

Appendix E – Amendments to Financial Procedure Rules

SECTION F – FINANCIAL PROCEDURE RULES

Rules

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SECTION F – FINANCIAL PROCEDURE RULES

1. Introduction

1.1 What are the Financial Procedure Rules?

- 1.1.1 Section 151 of the Local Government Act 1972 states that “every authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their Officers has responsibility for the administration of those affairs”.
- 1.1.2 **Financial Procedure Rules** provide the framework for managing the Council’s financial affairs and are supported by more detailed Financial Management Standards which set out how the procedures will be implemented.
- 1.1.3 The procedures identify the financial responsibilities of **Full Council**, the **Cabinet** and **Officers**.
- 1.1.4 To avoid the need for regular **Amendment** due to changes in post titles generic terms are included for Officers as follows:
 - a) The term, “**S151 Officer**,” refers to the Section 151 Officer who is currently the Council’s Strategic Director for Resources.
 - b) The term, “**Chief Officers**”, refers to the Council’s **Chief Executive** and **Strategic Directors**.
 - c) The term, “**Monitoring Officer**”, refers to the **Head of Legal and Support Services**.
 - d) The term, “**Chief Internal Auditor**”, refers to the Audit Manager.
 - e) The term “**Budget holder**” refers to any Officer with designated responsibility for a revenue and/or capital cost centre in the annually agreed revenue Budget and capital programme. The Budget holder is responsible for financial management and compliance with these rules. This might include **Chief Executive**, **Strategic Directors**, **Heads of Service** and **Team Managers**.

1.2 Why are they important?

- 1.2.1 To conduct its business effectively, the Council needs to ensure that sound financial management arrangements are in place and that they are strictly adhered to in practice. Part of this process is the establishment of **Financial Procedure Rules** which set out the financial responsibilities of the Council. These rules have been devised as a control to help the Council manage its financial matters properly in compliance with all necessary requirements.

1.1.2 Good, sound financial management is a key element of corporate governance which helps to ensure that the Council is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

1.1.3 Good financial management secures value for money, controls spending, ensures due probity of transactions and allows decisions to be informed by accurate accounting information. 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 the Council's resources is legal, properly authorised and provides value for money. What that means is, before spending any of the Council's money or entering into a commitment with financial consequences, officers and Councillors need to answer "Yes" to these three questions:

- **Is this spending within the Council's regulations?**
- **Can the Council afford it?**
- **Is it Value for money?**

1.1.4 Good financial management requires secure and reliable records and systems to process transactions and information and substantiate the effective use of public money.

1.1.5 These **Financial Procedure Rules** should not be seen in isolation but rather as part of the overall regulatory framework of the Council as set out in this **Constitution**.

1.3 Who do Financial Procedure Rules apply to?

1.3.1 These **Financial Procedure Rules** apply to every **Councillor** and **Officer** of the Council and anyone acting on its behalf. Councillors and Officers have a general responsibility for taking reasonable action to provide for the security and use of the resources and assets under their control and for ensuring that the use of such resources and assets is legal, is consistent with Council policies and priorities, is properly authorised, provides value for money and achieves **Best Value**.

1.3.2 These **Financial Procedure Rules** shall apply in relation to any partnership for which the Council is the accountable body, unless the Council expressly agrees otherwise.

1.3.3 Failure to observe these **Financial Procedure Rules** may result in action under the Council's disciplinary procedures.

1.4 Who is responsible for ensuring that they are applied?

- 1.4.1 **Chief Officers** and Heads of Service are ultimately responsible to the Council for ensuring that these **Financial Procedure Rules** are applied and observed by his/her staff and contractors providing services on the Council's behalf and for reporting to the **S151 Officer** any known or suspected breaches of the procedures.
- 1.4.2 The **S151 Officer** is responsible for maintaining a continuous review of the **Financial Procedure Rules** and submitting any additions or changes necessary to the Council for approval. The S151 Officer is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and/or to the **Cabinet Members**.
- 1.4.3 The **S151 Officer** is responsible for issuing advice and guidance to underpin the **Financial Procedure Rules** which **Councillors**, **Chief Officers** and others acting on behalf of the Council are required to follow.
- 1.4.4 Any person charged with the use or care of the **Council's** resources and assets should inform him/herself of the Council's requirements under these **Financial Procedure Rules**. If anyone is in any doubt as to their obligations, then they should seek advice.
- 1.4.5 Where any **Chief Officer** considers that complying with these **Financial Procedure Rules** in a particular situation might conflict with the achievement of value for money or the principles of **Best Value** or the best interests of the Council, he/she shall raise the issue with the **S151 Officer** who will, if he/she considers necessary and appropriate, seek formal approval from the Council for a specific waiver of the procedures, or an **Amendment** to the procedures themselves.

2. **Financial Regulation A: Financial Management**

Introduction

- A.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and **Budget**. All officers and Councillors have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure these standards are met.

The Full Council

- A.2 **Full Council** is responsible for adopting the **Constitution** and the **Councillors' Code of Conduct** in **Part 4** and for approving the policy framework and **Budget** within which the **Cabinet** operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in its Constitution. Full Council is also responsible for monitoring compliance with the agreed policy and related Cabinet decisions.

A.3 **Full Council** is responsible for approving procedures for recording and reporting decisions taken. This includes those **Key Decisions** delegated by and decisions taken by the Council and its Boards. These delegations and details of who has responsibility for which decisions are set out in the **Constitution**.

The Cabinet

A.4 The **Cabinet** is responsible for proposing the policy framework and **Budget** to the **Full Council** and for discharging **Executive Functions** in accordance with the policy framework and budget.

- A.5 **Cabinet** decisions can be delegated to a **Sub-Committee** of the Cabinet, an individual **Cabinet Member** or an **Officer**.
- A.6 Where A.5 occurs, the **Cabinet** is responsible for establishing **Protocols** to ensure that individual **Cabinet Members** consult with relevant Officers before taking a decision within his, her or their delegated authority. In doing so, the individual Cabinet Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

Scrutiny Committees

- A.7 The **Scrutiny Committees** are responsible for scrutinising **Executive Decisions** before or after they have been implemented and for holding the **Cabinet** to account. The Scrutiny Committees are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Council.

Audit and Governance Committee

- A.8 The **Audit and Governance Committee** is established by the **Full Council** and is responsible for promoting and maintaining high standards of conduct amongst **Councillors**. In particular, it is responsible for advising the **Council** on the adoption and revision of the **Councillors' Code of Conduct** in **Part 4**, and for monitoring the operation of the code. It may also make recommendations to the Full Council on the **Constitution**.

Other Regulatory Committees

- A.9 Planning and licensing are not **Executive Functions** but are exercised through the multiparty **Planning and Licensing Committees** under powers delegated by the **Full Council**. The Planning and Licensing Committees report to the Full Council.

The Statutory Officers

Head of Paid Service (Chief Executive)

- A.10 The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole. He/she must report to and provide information for the **Cabinet**, the **Full Council**, the **Scrutiny Committees** and other **Committees**. He/she is responsible for

establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the **Monitoring Officer**, for the system of record keeping in relation to all the Full Council's decisions (see below).

Monitoring Officer

- A.11 The **Monitoring Officer** is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the **Audit and Governance Committee**. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the **Full Council** and/or to the **Cabinet**, and for ensuring that procedures for recording and reporting **Key Decisions** are operating effectively.
- A.12 The **Monitoring Officer** must ensure that **Executive Decisions** and the reasons for them are made public. He/she must also ensure that **Councillors** are aware of decisions made by the **Cabinet** and of those made by **Officers** who have delegated executive responsibility.
- A.13 The **Monitoring Officer** is responsible for advising all councillors and Officers about who has authority to take a particular decision.
- A.14 The **Monitoring Officer** is responsible for advising the **Cabinet** or **Full Council** about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- A.15 The **Monitoring Officer**, together with the **Chief Executive**, is responsible for advising the **Cabinet** or **Full Council** about whether a decision is likely to be considered contrary or not wholly in accordance with the **Budget**. Actions that may be 'contrary to the budget' include:
 - initiating a new policy
 - committing expenditure in future years to above the **Budget** level incurring transfers contrary to **Virement** rules and limits
 - causing the total expenditure financed from **Council Tax**, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- A.16 The **Monitoring Officer** is responsible for maintaining an up-to-date **Constitution**.

S151 Officer (See A Statement on the Role of the Finance Director in Local Government (CIPFA))

A.17 The **S151 Officer** 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:

Section 151 of the Local Government Act 1972
The Local Government Finance Act 1988
The Local Government and Housing Act 1989 The
Accounts and Audit Regulations 2003 and 2015.

A.18 The **S151 Officer** is responsible for:

the proper administration of the Council's financial affairs;
setting and monitoring compliance with financial management standards;
advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
providing financial information;
preparing the revenue **Budget** and capital programme;
Treasury Management and prudential indicators.

A.19 The **S151 Officer** shall:

- i. report to the **Cabinet** with respect to the level of financial resources estimated to be available in each financial year;
- ii. report to the **Cabinet** quarterly with an annual outturn on the Council's financial position and performance;
- iii. report to the **Cabinet** in respect of the Medium Term Financial Strategy.

A.20 Section 114 of the Local Government Finance Act 1988 requires the **S151 Officer** to report to **Full Council**, **Cabinet** and the External Auditor if the Council or one of its Officers:

has made, or is about to make, a decision which involves incurring unlawful expenditure;

has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council;

is about to make an unlawful entry in the Council's accounts.

Section 114 of the 1988 Act also requires:

the S151 Officer to nominate a properly qualified member of staff to deputise should he/she be unable to perform the duties under Section 114 personally;

the Council to provide the S151 Officer with sufficient staff, accommodation and other resources - including legal advice where this is necessary - to carry out the duties under Section 114.

Other Officers

Budget holders

A.21 The **Budget** holders are responsible for ensuring that Heads of Service and the relevant **Strategic Director** are advised of the financial implications of all proposals and that the financial implications have been agreed by the S151 Officer. The Strategic Director shall then in turn advise **Cabinet**.

A.22 It is the responsibility of the **Budget** holder to consult with the **S151 Officer** and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred. The S151 Officer shall be consulted on the contents of of any commitments in good time to be able to assess the financial implications and the S151 Officer shall incorporate into any subsequent reports such comment on the financial aspects as he/she considers necessary or appropriate.

A.23 **Budget** holders are responsible for the control and accountability of resources consumed and generated by their service areas.

Other Financial Accountabilities

Virement

The scheme of virement is intended to enable Strategic Directors, Heads of Service and budget holders to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources. It is administered by the S151 Officer within guidelines set out within these financial procedure rules.

The overall budget is set by the Council. Budget holders are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The procedures for virements is the mechanism for moving resources between approved estimates or heads of expenditure. For the

purposes of this scheme, a budget head is considered to be a line in the approved estimates, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis, i.e. employees, premises etc.

A virement does not create additional overall budget liability and therefore should not lead to an overspend. A virement should not be used where one off savings are used to fund recurring expenditure thereby creating future commitments, including full-year effects of decisions made part way through a year, for which future resources have not been identified.

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;
- (b) The Cabinet/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 Cabinet/Council.

The movement of budgets between services as a result of changes in management responsibility or changes in accounting policy or other changes that do not affect the amount available for service provision are not classed as viements and can be approved by the S151 Officer.

A Virement that is likely to impact on the level of service activity of another service area should be implemented only after agreement with the relevant service.

In all cases the overall budget position of the Council will be considered and viements should not be requested by Strategic Directors, Heads of Service or the S151 Officer if underspends in some services are required to meet overspends in other areas. In all cases the competing demands and priorities as identified in the Council Delivery Plan will be paramount.

Strategic Directors and Heads of Service may request to vire sums within service budgets without limit provided such virement does not give rise to a change of Council policy or amend the permanent establishment. All such approval should be approved by the S151 Officer in the format requested.

All viements in excess of £50,000 will be reported within financial monitoring reports.

The S151 Officer is responsible for keeping a record of all viements and ensuring the finance system is updated in respect of approvals given.

Capital budget virements are governed by the same principles as revenue virements outlined above.

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Supplementary Estimates

A.25 The Budget is set on an annual basis and events occur that require additional spending within the year. This is particularly the case where there is a statutory requirement which cannot be avoided. A supplementary estimate is an addition to the Council's agreed **Budget**. Supplementary estimates can be one-offs, or recurring. In either case, supplementary estimates should only be considered after all other options, such as **Virements**, or savings, have been considered. Supplementary estimates include budgets fully funded by external grant or contribution.

A.26 Any unring fenced grants will be allocated as agreed with the Senior Leadership Team.

A.27 Where the Council receives ring fenced grant income either through a bidding process or new burdens funding other than that identified in the approved budget, an additional budget will be created and Directors and Heads of Service will be allowed to incur expenditure in line with the conditions of the grant. Cabinet or Council approval is not required as the Council has no discretion over how the funds are used.

A.28 The table below sets out the approval level required based on the value of the supplementary estimates. Council funding includes, but is not limited to revenue budget reserves, Section 106, capital receipts and borrowing. In all circumstances, the S151 Officer will be consulted on the proposals. Supplementary estimates apply to capital and revenue.

Amount	Approval Required
Up to £99,999	Head of Service + S151 Officer
£100,000–£250,000	Cabinet
Over £250,000	Full Council

A.29 Where in exceptional or unexpected circumstances a Directorate is faced with a material increase in its net expenditure, which cannot reasonably be contained within its resource allocation figure for the year, the **Chief Executive** or **Strategic Directors** must (wherever possible, prior to incurring the expenditure) submit a request to **Cabinet** or **Council** for a supplementary estimate to cover the additional expenditure. The Cabinet or Council will also

decide how the expenditure will be funded, e.g. from grant, revenue, reserve, loan or otherwise.

Monitoring of Expenditure

A.30 The **Chief Executive, Strategic Directors** and Heads of Service shall monitor revenue expenditure and the Capital Strategy Group shall monitor Capital expenditure on a regular basis. Significant matters will be reported to the **Cabinet** as necessary. Both the revenue and capital forecast outturn will be reported to Cabinet on a quarterly basis.

Treatment of Year-end Balances

A.31 Any budget underspends will normally be added to the General Reserve or Medium Term Financial Plan Reserve at the end of the financial year at the discretion of the S151 Officer. Directors may instead request that specific budget underspends are transferred to the following financial year. Any such transfer of budget provisions is subject of agreement of the S151 Officer. The approval of Cabinet is also required if the budget transfer is in excess of £100,000.

Any budget overspends cannot be carried forward and will instead be funded from reserves.

Accounting Policies

A.32 The **S151 Officer** is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting Records and Returns

A.33 The **S151 Officer** is responsible for determining the accounting procedures and records for the Council.

The Annual Statement of Accounts

A.34 The **S151 Officer** is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on **Local Authority Accounting** in the United Kingdom: A Statement of Recommended Practice (**CIPFA/LASAAC**). Approving the annual statement of accounts is a **Council** function that has been delegated to the **Audit and Governance Committee**.

3. Financial Regulation B: Financial Planning

Introduction

B.1 **Full Council** is responsible for agreeing the Council's **Budget and Policy Framework**, which will be proposed by the **Cabinet**. In terms of financial planning, the key elements are:

the corporate plan; the **budget**;
the capital programme; and
the medium term financial strategy.

Policy Framework

B.2 **Full Council** is responsible for approving the **Budget and Policy Framework** (which is detailed in **Section C of Part 2**).

B.3 **Full Council** is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the **Budget and Policy Framework**. Decisions should be referred to the Full Council by the **Monitoring Officer**.

B.4 **Full Council** is responsible for setting the level at which the **Cabinet** may reallocate **Budget** funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the Budget policy framework within the financial limits set by the Council.

Preparation of the Council's Delivery Plan

B.5 The **Head of Paid Service** is responsible for proposing the Delivery Plan to the **Cabinet** for consideration before its submission to the **Full Council** for approval.

Budgeting

B.6 The **S151 Officer** shall report annually to the **Cabinet** on the details of capital and revenue estimates for all the council's functions. He/she shall prepare and update annually a five-year rolling revenue **Budget** forecast. Each year the Cabinet shall consider and recommend, based on corporate priorities, the strategic allocation of resources to services and submit a report to Council.

B.7 The format and timescale of the estimates shall be determined by the S151 Officer. It is the responsibility of the **Strategic Directors**, Heads of Service and **Team Managers** to ensure that **Budget** estimates reflecting agreed service plans are submitted to the **S151 Officer** and that these are prepared and submitted as directed by the S151 Officer.

Budget Monitoring and Control

B.8 The **Chief Executive**, **S151 Officer**, **Strategic Directors**, Heads of Service and Team Managers shall:

- a) only incur revenue expenditure where there is an approved **Budget** provision in that financial year;
- b) only incur capital expenditure where that project is in the Council's capital programme as applied to that financial year;

The S151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He/she must monitor and control expenditure against **Budget** allocations and report to the **Cabinet** on the overall position on a quarterly basis.

It is the responsibility of Team Managers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the S151 Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their **Budget** allocation and alert the S151 Officer to any problems.

Budgetary Control - Capital

B.9 In addition to B8 above, the following Financial Regulations shall apply:

- a) whenever a new capital project is considered desirable, the **Chief Executive** or **Strategic Directors** shall (after submitting the project (with a detailed business case) to the Capital Strategy Group) submit the project to the **Cabinet** which shall, after considering advice from the **S151 Officer** (to include the implications of the Prudential Code if applicable and any current and future revenue implications) and other appropriate Officers, make recommendations to the Council as to its acceptance or otherwise, indicating where appropriate its inclusion on the Long Term Capital Projects List and the level of priority for its implementation;

- b) subject to (c) below, approval by **Council** of the Capital Programme shall be a prerequisite for the commencement of a project and to enter into a contract;
- c) notwithstanding approval in the Capital Programme, if the proposed or actual expenditure (excluding supervision costs) exceed the approved estimate, the **Team Manager** shall, before proceeding, refer the proposal, with the comments of the S151 Officer, to the **Cabinet**;
- d) Directors and Heads of Service shall be able to adjust the timing of delivery of capital projects between years in consultation with the portfolio holder and S151 Officer;
- e) the S151 Officer is empowered to authorise spending in an emergency on any unforeseen health and safety work relating to a project.

Emergencies or Disasters

B.10 In the event of an emergency or disaster, these Financial Regulations shall be suspended and the **Chief Executive** be given **Delegated Powers** in consultation with the Section 151 Officer, Monitoring Officer and Leader of the Council to take any action deemed necessary in respect of the financial matters of the Council, subject to such action being reported to the **Cabinet**.

Maintenance of Reserves

B.11 It is the responsibility of the **S151 Officer** to advise the **Cabinet** and/or **Full Council** on prudent levels of reserves for the Council.

B.12 The Chief Finance Officer shall maintain reserves in accordance with the relevant codes of practice on local authority accounting in the United Kingdom and agreed accounting policies.

B.13 The use of reserves to finance expenditure should be authorised by the **S151 Officer** unless it is explicitly authorised within the approved Budget or Capital Programme. Details of the Council's reserves will be reported in the Statement of Accounts in accordance with guidance published in the code of practice on local authority accounting. Reserve balances will be reported to Cabinet on a quarterly basis as part of the budget monitoring suite of reporting.

4. Financial Regulation C: Risk Management and Control of Resources

Introduction

C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

C.2 The **Cabinet** is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Cabinet is responsible for ensuring that proper insurance exists where appropriate.

C.3 The **S151 Officer** is responsible for preparing the Council's risk management policy statement, for promoting it throughout the Council and for advising the **Cabinet** on proper insurance cover where appropriate.

Internal Control

C.4 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

C.5 The **S151 Officer** is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

C.6 It is the responsibility of the **Chief Executive, Strategic Directors**, Heads of Service and Team Managers 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.

C.7 The duties of providing information regarding any sums of money due to or from the Council and of calculating, checking and recording such amounts, shall be separated as completely as possible from the duty of collecting or disbursing them.

Audit requirements

C.8 The Audit Manager and the **S151 Officer** have a responsibility for ensuring that the Council has an adequate and effective internal audit service in operation in accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015.

C.9. The work of the Internal Audit Section will be performed with due professional care and in accordance with the Accounts and Audit Regulations 2015 and the **Global Internal Audit Standards in the UK Public Sector** (GIAS) and any subsequent guidance which updates or replaces these.

C.10 Internal Audit is an assurance function which primarily provides an independent and objective opinion to the Council on its governance arrangements and internal controls.

C.11 The Audit Manager will fulfil the role and responsibilities of the “Chief Audit Executive” as set-out in the GIAS. In order to perform their duties, the Audit Manager or their nominated representatives have authority to:

- a) enter at all reasonable times, any Council premises or land;
- b) have access to all records, documents, correspondence and computer systems relating to the Council and its activities;
- c) require and receive such explanations as necessary concerning any matter under examination;
- d) require any employee of the Council to produce records, cash, stores or any other Council property under their control, necessary to carry out their duties.

Where necessary such rights of access may be called upon and should be granted to Internal Auditors on demand and not subject to prior notice or approval. All employees are required to assist Internal Audit in fulfilling its roles and responsibilities.

C.12 Managers, and not Internal Audit, have ultimate responsibility for ensuring that internal controls throughout the Council are adequate and effective. This responsibility includes the duty to continuously review internal controls and ensure that they remain suitable in design and effective in operation. The existence of Internal Audit does not diminish the responsibility of management to establish and maintain systems of internal control to ensure that activities are conducted in a secure, efficient and effective manner.

Stores and Inventories

C.13 Each Team Manager shall be responsible for the custody and physical control of the stocks and stores in his/her service area and the records kept by the storekeepers shall be prescribed by the **S151 Officer**. Wherever possible, stocks and stores should be marked as the property of the Council.

C.14 Each Team Manager, in conjunction with the **S151 Officer**, shall make arrangements for continual stock-taking covering all items at least once per year. Stock-taking procedures shall be conducted by Officers independent of the day to day activities within the system. Any surpluses or deficiencies revealed shall be reported to the S151 Officer who shall, in conjunction with the appropriate Team Manager, agree any action required/recommend to the **Cabinet** any action considered necessary.

C.15 Stocks shall be maintained within the minimum and maximum levels determined by the appropriate Team Manager, and the maximum level shall not be exceeded, except in special circumstances with the approval of the S151 Officer.

C.16 Each Team Manager shall prepare and maintain an inventory in a form approved by the **S151 Officer**. The inventory shall include movable plant and machinery, rolling stock, furniture, fittings and equipment. The only exception is office stationery equipment (for example; calculators, hole punches, staplers, waste bins).

In addition to the divisional inventory, equipment purchased by the Information Technology Section, including that purchased on behalf of other Services, shall be recorded on the Information Technology inventory.

C.17 All inventories shall be checked annually by Team Managers. Individual surpluses or deficiencies over £50 shall be dealt with in the manner prescribed for stores in paragraph C.14 (above). Where individual inventory items with an estimated value below £50 become surplus to requirements, the Council has a procedure for dealing with such items, which shall be adhered to.

C.18 The Council's property shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the relevant Team Manager.

C.19 All items appearing on the Inventory shall be indelibly marked as property of the Council.

Security

C.20 Each Team Manager shall be responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc. under his/her control. He/she shall consult the **S151 Officer** in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

C.21 The maximum limit for cash holdings shall be agreed with the S151 Officer and shall not be exceeded without his/her express permission.

C.22 Keys to safes and similar receptacles are to be carried on the person of those responsible at all times. The loss of such keys must be reported to the S151 Officer immediately the loss is discovered.

C.23 The **S151 Officer** shall be responsible for maintaining proper security and privacy as respects information held on computer for its use, in accordance with the Data Protection Acts 1984 and 1998, the Computer Misuse Act 1990 and the Freedom of Information Act 2000.

Banking Arrangements

C.24 All arrangements with the Council's Bankers shall be made by or under arrangements approved by the **S151 Officer**, who shall be authorised to operate such banking accounts as he/she may consider necessary. Such arrangements shall be reported to the **Cabinet** from time-to-time.

C.25 Transfers from accounts (but not between accounts) shall not be made unless authorised by one of the Financial Signatories to the Council.

C.26 The **S151 Officer** shall be responsible for the ordering and custody of cheques to meet payments by him/her on behalf of the Council. Cheques shall be prepared, verified and accounted for under the direction of the S151 Officer and signed by him/her or one of the Financial Signatories to the Council provided that, for the purpose of this regulation only, 'signature' shall include the printed/facsimile signature of the S151 Officer.

Petty Cash and Float Accounts

C.27 The **S151 Officer** shall issue guidance as to the operation and management of these accounts.

C.28 **Team Managers** shall ensure that:

- (a) disbursements (other than renewal of imprest) shall be limited to expenses which are unavoidable and urgent. No single item exceeding £50 in amount (unless specifically authorised by the S151 Officer) shall be paid out of the petty cash account. All payments shall be supported by a receipted voucher to the extent that the S151

Officer may require and in particular to enable the recovery of Value Added Tax.

- (b) each account is accurately maintained on an imprest system;
- (c) such accounts are not used for depositing income nor for employees personal expenditure;
- (d) an Officer responsible for an account shall make adequate arrangements for the security of cash and accounting records;
- (e) On leaving the employment of the Council or otherwise ceasing to hold an imprest advance, an Officer shall account to the S151 Officer for the amounts advanced to him/her and payments made.

Treasury Management

C.29 The Council has adopted **CIPFA's** Code of Practice for **Treasury Management** in the Public Services.

C.30 The **Full 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 the Public Services. The policy statement is proposed to the Full Council by the **Cabinet**. The **S151 Officer** has delegated responsibility for implementing and monitoring the statement.

C.31 All money in the hands of the Council shall be aggregated for the purpose of **Treasury Management** and shall be under the control of the **S151 Officer**.

C.32 The S151 Officer is responsible for reporting to the **Cabinet** a proposed **Treasury Management** Strategy for the coming financial year at or before the start of each financial year.

C.33 All **Cabinet** decisions on borrowing, investment or financing shall be delegated to the **S151 Officer**, who is required to act in accordance with **CIPFA's** Code of Practice for **Treasury Management** in the Public Services.

C.34 The **S151 Officer** is responsible for reporting annually to the **Cabinet** on the activities of the **Treasury Management** operation and on the exercise of his/her delegated Treasury Management powers.

Staffing

C.35 The **Full Council** is responsible for determining how Officer support for **Cabinet** and non-executive roles within the Council will be organised.

C.36 The **Chief Executive, Strategic Directors**, Heads of Service and Team Managers are responsible for providing overall management to staff. The Human Resources Team Manager is responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

C.37 The **Chief Executive, Strategic Directors**, Heads of Service and Team Managers are responsible for controlling total staff numbers by:

- (a) advising the Cabinet on the **Budget** necessary in any given year to cover estimated staffing levels;
- (b) adjusting the staffing to a level that can be funded within approved **Budget** provision;
- (c) varying the provision as necessary within that constraint in order to meet changing operational needs; and
- (d) the proper use of appointment procedures.

Insurances

C.38 The **S151 Officer** shall effect all insurance cover and register all claims in consultation with other Officers where necessary.

C.39 Team Managers shall give prompt notification to the **S151 Officer** in writing of all new risks, properties, vehicles or other assets which require to be insured and of any alterations affecting existing insurances.

C.40 Team Managers shall immediately notify the **S151 Officer** in writing of any loss, liability or damage or any event likely to lead to a claim and inform the police where necessary unless otherwise decided by the **Chief Executive**.

C.41 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance.

C.42 The S151 Officer shall annually, or at such other period as he/she may consider necessary, review all insurances in consultation with other Team Managers as appropriate.

C.43 Team Managers shall consult the **S151 Officer** respecting the terms of any indemnity which the Council is requested to give.

C.44 Team Managers shall ensure that their employees are aware of any limitation of cover, e.g. motor insurance covering official duty only.

C.45 Where a claim arises which is less than or equal to the value of the excess on any policy, the Team Manager shall submit a written request to the S151 Officer to make a specific financial offer. The request must be supported by reasons in favour of settlement and can only be signed by the **Chief Executive, S151 Officer** or Team Manager.

Contracts

C.46 All financial transactions under contracts should be conducted in accordance with the Council's Contract Procedure Rules.

C.47 Officers are authorised to incur **revenue** expenditure (including in relation to revenue projects) in accordance with the following authorisation levels, subject to complying with the Contract Procedure Rules (where required):

Value of Expenditure	Authorisation
Up to £1,999	Salary Bands A, B and C
£2,000 - £4,999.99	Salary Bands D, E and F
£5,000 - £9,999.99	Salary Bands G, H and I
£10,000 - £24,999.99	Team Managers
£25,000 - £49,999.99	Heads of Service
£50,000 and above	Chief Executive and Strategic Directors, plus any officers with unlimited authorisations as per the Constitution

C.48 Officers are authorised to incur **capital** expenditure in relation to capital projects in accordance with the following authorisation levels, subject to complying with the Contract Procedure Rules (where required):

Value of Expenditure	Authorisation
Up to £24,999	Team Managers and above (the Project Owner)
£25,000 - £49,999.99	Heads of Service
£50,000 and above	Chief Executive and Strategic Directors, plus any officers with unlimited authorisations as per the Constitution

C.49 The appointed Supervising Officer in control of the works shall give written orders in respect of all variations from the specification of the works included in the contracts and copies of these orders shall be forwarded to the S151 Officer with the estimated variations in cost noted thereon. Any such extra variation, where the estimated additional cost of which exceeds 5%, shall be reported to the appropriate Board as soon as practicable with details of the reason for the additional cost and the proposed method of funding the extra cost.

C.50 Payments to contractors on account of contracts shall be made only on a certificate issued by the Supervising Officer in control of the works which shall show the total amount of the contract, the value of work executed to date, retention money, amount paid to date and amount certified as due. Details, variations and fluctuations included in the value of work to date shall accompany the certificate.

C.51 On completion of a contract and before the issue of the certificate for final payment thereunder, the appointed Supervising Officer shall produce to the Audit Manager a detailed statement of the work under the contract, with all vouchers and documents relating to prime cost and provisional sums and any other particulars required showing full measurements, additions, deductions and omissions. The Final Certificate shall not be issued nor shall the contractor be informed that the final account is agreed and the balance under the contract paid until:

- (a) the Audit Manager has examined the accounts, vouchers and documents, and approved the final account.
- (b)
- (c) If any question of propriety of payment arises, the **Cabinet** shall have directed payment.

C.52 Claims from contractors in respect of matters not clearly within the terms of an existing contract shall be referred to the **Chief Executive/Monitoring Officer** for consideration of the Council's legal liability and where necessary, to the **S151 Officer** for financial consideration before a settlement is reached.

C.53 Where completion of a contract is delayed beyond the completion date or any properly authorised extension thereof, it shall be the duty of the Supervising Officer to take appropriate action in respect of any claim for liquidated damages.

C.54 In any case where the total cost of any work carried out under a contract exceeds by more than 10%, or £10,000, whichever is the lesser amount, the approved contract sum, a report of such cost shall, after agreement

of the final account, be submitted to the appropriate Board by the appropriate **Head of Service** detailing any additional cost and proposed method of funding not previously reported under Regulation C.47.

C.55 Subject to the expenditure on such matters being included in approved estimates, all orders or contracts for the supply of goods or materials or for the execution of work shall comply with the **Contract Procedure Rules** in **Part 3**.

C.56 When, in exceptional circumstances authority is sought to waive **Financial Procedure Rules**, the report to the appropriate Board must give adequate reasons and specify precisely the procedures to be waived.

Salaries

C.57 The payment of all salaries, wages and other emoluments to all employees of the Council shall be made by the **S151 Officer** and under arrangements approved and controlled by him/her.

C.58 The **S151 Officer** shall be responsible for all records relating to National Insurance, Income Tax, Superannuation and Statutory Sick Pay. The Human Resources **Team Manager** shall be responsible for the issue of statements under the Contracts of Employment Acts.

C.59 Each **Head of Service** shall be responsible for the completion of timesheets by employees, other than Officers, under his/her control and for their evaluation and certification. Timesheets shall be forwarded to the S151 Officer in accordance with his/her directions, who shall be responsible for the preparation of salaries or wages. The Head of Service concerned, under the directions of the S151 Officer shall be responsible for the provision of transport and staff for the payment of salaries or wages.

C.60 Each **Head of Service** shall notify the **S151 Officer**, as soon as possible, and in a form prescribed by him/her, of all matters affecting payment of salaries and wages and in particular:

- (a) appointments, resignations, dismissals, suspensions, secondment and transfers.
- (b) Absences from duty for sickness or other reason, apart from approved leave with pay.
- (c) Changes in remuneration, other than normal increments, pay awards and agreements of general application.

(d) Information necessary to maintain records of service for superannuation, income tax, national insurance, etc.

C.61 Each **Head of Service**, in conjunction with the Human Resources Team Manager, shall make arrangements to annually confirm the authenticity of those employees appearing on the payroll for his/her Service. Such arrangements shall include the verification of individual rates of pay.

Leasing

C.62 All items proposed to be leased shall be approved by the Council prior to arrangements being made.

C.63 All leasing agreements will be arranged and agreed by the **S151 Officer**. An agreement can only be signed on behalf of the Council, by the **Chief Executive** or the S151 Officer, providing that the revenue estimate is not exceeded.

C.64 The **Head of Service** responsible for the goods to be leased shall provide the S151 Officer with such information as is required by him/her in order to obtain the best and most appropriate type of lease possible.

5. Financial Regulation D: Systems and Procedures

Introduction

D.1 Sound systems and procedures are essential to an effective framework of accountability and control. **General**

D.2 The **S151 Officer** is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes proposed by the **Chief Executive, Strategic Directors**, Heads of Service and Team Managers to the existing financial systems or the establishment of new systems must be approved by the S151 Officer. However, the Chief Executive, Strategic Directors, Heads of Service and Team Managers are responsible for the proper operation of financial processes in their own Services.

D.3 The **Chief Executive, Strategic Directors**, Heads of Service and Team Managers should ensure that their staff receive relevant financial training that has been approved by the **S151 Officer**.

D.4. The **Chief Executive, Strategic Directors**, Heads of Service and Team Managers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation.

Team Managers must ensure that staff are aware of their responsibilities under freedom of information legislation.

Authorised Signatories

D.5 It is the responsibility of the **Chief Executive, Strategic Directors** and Heads of Service to ensure that a proper **Officer Scheme of Delegation** has been established within their area and is operating effectively. The Officer Scheme of Delegation should identify staff authorised to act on their behalf in respect of payments, income collection and placing orders, together with the financial limits of their authority. The financial limits will be determined by the Council's Corporate Leadership Team. Team Managers shall ensure that specimen signatures and initials of such authorised staff are sent to the **S151 Officer** and such records shall be amended by the Team Manager on the occasion of any change therein.

Control of Expenditure

D.6 Orders for goods and services shall not be issued unless the expenditure is included in an approved estimate or other specified financial provision.

D.7 All orders shall be in writing, signed by the appropriate Team Manager or such other Officer as nominated by him/her and notified to the **S151 Officer**.

D.8 Official orders shall be issued for all work, goods or services to be supplied to the Council except for supplies of public utility service; and for periodical payments such as rent or rates/local tax, for petty cash purchases or such other exceptions as the **S151 Officer** may approve.

D.9 Each order shall conform to the directions of the Council with respect to central purchasing, use of contracts and the standardisation of supplies and materials and be in a form approved by the **S151 Officer** in accordance with Regulation D.2 above.

D.10 Monied invoices and/or delivery notes should, where appropriate, accompany the delivery of goods and the receiving Officer must certify thereon, at the time of delivery, receipt of the goods. Where ordered and delivered by weight or volume the receiving Officer shall make such periodical tests as are necessary to ensure that the quantities charged have actually been delivered.

D.11 All invoices, accounts and claims relating to amounts due from the Council shall be checked in the Service concerned and such checking being indicated by the initials of the examining Officer and certified by

the appropriate Team Managers or such other Officer as nominated by him/her. The number of the official order and the head of expenditure to which it relates must be indicated thereon. Expenditure/income should be coded in accordance with instructions issued by the **S151 Officer**, with VAT appropriately identified in order that the S151 Officer may recover output tax (VAT). A VAT invoice/receipt must be obtained in all appropriate cases.

D.12 The Team Managers concerned shall be responsible for the accuracy of accounts submitted for payment which shall be signed by the Team Managers or authorised Officer in accordance with regulation D.5. The passing of an account for payment by or on behalf of the Team Managers shall mean:

- (a) that the materials have been supplied, the work performed or the services rendered and that they are satisfactory as to quality and correct as to quantity;
- (b) that the price is in accordance with quotations, contract agreement or current market rate whichever is applicable;
- (c) that the account is allocated to the correct expenditure heading;
- (d) that all trade and cash discounts and other proper allowances have been deducted;
- (e) that the account has not been previously paid and that the copy of the official order has been marked off to prevent duplicate payment;
- (f) that the account is arithmetically correct unless a variation has been agreed by the **S151 Officer**;
- (g) that the expenditure is within the Council's legal powers.

NOTE: The passing of an account for payment by a Team Manager or authorised Officer confirms that he/she is satisfied that all necessary steps in the certification procedure have been satisfactorily carried out.

Accordingly, it is for the Team Manager or authorised Officer to recognise the initials of Officers carrying out this preliminary certification procedure as those of Officers who are in a position to satisfactorily perform the work responsibly. It is essential that a minimum of two Officers at least should be involved in the preliminary certifications in order that the Officer certifying that the goods have been supplied or the work done is different from the Officer certifying the remaining items. It is also desirable that the making out of official orders and the entering of goods received records are undertaken by different Officers and that this should be divorced from

the certification of invoices although it is appreciated that this is not always possible in smaller Services. A Team Manager who delegates the certification of accounts should satisfy him/herself that the procedure is operating satisfactorily by signing all accounts personally from time-to-time).

D.13 Before authorising payments to a sub-contractor, as defined by the Inland Revenue, for construction work carried out, the certifying Officer of the Service concerned shall satisfy him/herself that the sub-contractor to whom payment is due is the holder of a valid Sub-Contractors Tax Certificate issued by the Inland Revenue, otherwise tax at the appropriate rate must be deducted as required by any statutory provisions in being at that time.

D.14 Invoices made out by an Officer of the ordering Service and statements unaccompanied by the relative invoices and delivery notes, copy invoices or reminders shall not be accepted as a basis for payment.

D.15 In all cases of purchase of property, the S151 Officer shall be the authorising Officer. When requesting payment he/she shall provide full particulars of the property, the name of the vendor/purchaser, the amount of purchase money, expenses and Minute authorisation. Full particulars of the property purchased shall be entered in the official Register of Properties kept by the S151 Officer.

D.16 Duly certified accounts shall be passed without delay to the S151 Officer who shall examine them to the extent that he/she considers necessary, for which purpose he/she shall be entitled to make such enquiries and to receive such information and explanation as he/she may require.

D.17 The S151 Officer shall be authorised to pay all accounts duly certified in accordance with these regulations. The normal method of payment shall be by cheque, BACS or other instrument drawn on the Council's banking account.

D.18 Each **Head of Service**/Team Manager shall, as soon as possible after 31 March and no later than detailed in the final accounts timetable each year, notify the S151 Officer of outstanding expenditure relating to the previous financial year.

Control of Income

D.19 All arrangements for the collection of monies due to the Council shall be subject to approval by the **S151 Officer** in conjunction with the appropriate Team Manager and the S151 Officer shall set up debits for all items of income due. No such items over £10,000 shall be written off

as irrecoverable unless approved by the **Cabinet**. Any request to forego income shall be subject to written approval of the S151 Officer.

D.20 The Team Managers shall promptly furnish the **S151 Officer** with such particulars in such form as he/she may require in connection with work done, goods supplied or service rendered and all other amounts due to the Council as may be required by him/her to record correctly all sums due to the Council and to ensure the prompt rendering of accounts for the recovery of income due.

D.21 The S151 Officer shall be notified 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 and the S151 Officer shall have the right to inspect any documents or other evidence in this connection as he/she may decide.

D.22 All receipt forms, books, tickets and other such items shall be ordered and supplied to Team Managers by the **S151 Officer**, who shall satisfy him/herself as to the arrangements for their control.

D.23 Each employee who receives monies on behalf of the Council or in the normal course of their duty shall give such acknowledgment and enter up punctually such records as may be approved by the **S151 Officer**. Such income shall be paid to the S151 Officer or direct to the Council's account, either daily or when there is a sum of £100 in hand. Any variation from this procedure shall be subject to the written approval of the S151 Officer. On no account should such monies be paid into the personal account of an employee. No deduction may be made from such money save to the extent that the S151 Officer may specifically authorise. Each Officer who so banks money shall enter on the paying-in slip a reference to the related debt or otherwise indicate the origin of the cheque on the reverse of each cheque, the Officer shall enter the name of his/her Service, office or establishment.

D.24 Personal cheques shall not be cashed out of money held on behalf of the Council.

D.25 Every transfer of official money from one member of staff to another will be evidenced in the records of the Services concerned by the signature of the receiving Officer.

D.26 Post-dated cheques will not normally be accepted. The only formal exception to this rule will be acceptance of a cheque, by the Assistant Senior Exchequer Services Officer, which shall not be dated more than seven working days in advance*. This will only be allowed where the debtor has no previous history of dishonoured cheques. The Assistant Senior Exchequer Services Officer will only accept one cheque per debtor

on each occasion. Such cheques will be recorded and retained by the Assistant Senior Exchequer Services Officer.

In exceptional circumstances, any other requests to accept a post-dated cheque must have the approval of the S151 Officer.

*(This is to allow provision where a debtor is expecting funds to be credited to a bank account during the period it is likely to take to return a cheque and receive replacement.)

D.27 The Chief Executive, Strategic Directors, Heads of Service or Team Managers may in conjunction with the S151 Officer write-off as irrecoverable sundry and other debts not exceeding £10,000. The Chief Executive or Heads of Service may write-off as irrecoverable sundry and other debts not exceeding £25 where these are deemed uneconomical to pursue and cannot be added to a future account. No debts over £10,000 shall be written off as irrecoverable without the approval of **Cabinet**.

NOTE: Outstanding debts will still be pursued after write-off should information be received which indicates that there is a possibility that the debt can be recovered.

D.28 The Chief Executive, Strategic Directors or Heads of Service may, in conjunction with the **S151 Officer**, write-off as non-refundable credits on accounts not exceeding £10,000. The Chief Executive or Heads of Service may write-off as non-refundable credits on accounts not exceeding £25 where these are deemed uneconomical to pursue and cannot be deducted from a future account. No such items over £10,000 shall be written off as non-refundable without the approval of the **Cabinet**.

6. **Financial Regulation E: External Arrangements**

Introduction

E.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.

Partnerships, Joint Ventures and Companies in which the Council is a Guarantor or has a Share Holding Interest

E.2 The **Cabinet** is responsible for approving delegations, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

- E.3 The **Cabinet** can delegate functions - including those relating to partnerships - to Officers. These are set out in the **Officer Scheme of Delegation** that forms part of the **Constitution**. Where functions are delegated, the Cabinet remains accountable for them to the **Full Council**.
- E.4 The **Monitoring Officer** is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.
- E.5 The **S151 Officer** must ensure that the accounting arrangements to be adopted relating to partnerships, joint ventures and companies are satisfactory. He/she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He/she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.6 Team Managers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies. Where it is proposed that the Council be involved in an arrangement of this nature the appropriate Officer will first consult with the **S151 Officer** and the **Monitoring Officer** on the proposals.
- E.7 The **S151 Officer** is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- E.8 Further to Regulation E.7 unless secure arrangements are put in place to Financial Regulations and this shall be stated in any such contracts. the contrary, any such arrangements will comply with the Council's