

PART 4 – FINANCIAL PROCEDURE RULES**GUILDFORD BOROUGH COUNCIL****FINANCIAL PROCEDURE RULES****1 INTRODUCTION**

- 1.1 Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every councillor and officer of the Council and anyone acting on its behalf.
- 1.2 Financial procedure rules shall not override any statutory provisions that apply.
- 1.3 These procedure rules outline the system of financial administration approved by the Council to secure the proper administration of its financial affairs, as required by Section 151 of the Local Government Act 1972, and should be read in conjunction with the Council's Procurement Procedure Rules, Corporate Procurement Manual and Guidance on the Control of Capital Projects.
- 1.4 The procedure rules identify the financial responsibilities of the Council, Executive, Managing Director (MD), Monitoring Officer(MO), Chief Finance Officer (CFO), Executive Heads of Service (EHoS), Heads of Service (HoS), Service Managers and Budget Managers.
- 1.5 All councillors and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.6 The CFO is responsible for maintaining a continuous review of these procedure rules and submitting any additions or changes necessary to Council for approval. The CFO is also responsible for reporting, where appropriate, breaches of the Rules to Council and/or the Executive.
- 1.7 EHoS are responsible for ensuring that all staff in their respective service portfolios are aware of the existence and content of these Procedure Rules and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their service portfolio or that staff are aware of the existence of the procedure rules on the Intranet.
- 1.8 The CFO is responsible for issuing advice and guidance to underpin the Procedure Rules that councillors, officers and others acting on behalf of the Council are required to follow.
- 1.9 The CFO has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:
 - (i) Section 151 of the Local Government Act 1972
 - (ii) Local Government Finance Act 1988 and 1992
 - (iii) Local Government and Housing Act 1989
 - (iv) Accounts and Audit Regulations, as current legislation

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- (v) Local Government Act 2003
- (vi) Localism Act 2011
- (vii) The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended)

1.10 The CFO is responsible for:

- (i) the proper administration of the Council's financial affairs
- (ii) ensuring that the accounts of the Council are prepared in accordance with the Accounting Code of Practice
- (iii) setting and monitoring compliance with financial management standards
- (iv) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- (v) providing financial information
- (vi) preparing the revenue budget and capital programme
- (vii) treasury management

1.11 Section 114 of the Local Government Finance Act 1988 requires the CFO to report to Council, the Executive and external auditor if the Council or one of its officers:

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

Section 114 of the 1988 Act also requires:

- (i) the CFO to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally
- (ii) the Council to provide the CFO with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114

1.12 EHoS and HoS are responsible for:

- (i) ensuring that councillors are advised of the financial implications of all proposals and that the financial implications have been agreed by the HoFS;
- (ii) signing contracts on behalf of the Council in accordance with Appendix 1 of the Procurement Procedure Rules
- (iii) ensuring all staff in their service units are made aware of and fully understand the requirements and implications of these procedure rules as far as they relate to their particular duties and responsibilities.

1.13 Service Managers are responsible for:

- (iv) ensuring that councillors are advised of the financial implications of all proposals and that the financial implications have been agreed by the HoFS;
- (v) signing contracts on behalf of the Council in accordance with Appendix 1 of the Procurement Procedure Rules
- (vi) ensuring all staff in their service are made aware of and fully understand the requirements and implications of these procedure rules as far as they relate to their particular duties and responsibilities.

PART 4 – FINANCIAL PROCEDURE RULES**FINANCIAL PROCEDURE NOTE A: FINANCIAL PLANNING****A.1 INTRODUCTION**

A.1.1 Council is responsible for agreeing the Council's budget and policy framework, which will be proposed by the lead councillor with responsibility for finance. In terms of financial planning, the key document is the Budget Book and Medium Term Financial Plan, which will include:

- (i) the annual budget
- (ii) three year financial plan
- (iii) capital programmes

A.2 FORMAT OF THE BUDGET

A.2.1 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

A.2.2 The general format of the budget will be approved by Council and proposed by the lead councillor with responsibility for finance on the advice of the Head of Financial Services (HoFS). The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

A.2.3 Guidelines on budget preparation are issued to Councillors, Executive Heads of Service (EHoS) and Heads of Service (HoS) by the Executive following agreement with the Head of Financial Services. The guidelines will take account of:

- (i) legal requirements
- (ii) medium-term planning prospects
- (iii) available resources
- (iv) spending pressures
- (v) relevant government guidelines
- (vi) internal policy documents
- (vii) crosscutting issues (where relevant).

A.2.4 Key Controls

The key controls for the budget format are:

- (i) the format complies with all legal requirements
- (ii) the format complies with CIPFA'S Service Reporting Code of Practice (SeRCOP)
- (iii) the format reflects the accountabilities of service delivery.

A.2.5 Responsibilities of the Head of Financial Services (HoFS)

- (i) to determine the format of the budget in line with the general directions of the Executive.

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- (i) to comply with accounting guidance provided by the HoFS.

A.3 REVENUE BUDGET PREPARATION

A.3.1 The HoFS is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis for consideration by the Executive, before submission to Council. Council will consider the budget in accordance with the Budget and Policy Framework Procedure Rules in Part 4 of the Constitution.

A.3.2 The detailed form of the budget shall be determined by the HoFS, consistent with the general direction of the Executive.

A.4 BUDGETS AND MEDIUM TERM PLANNING

A.4.1 The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.

A.4.2 A report on new proposals should explain the full financial implications, following consultation with the HoFS. Unless Council or the Executive has agreed otherwise, EHoS and HoS must plan to contain the financial implications of such proposals within their budget.

A.4.3 Medium-term planning (or a three to five year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.

A.4.4 Key Controls

The key controls for budgets and medium-term planning are:

- (i) specific budget approval for all expenditure
- (ii) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability
- (iii) 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.

A.4.5 Responsibilities of the Chief Finance Officer

- (i) in accordance with their responsibilities under Section 151 of the Local Government Act 1972, to report annually to Council on the revenue and capital programmes, including any resource constraints which may be set by the Government, taking account of medium term planning, the implications of spending decisions and adequacy of the level of revenue and capital reserves. The budget report will include an opinion on the robustness of the estimates presented, adequacy of reserves and any finance or service risks.

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- (i) to prepare and submit a budget report on financial plans for Council, including resource constraints set by the government. Reports should take account of medium-term prospects, where appropriate
- (ii) to prepare and submit a budget report to Council on the aggregate spending plans of service portfolios and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied
- (iii) to advise on the medium-term implications of spending decisions
- (iv) to encourage the best use of resources and value for money by working with EHoS and HoS to identify opportunities to improve economy, efficiency and effectiveness and by encouraging good practice in conducting financial appraisals of development or savings options and in developing financial aspects of service planning
- (v) to carry out a Budget Risk Assessment, as part of the budget report each year to identify financial and service risks and the extent of the risk, in order to ascertain potential unbudgeted liabilities and provide information to Council in setting the level of reserves.

A.4.7 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to prepare estimates of income and expenditure for the next and following three financial years, in consultation with the HoFS, to be submitted to the Executive
- (ii) to prepare budget estimates that are consistent with the Council's annual budget cycle. The format should be prescribed by the HoFS in accordance with the Council's constitution
- (iii) to integrate financial and budget plans into business planning, so that business plans can be supported by financial and non-financial performance measures
- (iv) in consultation with the HoFS to prepare detailed draft revenue and capital budgets for consideration by Council in accordance with the guidance and timetable issued by the HoFS
- (v) when drawing up draft budget requirements, to have regard to:
 - spending patterns and pressures revealed through the budget monitoring process
 - legal requirements
 - policy requirements as defined by the Council in the approved policy framework; and
 - Initiatives already under way.
- (vi) to work with the HoFS in identifying opportunities to improve value for money, encourage good practice in conducting financial appraisals, and in developing financial aspects of service planning
- (vii) in consultation with the HoFS, to carry out a Budget Risk Assessment each year to identify financial and service risks and the extent of the risk, in order to ascertain potential unbudgeted liabilities and provide information in setting the level of reserves.

PART 4 – FINANCIAL PROCEDURE RULES**A.4.8 Responsibilities of Budget Managers**

- (i) in consultation with the HoFS to prepare detailed draft revenue and capital budgets for consideration by Council in accordance with the guidance and timetable issued by the HoFS
- (ii) when drawing up draft budget requirements, to have regard to:
 - spending patterns and pressures revealed through the budget monitoring process
 - legal requirements
 - policy requirements as defined by the Council in the approved policy framework
 - initiatives already under way
- (iii) to work with the HoFS in identifying opportunities to improve value for money, encourage good practice in conducting financial appraisals, and in developing financial aspects of service planning.

A.5 RESOURCE ALLOCATION

A.5.1 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is, therefore, imperative that needs/desires are carefully prioritised and that resources are fairly allocated in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

A.5.2 Key Controls

The key controls for resource allocation are:

- (i) a policy decision by the Executive or Council
- (ii) resources are acquired in accordance with the law using an approved authorisation process
- (iii) resources are used only for the purpose intended, to achieve the approved policies and objectives and are properly accounted for
- (iv) resources are securely held for use when required
- (v) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

A.5.3 Responsibilities of the Head of Financial Services

- (i) to develop and maintain a resource allocation process that ensures due consideration of the Council's policy framework
- (ii) to advise on methods available for the funding of resources, such as grants from central government and borrowing requirements
- (iii) to assist in the allocation of resources to budget managers.

A.5.4 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to work within budget limits and to utilise resources allocated and further allocate resources in the most efficient, effective and economic way
- (ii) to identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

PART 4 – FINANCIAL PROCEDURE RULES**A.6 CAPITAL PROGRAMMES**

A.6.1 Capital expenditure is expenditure mainly for buying, constructing or improving physical assets. In order to count as capital expenditure, new assets or improvements to existing assets must have a life of more than one year and it must enhance the life, use or value of an asset, as defined by the CIPFA Practitioners' Guide to Capital Finance in Local Government.

A.6.2 Capital expenditure may be included as one of two programmes - Housing Improvement Programme (HRA) and General Fund.

A.6.3 Capital projects are placed on the provisional capital programme in the first instance, unless otherwise approved. The inclusion of items in the approved capital programmes will generally constitute authority to incur such expenditure subject to compliance with any conditions, which the Executive shall have placed, on any item or items.

A.6.4 Key Controls

The key controls for capital programmes are:

- (i) approval by Council for the capital programme, including a business case for each new scheme, and an update for existing schemes
- (ii) the relevant service is required to prepare a capital bid for a new scheme, together with estimated costs, including construction costs, internal and external fees, fitting out etc. All costs must be included and estimates should be as accurate as possible and include any ongoing revenue costs
- (iii) a named manager has responsibility for each scheme in the capital programmes
- (iv) bids submitted as part of the annual budget / business-planning process will be evaluated and assessed against criteria agreed at the start of the process. They will then be submitted to the Executive who will make recommendations as to the inclusion of the schemes in the programme to Council
- (v) the Asset Development Manager has overall responsibility for the Council's non-housing stock land and building assets. All proposed capital works to or impacting on non-housing land and buildings must be approved by the Asset Development Manager
- (vi) projects will, unless otherwise agreed, be placed on the provisional capital programme, subject to further approval as outlined in (viii) and (ix)
- (vii) all borrowing, capital receipts, disposals or use of capital reserves to finance the Capital Programme must be approved by Council when setting the Capital Programme at Budget Council, or by the HoFS thereafter
- (viii) for projects with a gross budget of over £200,000, responsible officers will need to submit an updated business case, including costs, project plan, timescales and associated revenue expenditure for approval by the Executive before the project is moved to the approved capital programme, from the provisional capital programme
- (ix) for projects with a gross budget under £200,000, responsible officers will need to submit an updated business case, as detailed in (viii) above to the HoFS
- (x) once the project is on the approved capital programme, the responsible officer will assume responsibility for its progression, control and completion, including invitations to tender and selection of contractors and / or consultants
- (xi) the responsible officer will have control over the scope and budget of the project, subject to the detail approved by the Executive or HoFS. The

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responsible officer does not have authority to change the project brief or cost without approval of the Executive or HoFS

- (xii) the responsible officer will liaise with the Senior Accountant (Treasury Management and Capital), who has responsibility for monitoring the capital programme as a whole, on progress of the project and details of costs so detailed project monitoring can be undertaken and the effect on the Council's resources can be monitored
- (xiii) the responsible officer will organise, and chair, a project team
- (xiv) the Capital Monitoring Group will meet throughout the year and has responsibility for monitoring the capital programme as a whole. Monitoring reports, on property related capital projects, will be submitted to the property review group, quarterly monitoring on the whole programme will be submitted to Corporate Management Team (CMT)
- (xv) any variances to the project brief or the cost of the project, and the correcting action, must be reported in line with the finance procedure rules.

A.6.5 Responsibilities of the Head of Financial Services

- (i) to prepare capital estimates and updated projections of current schemes, with CMT and HoS, and to report them to the Executive for approval, for both General Fund and Housing programmes. The Executive will make recommendations on the capital estimates and on any associated financing requirements to Council
- (ii) to prepare and submit monitoring reports to CMT on the projected income, expenditure and resources used to finance the programmes compared with the approved estimates
- (iii) to issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the HoFS having regard to government regulations and accounting requirements
- (iv) in consultation with the EHoS or HoS, to obtain authorisation for individual schemes where the estimated expenditure exceeds the capital programme provision in accordance with the limits set in the Council's virement or supplementary estimate section of the Finance Procedure Rules
- (v) to approve the re-phasing of capital schemes within the capital programme between financial years, subject to the availability of resources, to make the most effective use of those resources
- (vi) to add expenditure to the approved capital programme where it is fully financed by grant, s106, SPA and CIL receipts and the project has been approved by the appropriate lead councillor and the relevant EHoS or HoS
- (vii) to authorise moving capital projects from the provisional capital programme to the approved capital programme where the gross budget is under £200,000 and a supporting business case has been submitted by responsible officers.

A.6.6 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to comply with guidance concerning capital schemes and controls issued by the HoFS
- (ii) to ensure that all capital proposals have undergone a project appraisal in accordance with the business plan guidance issued by the HoFS
- (iii) to prepare a business case to move a project from the provisional to the approved capital programme in accordance with the key controls paragraph A.6.4

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- (iv) to prepare regular reports reviewing the capital programme for their services. They should also prepare a quarterly return of estimated final costs of schemes in the capital programme for submission to the HoFS
- (v) to ensure that adequate records are maintained for all capital contracts
- (vi) to proceed with projects only when there is adequate provision in the approved capital programme
- (vii) to ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the HoFS and, if applicable, approval of the scheme through the capital programme in accordance with section C.8.10 of the finance procedure rules
- (viii) to consult with the HoFS and CMT before any service submits a bid for external funding, and to seek the approval of the HoFS (under delegated authority) to add expenditure that is not currently included in the capital programme.

A.7 STAFFING

A.7.1 In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

A.7.2 Key Controls

The key controls for staffing are:

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

A.7.3 Responsibilities of the Executive Head of Financial Services (EHoFS) and Head of Financial Services

- (i) to ensure that budget provision exists for all existing and new employees, based on information supplied by Human Resources and HoS
- (ii) to act as an adviser to EHoS and HoS on areas such as national insurance and pension contributions, as appropriate.

A.7.4 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to agree an annual staffing budget for all services, on the basis of information provided by the HoFS
- (ii) to ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads)
- (iii) to monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff
- (iv) to ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided
- (v) to ensure that the Executive Head of Organisational Development (EHoOD) and HoFS are immediately informed if the staffing budget is likely to be materially over or underspent.

PART 4 – FINANCIAL PROCEDURE RULES**A.8 FEES AND CHARGES**

The Council is required to set its fees and charges annually as part of the budget setting process.

Key Controls

- (i) EHoS and HoS shall set the established fees and charges annually for approval by Council
- (ii) Fees and Charges shall be increased in accordance with the Corporate Charging Policy and the rate of inflation as confirmed by the Executive
- (iii) in-year increases above or below inflation can be approved by the HoFS in consultation with the appropriate lead councillor and lead councillor with responsibility for finance subject to no adverse on-going budgetary implications
- (iv) in exceptional circumstances and subject to the foregoing requirement, charges may be increased, reduced or waived for a specified (temporary) period to promote a service or facility by the EHoS in consultation with the HoFS subject to there being no ongoing budgetary implications. This may include introducing a casual charge for the purpose of defraying costs of a special event. Any such change must be fully documented.

A.8.1 Responsibilities of the Head of Financial Services

- (i) To submit the list of the Council's fees and charges to Council for approval as part of the budget report
- (ii) To prepare and submit a corporate charging policy for approval by Executive
- (iii) To approve in year variations to fees and charges in consultation with the relevant EHoS or HoS subject to there being no ongoing budgetary implications

A.8.2 Responsibilities of Executive Heads of Service and Heads of Service

- (i) To inform the HoFS of their proposed fees and charges for inclusion in the budget report for approval by Council
- (ii) To set fees and charges in line with the Corporate Charging Policy
- (iii) To approve in year variations to fees and charges in consultation with the HoFS subject to there being no ongoing budgetary implications

PART 4 – FINANCIAL PROCEDURE RULES**FINANCIAL PROCEDURE NOTE B: FINANCIAL MANAGEMENT AND CONTROL****B.1 INTRODUCTION**

- B.1.1 Financial management and control covers all financial accountabilities in relation to the financial running of the Council and control of the approved budget
- B.1.2 The role of Council, the Executive and other committees and those of the Council's statutory officers in relation to these matters are set out in the Council's Constitution. Full details of the responsibilities of the Chief Finance Officer (CFO) are set out in the overall introduction to these Financial Procedure Rules.
- B.1.3 It is the responsibility of Executive Heads of Service (EHoS) and Heads of Service (HoS) to consult the Head of Financial Services (HoFS) and seek approval on any matter liable to affect the Council's finances before any additional budgetary commitments are committed.

B.2 FINANCIAL MANAGEMENT STANDARDS

- B.2.1 All staff and councillors have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.
- B.2.2 **Key Controls**
The key controls and control objectives for financial management standards are:
- (i) their promotion throughout the Council
 - (ii) a monitoring system to review compliance with financial standards and regular comparisons of performance indicators and benchmark standards that are reported to the Executive and/or Council
- B.2.3 **Responsibilities of the Chief Finance Officer**
- (i) to ensure the proper administration of the financial affairs of the Council
 - (ii) to set the financial management standards and to monitor compliance with them
 - (iii) to ensure that officers adhere to proper professional practices and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council
 - (iv) to ensure key strategic controls necessary to secure sound financial management are in place.
- B.2.4 **Responsibilities of the Head of Financial Services**
- (i) To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

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- (i) to promote the financial management standards set by the CFO in their service portfolio and to monitor adherence to the standards and practices, liaising as necessary with the CFO
- (ii) to promote sound financial practices in relation to the standards, performance and development of staff in their service portfolio
- (iii) to prepare, in consultation with the CFO, any necessary financial instructions detailing the action to be taken within their service to ensure compliance with the Constitution and Financial Procedure Rules. Copies of these instructions and any future amendments should be held within the service section on the Council's intranet

B.3 ACCOUNTING POLICIES

B.3.1 The HoFS is responsible for the preparation of the Council's and any subsidiary's annual statement of accounts, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice, (CIPFA/LASAAC), supported by International Financial Reporting Standards.

B.3.2 Key Controls

The key controls for accounting policies are:

- (i) systems of internal control are in place that ensure financial transactions are lawful
- (ii) suitable accounting policies are selected and applied consistently
- (iii) proper accounting records are maintained
- (iv) financial statements are prepared which present a true and fair view of the financial position of the Council and of its expenditure and income.

B.3.3 Responsibilities of the Head of Financial Services

- (i) to select suitable accounting policies and to ensure that they are applied consistently
- (ii) to exercise supervision over financial and accounting records and systems with a view to ensuring their uniformity, co-ordination and compatibility. The accounting policies are set out in the statement of accounts
- (iii) To prepare and publish reports the statement of accounts

B.3.4 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to adhere to the accounting policies and guidelines approved by the HoFS
- (ii) to obtain the approval of the HoFS and Executive Head of Organisational Development (EHoOD) before introducing any books, forms or procedures or other records relating to cash, stores or other accounts of the Council which may affect the Council's finances
- (iii) to submit to the HoFS any information as the latter considers necessary for accounting and costing purposes and allow the HoFS access at all reasonable times to all accounting records and documents, which may affect the Council's finances
- (iv) to consult the HoFS when publishing any financial information

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B.4.1 The form of accounts, procedures, and supporting financial records of the Council and its officers and the Council's subsidiary organisations shall be determined by the Council's HoFS. No new accounting systems shall be introduced at the Council and its subsidiaries, or changes to existing financial systems without the approval of the HoFS.

B.4.2 The Council maintains and audits unofficial funds, which for this purpose shall be defined as any funds, associated with Council business, supervised or managed by Council staff, but which are not part of Council funds or trust funds of the Council.

B.4.3 Any employee holding unofficial funds must deliver up a true account in writing of all money and property committed to their charge and of receipts and payments with vouchers and other documents and records supporting the entries therein, and a list of persons from whom or to whom money is due, showing the amount due from or to each.

B.4.4 Employees acting as honorary treasurers of unofficial funds shall notify the appropriate EHoS and CFO.

B.4.5 Key Controls

The key controls for accounting records and returns are:

- (i) all officers, finance staff and budget managers operate within the required accounting standards and timetables
- (ii) all the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- (iii) procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- (iv) reconciliation procedures are carried out to ensure transactions are correctly recorded
- (v) prime documents are retained in accordance with legislative and other requirements.

B.4.6 Responsibilities of the Chief Finance Officer

- (i) To determine the accounting procedures and records for the Council and any subsidiaries of the Council.

B.4.7 Responsibilities of the Head of Financial Services

- (i) to arrange for the compilation of all accounts and accounting records under their direction. EHoOD and Executive Head of Governance (EHoG) shall be consulted before any records, books, forms or procedures which might affect the financial integrity of the financial systems, are introduced
- (ii) to comply with the following principles when allocating accounting duties:
 - separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them; and
 - employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

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- (iii) to make proper arrangements for the audit of the Council's and any Subsidiary's accounts in accordance with the latest Accounts and Audit Regulations
- (iv) to ensure that all claims for funds, including grants are made by the due date.
- (v) to prepare and publish the accounts of the Council for each financial year in accordance with the statutory timetable
- (vi) to administer the Council's arrangements for under and overspendings for each financial year
- (vii) to ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention schedule.

B.4.8 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to consult and obtain the approval of the HoFS before making any changes to accounting records and procedures
- (ii) to comply with the principles outlined in paragraph B.3.4 when allocating accounting duties and report to the HoFS and EHoOD if it is not possible to comply with these principles
- (iii) to maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements
- (iv) to supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the HoFS
- (v) to ensure the proper retention of financial documents under his or her control in accordance with the requirements of the Council's document retention schedule and the security and privacy of information in accordance with the Data Protection Act 1988.

B.5 REVENUE BUDGET MONITORING AND CONTROL

- B.5.1** Budget monitoring ensures that once the budget has been approved by Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- B.5.2** By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual budget, approved when setting the overall budget. To ensure that the Council as a whole does not overspend, each service is required to manage its own expenditure within the budget allocated to it.
- B.5.3** For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by individual EHoS or HoS
- B.5.4** For this purpose:
- a service unit includes relevant service areas, headed by an EHoS or HoS as defined in the Council's budget book
 - a defined service is as stated in the service unit summary in the budget book

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- an account category is that stated on the subjective summary in the budget book
- an expenditure account, with an approved budget, is a line in the general ledger
- a service manager, is the manager of a service which is stated in the service unit summary in the budget book and is stated as the responsible officer on the service budget page in the budget book
- a budget manager is an officer with authority to spend an approved budget within a defined service area

Key Controls

B.5.5 The key controls for managing and controlling the revenue budget are:

- (i) budget managers should be responsible only for income and expenditure that they can influence
- (ii) there is a nominated budget manager for each cost centre. This will be the service manager identified as the responsible officer in the Council's budget book for the service unless delegated to another manager
- (iii) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- (iv) budget managers follow an approved certification process for all expenditure
- (v) income and expenditure are properly recorded and accounted for
- (vi) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

B.5.6 Responsibilities of the Head of Financial Services

- (i) to establish an appropriate framework of budget monitoring and control that ensures that:
 - budget management is exercised within annual budgets unless the Council agrees otherwise by virement or supplementary estimate.
 - each EHoS and HoS has available timely information on receipts and payments on each budget, which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
 - expenditure is committed only against an approved budget head.
 - all officers responsible for committing expenditure comply with relevant guidance and the Financial Procedure Rules.
 - each service has a single named budget manager in the Council's budget book, determined by the relevant EHoS or HoS. The budget manager is responsible for expenditure against the approved budget and as a general principle, the expenditure should align as closely as possible to the objectives of the service.
 - significant variances from approved budgets are investigated and reported by budget managers regularly
- (ii) to be responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must monitor and control expenditure against budget allocations
- (iii) to administer the Council's scheme of virement
- (iv) to provide EHoS and HoS with a budgetary information service in a format devised by the HoFS in consultation with EHoS
- (v) to submit reports to the Executive and Council, in consultation with the relevant EHoS or HoS, where an EHoS or HoS is unable to balance expenditure and resources within existing approved budgets and virement procedures under his or her control
- (vi)

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- (vii) to prepare and submit reports on the Council's projected income and expenditure compared with the budget to EHoS and budget managers on a regular basis.

B.5.7 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to ensure that budget estimates reflecting agreed business plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive
- (ii) to control income and expenditure within their areas and to monitor performance, taking account of financial information provided by the HoFS. They should also take any action necessary to avoid exceeding their budget allocation and alert the HoFS to any problems
- (iii) to maintain budgetary control within their services, in adherence to the principles in B.4.7, and to ensure that all income and expenditure is properly recorded and accounted for
- (iv) to ensure that an accountable budget manager is identified for each item of income and expenditure under their control. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure
- (v) to ensure that spending remains within the service's overall budget and that individual account categories are not overspent by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast
- (vi) to inform the HoFS whenever there is a likelihood that expenditure on any item/project will exceed the approved revenue or capital estimate for it, or that income will be less than the amount included in the estimates, unless a virement or supplementary estimate has been approved so that action in accordance with these Procedure Rules may be taken as necessary
- (vii) to ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively
- (viii) to ensure prior approval by Council or the Executive (as appropriate) for new proposals, of whatever amount, that:
 - create financial commitments in future years
 - change existing policies, initiate new policies or cease existing policies
 - materially extend or reduce the Council's services
- (ix) to report to the Executive on new proposals explaining the full financial implications, following consultation with the HoFS. Unless Council or Executive has agreed otherwise, EHoS and HoS must plan to contain the financial implications of such proposals within their budget
- (x) to ensure compliance with the scheme of virement
- (xi) to agree with the relevant EHoS or HoS where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or EHoS's or HoS's level of service activity
- (xii) to report to Executive for approval of any commitment, which may be contained in the current year's budget, but incurs additional expenditure or additional income in future years before any commitment is made. This is particularly relevant to Grant Funded expenditure.

B.5.8 Responsibilities of Service Managers and Budget Managers

- (i) to ensure that budget estimates are submitted to the EHoS or HoS and HoFS so that they can submit them to Executive for approval

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- (ii) to control income and expenditure within their areas and to monitor performance, taking account of financial information provided by the HoFS. They should also take any action necessary to avoid exceeding their budget allocation and alert the HoFS to any problems
- (iii) to report to EHoS or HoS and HoFS any commitment, which may be contained in the current year's budget, but incurs additional expenditure or additional income in future years before any commitment is made so that approval may be sought from Executive. This is particularly relevant to Grant Funded expenditure
- (iv) to inform the EHoS or HoS and HoFS whenever there is a likelihood that expenditure on any item/project will exceed the approved revenue or capital estimate for it or that income will be less than the amount included in the estimates, so that action in accordance with the Financial Procedure Rules may be taken as necessary
- (v) to ensure prior approval by Council or the Executive (as appropriate) for new proposals, of whatever amount, that:
 - create financial commitments in future years
 - change existing policies, initiate new policies or cease existing policies; and
 - materially extend or reduce the Council's services.

B6 MANAGING EXPENDITURE: REVENUE VIREMENTS

B6.1 Detailed guidance on the control of revenue virements is given in the following paragraphs and in section B.7 for supplementary estimates. In summary the limits are:

Service areas	Value limit	Agreement
<u>Virement</u>		
Cost centres relating to the same service, specific account categories	£100,000	HoFS and relevant Service Manager
Cost centres relating to different services but within the same service unit, specific account categories	£100,000	HoFS and relevant EHoS
From any budget head within the employees category	£100,000	MD; a report to CMT requesting approval is required
Cost Centres relating to different service units, specific account categories	£100,000	MD; a report to CMT requesting approval is required
Between any service and any account categories	£100,001 - £200,000	MD in consultation with appropriate lead councillor(s) and lead councillor with responsibility for finance
Between any service and any account categories	£200,001 - £500,000	Executive
Between any service and any account categories	Over £500,000	Council
<u>Supplementary Estimate</u>		
Any - subject to no on-going implication for future years over £100,000 and up to a total limit of £750,000 in any year	£250,000 up	Executive
Any	Over £250,000	Council

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- B.6.1. A virement is the switching of resources between approved service estimates or account categories of expenditure, without creating additional budget liability. For the purposes of this scheme, a service is considered to be a service as listed in the service unit summary pages in the Council's budget book or, as a minimum, at an equivalent level to the standard service sub-division as defined by CIPFA's Service Expenditure Analysis. An account category is considered a line in the budget book. Council is responsible for agreeing the financial procedures for virement of expenditure.
- B.6.2 The scheme of virement is intended to enable the Executive, MD, EHoS/HoS, Service Managers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by Council and, therefore, to optimise the use of resources.
- B.6.3 **Key Controls**
Key controls for the scheme of virement are:
- (i) it is administered by the HoFS within the Constitution set by the Council. Any variation from this scheme requires the approval of the Council
 - (ii) the overall budget is approved annually by Council. EHoS, HoS, Service Managers and budget managers are therefore, authorised to incur expenditure in accordance with the estimates that make up the budget

The procedure rules below cover virement, that is, the switching of an approved budget or part of an approved budget between different expenditure accounts, either in the same service area or between different service areas or between different service units.

- (iii) EHoS, HoS and budget managers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring expenditure from one-off sources of savings or additional income, or create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. EHoS and HoS must plan to fund such commitments from within their own budgets.
- (iv) revenue virements may be made within the following criteria:
 - a. Between expenditure accounts within the categories of premises, transport and supplies and services and within cost centres relating to the same service: to a maximum of £100,000, subject to the agreement of the HoFS and relevant Service Manager
 - b. Between expenditure accounts within the categories of premises, transport and supplies and services, but between cost centres relating to different services within a service unit: to a maximum of £100,000, subject to the agreement of the HoFS and relevant EHoS
 - c. Between expenditure accounts within the categories of premises, transport and supplies and services, but between cost centres relating to different service units: to a maximum of £100,000, subject to the agreement of the MD through a report to CMT
 - d. From any expenditure accounts within the employee category: to a maximum of £100,000, subject to the agreement of the MD through a report to CMT

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- e. MD, in consultation with the appropriate lead councillor(s) and lead councillor with responsibility for finance can approve virements between the value of £100,000 and £200,000
- f. Any virement with a value greater than £200,000 must be approved by the Executive to a limit of £500,000 and by Council for any greater amount
- (v) limitations to virement. Virement is not allowed:
 - a. into expenditure accounts in the employee category, except when being vired within the employee category
 - b. when one or both of the expenditure accounts concerned is an internal recharge
 - c. when the opportunity to vire has been caused by the abandonment or reduction in the level of a service/item following a change in Council or national policy
- (vi) the following conditions must also be met for all virement:
 - a. the proposal must conform to Council policy
 - b. there must be no net increase in total revenue expenditure in the initial or any subsequent year as a result of the virement
 - c. the virement must be made prior to the end of February of the relevant financial year
- (vii) where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that the amount is used in accordance with the purposes for which it has been established.

B.6.4 Responsibilities of the Managing Director

- (i) to approve, as the chair of CMT, virements between services and non-employee account categories up to £100,000
- (ii) to approve, as chair of CMT, virements from any budget head in the employees account category up to £100,000
- (iii) to approve, as the chair of CMT, virements between £100,001 and £200,000

B 6.5 Responsibilities of the Head of Financial Services

- (i) to approve, in consultation with the relevant EHoS or HoS, virements up to £100,000 for cost centres relating to the same service and non-employee account categories
- (ii) to report, as part of the budget monitoring process, virements that have been approved under delegated authority
- (iii) to prepare with the EHoS or HoS, and where appropriate in consultation with the appropriate lead councillor and the lead councillor with responsibility for finance a report to CMT seeking MD approval for virements between services under £100,000, virements from employee account categories under £100,000 or virements between £100,001 and £200,000
- (iv) to prepare with the EHoS or HoS a report to the Executive seeking approval for virements between £200,001 and £500,000.
- (v) to prepare with the EHoS or HoS a report to Council seeking approval for virements in excess of £500,000
- (vi) maintain a record of all revenue virements approved.

B.6.6 Responsibilities of Budget Managers

- (i) to submit requests for virements within the categories of premises, transport and supplies and services and within cost centres relating to the same service

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- up to a maximum of £100,000 in writing, on a delegated authority form for approval by the appropriate Service Manager to the HoFS
- (ii) to submit requests for virements within the categories of premises, transport and supplies and services and within cost centres relating to different services up to a maximum of £100,000 in writing, on a delegated authority form for approval by the appropriate EHoS to the HoFS
 - (iii) to write and submit reports to CMT as outlined in B.6.3 to seek approval for virements between service units or between any account code in the employee category
 - (iv) to write and submit reports to CMT, lead councillors, Executive or Council as outlined in B.6.3 to obtain approval for all virements exceeding £100,001

B.7 REVENUE SUPPLEMENTARY ESTIMATES

B.7.1 A supplementary estimate is one that gives approval for increased expenditure or reduced income that was not included in the original budget and therefore increases the Council's overall net budget for the year.

B.7.1 Key Controls

The key controls for revenue supplementary estimates are:

- (i) subject to (ii) below, any request for a revenue supplementary estimate shall first be submitted by the budget manager to the relevant EHoS in consultation with the HoFS. The Executive may approve revenue supplementary estimates up to £250,000 subject to there being no on-going implication over £100,000 for future years, up to a maximum supplementary limit of £750,000 in any one year
- (ii) any supplementary estimate in excess of £250,000, or where there is an on-going implication for future years in excess of £100,000, shall require the approval of Council
- (iii) once the Executive have approved supplementary estimates totalling £750,000 for any one year, Council must approve any further requests
- (iv) in cases of urgency and with the agreement of the chairman of the relevant scrutiny committee that the matter is urgent, the Leader of the Council and CFO shall be authorised to approve revenue supplementary estimates in excess of the limits specified in (i) to (iii) above where it is not practical to convene a quorate meeting of the Council.

B.7.2 Responsibilities of the Head of Financial Services

- (i) to prepare with the EHoS or HoS a report to the Executive on requests for revenue supplementary estimates
- (ii) to maintain a record of all revenue supplementary estimates approved
- (iii) where external funding or specific grant funding is received after setting the revenue budget to amend the budget as set out in the Council's scheme of delegation

B.7.3 Responsibilities of Executive Heads of Service and Heads of Service

- (i) all requests for revenue supplementary estimates shall be submitted in writing by the appropriate EHoS or HoS to the HoFS

PART 4 – FINANCIAL PROCEDURE RULES**B.8 CAPITAL SUPPLEMENTARY ESTIMATES AND VIREMENTS**

- B.8.1 Detailed guidance on the control of capital virements and supplementary estimates is given in the following paragraphs. In summary the limits are:

Capital scheme	Value limit	Agreement
<u>Supplementary</u>		
Any	£500,000	Executive
Any	Over £500,000	Council
<u>Virement</u>		
Schemes on approved programme	£100,000	HoFS in consultation with the appropriate lead councillor(s) and the lead councillor with responsibility for finance
Schemes on approved programme	£100,001 to £200,000	MD, via a report to CMT in consultation with the appropriate lead councillor(s) and the lead councillor with responsibility for finance
Schemes on approved programme	£200,001 - £500,000	Executive
Schemes on approved programme	Over £500,000	Council

- B8.2 The rules on capital supplementary estimates and virements are intended to enable the Executive, CFO, EHoS, HoS and their staff to manage capital budgets with a degree of flexibility within the overall programmes determined by Council and, therefore, to optimise the use of resources.

- B.8.2 A supplementary estimate is an extra sum of money added to the scheme budget and therefore creates an additional budget liability.

- B.8.3 A virement is a transfer of budget between schemes, and does not create additional budget liability.

- B.8.4 The rules below cover supplementary estimates and virements between approved capital projects.

B.8.5 Key Controls

Key controls for the rules relating to capital supplementary estimates and virements are:

- (i) they are administered by the HoFS within the constitution set by Council. Any variation from these rules requires the approval of Council
- (ii) overall capital programmes are agreed by the Executive and approved by Council. EHoS, HoS and budget managers are authorised to incur expenditure in accordance with the approved estimates that make up the programmes

Supplementary estimates

- (iii) subject to (iv) below, any request for a capital supplementary estimate shall first be submitted to the Executive by the HoS concerned, in consultation with the HoFS. The Executive may approve capital supplementary estimates up to

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£500,000. Any supplementary estimate in excess of this amount shall require the approval of Council

- (iv) in cases of urgency, and with the agreement of the chairman of the relevant scrutiny committee that the matter is urgent, the Leader of the Council and CFO shall be authorised to approve capital supplementary estimates in excess of the limits specified in (iii) above where it is not practical to convene a quorate meeting of Council

Virement

- (v) EHoS and HoS are expected to exercise their discretion in managing capital projects responsibly and prudently. For example, they should aim to avoid creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. EHoS and HoS must plan to fund such commitments from within their own budgets.
- (vi) The following conditions must be met for all capital virements:
 - a. The proposal must conform to Council policy.
 - b. There must be no net increase in total expenditure in the initial or any subsequent year as a result of the virement.
- (vii) Virement that is likely to impact on the level of service activity of another EHoS or HoS should be implemented only after agreement with the relevant EHoS or HoS.
- (viii) Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
 - a. the amount is used in accordance with the purposes for which it has been established; and
 - b. the Executive or Council has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Executive or Council (as appropriate).

B.8.6 Responsibilities of the Head of Financial Services

- (i) To maintain a record of all capital supplementary estimates and virements approved

Supplementary estimate

- (ii) To prepare with the EHoS or HoS a report to the Executive on requests for capital supplementary estimates. The Executive may approve capital supplementary estimates up to £500,000. Any supplementary estimate in excess of this amount shall require the approval of Council

Virement

- (iii) In consultation with the appropriate lead councillor(s) and the lead councillor with responsibility for finance, to approve virements between capital projects on the approved capital programme up to a maximum of £100,000.
- (iv) To prepare, with the EHoS or HoS, a report to CMT and appropriate lead councillors seeking MD approval for virement between capital projects on the approved capital programme between £100,001 and £200,000
- (v) To prepare, with the EHoS or HoS, a report to the Executive seeking approval for virement between capital projects on the approved capital programme between £200,001 and £500,000. Any capital virement in excess of this amount shall require the approval of Council
- (vi) Where external funding or specific grant funding is received after setting the capital budget, to amend the budget as set out in the Council's scheme of delegation, in association with the appropriate lead councillor.

PART 4 – FINANCIAL PROCEDURE RULES**B.8.7 Responsibilities of Executive Heads of Service and Heads of Service**

- (i) All requests for capital supplementary estimates and virement between capital projects shall be submitted in writing, by the appropriate EHoS or HoS, to the HoFS, in a format determined by the HoFS.

B.9 TREATMENT OF YEAR-END BALANCES

- B.9.1 The Rules below cover arrangements for the transfer of resources between accounting years (a carry-forward). For the purposes of this scheme, a budget heading is a line in the estimates report. A service is considered to be a service as listed in the service unit summary pages in the Council's budget book or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA in its Service Expenditure Analysis.

Specific grants will automatically be carried forward (as per B.9.3)

B.9.3 Key Controls

- (i) Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.
- (ii) Statutory ring fenced budgets such as Building Control and Land Charges will be automatically carried forward by transferring any balances to reserves.
- (iii) Budgets for Capital Schemes, which are unspent, will be carried forward automatically.
- (iv) All other carry forward requests shall be considered by the CFO for approval after the end of the financial year.

B.9.4 Responsibilities of the Head of Financial Services

- (i) To administer the scheme of carry-forward within the guidelines in B.9.3 above

B.9.5 Responsibilities of Executive Heads of Service and Heads of Service

- (i) Any overspending on service estimates in total on budgets under the control of the EHoS or HoS must be explained to the HoFS. The HoFS will report the extent of major over and under-spending to the Executive

B.10 MAINTENANCE OF RESERVES AND BALANCES

- B.10.1 The Council must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves and balances are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

B.10.2 Key Controls

The key controls for maintenance of reserves and balances are:

- (i) To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed accounting policies.

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- (ii) For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- (iii) Authorisation and expenditure from reserves by the appropriate EHoS or HoS in consultation with the HoFS.

B.10.3 Responsibilities of the Chief Finance Officer

- (i) To advise the Executive and/or Council on prudent levels of reserves for the Council on a risk basis and to take account of the advice of the external auditor in this matter.

Responsibilities of the Head of Financial Services

- (i) To set up earmarked reserves for specific purposes subject to budget availability

B.10.4 Responsibilities of Executive Heads of Service and Heads of Service

- (i) To ensure that resources are used only for the purposes for which they were intended.

B.11 THE ANNUAL STATEMENT OF ACCOUNTS

B.11.1 The Council has a statutory duty to prepare an annual statement of accounts. This duty falls to the CFO, who is required to ensure that the accounting procedures of the Council are sufficient to assure that any statements of accounts are complete, and that proper control systems exist to enable transactions to be timely and accurately recorded. The Corporate Governance and Standards Committee is responsible for approving the statutory annual statement of accounts.

B.11.2 Key Controls

The key controls for the annual statement of accounts are:

- (i) The Council is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the CFO.
- (ii) The Council's statement of accounts must be prepared in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

B.11.3 Responsibilities of the Chief Finance Officer

- (i) To sign and date the annual statement of accounts, stating that it presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March. To ensure that an Annual Governance Statement, prepared by the HoFS, is approved by the Corporate Governance and Standards Committee by the statutory deadline

B.11.4 Responsibilities of the Head of Financial Services

- (i) Ensure that the annual statement of accounts is prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The Corporate Governance and Standards Committee is

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responsible for approving the annual statement of accounts by 30 September following the accounting date.

- (ii) To make judgements and estimates that are reasonable and prudent.
- (iii) To comply with the CIPFA Code.
- (iv) To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- (v) To report any unadjusted misstatements contained in the Accounts and other audit findings to the Corporate Governance and Standards Committee in consultation with the External Auditors.
- (vi) ensure that the audited accounts of the Council are prepared and published in accordance with the statutory timetable.

B.11.5 Responsibilities of Executive Heads of Service and Heads of Service

- (i) To comply with accounting guidance provided by the HoFS and to supply the HoFS with information within the deadlines set.

B.12 TRANSPARENCY REPORTING

B.12.1 Government transparency aims to increase openness by sharing more government information with citizens. As such, the Council is increasingly encouraged to publish the information it has on how money is spent by the Council and its agencies, which companies have contracts with the Council, and how the Council performs. The Council must comply with the prevailing Transparency Code and subsequent regulations.

B.12.2 Citizens have the right to inspect the Council's detailed financial accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them for a period of 20 working days prior to the appointed audit date, as set annually by the External Auditor. The Council will publish notice of when the 20-day period starts and ends on its website and in the local press 14 days before the start of the period in line with the latest Accounts and Audit Regulations. These rights allow the public to check any spending under the £500 threshold without having to submit a Freedom of Information Act request.

B.12.3 Responsibilities of the Head of Financial Services

- (i) to make available (on request) all the books, deeds, contracts, bills, vouchers and receipts relating to all expenditure within the councils accounts to any member of the public for a period of 20 working days each year in accordance with statutory regulations
- (ii) to publish job titles of officers who hold senior positions (as defined by the transparency code) in the council, their job descriptions and total remuneration (e.g., salaries, bonus' payments, pension payments and expenses) for the previous year.

B.12.3 Responsibilities of the Executive Head of Financial Services

- (i) to publish details on council payments and contracts for goods and services worth more than £500 (including procurement card transactions and procurement information) on the Council's website to show residents how the Council spends its budget

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- (ii) to publish details of Councillor allowances and expenses on the Council's website on an annual basis as part of the transparency reporting.

B.12.4 Responsibilities of the Executive Heads of Service and Heads of Service

- (i) to ensure that adequate records of books, deeds, contracts, bills, vouchers and receipts relating to all expenditure within their service area are readily available and can be produced to the HoFS when responding to a request from a member of the public during either the statutory period or as part of a Freedom of Information Act request
- (ii) to ensure that the mandatory elements of the relevant Transparency Code are published, which include: expenditure exceeding £500; government procurement card transactions; procurement information; local authority land; grants to voluntary, community and social enterprise organisations; organisation chart; trade union facility time; parking revenues; controlled parking spaces; senior salaries; constitution; pay multiple and fraud.

PART 4 – FINANCIAL PROCEDURE RULES**FINANCIAL PROCEDURE NOTE C: CONTROL OF RESOURCES****C.1 INTRODUCTION**

- C.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating resources required. The use of resources must be properly controlled.

C.2 INTERNAL CONTROLS

- C.2.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

- C.2.2 The activities of the Council must be controlled. The system of internal controls is established in order to provide measurable achievement of:

- (i) efficient and effective operations
- (ii) reliable financial information and reporting
- (iii) compliance with laws and regulations
- (iv) risk management

C.2.3 Key Controls

The key controls for internal control systems are:

- (i) key controls should be reviewed on a regular basis and the Council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- (ii) managerial control systems. These include defining policies, planning and setting objectives, monitoring financial and other performance data 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
- (iii) financial and operational control systems. These include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (iv) an effective internal audit function that is properly resourced. The audit function must operate in accordance with the principles contained in the Public Sector Internal Audit Standards, the Auditing Practices Board's auditing guidelines Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

C.2.4 Responsibilities of the Audit and Performance Manager (AaPM), as Head of Internal Audit

- (i) to advise on effective systems of internal control
- (ii) to assist the Council to put in place an appropriate control environment and effective internal controls, which provide reasonable assurance of effective

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and efficient operations, financial stewardship, probity and compliance with laws and regulations

C.2.5 Responsibilities of Executive Heads of Service and Heads of Service

It is the responsibility of Executive Heads of Service (EHoS) and Heads of Service (HoS) to 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.

- (i) to manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks
- (ii) to review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Audit and Performance Manager (AaPM). EHoS and HoS will also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication
- (iii) to ensure staff have a clear understanding of the consequences of lack of control.

C.3 AUDIT REQUIREMENTS

C.3.1 The latest Accounts and Audit Regulations require every local authority to maintain an adequate and effective internal audit.

C.3.2 External auditors are appointed by statute to each local authority. The basic duties of the external auditor are governed by Section 15 of the Local Government Finance Act 1982, as amended by Section 5 of the Audit Commission Act 1998.

C.3.3 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, which have statutory rights of access.

Internal Audit

C.3.4 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Regulation 6 of the latest Accounts and Audit Regulations, more specifically requires that a “relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices ...”.

C.3.5 Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

C.3.6 Key Controls

The key controls for internal audit are:

- (i) that it is independent in its planning and operation
- (ii) the Audit and Performance Manager (AaPM) has direct access to the Managing Director (MD), all levels of management and directly to councillors

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- (iii) the internal auditors comply with the Auditing Practices Board's guideline Guidance for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and the Public Sector Internal Audit Standards

C.3.7 Responsibilities of the Audit and Performance Manager, as Head of Internal Audit

To ensure that internal auditors have the authority to:

- (i) access Council premises at reasonable times
- (ii) access all assets, records, documents, correspondence and control systems
- (iii) receive any information and explanation considered necessary concerning any matter under consideration
- (iv) require any employee of the Council to account for cash, stores or any other asset under his or her control
- (v) access records belonging to third parties, such as contractors, when required
- (vi) directly access the MD and the Executive.

C.3.8 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work
- (ii) to ensure that auditors are provided with any information and explanations that they seek in the course of their work
- (iii) to consider and respond promptly to recommendations in audit reports.
- (iv) to ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion
- (v) to notify the Chief Finance Officer (CFO) immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the EHoS and HoS should take all necessary steps in consultation with the AaPM to prevent further loss and to secure records and documentation against removal or alteration
- (vi) to ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the AaPM prior to implementation.

External Audit**C.3.9 Key Controls**

External auditors are currently appointed by the Audit Commission for a prescribed period of years. On closure of the Audit Commission on 31 March 2015 new arrangements as prescribed by the Local Audit and Accountability Act 2014 will come into force

C.3.10 Responsibilities of the Chief Finance Officer and Audit and Performance Manager

- (i) to ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work
- (ii) to ensure there is effective liaison between external and internal audit

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- (iii) to work with the external auditor and advise Council, Executive, EHoS and HoS on their responsibilities in relation to external audit.

C.3.11 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to 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
- (ii) to ensure that all records and systems are up-to-date and available for inspection

C.4 PREVENTING FRAUD AND CORRUPTION

C.4.1 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

C.4.2 The Council's expectation of propriety and accountability is that councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

C.4.3 The Council also expects that individuals and organisations (for example suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

C.4.4 Key Controls

The key controls regarding the prevention of financial irregularities are that:

- (i) all councillors and staff act with integrity and lead by example
- (ii) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt
- (iii) high standards of conduct are promoted amongst councillors and officers by the Corporate Governance and Standards Committee
- (iv) the Council should maintain appropriate registers of interests and of gifts and hospitality for both councillors and officers, in accordance with the provisions of the Codes of Conduct in Part 5 of the Council's Constitution
- (v) whistle-blowing procedures are in place and operate effectively
- (vi) legislation including the Public Interest Disclosure Act 1998 is adhered to.
- (vii) maintain a written anti-money laundering policy

C.4.5 Responsibilities of the Chief Finance Officer

- (i) to maintain adequate and effective internal control arrangements
- (ii) to ensure that all suspected irregularities are reported to the AaPM, Monitoring Officer (MO) and Executive.

C.4.6 Responsibilities of the Executive Heads of Service and Heads of Service

- (i) to ensure that all suspected irregularities are reported to the AaPM
- (ii) to instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour
- (iii) to ensure that where financial impropriety is discovered, the CFO and AaPM are informed and, where evidence exists to believe that a criminal offence may

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have been committed, to determine in consultation with the CFO and AaPM whether the Police should be called in to investigate

- (iv) to maintain a register of gifts and hospitality received by officers from his or her service portfolio.

C.5 ASSET SECURITY

C.5.1 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.

C.5.2 Key Controls

Key controls for General Fund land and buildings are that:

- (i) no proposed transactions, including the leasing, disposal or acquisition of land and buildings, or property related agreements of any kind with third parties shall be entered into without first consulting the EHoD and HoFS. This consultation must take place prior to any discussion or correspondence with third parties that commits or could be construed as implying commitment by the Council to a course of action or to any specific terms and conditions. All proposed transactions should have regard to Section C6, Asset Disposal, in seeking approval for leasing out land and buildings or entering into property related agreements
- (ii) no lessees or other prospective occupiers of Council land or buildings are allowed to take possession or enter the land or building until a lease or agreement in a form approved by the EHoD in consultation with the HoFS, EHoG and lead councillor with responsibility for finance, has been established as appropriate and accounting arrangements have been properly determined
- (iii) no leases in of land or buildings to the Council shall be entered into until a lease agreement in a form approved by the EHoD in consultation with the HoFS, Executive Head of Governance (EHoG) and lead councillor with responsibility for finance, has been established as appropriate, a business case has been evaluated and accounting arrangements have been properly determined. Before submitting proposals to lease in land or a building services should first check with the Asset Development Manager that there is no existing suitable council owned accommodation available
- (iv) any use of property by a service other than for direct service delivery must be supported by documentation identifying terms, responsibilities and duration of use. The EHoD will be responsible for all negotiations in respect of land and buildings, subject to consultation with the relevant EHoS or HoS, EHoG, HoFS and lead councillor with responsibility for finance
- (v) Subject to the over-riding requirement of public procurement legislation, the Council's Procurement Procedure Rules shall not apply to the acquisition of land and buildings unless the EHoD and EHoG consider that tenders or quotations would be appropriate.
- (vi) land and building assets are only disposed of in consultation with the EHoD, HoFS, Executive Head of Governance (EHoG) and the lead councillor with responsibility for finance

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- (vii) subject to appropriate budget availability having been approved, additions of land and buildings are subject to the following approvals:
- asset purchases of up to £1 million to be approved by the EHoD, EHoG and HoFS in consultation with the lead councillor with responsibility for finance
 - asset purchases between £1 million and £12 million to be approved by the CFO in consultation with the Leader of the Council and the lead councillor with responsibility for finance
 - the Executive to approve asset purchases above £12million
 - purchases of investment land and buildings must meet all the scoring and financial criteria outlined in the Council's asset investment strategy. Purchases of investment land and buildings where the criteria set out in the Council's asset investment strategy are not met require the approval of the Executive
 - purchases of non-investment land and buildings must be in line with the business case approved for the capital programme. Purchases not meeting the business case approved for the capital programme require the approval of the Executive.
- (viii) any purchase of land and buildings where no budget is available must be authorised by the Executive and a supplementary estimate obtained
- (ix) the EHoG shall be responsible for the custody of all title deeds on behalf of the Council

Key controls for land and buildings held within the Housing Revenue Account (HRA) are that:

- (i) no disposals or acquisitions of land and buildings shall be entered into without first consulting the Executive Head of Housing and Health (EHoHH) and HoFS. This consultation must take place prior to any discussion or correspondence with third parties that commits or could be construed as implying commitment by the Council to a course of action or to any specific terms and conditions. All proposed transactions should have regard to Section C6, Asset Disposal
- (ii) no leases in of HRA land or buildings to the Council shall be entered into until a lease agreement in a form approved by the EHoHH in consultation with the HoFS, EHoG and lead councillor with responsibility for housing, has been established as appropriate, a business case has been evaluated and accounting arrangements have been properly determined
- (iii) any use of HRA property by a service other than the HRA must be supported by documentation identifying terms, responsibilities and duration of use.
- (iv) land and building assets are only disposed of in consultation with the EHoHH, HoFS, EHoG and the lead councillor with responsibility for housing
- (v) subject to the over-riding requirement of public procurement legislation, the Council's Procurement Procedure Rules shall not apply to the acquisition of HRA land and buildings unless the EHoHH and EHoG consider that tenders or quotations would be appropriate.
- (vi) subject to appropriate budget availability having been approved, additions of land and buildings to the HRA are subject to the following approvals:
- purchases up to £12 million are approved by the CFO in consultation with the EHoHH, Leader of the Council, lead councillor with responsibility for housing and lead councillor with responsibility for finance

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- purchases of HRA land and buildings above £12 million require the approval of the Executive
- (vii) the EHoG shall be responsible for the custody of all title deeds on behalf of the Council

Key Controls – Plant, Vehicles and Equipment

The key control for the security of resources such as fixed plant machinery, equipment, software and information are:

- (i) resources are used only for the purposes of the Council and are properly accounted for
- (ii) resources are available for use when required
- (iii) resources no longer required are disposed of in accordance with the law and the asset disposal section of the financial procedure rules so as to maximise benefits to the Council
- (iv) an asset register is maintained for the Council. Assets are recorded when they are acquired and this record is modified as changes occur with respect to the location and condition of the asset with the whole register fully updated at year end
- (v) all staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act and software copyright legislation
- (vi) all staff 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 computer and internet security policies

C.5.3 Responsibilities of the Chief Finance Officer

- (i) to approve purchases of land and buildings between £1 million and £12 million, in consultation with the Leader of the Council and the lead councillor with responsibility for finance where budget provision exists on the approved capital programme
- (ii) to approve purchases of land and buildings for the HRA up to £12 million, in consultation with the EHoH Leader of the Council, the lead councillor with responsibility for housing and the lead councillor with responsibility for finance where budget provision exists on the approved housing capital programme

C.5.4 Responsibilities of the Head of Financial Services

- (i) to receive the information required for accounting, costing and financial records from each EHoS and HoS
- (ii) to ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC)
- (iii) to advise, where appropriate, that an EHoS or HoS should arrange for a suitable programme of continuous stock-checking to be undertaken throughout each financial year
- (iv) to advise on the financial evaluation and accounting treatment of leases
- (v) to advise on the tax and accounting treatment of leases, asset acquisitions and disposals
- (vi) to authorise in consultation with the EHoD, EHoG and with the lead councillor with responsibility for finance purchases of land and buildings up to £1 million.

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- (vii) to ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £15,000 (in the case of land and buildings £20,000).
- (viii) to ensure the function of the asset register is to provide the Council with information about fixed assets so that they are:
 - a. safeguarded
 - b. used efficiently and effectively
 - c. adequately maintained

C.5.5 Responsibilities of the Executive Head of Development

- (i) subject to consultation with the relevant EHoS or HoS, EHoG, HoFS and lead councillor with responsibility for finance, to accept terms for the granting, renewing, reviewing and varying of leases
- (ii) To authorise in consultation with the EHoG, HoFS and with the lead councillor with responsibility for finance purchases of land and buildings up to £1 million
- (iii) To maintain a database in accordance with good practice for all non-housing land and building assets currently owned or used by the Council.

C.5.6 Responsibilities of the Executive Head of Governance

- (i) To authorise in consultation with the EHoD, HoFS and with the lead councillor with responsibility for finance purchases of land and buildings up to £1 million

C.5.7 Responsibilities of the Executive Head of Housing and Health

- (i) To authorise in consultation with the CFO, Leader of the Council, lead councillor with responsibility for housing and lead councillor with responsibility for finance, purchases of land and buildings up to £1 million.
- (ii) To maintain a database in accordance with good practice for all HRA property assets currently owned or used by the Council.

C.5.8 Responsibilities of the Head of Business Systems

- (i) To maintain a separate inventory of all computer hardware, software and telephony equipment. All computer hardware, software and telephony equipment should be returned to the Head of Business Systems for disposal or re-use.
- (ii) To maintain a software library to control all of the Council's software assets and ensure compliance with contracts and licence agreements.
- (iii) To approve all software before it is used on Council computer systems.

C.5.9 Responsibilities of Executive Heads of Service and Heads of Service**Plant, Vehicles and Equipment**

- (i) to maintain a database in a form approved by the HoFS, of, plant and machinery and moveable assets currently owned or used by services for which they are responsible
- (ii) to ensure that no Council asset is subject to personal use by an employee without proper authority

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- (iii) to ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council
- (iv) To ensure that the services for which they are responsible maintain a register of moveable assets in accordance with arrangements defined by the HoFS
- (v) to ensure that assets are identified, their location recorded and that they are appropriately marked and insured
- (vi) to consult the EHoOD in any case where security is thought to be defective or where it is considered that special security arrangements may be needed
- (vii) to ensure cash holdings on premises are kept to a minimum
- (viii) to ensure contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place
- (ix) to ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the EHoOD as soon as possible
- (x) to record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless following consultation with the HoFS, the Executive agrees otherwise
- (xi) to arrange for the valuation of assets for accounting purposes to meet requirements specified by the HoFS
- (xii) to 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.

Land and building assets:

- (i) to ensure they consult with the EHoD and HoFS on any proposed transactions, including the leasing, disposal or acquisition of land and buildings, or property related agreements of any kind with third parties. This consultation must take place prior to any discussion or correspondence with third parties that commits or could be construed as implying commitment by the Council to a course of action or to any specific terms and conditions. EHoS and HoS should have regard to Section C6, Asset Disposal, in seeking approval for leasing out land and buildings or entering into property related agreements
- (ii) to ensure that lessees and other prospective occupiers of Council land or buildings are not allowed to take possession or enter the land or buildings until a lease or agreement, in a form approved by the EHoD in consultation with the, HoFS, EHoG and lead councillor with responsibility for finance, has been established as appropriate and accounting arrangements have been properly determined
- (iii) to ensure that the Council does not enter into any leases to lease in land or buildings to the Council until a lease agreement in a form approved by the EHoD in consultation with the HoFS, EHoG and lead councillor with responsibility for finance, has been established as appropriate, a business case has been evaluated and accounting arrangements have been properly determined. EHoS and HoS should check with the Asset Development Manager that there is no existing suitable council owned accommodation available before submitting proposals to lease in a property
- (iv) to ensure that any use of property by a service other than for direct service delivery is supported by documentation identifying terms, responsibilities and duration of use and that the Asset Development Manager shall negotiate in

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respect of all land and building transactions on behalf of the EHoS or HoS, and agree terms on behalf of the Council

- (v) to ensure the proper security of all buildings and other assets under their control
- (vi) to ensure that where land or buildings are surplus to services' requirements, a recommendation for sale is the subject of a joint report by the EHoS or HoS and EHoD in consultation with the EHoG and HoFS
- (ix) to ensure that all title deeds are passed to the EHoG, who is responsible for custody of all title deeds.

Inventories

- (i) to maintain inventories in accordance with policies recommended by the EHoOD and approved by the Executive with a replacement value in excess of £500, including all electrical and photographic equipment regardless of its cost. An annual check of the foregoing shall be undertaken by the service concerned and action shall be taken in respect of any surpluses or deficiencies not noted on the inventory. All surpluses and deficiencies above the value of £500 shall be notified to the HoFS
- (ii) to carry out an annual check, at year-end, 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
- (iii) to make sure that assets are only used in the course of the Council's business, unless the EHoS or HoS concerned has given permission otherwise.

Stocks and Stores

- (i) to make arrangements for the care and custody of stocks and stores within the services for which they are responsible
- (ii) to ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion
- (iii) to investigate and remove from the Council's records (i.e. write-off) discrepancies, as necessary, or to obtain Executive approval if they are in excess of 3% of the value of stores held as at the start of that financial year
- (iv) to authorise the disposal or write-off of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction (including internet auction) unless, following consultation with the EHoOD, the Executive decides otherwise in a particular case
- (v) to seek Executive approval to the write-off of redundant stocks and equipment in excess of 3% of the value of items held at the start of that financial year
- (vi) each EHoS and HoS responsible for stocks and stores shall produce to the HoFS a signed certificate showing the value thereof as at 31 March each year.

C.6 ASSET DISPOSAL

- C.6.1 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 rules of the Council.

PART 4 – FINANCIAL PROCEDURE RULES**C.6.2 Key Controls – Plant, Vehicles and Equipment**

- (i) 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 the best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value (other than land or buildings), disposal should be by competitive tender, public auction or through internet auction sites
- (ii) procedures protect staff involved in the disposal from accusations of personal gain.

Key controls - land and buildings:

- (i) the disposal of land and building assets must be undertaken in accordance with the provisions set out in the Local Government Act 1972 including the obligation to receive the best consideration reasonably obtainable in accordance with s123 LGA 1972.
- (ii) all disposals shall be at market value unless otherwise agreed by the CFO in consultation with the Leader or appropriate lead councillor. Except where a general consent exists, specific consent shall be obtained from the Secretary of State prior to an interest in land or property being disposed of for a price less than the market value (i.e. at under-value). Such disposals must follow the procedure outlined in (c) below, including a statement of estimated market value and that the under-value price still achieves best consideration reasonably obtainable
- (iii) where land or buildings are surplus to services' requirements, a recommendation for sale will be the subject of a joint report by the EHoS or HoS and EHoD (for General Fund Assets) or Executive Head of Housing and Health (EHoHH for HRA assets) in consultation with the EHoG and HoFS or the Executive (as appropriate). The report shall set out the relevant information, such as the planning position, potential use, legal issues, current and proposed development restrictions, estimated market value and confirmation that best consideration is achievable
- (iv) the delegated powers of the EHoD in consultation with the relevant EHoS or HoS, EHoG, HoFS, appropriate ward councillor(s) and lead councillor with responsibility for finance includes authority to sell land and buildings up to 0.2 hectares in area, as set out in Part 3 of this Constitution.
- (v) the delegated powers of the EHoHH in consultation with the EHoG, appropriate ward councillor(s) and appropriate lead councillor includes authority to sell the land and buildings up to 0.2 hectares in area, as set out in Part 3 of this Constitution.
- (vi) the delegated powers of the EHoHH in consultation with the EHoG and HoFS include authority to sell small pieces of land adjoining former Council-owned properties to the owners, as set out in Part 3 of this Constitution.
- (vii) Any disposal not delegated to the EHoD or the EHoHH must be authorised by the Executive.
- (viii) approval for leasing out land and buildings or entering into property related agreements that constitutes a disposal of land and buildings under proper accounting requirements will be considered an asset disposal and the key controls and responsibilities provided under Section C6 will apply
- (ix) for all disposals, a Chartered Surveyor must provide a valuation. If the likely value exceeds £100,000, this must be supplemented by a second valuation by an external Chartered Surveyor

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- (x) subject to the over-riding requirement of public procurement legislation, the Council's Procurement Procedure Rules shall not apply to the disposal of land and buildings unless the EHoD and EHoG consider that tenders or quotations would be appropriate. Where quotations or tenders are not required, this will be subject to the agreement of the EHoD and consultation with the Leader or appropriate lead councillor in relation to tenders

In the event of disposal by formal tender, the tender process must be conducted in a fair, open and transparent manner following the principles set out in the Procurement Procedure Rules. The contract for the disposal must comply with relevant statutory provisions and be approved by the EHoD and EHoG.

C.6.3 Responsibilities of the Executive Head of Organisational Development

- (i) to issue guidelines representing best practice for disposal of assets.

C.6.4 Responsibilities of the Head of Financial Services

- (i) To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's financial records and to include the sale proceeds if appropriate
- (ii) to update the asset register with the accounting impact of the disposal of assets
- (iii) to authorise in consultation with the EHoS or HoS, EHoG, and lead councillor with responsibility for finance, the disposal of land and buildings up to 0.2 hectares in area subject to the purchaser paying all the Council's costs in relation to the disposal.

C.6.5 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment or to use public auctions (including internet auction sites) to obtain the best consideration possible for the asset
- (ii) to ensure that income received for the disposal of an asset is properly banked and coded correctly to capital if greater than £10,000, or otherwise to revenue.
- (iii) to inform HoFS of disposals, so that the asset register can be updated.

C.7 INSURANCE**C.7.1 Key Controls**

C.7.2 No employee shall verbally admit liability, take any action or enter into any correspondence admitting liability on behalf of the Council.

C.7.3 No payments may be made in lieu of or in advance to third parties for damage to third party property where an insurance claim could be made, except as agreed with the EHoFS and the Council's insurer.

C.7.4 The key controls for insurance are:

- (i) procedures are in place to ensure that the Council has adequate insurance cover
- (ii) to keep appropriate records containing particulars of all insurances effected by the Council and to give EHoS and HoS all necessary information as required

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- (iii) no payments may be made in lieu of or in advance to third parties for damage to third party property where an insurance claim could be made, except as agreed with the EHoFS and the Council's insurer.

C.7.5 Responsibilities of the Executive Head of Financial Services

- (i) to effect all insurance cover and negotiate all claims in consultation with the Council's insurers and appointed brokers, where necessary
- (ii) to review the Council's insurance arrangements at least every five years, and its level of risk cover no less frequently than annually
- (iii) to review all insurances and policy excess levels in consultation with EHoS and HoS, as appropriate, and at such periods as he may consider necessary
- (iv) to keep appropriate records containing particulars of all insurances effected by the Council and to give other EHoS and HoS all necessary information as required
- (v) to make payment on behalf of the Council's insurers up to £2,000, or to any limit as agreed with insurers in respect of any single claim under the small claims procedure, and to make ex-gratia payments up to the sum of £250 for any single claim
- (vi) to ensure employees of the Council shall be included in a suitable fidelity guarantee policy
- (vii) to periodically inspect insurance documents to ensure that adequate insurance cover is in place in respect of all properties in mortgage to the Council, including those where the mortgagor has exercised the option to provide such cover with a company other than the Council's own insurers
- (viii) to periodically inspect insurance documents to ensure that adequate insurance cover is in place and maintained in respect of vehicles, which are the subject of car loan agreements.

C.7.6 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to ensure that the activities of their staff are covered by such professional indemnity insurance as the EHoS or HoS considers appropriate. Any such insurances shall be arranged in consultation with the Executive Head of Financial Services (EHoFS)
- (ii) to keep records of all plant, vehicles, furniture and equipment under their control and such records shall be available for inspection by the EHoFS.
- (iii) to give prompt notification to the EHoFS of all new risks, properties, vehicles or mechanical plant which require to be insured, of any alterations affecting existing insurances and of any special risks with regard to contracts, for example. pile driving
- (iv) to promptly notify and provide a written report to the EHoFS in respect of any loss, liability, damage, motor accident or compensation request or any event likely to lead to a claim
- (v) to ensure that any formal letters of claim received in accordance with the Civil Justice procedures shall, upon receipt, be immediately forwarded to the Executive Head of Financial Services unanswered. EHoS and HoS shall ensure that any such incident is fully investigated and that the service for which they are responsible co-operates fully with the insurance officer and with the Council's insurers in meeting court deadlines
- (vi) any incident, which could potentially lead to a claim, should be investigated at the time of the incident occurring, rather than following receipt of an insurance claim, in order to comply with Ministry of Justice rules.

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- (vii) to be responsible in conjunction with the EHoFS, for implementing any insurance company risk management requirement where the failure to implement would lead to insurers reducing or withdrawing insurance cover
- (viii) to consult the EHoFS and EHoG in respect of the terms of any indemnity that the Council is requested to give
- (ix) to provide to the EHoFS, on request, details of insurance cover effected by organisations who own or lease buildings on Council held land or enter into contracts to use Council property or facilities
- (x) to examine the insurance cover in the case of any contract for which the EHoS or HoS is responsible, where the cover is to be furnished by the contractor in respect of any act or default, and to be satisfied as to the insurance company, extent, and nature of coverage before approving it.

C.8 TREASURY MANAGEMENT

- C.8.1 The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.
- C.8.2 Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in paragraph 15 of CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to Council by the lead councillor with responsibility for finance as part of the annual strategy report. The HoFS has delegated responsibility for implementing and monitoring the statement.
- C.8.3 All money in the hands of the Council is controlled by the officer designated for the purposes of Section 151 of the Local Government Act 1972, referred to in these Rules as the CFO.
- C.8.4 **Key Controls**
That the Council's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management, CIPFA's the Prudential Code for capital finance, and with the Council's Treasury Management Policy Statement. As recommended to all public services by CIPFA, the Council has adopted the following four clauses:
- (i) Clause 1 – Accordingly, we will create and maintain, as the cornerstones for effective treasury management:
 - a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of our treasury management activities.
 - suitable treasury management practices (TMPs), setting out the manner in which we will seek to achieve those policies and objectives, and prescribing how we will manage and control those activities.
 - the content of the policy statement and 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
 - (ii) Clause 2 - Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in the TMPs

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- (iii) Clause 3 - Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Treasury Management Panel, and for the execution and administration of treasury management decisions to the HoFS, who will act in accordance with the organisation's policy statement and TMPs, and if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management."
- (iv) Clause 4 – Council nominates the Corporate Improvement Scrutiny committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

This Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice ("the Code"):

- (i) we have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of our treasury management activities
- (ii) our policies and practices make clear that the effective management of risk, having regard to return, is a prime objective of the treasury management activities
- (iii) we acknowledge that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, our treasury management policies and practices should reflect this
- (iv) in order to achieve the above:
 - we adopt the four clauses of the Code;
 - we adopt a Treasury Management Policy Statement as recommended; and
 - we follow the recommendations concerning the creation of Treasury Management Practices (TMPs).

C.9 TREASURY MANAGEMENT, BANKING, INVESTMENTS AND BORROWING

C.9.1 Many millions of pounds pass through the Council's books each year. This has led to the establishment of codes of practice. These aim to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the over-riding consideration being given to the security of the Council's principal sum invested.

C.9.2 Key Controls

- (i) that the Council's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the Council's Treasury Policy Statement
- (ii) that the Council develops and maintains TMPs in accordance with the CIPFA code and undertakes its treasury management activity in accordance with the TMPs
- (iii) no interests shall be acquired in any Company, Joint Venture or other enterprise without the approval of the Executive, following consultation with the CFO in accordance with Section F of the Finance Procedure rules
- (iv) all the Council's Banking arrangements shall be made by or under arrangements approved by the EHoFS or HoFS, who shall operate such banking accounts, including National Giro Accounts, as they may consider

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necessary, and in accordance with the relevant bank mandates. No other accounts shall be opened without the agreement of CFO

- (v) the TMPs set out which officers of the Council are authorised to sign cheques, BACS & CHAPS payment requests on behalf of the Council.

C.9.3 Responsibilities of the Head of Financial Services

- (i) to report to the Corporate Improvement Scrutiny Committee and the Executive a proposed Treasury Management Strategy and Prudential Indicators for the coming financial year before the start of each financial year, who will recommend the proposed strategy to Council
- (ii) all decisions on borrowing, investment or financing shall be delegated to the HoFS, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities
- (iii) to report to a mid-year report on the Council's treasury management activities to the Corporate Improvement Scrutiny Committee
- (iv) to report an annual report on the Council's treasury management activities to the Executive, who will recommend the annual report to Council
- (v) to operate bank accounts as are considered necessary – opening or closing any bank account, giro account or credit card account shall require the approval of the EHoFS or HoFS
- (vi) to open and operate investment accounts as are considered necessary
- (vii) to ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the Council
- (viii) to effect all borrowings in the name of the Council
- (ix) to act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council
- (x) manage CHAPS transfer arrangements on behalf of the Council.

C.9.4 Responsibilities of the Executive Head of Financial Services

- (i) ensure that all cheque stationery drawn on the Council's main bank account shall be ordered only on the authority of the EHoFS, who shall ensure that proper arrangements are in place for its safekeeping
- (ii) ensure that cheques drawn on the Council's main banking accounts shall bear the facsimile signature of the CFO, or be signed personally by them, or one of their authorised Officers.
- (iii) ensure that where the value of a cheque, drawn on the Council's main bank account, exceeds £50,000, it shall be countersigned by one of the authorised Officers
- (iv) manage BACS funds transfer arrangements on behalf of the Council.

C.9.5 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the EHoG
- (ii) to follow the instructions on banking issued by the EHoFS and EHoOD
- (iii) ensure that at least two signatories shall sign cheques drawn on any account, other than the Council's main account. Each EHoS or HoS shall provide the HoFS with the names of all signatories to the account, together with specimen signatures and details of the limits of their authorisation and position within the organisation, along with details of the account.

PART 4 – FINANCIAL PROCEDURE RULES**C10. Loans, Leases and Guarantees**

No lending or leasing arrangements, including hire purchase or similar agreements, or provision of loan or other financial guarantees shall be entered into without first consulting the HoFS, and in addition, in relation to land and buildings, the Asset Development Manager. Where arrangements or guarantees exceed an estimated whole life value of £500,000, the approval of the Executive should be sought.

Leasing arrangements are defined as:

- (i) agreements that have the formal status of a lease, whereby a lessor conveys the right to use an asset for an agreed period of time under a lease contract to a lessee in return for a payment or a series of payments
- (ii) agreements that do not have the legal form of lease but convey the right to use an asset in return for payments (embedded lease) or example an IT or outsourcing contract

Loans to other organisations by the Council shall be charged at Market Rates unless otherwise directed by the HoFS in consultation with the relevant EHoS or HoS. If loans are provided at below market rates, the difference in interest income will be paid by the service.

C.10.1 Responsibilities of the Head of Financial Services:

Where leasing arrangements are provided to determine whether or not:

- (i) any leasing arrangement is deemed to be an operating or financing lease for accounting purposes and therefore whether it should be treated as revenue or capital expenditure
- (ii) the transaction will count against the Council's borrowing limit and prudential indicators
- (iii) there are any implications for VAT or other taxes.

To aid evaluation of the arrangement, the contract agreement should split the payment between those elements applicable for the asset and those elements applicable for the service and in the case of leases of land and buildings, the elements relating to the land and the element relating to the buildings.

C.10.2 Responsibilities of the Executive Heads and Heads of Service:

- (i) to provide information to the HoFS for inclusion in the Lease register and the Council's Statement of Accounts;
- (ii) advise the HoFS of any transactions or proposed actions that may impact on the Council's investment policy or funds management
- (iii) to ensure that loan arrangements are properly constituted by formal agreement in consultation with the HoFS and EHoG.

C.11 Service Concession Arrangements

Where a contract is proposed which includes the use of a specific asset or conveys the right to use a specific asset as part of the arrangement, the contract shall be treated as an embedded lease as outlined in paragraph C.8.10. Contracts that convey to the operator the right to provide services that give the public access to major economic and social facilities and include the use of particular assets under which the Council controls the services provided and any residual interest in the asset should be treated as a Service Concession Arrangement.

Such contracts are typically but not exclusively related to Private Finance Initiative or Public Private Partnership (PFI or PPP) arrangements, however some contracts

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that were not planned as PFI or PPP schemes could also be classified as Service Concession Arrangements (for example certain asset transfers where the Council retains a legal charge over the infrastructure). EHoS and HoS should inform and consult the HoFS and EHoG where any such arrangements are proposed to enable a proper evaluation of the accounting treatment and legal implications of the arrangement before a contract is entered into.

C.12. TRUST FUNDS AND FUNDS HELD FOR THIRD PARTIES**C12.1 Responsibilities of the Head of Financial Services**

- (i) to arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees, by virtue of their official position, shall deposit securities etc. relating to the trust with the HoFS, unless the deed otherwise provides
- (ii) to arrange, where funds are held on behalf of third parties, for their secure administration, approval by the HoFS, and to maintain written records of all transactions
- (iii) to ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust
- (v) to prepare accounts and returns for the trust as required by the Charities Commission

C12.2 Responsibilities of Officers acting as Trustees

- (i) to seek approval from both the EHoG and the HoFS prior to the setting up or formal involvement in negotiations to set up or enter into a trust fund
- (ii) to ensure all agreements and arrangements are properly documented
- (iii) to ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust
- (iv) to ensure that governance arrangements are in place including arrangements for exit if necessary
- (v) to ensure that risk management processes are in place to identify and assess all known risks
- (vi) to ensure that the trust fund has appropriate financial systems and procedures in place to properly record and account for the income and expenditure, assets and liabilities of the trust fund as advised by the HoFS
- (vii) to ensure adequate supporting records of the income, expenditure, assets and liabilities of the trust fund are held
- (viii) to ensure that the trust fund operates a financial year 1 April to 31 March and prepares its financial statements in accordance with the timetable set by the HoFS

C.13 PETTY CASH, IMPREST ACCOUNTS, PROCUREMENT AND CREDIT CARDS

A petty cash account is where a service is given a petty cash allowance and manages small (petty) expenditure within the petty cash allowance. Examples of areas where this may occur is in community and/or day centres.

Imprest accounts are where a service is given a separate bank account to operate for small (petty) expenditure and income. The imprest bank account is linked to the Council's main bank account.

Credit cards are not normally issued to individual officers. The Council uses Government approved procurement cards rather than credit cards, which enables

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appropriate controls and electronic invoicing arrangements as well as provide automatic discounts on some purchases.

C13.1 Key Controls:

- (i) requests for new imprest accounts and petty cash accounts, or any changes to existing accounts must be agreed with the relevant EHoS and HoS, before being forwarded to the HoFS who shall provide these as considered appropriate, unless other statutory arrangements apply. The EHoS or HoS shall ensure that there are three signatories to each imprest account and that any cheques shall be signed by any two of those signatories. The signatories shall be selected by the EHoS to ensure there is adequate control of the account without affecting the day-to-day operation of the service
- (ii) reimbursement of payments from imprest or petty cash accounts shall be made on receipt of a properly completed imprest or petty cash return, in a form approved by HoFS. The return shall show the cost centres to be charged and the amounts relating to each cost centre. Payment will be limited to such items of expenditure as may be approved by the HoFS. Vouchers supporting claims must be retained for audit purposes. No income received on behalf of the Council, may be paid into an imprest account without the approval of the HoFS, subject to appropriate accounting procedures being in place. In all other cases, income must be banked or paid into one of the Council's bank accounts used for Income Collection (for example, the general or revenues receipts accounts). Where a Service receives income into an imprest account it shall issue a VAT receipt showing the rate and amount of VAT included in the receipt and shall record the income in full (net of VAT) before any expenses are met from it
- (iii) in some circumstances, the EHoFS will issue a Procurement Card to service managers. The Procurement Card operates in a similar way to a Credit Card to allow purchases to be made quickly over the phone, in person or via the internet. Requests for new Procurement Cards or any changes to existing cards must be supported by a business case agreed with the relevant EHoS or HoS, before being forwarded to the EHoFS.

C.13.2 Responsibilities of the Head of Financial Services

- (i) to provide employees of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the maximum limits as determined for each account
- (ii) to determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

C.13.3 Responsibilities of the Executive Head of Financial Services

To reimburse imprest and petty cash account holders as often as necessary to restore the imprest and petty cash, but normally not more than monthly.

- (i) to issue procurement cards to employees of the Council to ensure minor purchases can be made quickly over the phone or internet, to maintain a record of all transactions made and to periodically review the usage, arrangements and provision of procurement cards to officers

PART 4 – FINANCIAL PROCEDURE RULES**C.13.4 Responsibilities of Executive Heads of Service and Heads of Service**

To ensure that employees operating an imprest, petty cash account or procurement card:

- (i) follow any policies or procedures established by the EHoOD for the control of imprest accounts and the EHoFS for control of procurement cards
- (ii) obtain and retain vouchers to support each payment from the imprest account, petty cash account or procurement card. Where appropriate, an official receipted VAT invoice must be obtained
- (iii) make adequate arrangements for the safe custody of the imprest account, petty cash box or procurement card and that chequebooks relating to Imprest Accounts are kept secure
- (iv) produce upon demand by the EHoOD cash and all vouchers to the total value of the imprest or petty cash amount.
- (v) record transactions promptly
- (vi) reconcile and balance the imprest or petty cash account at least monthly; reconciliation sheets to be signed and retained by the imprest or petty cash holder
- (vii) provide the HoFS with a certificate of the value of the account held at 31 March each year
- (viii) ensure that the imprest account, petty cash float or procurement card is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
- (ix) ensure that the imprest account, petty cash float or procurement card is never used for mileage allowances for travelling, lump sum payments or other taxable benefit which should be paid through Payroll
- (x) ensure that the imprest account, petty cash float or procurement card is never used for cash advances or loans to employees
- (xi) petty cash accounts are not used for payments exceeding £100.00, and imprest accounts and procurement cards are not used for payments exceeding £500.00. Procurement cards have their own individual limit, a schedule of which is maintained by the EHoFS. Payments in excess of this to be requested by cheque or BACS from the council's payments system
- (xii) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest account, petty cash account or procurement card, an employee shall account to the EHoFS and EHoOD for the amount advanced to them.

In specific relation to procurement cards:-

The EHoS or HoS shall ensure that:-

- (i) nominated cardholders sign confirmation of receipt of the procurement card and acceptance of their conditions of usage
- (ii) the card is kept securely and only nominated cardholders use it
- (iii) any loss or misuse of the card is reported immediately to the Council's bank account provider and to the EHoFS at Millmead House
- (iv) card limits are not exceeded
- (v) the Card must not be used to circumvent Guildford Borough Council's Procurement procedure rules
- (vi) no loyalty rewards (e.g., Air Miles etc.) or other personal benefits are collected by the Card Holder
- (vii) the Cardholder is mindful of their duty in public office and under the Council's

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- (viii) Code of Conduct and does not incur any expenditure on the card that could embarrass the Council or lead to any accusation of abuse
- (ix) breaches of the Conditions of Use and the Finance and Procurement
- (x) procedure rules will result in the card being withdrawn and disciplinary action being taken against officers
- (xi) expenditure made by procurement card is correctly coded within the General Ledger

PART 4 – FINANCIAL PROCEDURE RULES**FINANCIAL PROCEDURE NOTE D: SYSTEMS AND PROCEDURES****D.1 INTRODUCTION**

D.1.1 Sound systems and procedures are essential to an effective framework of accountability and control.

D.1.2 Services have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Services are increasingly reliant on computers for their financial management information. The information must, therefore, be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

D.1.3 The Head of Financial Services (HoFS) has a professional responsibility to ensure that all the Council's financial systems are sound and should, therefore, be notified of any new developments or changes.

D.1.4 Key Controls

The key controls for systems and procedures are:

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

D.1.5 Responsibilities of the Head of Financial Services

- (i) responsibility for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Executive Heads of Service (EHoS) or Heads of Service (HoS) to the existing financial systems or the establishment of new systems must be approved by the HoFS. However, EHoS and HoS are responsible for the proper operation of financial processes in their own service areas.
- (ii) to arrange for the proper administration of the Council's financial affairs, including to:
 - issue advice, guidance and procedures for officers and others acting on the Council's behalf
 - determine the accounting systems, form of accounts and supporting financial records
 - establish arrangements for audit of the Council's financial affairs
 - approve any new financial systems to be introduced
 - approve any changes to be made to existing financial systems.

D.1.6 Responsibilities of Executive Heads of Service and Heads of Service

- (i) any changes to agreed procedures by EHoS and HoS to meet their own specific service needs should be agreed with the HoFS
- (ii) to ensure that their staff receive relevant financial training that has been approved by the HoFS
- (iii) to ensure that accounting records are properly maintained and held securely.

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- (iv) to ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the HoFS
- (v) to notify the HoFS promptly of all money due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The HoFS shall have the right to inspect any documents or other evidence in this respect, as may be required
- (vi) to ensure that all staff under their control who receive money on behalf of the Council are accountable for that money and that all records maintained in connection with that money are approved by the HoFS, including an accurate and chronological account of all receipts and deposits either with the HoFS or the Council's bankers
- (vii) to ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained
- (viii) to incorporate appropriate controls to ensure that, where relevant:
 - all input is genuine, complete, accurate, timely and not previously processed
 - all processing is carried out in an accurate, complete and timely manner
 - output from the system is complete, accurate and timely
- (ix) to ensure 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
- (x) to ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption
- (xi) to ensure that systems are documented and staff trained in operations
- (xii) to consult with the HoFS before changing any existing system or introducing new systems
- (xiii) to establish a scheme of delegation identifying officers authorised to act upon the EHoS or HoS behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority
- (xiv) to supply lists of authorised officers, with specimen signatures and delegated limits, to the HoFS and Executive Head of Financial Services (EHoFS), together with any subsequent variations
- (xv) to ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off-site or at an alternative location within the building
- (xvi) to ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation
- (xvii) to ensure that relevant standards and guidelines for computer systems issued by the Head of Business Systems (HoBS) are observed
- (xviii) to ensure that computer equipment, software and telephony equipment are protected from loss or damage and that any loss or damage is reported immediately to the HoBS.
- (xix) to comply with the copyright, designs and patents legislation and, in particular, to ensure that:
 - only software legally acquired and installed by the Council is used on its computers
 - staff are aware of legislative provisions
 - ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. EHoS and HoS must ensure that staff are aware of their responsibilities under freedom of information legislation

PART 4 – FINANCIAL PROCEDURE RULES**D.2 INCOME****D.2.1 INTRODUCTION**

D.2.2 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 goods or services as this improves the Council's cash flow and also avoids the time and cost of administering debts.

D.2.3 Key Controls

The key controls for income are:

- (i) all income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.
- (ii) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- (iii) all money received by an employee or agent acting on behalf of the Council, is paid without delay to the Council's bank account and is properly recorded.
The responsibility for cash collection should be separated from those officers that:
 - for identifying the amount due
 - for reconciling the amount due to the amount received
 - if not possible, then report to the Chief Finance Officer (CFO) and Executive Head of Organisational Development (EHoOD)
- (iv) effective action is taken to pursue non-payment within defined timescales
- (v) formal approval for debt write-off is obtained
- (vi) appropriate write-off action is taken within defined timescales
- (vii) appropriate accounting adjustments are made following write-off action
- (viii) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
- (ix) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process
- (x) set up and operation of a PayPal or World Pay account for the collection of income from specific website transactions within services shall require the approval of the EHoFS, who shall establish appropriate procedures for their operation. Where applicable, an EHoS or HoS should nominate a separate PayPal administrator and certifying officer whose responsibility will entail reconciling the income received via the PayPal account to the Council's financial system.

D.2.4 Responsibilities of the Executive Head of Financial Services, Executive Head of Organisational Development, Executive Head of Housing and Health and Head of Financial Services

- (i) to agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- (ii) to satisfy themselves regarding the arrangements for the control of all receipt forms, books or tickets and other similar items
- (iii) with the exception of outstanding rates, community charge, council tax, business rates debts and benefits overpayments, for which the EHoFS is empowered to take appropriate action under the Local Government Finance Act 1988, and borough housing rent debts which shall be pursued through approved procedures, all debts exceeding £250 which have not been

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recovered shall be referred to the Executive Head of Governance (EHoG) who shall take all reasonable steps to recover them

- (iv) to ensure that any debts written-off are dealt with in accordance with established procedures and within approved authorisation limits. The limits for any individual debt are:
 - HoFS or EHoFS or EHoHH (as appropriate to the debt type) up to £5,000, any such action to be fully recorded
 - HoFS or EHoFS or EHoHH (as appropriate to the debt type) with the CFO jointly up to £10,000 any such action to be fully recorded
 - The lead councillor with responsibility for finance with the CFO and EHoFS or HoFS or EHoHH as appropriate to debt type up to £50,000
 - The Executive in excess of £50,000
- (v) the HoFS, EHoFS and EHoHH shall be empowered to enter into arrangements with debtors to allow payments to be made in instalments, where this is considered the most appropriate action, to secure payment of the debt
- (iv) where action to recover debts leads to action in the courts, the HoFS shall have the authority to allow costs to the value included in the schedule of fees and charges for the year in question to be waived where this will encourage the payment of the full debt
- (vii) where recovery of debts leads to action in the courts, the EHoG, EHoHH, HoFS and EHoFS shall have the authority to agree to the payment of a reduced amount in settlement where circumstances dictate. The EHoG shall report all such proposals for agreement to the HoFS and, where necessary, to the Executive
- (x) to ensure that appropriate accounting adjustments are made following write-off action
- (xi) in relation to business rates and council tax discretionary rate relief and council tax discount may be authorised by EHoFS, in accordance with government guidance or Council policy. Business rates discretionary relief appeals shall be considered by the CFO. Council tax discretionary relief appeals shall be considered by the CFO, except in the case of flooding grants, which will be considered by the lead councillor with responsibility for finance.
- (xii) to set up and operate a PayPal account for the collection of income from specific website transactions within services as stated in key controls above

D.2.5 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly in line with corporate policies. All new charges and changes to existing charges are to be approved by the Council on an annual basis. Changes to charges and introduction of new charges in year can be made by EHoS and HoS in line with the scheme of delegation as long as they are within budget and in consultation with the HoFS and appropriate lead councillor
- (ii) to separate the responsibility for identifying amounts due and the responsibility for collection as far as is practicable
- (iii) to establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly where the administration of debts is under his or her control
- (iv) to issue official receipts or to maintain other documentation for income collection
- (v) to ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded

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- (vi) to hold securely receipts, tickets and other records of income for the appropriate period
- (vii) to lock away all income to safeguard against loss or theft and to ensure the security of cash handling
- (viii) to ensure that income is paid fully and promptly into the appropriate Council bank account. Advice is to be sought from EHoFS for the most appropriate banking method if necessary
- (ix) to ensure income is not used to cash personal cheque or other payments
- (x) to supply the HoFS with details relating to work done, goods supplied, services rendered or other amounts due, to enable the HoFS to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, EHoS and HoS should use established performance management systems to monitor recovery of income, and flag up areas of concern to the CFO. EHoS and HoS have a responsibility to assist the HoFS and EHoFS in collecting debts that they have originated by providing any further information requested by the debtor and in pursuing the matter on the Council's behalf. Cash can only be held on premises where their value falls within limits set by the Council's insurers
- (xi) to keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy
- (xii) to ensure that any discrepancy revealed between the amount deposited and the amount shown as received by the collector is recorded and investigated. Adequate records should be maintained to enable the performance of individual staff responsible for collecting income to be monitored
- (xiii) to recommend to the HoFS or EHoFS (as appropriate) all debts to be written-off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled except by full payment or by its formal writing off. 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
- (xiv) to obtain the approval of the CFO when writing-off debts in excess of the approved limit, and the approval of the Executive where required.
- (xv) to notify the CFO and HoFS of outstanding income relating to the previous financial year as soon as possible after 31 March in accordance with the timetable issued by the HoFS
- (xvi) to request the EHoFS to set up a PayPal account for their service if required and to nominate a PayPal administrator
- (xvii) to maximise the Council's cash flow by collecting all income due as soon as possible. This should include taking payment in advance of providing a service where possible. Otherwise invoices to be raised as soon as possible after the provision of a service, and not later than 8 weeks afterwards, in accordance with VAT rules

D.3 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

- D.3.1 Every officer and councillor 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.
- D.3.2 Official orders must be in a form approved by the EHoFS. Official orders must be issued for all work, goods or services to be supplied to the Council except for

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supplies of utilities, periodic payments such as rent or rates, petty cash purchases, procurement card purchases, where other statutory arrangements apply or other exceptions specified by the EHoFS. At the appropriate time, as decided by EHoFS, to use electronic ordering system to generate official order numbers.

D.3.3 Apart from petty cash, imprest accounts and procurement cards, the normal method of payment from the Council shall be by BACS and every effort should be made to obtain bank details and avoid cheque payments. The use of direct debit shall require the prior agreement of the HoFS.

D.3.4 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

D.3.5 Key Controls

The key controls for ordering and paying for work, goods and services are:

- (i) all goods and services are ordered only by appropriate persons and are correctly recorded
- (ii) all goods and services shall be ordered in accordance with the Council's Procurement Procedure Rules unless they are purchased from sources within the Council
- (iii) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
- (iv) payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards
- (v) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
- (vi) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule
- (vii) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
- (viii) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically
- (ix) where a service is already provided by an in-house unit (for example, Legal, HR, Finance), orders must be placed with this unit and shall not be placed externally without consultation with the EHoS or HoS providing the service. Where a Council wide contract is in existence, all orders for goods and services available under these contracts must use these contracts, unless an alternative has been agreed with the EHoFS
- (x) any requirements for vehicles must be referred to the Fleet Management Service who shall place orders for purchase or leasing, contracting or redistribution of existing vehicles as appropriate, to satisfy the requirement and ensure the Councils vehicles strategy operates in the most efficient manner

D.3.6 Responsibilities of the Head of Financial Services and Executive Head of Financial Services (as appropriate)

- (i) to ensure that all the Council's financial systems and procedures are sound and properly administered

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- (ii) to approve any changes to existing financial systems and to approve any new systems before they are introduced
- (iii) to approve the form of official orders and associated terms and conditions.
- (iv) to make payments from the Council's funds on the EHoS or HoS authorisation and that the expenditure has been duly incurred in accordance with these Financial Procedure Rules
- (v) to 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
- (vi) to make payments to contractors on the certification of the appropriate EHoS or HoS, which must include details of the value of work, retention money, amounts previously certified and amounts now certified
- (vii) to provide advice on making payments by the safest and most economical means

D.3.7 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to ensure that unique, pre-numbered official orders are used for all goods and services, other than the exceptions specified in D.3.2
- (ii) to ensure that orders are only used for goods and services provided to the services for which they are responsible. Individuals must not use official orders to obtain goods or services for their private use
- (iii) to ensure that only those staff authorised by them sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority on the Council's intranet. The authoriser should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Council's approach to procurement. Value for money should always be achieved
- (iv) to ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records
- v) to ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment confirming:
 - receipt of goods or services;
 - that the invoice has not previously been paid;
 - that expenditure has been properly incurred and is within budget provision;
 - that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
 - correct accounting treatment of tax;
 - that the invoice is correctly coded;
 - that discounts have been taken where available;
 - that appropriate entries will be made in accounting records
- (vi) to ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice
- (vii) to ensure that the service for which they are responsible maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers, together with specimen signatures and details of the limits of their authority, shall be forwarded to the EHoFS. The EHoFS will be

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informed of all amendments to the list as soon as possible after they are agreed

- (viii) to ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the EHoOD
- (ix) to encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the EHoFS, with invoices being forwarded to the HoFS for coding and checking of VAT
- (x) to ensure that the service obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines issued by the EHoFS, which are in line with best value principles and contained in the Council's Procurement Procedure Rules
- (xi) to utilise the central purchasing procedures established by the EHoFS in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the Council's Procurement Procedure Rules
- (xii) to ensure that employees are aware of the code of conduct for staff included in the Council's Constitution
- (xiii) to ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the HoFS, see section C.10
- (xiv) to notify the HoFS of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the HoFS and, in any case, no later than the date determined by the HoFS
- (xv) with regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the HoFS, EHoFS and EHoOD the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub-contractors' tax status
- (xvi) to notify the HoFS immediately of any expenditure to be incurred because of statute/court order where there is no budgetary provision
- (xvii) to ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.
- (xviii) to ensure that any payments for compensation of loss, damages or injury shall be made in consultation with the EHoG

D.4 PAYMENTS TO EMPLOYEES AND COUNCILLORS**D.4.1 INTRODUCTION**

Staff 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 councillors' allowances are authorised in accordance with the scheme adopted by the Council.

D.4.2 Key Controls

The key controls for payments to employees and councillors are:

- (i) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:

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- starters
- leavers
- variations
- enhancements

in addition, that payments are made on the basis of timesheets or claims.

- (ii) monthly reconciliation of payroll expenditure against approved budget and bank account
- (iii) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
- (iv) that HM Revenue and Customs regulations are complied with

D.4.3 Responsibilities of the Executive Head of Financial Services

- (i) to arrange and control secure and reliable payment of salaries, wages, compensation, overtime or other emoluments to existing and former employees in consultation with the EHoOD on the due date and payment of allowances to councillors in accordance with procedures prescribed by them
- (ii) to record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions
- (iii) to make arrangements for payment of all travel and subsistence claims or financial loss and other allowances
- (iv) to make arrangements for paying councillors' travel or other allowances upon receiving the prescribed form, duly completed and authorised
- (v) to provide advice and encouragement to secure payment of salaries and wages by the most economical means
- (vi) to ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis

D.4.4 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to ensure appointments are made in accordance with the Officer Employment Procedure Rules and approved establishments, grades and scale of pay, and that adequate budget provision is available
- (ii) to 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
- (iii) to send an up-to-date list of the names of officers authorised to sign records to the EHoFS, together with specimen signatures
- (iv) to ensure that payroll transactions are processed only through the payroll system. EHoS and HoS should seek advice to the employment status of individuals employed on a self-employed, consultant, sub-contract or one-off appointment basis from EHoFS. HM Revenue and Customs applies a tight definition of employee status and, in cases of doubt, advice should be sought from the EHoFS
- (v) to certify travel and subsistence claims and other allowances. 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. Due consideration should be given to tax implications and that the EHoFS is informed where appropriate
- (vi) all payments will be made in accordance with policies and procedures established by the EHoFS

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- (vii) to ensure that the EHoFS is notified of the details of any employee benefits in kind to enable full and complete reporting within the income tax self-assessment system
- (viii) to ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule

D.4.5 Responsibilities of the Executive Head of Organisational Development

- (i) to notify the EHoFS of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the EHoFS
- (ii) to notify the EHoFS of all absence from duty in respect of sickness, maternity, paternity, compassionate or unpaid leave
- (iii) to provide the EHoFS with all information necessary to maintain records of service for superannuation, income tax, national insurance and similar matters

D.4.6 Responsibilities of Councillors

To submit claims for councillors' travel and subsistence allowances on a six monthly basis and, in any event, by 12 April at the end of any financial year.

D.5 TAXATION**D.5.1 INTRODUCTION**

D.5.2 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 officers to be aware of their role.

D.5.3 Key Controls

The key controls for taxation are:

- (i) budget managers are provided with relevant information and kept up-to-date on tax issues
- (ii) budget managers are instructed on required record keeping
- (iii) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- (iv) records are maintained in accordance with instructions
- (v) returns are made to the appropriate authorities within the stipulated timescale

D.5.4 Responsibilities of the Executive Head of Financial Services and Head of Financial Services (as appropriate)

- (i) To advise EHoS and HoS, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council
- (ii) to complete all HM Revenue and Customs returns regarding PAYE.
- (iii) to complete a monthly return of VAT inputs and outputs to HM Revenue and Customs
- (iv) to provide details to the HM Revenue and Customs regarding the construction industry tax deduction scheme
- (v) to maintain all records, accounts and claims as directed by the relevant VAT legislation

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- (vi) to provide guidance to staff and monitor compliance with tax regulations on behalf of the Council

D.5.5 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations
- (ii) to ensure that where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements
- (iii) to ensure that all persons employed by the Council are added to its payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency
- (iv) to record and notify EHoFS of any taxable benefit or payment giving rise to the potential of a taxable benefit (e.g. award vouchers)
- (v) to follow the guidance on taxation issued by the EHoFS and HoFS
- (vi) to ensure that the correct Stamp Duty Land Tax (SDLT) implication of any disposal or acquisition of property transactions are identified and discussed with the HoFS

PART 4 – FINANCIAL PROCEDURE RULES**FINANCIAL PROCEDURE NOTE E: EXTERNAL ARRANGEMENTS****E.1 INTRODUCTION**

- E.1.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area. Partnership arrangements are an increasingly significant feature of public service delivery. They are a response to the complex and multifaceted problems that face society, and which cannot be tackled effectively by any individual body working alone. They can provide flexibility, innovation and additional financial and human capital resources to enhance service delivery to the community. These are powerful incentives for organisations to work with others and now all local public bodies work in partnerships to different degrees. However, partnerships also bring risks. Working across organisational boundaries brings complexity and ambiguity that can generate confusion and weaken accountability. The public needs assurance that public money is spent wisely in partnerships and it should be confident that its quality of life would improve because of this form of working.
- E.1.2 The term partnership can encompass a wide range of collaborative arrangements. The Council defines a Partnership as “a group of stakeholders brought together from a range of organisations, to be responsible for tackling mainly long term challenges and opportunities in which they have a shared interest”. Examples of these types of arrangements include the Council’s involvement with social enterprise and other community or charitable organisations in which the Council doesn’t directly own a share of the organisation, or have voting rights within the organisation, but works in partnership with the organisation and may provide grant funding to it.

E.2 PARTNERSHIPS**E.2.1 Key Controls**

Partnership activities should be carried out in accordance with the Council’s Partnership Strategy unless otherwise approved by the Executive Head of Governance (EHoG). The creation of any new partnership must be supported by a Business Case. The anticipated level of Council resources to be directed at the partnership, the complexities of the partnership and its outcome, will determine the extent to which the approval checklist is completed.

A partnership arrangement can be a “Shared Service”. Prior to commencing discussions around a shared service, the Head of Financial Services (HoFS) and EHoG shall be consulted.

E.2.2 Responsibilities of the Head of Financial Services

- (i) the HoFS must ensure that the accounting arrangements to be adopted relating to partnerships are satisfactory. They must also consider the overall corporate governance arrangements and, in consultation with the EHoG, legal issues when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies
- (ii) to advise on effective controls that will ensure that resources are not wasted
- (iii) to advise on the key elements of funding a project. They include:

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- a scheme appraisal for financial viability in both the current and future years
- risk appraisal and management
- resourcing, including taxation issues
- audit, security and control requirements
- carry-forward arrangements
- accounting arrangements and impact on the requirement of the Council to produce group accounts

E.2.3 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the HoFS
- (ii) to ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the HoFS
- (iii) to ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council
- (iv) to ensure that all agreements and arrangements are properly documented by way of a partnership agreement
- (v) to provide appropriate information to the HoFS to enable a note to be entered into the Council's statement of accounts concerning material items

E.3 EXTERNAL FUNDING

With increasing pressures on Council expenditure, external funding is potentially a very important source of income. However, terms and conditions attached to funding need to be carefully considered to ensure they are adhered to and compatible with the aims and objectives of the Council. Funds from external agencies such as the Big Lottery Fund, and Enterprise M3 (our local enterprise partner), as well as project funding from Central Government Departments, sponsorship and other Corporate Social Responsibility contributions from private companies and other donors, provide additional resources which can enable the Council to augment services it delivers to the local community.

Any proposal to spend monies received from any external funding source must be in accordance with approved Revenue or Capital budgets and the Corporate Plan. Prior to bidding, the HoFS and Corporate Management Team (CMT) must first be consulted to ensure alignment with the Council's corporate plan and that any implications across Services are fully considered.

E.3.1 Responsibilities of the Head of Financial Services

- (i) to ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts
- (ii) to ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements
- (iii) to ensure that audit requirements are met
- (iv) to maintain an external funding and grant register of all funds received, their terms and conditions and reporting requirements
- (v) to ensure that all claims for funds are met by the due date

PART 4 – FINANCIAL PROCEDURE RULES**E.3.2 Responsibilities of Executive Heads of Service and Heads of Service**

- (i) to ensure that all claims for funds are made in consultation with the HoFS
- (ii) to ensure that the project progresses in accordance with the agreed timescale and that all expenditure is properly incurred and recorded

E.4 WORK FOR THIRD PARTIES

E.4.1 Current legislation enables the Council to provide a range of services to external organisations such as other local government and public bodies. Such work may enable a service 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 intra vires.

E.4.2 Key Controls

The key controls for working with third parties are:

- (i) to ensure that proposals are costed properly in accordance with guidance provided by the HoFS
- (ii) to ensure that contracts are drawn up using guidance provided by the HoFS and that the formal approvals process is adhered to
- (iii) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register

E.4.3 Responsibilities of the Executive Head of Financial Services

- (i) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register

E.4.4 Responsibilities of the Head of Financial Services

- (i) to ensure that appropriate trading accounts are established and maintained for the arrangement

E.4.5 Responsibilities of Executive Heads of Service and Heads of Service

- (i) to maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Executive Head of Organisational Development (EHoOD)
- (ii) to ensure that appropriate insurance arrangements are made
- (iii) to ensure that the Council is not put at risk from any bad debts
- (iv) to ensure that no contract is subsidised by the Council
- (v) to ensure that, wherever possible, payment is received in advance of the delivery of the service
- (vi) to ensure that the services for which they are responsible have the appropriate expertise to undertake the contract
- (vii) to ensure that such contracts do not impact adversely upon the services provided for the Council
- (viii) to ensure that all contracts are properly documented
- (xiii) to provide appropriate information to the HoFS to enable a note to be entered into the statement of accounts

PART 4 – FINANCIAL PROCEDURE RULES**FINANCIAL PROCEDURE NOTE F: LOCAL AUTHORITY COMPANIES AND CO-OPERATIVE SOCIETIES****F.1 Introduction**

- F.1.1 The Localism Act 2011 has given authorities a new general power of competence that includes the power to provide services for a commercial purpose or otherwise for a charge. To carry out the power for commercial purposes, it must be done through a local authority company or co-operative society.
- F.1.2 The Council is developing a council wide policy on Income Generation and Trading, which seeks to explore the greater use of its trading powers and opportunities. The establishment of a company and adopting business models can facilitate this process in introducing innovative, efficient and sustainable forms of delivery with value for money for council taxpayers. In essence, the establishment of a company or co-operative society will enable the flexibility and freedom to take advantage of entrepreneurial opportunities, not normally associated with a multi-statutorily regulated public body such as a Council.

F.2 Key Controls:

The key controls for setting up or working with a local authority company or co-operative society are-

- (i) that a Business Case and Business Plan are prepared and approved by Executive before trading by the Company commences
- (ii) that the Executive is advised by the Executive Head of Governance (EHoG) and the Chief Finance Officer (CFO) on the following key elements:
 - scheme appraisal and financial viability of the company and business plan
 - risk appraisal
 - governance arrangements
 - resourcing, including taxation issues
 - audit requirements
- (iii) that the Company's or Co-operative Society's Memorandum and Articles of Association include clauses to safeguard the Council's position;
- (iv) that the Company or Co-operative Society follows the accounting policies and procedures adopted and followed by the Council where the Council is the majority shareholder in the company or society;
- (v) that where the Council is the majority shareholder, at least one Officer of the Council is nominated on to the board of the Company or Co-operative Society to represent the Council's interest

F.3 Responsibilities of the Head of Financial Services

- (i) to review and report on the financial viability of the Company and its business plan
- (ii) to advise on the appropriate company structure and governance arrangements in consultation with the EHoG
- (iii) to ensure that arrangements are made for the audit of the company's accounts in accordance with the requirements set out in the Company's Act 2006 and the Accounts and Audit (England) Regulations 2013
- (iv) to ensure that the accounting policies adopted and followed by the Council are adopted and followed by the company where the Council is the majority shareholder in the company

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- (v) to ensure that the company has appropriate financial systems and procedures in place to properly record and account for the income and expenditure, assets and liabilities of the company
- (vi) to ensure that adequate supporting records of the income, expenditure, assets and liabilities of the company are held
- (vii) to ensure that the company operates a financial year 1 April to 31 March and prepares its financial statements in accordance with the Council's statutory timetable
- (viii) to ensure that the Council as group parent has an adequate process in place to consolidate information from subsidiary company accounts with its own financial information and prepare Group Accounts in accordance with CIPFA guidance

F.4 Responsibilities of the Executive Head of Governance:

- (i) to advise on the appropriate company structure and governance arrangements in consultation with the Head of Financial Services (HoFS)
- (ii) to include any clauses, within the Company's Memorandum and Articles of Association to safeguard the Council's position
- (iii) to ensure all agreements and arrangements are properly documented;
- (iv) to ensure that governance arrangements are in place including arrangements for exit if necessary
- (v) to ensure that any Council Officers who are to be directors are aware of their responsibilities under Companies legislation and the Company's articles and that appropriate indemnities and insurances are in place for the Council and the Company

F.5 Responsibilities of the Executive Heads of Service and Heads of Service

- (i) to seek approval from both the EHoG and the Chief Finance Officer (CFO) prior to the setting up or formal involvement in negotiations to set up or enter into a company. This will involve consideration of whether the trading should be carried out by an existing council-owned company, a subsidiary of an existing Company or a new company or co-operative society
- (ii) to obtain Executive approval before any negotiations to set up a company or co-operative society are concluded
- (iii) to ensure all agreements and arrangements are properly documented
- (iv) to ensure that governance arrangements are in place including arrangements for exit if necessary
- (v) to ensure that risk management processes are in place to identify and assess all known risks
- (vi) to ensure that a satisfactory Business Case and Business Plan are prepared before trading by the Company commences in conjunction with the HoFS
- (vii) to ensure that where the Council is not the majority shareholder in the company that the Council's procurement procedure rules are followed when contracting services between the Council and the Company

F.6 Responsibilities of Officers who become Company Directors:

- (i) to include any clauses, within the Company's Memorandum and Articles of Association to safeguard the Council's position, as required by the Council's EHoG and the CFO
- (ii) to ensure that risk management processes are in place to identify and assess all known risks

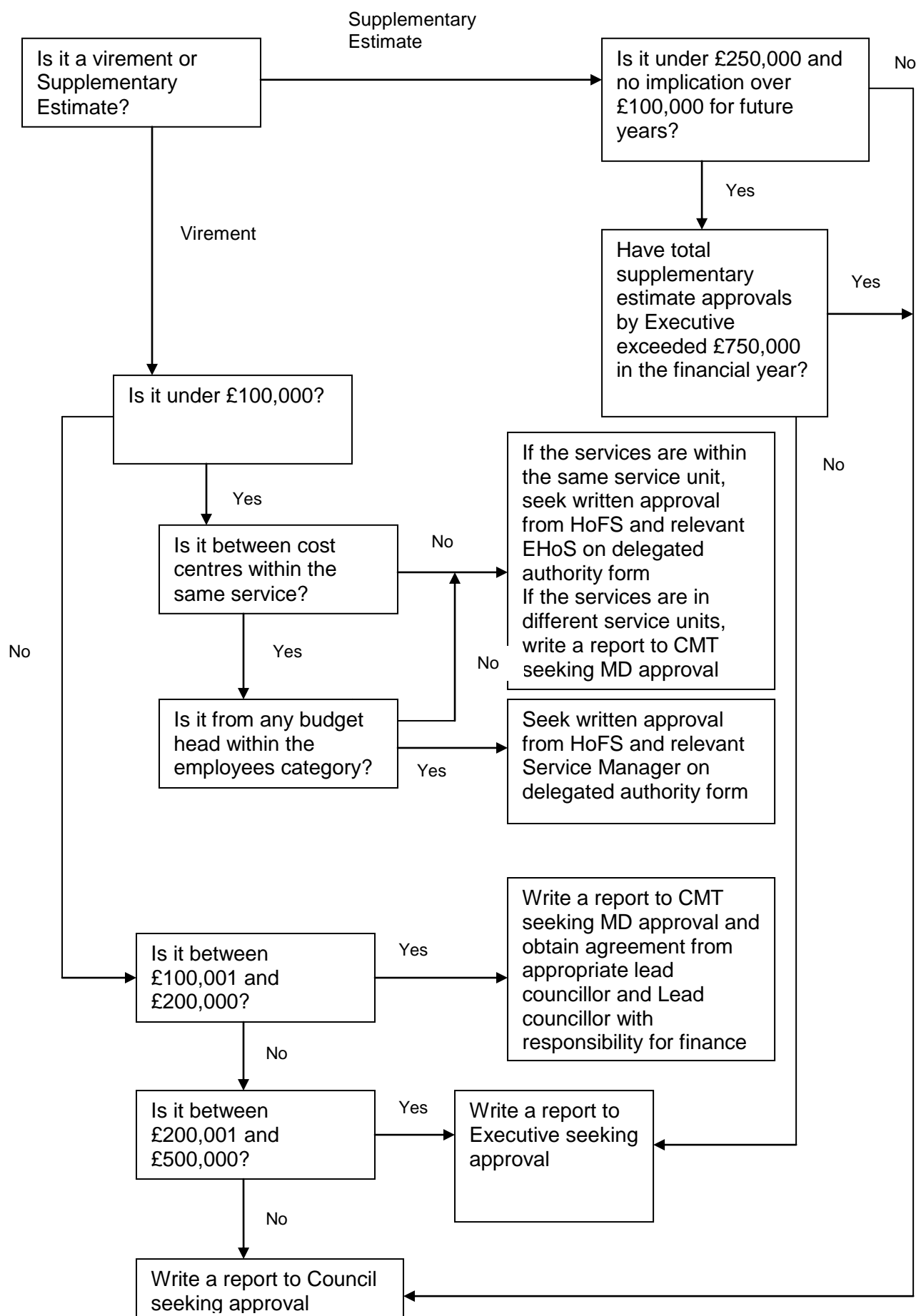
PART 4 – FINANCIAL PROCEDURE RULES

- (iii) to ensure that the company has appropriate financial systems and procedures in place to properly record and account for the income and expenditure, assets and liabilities of the company as advised by the HoFS
- (iv) to ensure adequate supporting records of the income, expenditure, assets and liabilities of the company are held
- (v) To ensure that the company operates a financial year 1 April to 31 March and prepares its financial statements in accordance with the timetable set by the HoFS
- (vi) to ensure that adequate information is provided to the Council in accordance with the timetable set out by the HoFS of the Council to enable the consolidation of the company's accounts with the accounts of the Council for group reporting purposes
- (vii) to ensure that where the Council the majority shareholder in the company that the Council's procurement procedure rules are followed when contracting out services
- (viii) to safeguard the Council's right of audit access to the company

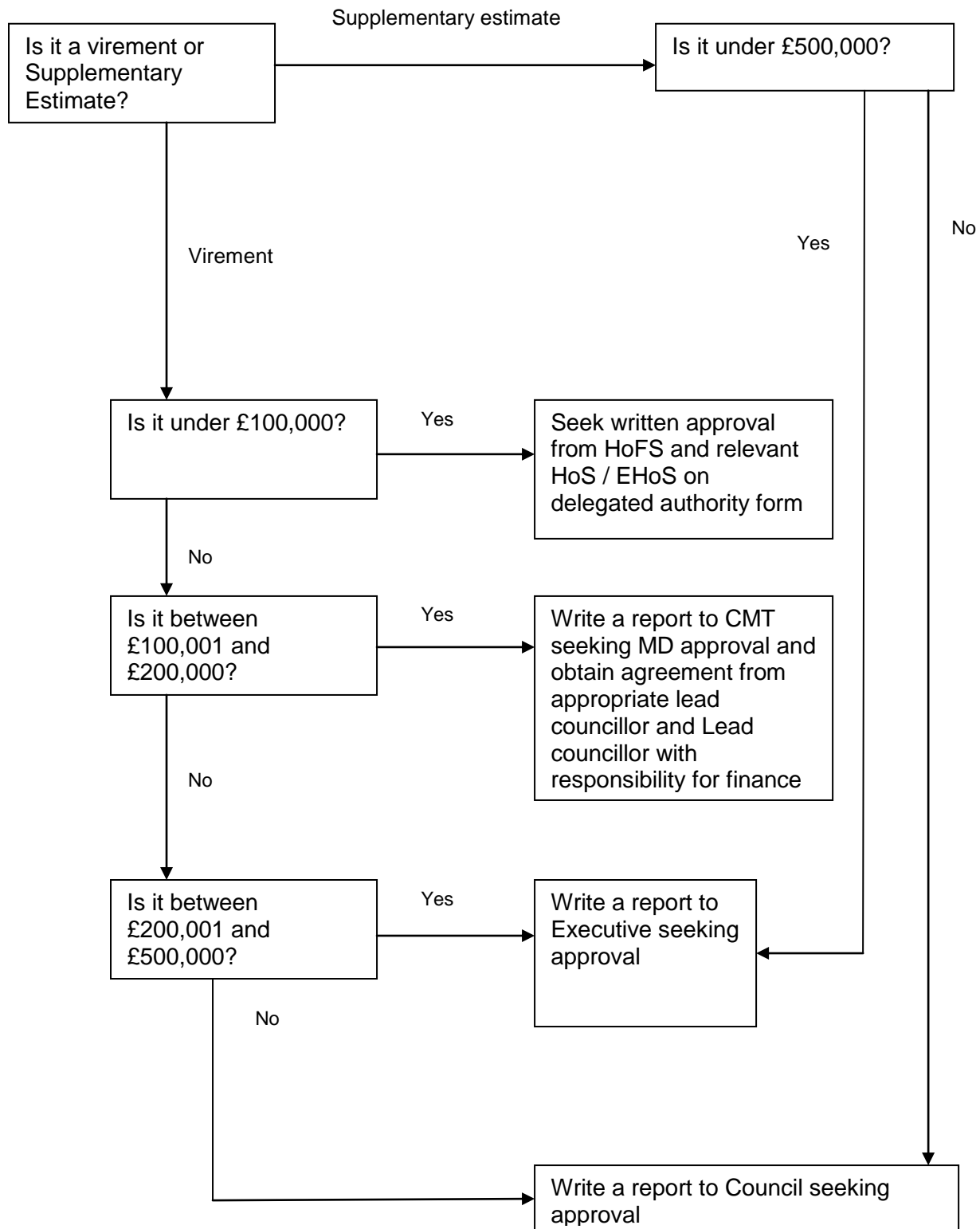
GLOSSARY

MD	Managing Director as per Part 2 Article 13
MO	Monitoring Officer as per Part 2 Article 13
CFO	Chief Finance Officer as per Part 2 Article 13
EHoS	Executive Head of Service
HoS	Head of Service
EHoG	Executive Head of Governance
EHoD	Executive Head of Development
EHoFS	Executive Head of Financial Services
EHoHH	Executive Head of Housing and Health
EHoOD	Executive Head of Organisational Development
EHoE	Executive Head of Environment
HoFS	Head of Financial Services
LGA	Local Government Act
CIPFA	Chartered Institute of Public Finance and Accountancy
SeRCOP	Service Reporting Code of Practice
TMP	Treasury Management Practice
HRA	Housing Revenue Account
Capital	expenditure to purchase or construct a fixed asset, or expenditure adding to the value of an existing fixed asset. Expenditure that does not enhance an asset, such as repairs and maintenance expenditure, is not capital expenditure.
Revenue	expenditure on the day-to-day running of the council
GF	General Fund – the Council’s main revenue fund credited with charges, grants etc. and to which the costs of services are charged. However, separate accounts are maintained for other aspects of Council activities.
Virement	switching of resources between approved service estimates or account categories of expenditure, without creating additional budget liability
Supplementary Estimate	A supplementary estimate is approval for increased expenditure or reduced income that was not included in the original budget and therefore increases the Council’s overall net budget for the year

Revenue Virement and Supplementary Estimate Processes



Capital Virement and Supplementary Estimate Processes



Budget Management Essential Practice for Budget Managers