Central Services and Partnerships is responsible for arranging insurance cover and for settling claims. It is the duty of Directors to notify the Head of Business Improvement, Central Services and Partnerships of all new risks and possible claims.*

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

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

### **Internal controls**

- Cc1 The Council accepts that controls and control systems must be in place to ensure that its financial and other activities are carried out in a secure environment, in a manner that complies with the law and that fulfils its stewardship obligations. To achieve this, the following key controls and control objectives and systems shall be in place:
- (a) key controls shall be reviewed on a regular basis and the Council shall make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
  - (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
  - (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;
  - (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the joint CIPFA / IIA (Institute of Internal Auditors) auditing guideline 'Public Sector Internal Audit Standards' and with any other statutory obligations and regulations.
- Cc2 The Executive Director (Resources and Support Services), in conjunction with the Head of 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.
- Cc3 Directors shall:
- (a) manage processes to check that established controls are being adhered to and evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks;
  - (b) review existing controls in the light of changes affecting the Council and establish and implement new ones in line with guidance from the Executive Director (Resources and Support Services). Directors shall also be responsible for removing controls that are unnecessary or not cost or risk effective - for example, because of duplication after consultation with the Executive Director (Resources and Support Services);
  - (c) ensure that employees have a clear understanding of the consequences of lack of control.

### **Explanatory 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:*

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

### **Audit requirements**

## Internal audit

- Cd1 The Council under delegation to the 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.
- Cd2 Internal Audit shall be independent in its planning and operation. The Head of 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.
- Cd3 Internal Auditors shall have the authority to:
- (a) enter at all reasonable times any Council establishment;
  - (b) have access to all records, documents, information and correspondence relating to any financial and other transaction as he considers necessary;
  - (c) evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud;
  - (d) request explanations as considered necessary to provide assurance as to the correctness of any matter under examination;
  - (e) require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control;
  - (f) access records belonging to third parties, such as contractors, when required and
  - (g) directly access the Chief Executive, the Cabinet and the Audit and Standards Committee.
- Cd4 The Head of Audit and Elections shall:
- (a) prepare the strategic and annual audit plans which will take account of the relative risks of the audit areas and submit such plans for approval to the Audit and Standards Committee;
  - (b) be notified immediately by any Director, of any circumstances which may suggest the possibility of irregularity affecting cash, stocks or other property of the Council and of the potential of any fraud or corrupt activities. The Head of Audit 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 Audit and Elections shall take all necessary steps to prevent further loss and to secure records, information and documentation against removal or alteration;
  - (c) exercise the utmost confidentiality in all matters relating to the audit of the Council's activities; and
  - (d) ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- Cd5 Directors shall:
- (a) ensure that all employees within their departments are aware of the Council's fraud and corruption policy and the arrangements for "whistleblowing" contained therein;
  - (b) ensure that Internal Auditors are given access at all reasonable times to premises, personnel, documents, information and assets that the auditors consider necessary for the purposes of their work;
  - (c) ensure that auditors are provided with any information and explanations that they seek in the course of their work;
  - (d) consider and respond promptly to recommendations in audit reports;
  - (e) ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and
  - (f) ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Executive Director (Resources & Support Services) and the Head of 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 Audit 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.*

### **External audit**

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

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

Ce2 Directors shall:

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

### **Explanatory 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 his 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.*

### **Preventing Fraud and Corruption**

Cf1 The Head of Audit and Elections shall:

- (a) develop and maintain an anti-fraud and anti-corruption policy;
- (b) maintain adequate and effective internal control arrangements;
- (c) ensure that all suspected irregularities are reported to the Chief Executive, the Section 151 Officer and the Audit and Standards Committee.

Cf2 Directors shall:

- (a) ensure that all suspected irregularities are reported to the Head of Audit and Elections;
- (b) instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour;
- (c) ensure that where financial impropriety is discovered, the Head of 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;
- (d) ensure that they and their employees complete the register of interests maintained by the Monitoring Officer;
- (e) ensure that they and their employees comply with the anti-fraud and anti-corruption policy and the advice provided to employees.

Cf3 The Head of 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 Head of Audit and Elections immediately when they occur in order to ensure that, amongst other things, rules of evidence are not breached.*

## **Assets**

- Cg1 The Executive Director (Regeneration and Development), in conjunction with the Executive Director (Resources and Support Services), shall keep an Asset Register which shall record all of the material capital assets owned by the Council, together with their values. Assets shall be valued in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom (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 (Regeneration and Development) or the Executive Director (Resources and Support Services) in order to maintain the Register.
- Cg2 The Executive Director (Regeneration and Development) shall maintain an up to date terrier of all land owned, leased or licensed by the Council and of land sold or leased off. The terrier must:
- (a) record the purpose for which the land is held and;
  - (b) record the location, extent and plan reference of the land.
- Cg3 The Executive Director (Regeneration and Development) shall maintain or compile an Asset Management Plan is produced and revised annually. Assisted by relevant Directors, he shall ensure that the plan is implemented and monitor performance against the targets and outputs contained in the plan.
- Cg4 Directors shall:
- (a) provide information to the Executive Director (Regeneration and Development) on an annual basis, for him to update the Asset Management Plan;
  - (b) ensure that lessees and other prospective occupiers of council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved in consultation with the Head of Business Improvement, Central Services and Partnerships and Executive Director (Regeneration and Development) has been established as appropriate;
  - (c) ensure that arrangements exist for the proper security of all buildings, stocks, furniture, vehicles, equipment, money, and any other property under their control. They must ensure that all conditions of insurance are complied with in respect of cash and valuables;
  - (d) ensure that cash holdings on premises are kept to a minimum and do not exceed limits for unbanked money as set in Financial Regulation Dk4 without the express permission of the Executive Director (Resources and Support Services);
  - (e) ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times. The loss of any such keys shall be reported to the Head of Audit and Elections immediately;
  - (f) 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 Head of Business Improvement, Central Services and Partnerships;
  - (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 Head of 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.

Cg5 All documents of title, deeds, investment certificates etc. shall be kept in a secure place by the Head of Business Improvement, Central Services and Partnerships.

#### 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.*

#### Inventories

Ch1 Directors shall ensure that all Departments and Establishments maintain inventories under their control. Inventories shall record an adequate description of furniture, fittings, equipment, plant and machinery owned by the Council, with an initial purchase value in excess of that agreed by the Council. Directors should, where they consider it appropriate, also include items where the cumulative purchase value exceeds the figure set by the Council and those items of a portable and desirable nature below this limit.

Ch2 All Directors shall notify the Executive Director (Resources and Support Services) of details of all ICT hardware equipment and software in order that he can maintain a central inventory. Directors are responsible for ensuring that only authorised software is utilised in their Departments and that no illegal copies are obtained or made operational.

Ch3 Inventories shall be in a form approved by the Head of Audit and Elections.

Ch4 Each Director shall carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.

Ch5 The Head of Audit and Elections shall have access to all Council property and to the inventories and any relevant documents.

Ch6 The Council's property shall not be removed except in accordance with the ordinary course of the Council's business. Council property shall only be used for the Council's purposes unless specifically authorised by the appropriate Director.

#### Explanatory 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.*

#### Stocks

##### **Records**

Ci1 Each Director shall:

- (a) be responsible for the care and custody of stocks in his department. Stock accounts and records, including records of issues, write-offs and other adjustments, shall be kept by the Director in such form as may be approved by the Executive Director (Resources and Support Services);

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

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

### **Verification of Stocks**

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

Ci6 Senior Managers shall:

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

### **Stock Levels**

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

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

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

#### *Explanatory 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.*

### **Intellectual property**

Cj1 The Head of Business Improvement, Central Services and Partnerships shall provide advice on intellectual property procedures.

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

#### *Explanatory 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.*

## **Asset disposal**

Ck1 The Executive Director (Resources and Support Services) shall:

- (a) issue guidelines representing best practice for disposal of assets;
- (b) ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.

Ck2 Directors shall:

- (a) seek advice and agreement from the 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 Head of 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.*

## **MINOR EMPLOYEE EXPENDITURE**

CI1 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.

<b>Items which should not be purchased out of expenses without the prior approval of a senior officer</b>	
<b>Item</b>	<b>Examples</b>
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.*

## **Treasury Management**

- Cm1 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.
- Cm2 The Executive Director (Resources and Support Services) shall:
- (a) report to Council at any time, as he considers necessary, upon matters relating to treasury management activities. All such reports shall be made to either the Full Council (or delegated committee), the Cabinet or the Audit and Standards Committee, as appropriate and consistent with these regulations;
  - (b) 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;
  - (c) 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 September 30<sup>th</sup> 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;
  - (d) 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.
- Cm3 All securities which are the property of or in the name of the Council or its nominees shall be held in the custody of the Head of Business Improvement, Central Services and Partnerships 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).
- Cm4 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).
- Cm5 All trust, charitable and third party funds shall be held, wherever possible, in the name of the Council. All employees acting as trustees by virtue of their official position or otherwise shall deposit all relevant securities, etc with the Head of Business Improvement, Central Services and Partnerships. The responsible Director shall make arrangements, approved by the Executive Director (Resources and Support Services), for the secure administration of such funds and records, approved by him, shall be maintained of all transactions. All funds dealt with on behalf of such bodies shall be operated within any relevant legislation and the specific requirements of each body.

## **Explanatory 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.*

## **BANKING ARRANGEMENTS**

- Cn1 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).
- Cn2 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 Executive Director (Resources and Support Services).
- Cn3 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 his designated authorised employee.
- Cn4 The Executive Director (Resources and Support Services) shall be responsible for:
- (a) making arrangements with regard to any payments from the Council's bank accounts by means of cheques or any other method;
  - (b) all arrangements concerning the amendment, stopping, opening and cancellation of cheques.

### **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 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.*

## **STAFFING**

- Co1 The Executive Director (Resources and Support Services) shall ensure that budget provision exists for all existing and new employees included on the approved establishment list. The budget will not include vacancies for which there is no budget provision.
- Co2 The Head of Human Resources shall:
- (a) Compile and keep up to date an establishment list. 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.

Co3 Directors shall:

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

#### 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.*

## **D: FINANCIAL SYSTEMS AND PROCEDURES**

### **General**

Da1 The Executive Director (Resources and Support Services) shall make arrangements for the proper administration of the Council's financial affairs, including to:

- (a) issue advice, guidance and procedures for employees and others acting on the Council's behalf;
- (b) determine the accounting systems, form of accounts and supporting financial records;
- (c) establish arrangements for audit of the Council's financial affairs;
- (d) approve any new financial systems to be introduced and approve any changes to be made to existing financial systems.

Da2 Directors shall ensure:

- (a) that accounting records are properly maintained and held securely;
- (b) that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Head of Audit and Elections;
- (c) in respect of any financial system employed by incorporating appropriate controls, that:
  - (a) all input is genuine, complete, accurate, timely and not previously processed;
  - (b) all processing is carried out in an accurate, complete and timely manner;
  - (c) output from the system is complete, accurate and timely.
- (d) that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice;
- (e) that all systems are documented and employees required to operate them are trained in their operation;
- (f) that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained;

- (g) that no existing financial system shall be changed or new system introduced without consulting the Executive Director (Resources and Support Services).

### **Delegation**

- Db1 Directors shall supply, 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.

### **Information Security**

- Dc1 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.
- Dc2 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 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**

#### **Recording and notification of sums due**

- Dd1 The collection of all monies due to the Council shall be under the control of the Executive Director (Resources and Support Services).
- Dd2 The Executive Director (Resources and Support Services) in conjunction with the Director concerned shall make and maintain adequate arrangements to ensure the proper recording of all sums due to the Council and for its prompt collection and the custody, control, and deposit, of all money received, and for the prompt and proper accounting of such money.
- Dd3 Directors shall ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded

- Dd4 The Head of Business Improvement, Central Services and Partnerships, or Directors where appropriate, shall inform the Executive Director (Resources and Support Services) as soon as possible of all monies due to the Council under contracts, leases, tenancy agreements, licenses, agreements for sales of property and any other agreements involving the receipt of monies by the Council. They shall also review leases, tenancy agreements, licences and any other agreements, which involve the receipt of money, at regular and reasonable intervals. The Executive Director (Resources and Support Services) shall have the right to inspect any documents or other evidence in connection with such matters.
- Dd5 The Executive Director (Resources and Support Services) shall be informed whenever significant expenditure is likely to occur in an area of activity that generates VAT exempt income and whenever a new or a one-off source of VAT exempt income is to be generated.
- Dd6 Cash payments in excess of £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.
- Dd7 All Directors shall ensure that employees involved in handling payments are aware of and comply with the Money Laundering Guidance.
- Dd8 All claims for reimbursements, contributions, grants etc. shall be made by the Executive Director (Resources and Support Services), or by arrangement with him, by the appropriate Director. Any information required for the completion of such claims shall be supplied promptly to the Executive Director (Resources and Support Services) or to his Grant Coordinator by the Director concerned. All such claims shall be made promptly and by the due dates and the Executive Director (Resources and Support Services), or other Director, where the claim was made by them, shall ensure that all monies due to the Council are received.

### **Separation of Duties**

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

### **Receipts**

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

### **Money Received**

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

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

- Dg3 All cheques received shall be made payable to "Newcastle Under Lyme Borough Council". All bank payments must be into the Council's General Fund Account or other account if specified by the Executive Director (Resources and Support Services).

Dg4 Receipts, in excess of £10,000, and any bank payments from unknown or overseas banks shall be evaluated and evidenced to ensure the legitimate source of the funds.

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

- Dh1 Directors shall consult with the Executive Director (Resources and Support Services) before introducing facilities for payment by credit or debit cards.
- Dh2 All operational and commission costs relating to facilities for payment by credit and debit cards are to be met from the budget of the department offering the facilities, payments made by credit cards will not be subject to a charge.
- Dh3 Payments shall only be collected for credit income at establishments authorised by the Executive Director (Resources and Support Services) and on systems approved by him. This includes payments over the Internet via the Council's website which will be permitted subject to the approval of the Executive Director (Resources and Support Services). Credit income includes council tax, business rates and debtors accounts.
- Dh4 Payments will not be accepted by this method where the Council acts as a collecting agent on behalf of another organisation unless all associated processing fees are met by the body concerned.
- Dh5 Where the cardholder is present for payment by credit and debit cards, the receipting employee shall ensure that:
- (a) 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);
  - (b) that the amount being paid has been authorised independently through the bank's terminal where the amount exceeds the level set by Council for credit cards and debit cards;
  - (c) the cardholder is given a receipt from the authorising terminal as proof of payment and as well as the official receipt from the Council;
  - (d) that the expiry date on the card is still valid;
  - (e) payment by this method should be rejected if the card has expired, the signature is not comparable, or the PIN is not recognised.

Exceptions to this process will only be allowed with the written approval of the Executive Director (Resources and Support Services).

- Dh6 A cash back facility shall not be available.
- Dh7 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.

### **Direct Debit Collection**

- Di1 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)
- Di2 The Revenues Manager shall:
- (a) process direct debit transactions for all departments in the Council (with the exception of Leisure Gym memberships);
  - (b) process Direct Debit information within 48 hours (excluding weekend and bank holidays);
  - (c) during processing, identify issues that will prohibit the collection of monies;
  - (d) rectify any issues that will stop payment on the Direct Debit mandate;
  - (e) set up Direct Debits on the customer's account;
  - (f) set up Direct Debit collections to be made on 1<sup>st</sup> or 15<sup>th</sup> of the month for sundry debtors, on the 3<sup>rd</sup>, 15<sup>th</sup> or 25<sup>th</sup> of the month for Council Tax and on the 3<sup>rd</sup> of the month for National Non-Domestic Rates;
  - (g) transmit claims to the bank and collect all of the returns reports, forwarding to Departments where necessary;
  - (h) carry out recovery procedures for all departments in the Council (with the exception of Leisure Gym memberships) to ensure arrears are collected.
- Di3 The Head of Leisure and Cultural Services (in respect of Direct Debit Collection arranged through the Leisure departmental system) shall:

- (a) ensure that Leisure and Cultural Services have a unique originators number;
- (b) process Direct Debit information within 48 hours (excluding weekend and bank holidays);
- (c) during processing identify issues that will prohibit the collection of monies;
- (d) rectify any issues that will stop payment on the Direct Debit mandate;
- (e) set up Direct Debits on the member's account;
- (f) set up Direct Debit collections to be made on 1<sup>st</sup> or 15<sup>th</sup> of the month;
- (g) 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;
- (h) request reports on payments collected and payments defaulted;
- (i) ensure arrears are collected.

## **Security**

Dj1 Directors shall:

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

## **Banking**

Dk1 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.

Dk2 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.

Dk3 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.

Dk4 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.

Dk5 Money collected and deposited shall be reconciled to the Council's bank account on a regular basis by an employee not involved in the collection or banking process.

## **Records**

DI1 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.

DI2 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 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).

DI3 Directors shall, as soon as possible after the 31st March in each year, and in all cases within the timescale set, supply to the Executive Director (Resources and Support Services) schedules of all amounts outstanding where a debtors account has not been raised, in excess of the amount set by Council, or such other sum as specified by the Executive Director (Resources and Support Services), relating to their department for the previous financial year. Such schedules shall be in a form prescribed by the Executive Director (Resources and Support Services).

## **Issue of Debtors Accounts**

Dm1 Directors shall:

- (a) promptly notify the Executive Director (Resources and Support Services), in a form approved by him, of all sums due. Debtors' accounts shall be raised by the Executive Director (Resources and Support Services) in all cases unless arrangements have been agreed in writing between him and the relevant Director for accounts to be sent out directly from Departments/ Establishments. In these cases a copy of each account must be forwarded to the Executive Director (Resources and Support Services);
- (b) assist the Executive Director (Resources and Support Services) in collecting debts that they have originated, by providing any further information requested by the debtor;
- (c) take all practical steps to satisfy themselves as to the correct VAT treatment of their income and shall consult with the Executive Director (Resources and Support Services) when in doubt.

Dm2 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).

Dm3 There shall be no Cancellation of accounts except by full payment or final write off.

Dm4 A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.

## **Recovery procedures**

Dn1 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.

Dn2 Directors shall assist the Executive Director (Resources and Support Services) in carrying out these recovery procedures by providing any information or assistance requested.

## **Write offs**

Do1 No debtor's account or part thereof due to the Council shall be written off unless authorised as follows:

- (a) for accounts not exceeding the financial limit established by the Council, by the Executive Director (Resources and Support Services) in consultation with the appropriate Director;
- (b) for accounts exceeding the financial limit established by the Council, by resolution of the Cabinet on the recommendation of the Executive Director (Resources and Support Services) in consultation with the appropriate Director.

Do2 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.

## **Fees & Charges**

Dp1 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.

Dp2 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.

Dp3 Directors shall apply the Charging Policy when setting fees and charges. Where the policy is not met, valid and acceptable reasoning must be given.

## **Changes in Sources of Revenue**

Dq1 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).

*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, he should contact the Executive Director (Resources and Support Services). Employees should also contact the Executive Director (Resources and Support Services) when the Council is to sell land or when a new source of VAT exempt income is to be generated e.g. new industrial units.*

#### 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.*

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

Dr1 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.

- Dr2 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).
- Dr3 Requisitions, orders and associated terms and conditions shall be made via the FIMS except where Dr10 applies. They shall be issued for all works, supplies and services except for:
- (a) supplies of public utility services;
  - (b) periodical payments, e.g. rent;
  - (c) petty cash purchases; and
  - (d) other exceptions agreed and authorised in writing by the Executive Director (Resources and Support Services).
- Dr4 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).
- Dr5 Requisitions shall be initiated on the FIMS and shall clearly indicate:
- (a) the nature of the purchase;
  - (b) the quantity required;
  - (c) any contract or agreed prices relating to the purchase;
  - (d) in relation to contracts, the amount of retention money to be withheld;
  - (e) the delivery date when specified and location; and
  - (f) the charge code.
- Dr6 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.
- Dr7 Requisitions and orders in excess of £50,000 shall require authorisation by the Chief Executive or the Executive Director (Resources and Support Services).
- Dr8 The Director shall:
- (a) ensure that only those employees authorised by him approve requisitions electronically, or in the event of the FIMS not being available sign emergency orders;
  - (b) 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;
  - (c) notify all authorisations in writing to the Executive Director (Resources and Support Services) by way of completing the online Civica new user form;
  - (d) ensure that unique numbered official orders are used for all supplies and services. (Other than the exceptions specified in Dq3);
  - (e) ensure that requisitions and orders are only used for supplies and services provided to the Council for its own use or that of approved partnerships. Employees must not use official requisitions or orders to obtain supplies or services for their private use;
  - (f) ensure that product information is inserted and maintained regularly within the FIMS for which they are responsible and that the correct tax codes are applied to products.
- Dr9 The authoriser of the requisition or order must be satisfied that the supplies and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. 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 his service.
- Dr10 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.
- Dr11 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.
- Dr12 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.

- Dr13 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 ICT Services in advance including arranging demonstrations relating to that equipment.
- Dr14 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.
- Dr15 Orders shall clearly indicate:
- (a) the nature of the purchase;
  - (b) the quantity required;
  - (c) any contract or agreed prices relating to the purchase;
  - (d) the delivery dates where specified and location;
  - (e) the charge code;and
  - (f) the address to which an account must be sent, which shall be the central address for invoices.
- Dr16 The issue of "open" orders will not be permitted unless prior written approval has been obtained from the Executive Director (Resources and Support Services).
- Dr17 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.
- Dr18 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.
- Dr19 In the absence of any good reason to the contrary, which should be clearly indicated on file, the lowest quotation shall be accepted.
- Dr20 In cases where the minimum requirements as set out in Dr18 have not been satisfied, the reason for non compliance shall be clearly indicated on the copy order and invoice.
- Dr21 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.
- Dr22 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.
- Dr23 Directors shall ensure that:
- (a) loans, leasing or rental arrangements are not entered into without prior agreement from the Executive Director (Resources and Support Services). This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained;
  - (b) two authorised employees are involved in the ordering, receiving and payment process. 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.
- Dr24 Regard should be had to the content of the Council's Procurement Strategy and its Commissioning Framework for the Third Sector in applicable cases.
- Dr25 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.

*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.*

## **Contracts**

Ds1 All contracts for supplies or work carried out on behalf of the Council shall be subject to the Council's Contract Procedural Rules.

## **Works contracts**

Ds2 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.

Ds3 Payments to a contractor shall be made on receipt of an invoice, where interim measurements are to be authorised for payment by the Director, the details of which shall be requested prior to agreement of the submission of the invoice.

## **Completion of Contracts**

Ds4 The final invoice on completion of any contract shall not be paid until the appropriate employee or consultant has produced to the Head of Audit and Elections a detailed statement of account, all relevant documents required and the provisions of Financial Regulations Ds13 and Ds14 are satisfied.

Ds5 The Head of Audit and Elections shall, to the extent that he considers necessary, examine final accounts for contracts and be entitled to make all such enquiries and receive all such explanations as he may require in order to satisfy herself/himself as to the accuracy of the accounts. The 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.

Ds6 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 Bf22.

Ds7 Where completion of a contract is delayed, the Head of Business Improvement, Central Services and Partnerships shall be informed by the Director concerned in order that he may take appropriate action in respect of any claim for liquidated damages.

Ds8 Directors shall request payment of retention monies in writing from the Head of Audit and Elections when they are due.

### **Goods and materials contracts**

Ds9 Each Director shall continually monitor expenditure under a contract and take such action as he considers necessary to prevent the contract sum exceeding approved budget limits where these are applicable.

### **General**

Ds10 Except after consultation with the Head of Business Improvement, Central Services and Partnerships an employee shall not authorise work to be commenced or goods to be supplied where such work or goods are to be the subject of a formal contract, entered into between the Council and the Contractor until the Head of Business Improvement, Central Services and Partnerships has advised such employee that the contract has been signed by the contractor and that the appropriate insurances and bonds have been effected to his satisfaction and the Executive Director (Resources and Support Services) is satisfied that the contractor is financially competent to undertake the contract.

Ds11 The Head of Business Improvement, Central Services and Partnerships shall be responsible for keeping in secure custody all contract documents, including plans, specifications, bills of quantities, bonds etc.

### **Variations to Contracts**

Ds12 Subject to the provisions of the contract and Financial Regulations Ds2b and Ds9, 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.

Ds13 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 Dr9 without first seeking and obtaining Cabinet approval.

Ds14 Claims from contractors in respect of matters not clearly within the terms of an existing contract shall be referred to the Head of Business Improvement, Central Services and Partnerships 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 him if account payments are to be held back.*

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

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

### **Paying for Work, Supplies and Services**

Dt1 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 shall require the prior agreement of the Executive Director (Resources and Support Services);
- (b) provide advice and encouragement on making payments by the most economical means, preferably electronic. Directors shall encourage suppliers of supplies and services to receive payment by the most economical means, preferably electronic, for the Council. It is essential, however, that payments

made by direct debit have the prior approval of the Executive Director (Resources and Support Services).

- Dt2 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.
- Dt3 Directors shall ensure that the department maintains and reviews periodically a list of employees approved to authorise invoices.
- Dt4 In cases where there is no electronic matching of the invoice to the order within the FIMS, the Director whose authorised employee approved the relevant requisition shall be responsible for certifying that the account is properly payable by the Council. He shall submit it to the Creditors and Purchasing Section as soon as possible and in all cases not later than fifteen working days after its receipt, unless he has established that he cannot certify the account given the requirements of Financial Regulation Dt7. Where he cannot certify an account within the fifteen-day period he shall promptly take all action necessary to permit him to certify the account as soon as possible. Where an invoice is disputed, he shall notify the Executive Director (Resources and Support Services) to that effect as soon as practicable.
- Dt5 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.
- Dt6 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.
- Dt7 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, tenders, quotation or order and the FIMS is updated to reflect this. The system shall only be updated to record receipt of goods and services received if the authorised employee is satisfied with them. Such updating shall take place as soon as practicable by the authorised employee;
  - (d) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
  - (e) that where, in exceptional circumstances, payment has to be made to a supplier/ contractor in advance of the receipt of the supplies or the work being carried out, the Head of Business Improvement, Central Services and Partnerships 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;
- Dt8 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.
- Dt9 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.
- Dt10 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).
- Dt11 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 he considers it appropriate, agree alternative arrangements to these procedures;
- Dt12 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).
- Dt13 The Executive Director (Resources and Support Services) shall have the right to carry out such additional checks as he considers appropriate in respect of an invoice, either before or after it is paid. In addition, he shall have the right to satisfy himself that the proper procedure laid down as to the authorising and ordering of supplies and services and the examination of accounts has been properly carried out in the spending department. All explanations and information regarding such invoices and all books and documents relating to them and facilities for inspecting supplies provided or work done shall be provided to him.
- Dt14 All payments which include VAT shall be supported by a VAT invoice or receipt.
- Dt15 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 Audit and Elections, must be complied with.
- Dt16 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.
- Dt17 Only employees of the Council may approve payments in respect of goods and services.

*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 he considers 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.*

## **Payments to Employees and Members**

Du1 The Head of Human Resources shall make arrangements to:

- (a) pay all salaries, wages, pension benefits, compensation, Members allowances and other emoluments to existing and former employees, properly payable by the Council on the due date;
- (b) record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions;
- (c) pay Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.

Du2 Directors or their authorised employee shall confirm and certify the correctness of information for all appointments, resignations, dismissals, absences from duty, suspensions, secondments, transfers, and changes in remuneration (other than normal increments), of employees. The information shall then be notified

to the Head of Human Resources in order that records of employment and conditions of service can be maintained.

Du3 The Head of Human Resources shall:

- (a) as soon as possible arrange for the necessary adjustment of any information received under Du2 that may affect the salaries, wages or emoluments of any employee or former employee;
- (b) provide advice and encouragement to secure payment of salaries, wages and Members allowances by the most economical means.

Du4 Directors shall notify the Head of Human Resources of all matters affecting the payment of items referred to in Du1 and Du2 above as soon as possible and in the prescribed form, subject to special arrangements agreed by the Head of Human Resources; and in particular of:

- (a) absences from duty for sickness or other reason, apart from approved annual, compensatory and flexitime leave with pay;
- (b) changes in remuneration, other than normal increments and pay awards and agreements of general application;
- (c) information necessary to maintain records of service for pension, income tax, national insurance, etc.

Du5 Directors shall:

- (a) ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule;
- (b) ensure that appointments of all employees are made in accordance with the Council's policies and the approved establishments, grades and rates of pay and that adequate budget provision is available.

Du6 All time records shall be in a form approved by the Head of Human Resources and shall be certified by the appropriate Director, or his designated employee. Timesheets shall be forwarded to the Head of Human Resources in accordance with a timetable prescribed by him.

Du7 The Executive Director (Resources and Support Services) shall impose such checks on wage records, as he considers desirable.

Du8 A Director may certify payment of overtime to employees on spinal column point 35 and above only where prior approval has been obtained from the relevant Cabinet Portfolio-holder

Du9 Directors shall:

- (a) ensure that adequate and effective systems and procedures are operated, so that:
  - payments are only authorised to bona fide employees,
  - payments are only made where there is a valid entitlement,
  - conditions and contracts of employment are correctly applied,
  - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness;
- (b) send an up-to-date list of the names of employees authorised to sign records to the Head of Human Resources, together with specimen signatures;
- (c) give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HM 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 Human Resources;
- (d) ensure that payments are only allowed through the PAYE system ;
- (e) ensure that the Head of Human Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

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

Du10 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.

Du11 All claims by Members of the Council shall be made in a form approved by the Executive Director (Resources and Support Services). Claims shall be certified by the Member concerned as a true and correct record and certified as correct by the Head of Business Improvement, Central Services and Partnerships or his designated employee.

## **Travelling and Subsistence Allowance**

Du12 Directors shall:

- (a) certify travel and subsistence claims. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved;
- (b) be responsible for the arithmetical check of travelling and subsistence claims, the accuracy of the mileage claimed, the validity of the journeys undertaken and for ensuring compliance with the Council's car allowance regulations, car leasing scheme and such other decisions of the Council as may be appropriate.

Du13 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).

Du15 Employee's claims must be submitted promptly and those submitted more than six months after the expenses were incurred, will only be paid with the express approval of the Executive Director (Resources and Support Services).

### **Explanatory Notes**

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

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

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

*The Executive Director (Resources and Support Services) will pay allowances to Members in accordance with the procedures laid down by regulation Du11.*

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

## **Taxation**

Dv1 The Executive Director (Resources and Support Services) shall complete all HM Revenue and Customs returns regarding PAYE.

Dv2 The Executive Director (Resources and Support Services) shall:

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

Dv3 Directors shall:

- (a) ensure that the correct VAT liability is attached to all income due and that all VAT recovered on purchases complies with HM Revenue and Customs regulations;
- (b) ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements;
- (c) ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency;
- (d) follow guidance on taxation issued by the Executive Director (Resources and Support Services)

### Explanatory Notes

*Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all employees to be aware of their role. Advice in relation to taxation issues affecting payments to employees and members may be obtained from the Head of Human Resources.*

### Trading Accounts

Dw1 Except where specifically stated, these financial regulations apply to the activities of trading services.

Dw2 Directors shall:

- (a) consult with the Executive Director (Resources and Support Services) where a trading activity wishes to enter into a contract with a third party where the contract expiry date exceeds the arrangement previously agreed by the Council. In general, such contracts should not be entered into unless they can be terminated within the main agreement period without penalty;
- (b) observe all statutory requirements in relation to trading activities, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts;
- (c) 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;

Dw3 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 his 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.*

## E: EXTERNAL ARRANGEMENTS

### Partnerships

Ea1 Where appropriate, partnerships shall only be entered into with organisations which, in the opinion of the Chief Executive, Executive Director (Resources and Support Services) and the relevant Executive Director:-

- (a) are aware of their responsibilities under the Council's Financial Regulations and Contract Procedural Rules in relation to contracts;
- (b) ensure that risk management processes are in place to identify and assess all known risks;
- (c) ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
- (d) agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences;
- (e) communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

Ea2 The Executive Director (Resources and Support Services) shall:

- (a) advise on effective controls that will ensure that resources are not wasted;
- (b) advise on the key elements of funding a project; they include:
  - a scheme appraisal for financial viability in both the current and future years approved by Cabinet;
  - risk appraisal and management ;
  - resourcing, including taxation issues;
  - audit, security and control requirements;
  - carry-forward arrangements.
- (c) ensure that the accounting arrangements are satisfactory.

Ea3 Directors shall:

- (a) maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Executive Director (Resources and Support Services)
- (b) ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared and a pre partnership questionnaire completed as part of an overall evaluation of the partnership controls. This will form part of the control document that shall be approved by the Executive Management Team prior to seeking Cabinet approval;
- (c) ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council;
- (d) ensure that all agreements and arrangements are properly documented;
- (e) provide appropriate information to the Executive Director (Resources and Support Services) to enable a note to be entered into the Council's statement of accounts concerning material items.

Ea4 Regard shall be had to the content of the Council's Code of Practice for Partnerships.

#### Explanatory Notes

*Partnerships are likely to play a key role in delivering positive outcomes and in helping to promote and improve the well being of the area. Councils are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Councils will still deliver many services themselves, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.*

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

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

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

#### External funding

Eb1 The Executive Director (Resources and Support Services) shall:

- (a) ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts;
- (b) ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements;
- (c) ensure that audit requirements are met.

Eb2 Directors shall:

- (a) ensure that funds are acquired only to meet the priorities approved in the policy framework by the Full Council;
- (b) ensure that the key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are understood;
- (c) ensure that all claims for funds are made by the due date;
- (d) ensure that the project progresses in accordance with the agreed project 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.*

**Work for third parties**

Ec1 The Executive Director (Resources and Support Services) shall give advice with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Ec2 Directors shall:

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

**Explanatory 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.*

**F: COMPLIANCE WITH THE LOCAL GOVERNMENT TRANSPARENCY CODE**

Fa1 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.

Fa2 Where, in order to comply with Fa1 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.

Fa3 The Executive Director (Resources and Support Services) may agree with Directors that he will publish particular data on their behalf. In such cases, Directors will ensure that he is supplied with all data in a timely manner so as to enable him to meet the deadlines for publication set out in the Code.

- Fa4 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 him for publication will be placed on the website in a timely manner in order to comply with the timescales set out in the Code.
- Fa5 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.*

## **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: Finance, Resources and Partnerships; Economic Development and Enterprise; Cleaner, Greener and Safer; Active and Cohesive Communities.
SECTION 151 OFFICER	The Officer designated by the Council to act in accordance with Section 151 of the Local Government Act 1972 in relation to the financial administration and stewardship of the Council.
SERVICE/ DEPARTMENT	The terms service and department are interchangeable
VIREMENT	Means the permission to spend more money on one budget head to cover unavoidable overspending when this is matched by a corresponding reduction on another head, or heads or combination of heads.