

## **Part 4 – Rules**

### **Chapter 2 – Financial Regulations and Rules**

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## **Introduction**

In order to conduct itself efficiently, effectively and in accordance with good corporate governance, the Council needs to establish and adhere to financial management policies and this entails the establishment of financial regulations and rules which lay down the procedures to be followed by officers in discharging their financial duties.

The Financial Regulations and Rules are the framework within which the financial affairs of the authority operate. They set out and govern the way the Council undertakes financial planning, risk management and control processes, budget management, budgetary control and statutory year-end processes.

Any failure to comply with these rules constitutes misconduct and will be followed by disciplinary action as appropriate. Significant non-compliance will be gross misconduct and is likely to lead to dismissal.

The regulations provide clarity about the overarching financial accountabilities and responsibilities of individuals, including the Assembly, Cabinet, the Chief Financial Officer, Strategic Directors, Directors and Managers, and provide a framework for decision-making. Where there are specific statutory powers and duties, the Financial Regulations seek to ensure these are duly complied with, as well as reflecting best professional practices and decisions of the Council.

The Financial Regulations and Rules also govern the way the day-to-day financial administration and financial controls are conducted and exercised. They set out the standards to ensure that the Council's resources are used wisely and for the purposes intended, ensure the best practice for dealing with financial matters, improve value for money, service delivery and customer satisfaction and to secure the financial standing of the Council.

These regulations should be read in conjunction with all other financial policies of the Council including the Contract Rules, the Officer Scheme of Delegation, the Articles relating to the role of committees and the Employees' Code of Conduct included in the Council Constitution.

The regulations apply to all activities of the Council. In practice, this means all monies and funds administered by Council officers by virtue of their office. This includes the authority's direct service and trading organisations within the internal market and funds managed on behalf of third parties such as the superannuation fund and private school funds. Academies and Free Schools have their own financial regulations.

External providers (outsourced services, contractors and consultants for example) are managed through the contract process. The contract document will set out the financial requirements. This will include for example, compliance with key control procedures, generation of service performance statistics, attendance at service client meetings and access to accounts.

The regulations apply to all staff and Members of the Council. However, the prime audience consists of Members, Strategic Directors, Chief Financial Officer, Monitoring Officer, Directors, delegated budget holders and all staff working in Human Resources, Payroll, Payables, Receivables and Finance.

It is the responsibility of Strategic Directors to ensure that all employees with financial responsibilities are made aware of and have access to these regulations and rules.

The Chief Financial Officer is responsible for maintaining a regular review and update of these Regulations. The Finance Managers, the Deputy Chief Financial Officer, or the Chief Financial Officer should be contacted if further advice, clarity and support are required in the application of the Financial Regulations and Rules.

Interpretation – please refer to Appendix A

### **Section 1: Roles and Responsibilities**

Sound financial planning, management and administration are essential in order to:

- ensure and maintain the effective use of resources to achieve agreed service standards;
- provide complete, accurate and transparent accounts that demonstrate accountability to the public;
- comply with legal and corporate accounting requirements;
- ensure the appropriate use and security of financial and physical assets;
- help the Council provide value for money services and conduct its affairs in an efficient, effective and economic manner.

Members and officers of the Council shall carry out their roles in line with the key areas of responsibilities and associated specific financial procedure rules set out below.

<b>Roles, Responsibilities and Accountability</b>	
<b>Assembly</b>	The Assembly is responsible for adopting the Authority's Constitution and Councillor' code of conduct, and for approving the policy framework and budget within which the Cabinet operates.
<b>Cabinet</b>	The Cabinet is responsible for: <ol style="list-style-type: none"><li>1. the regulation and control of the finances of the Council, and for discharging executive functions in accordance with the policy framework and budget;</li><li>2. the approval of draft estimates for submission to the Assembly, and for monitoring financial performance throughout the year. The Cabinet shall also submit recommendations to the Assembly for the levying of general or special rates or taxes.</li></ol>
<b>Select Committees</b>	Select Committees are responsible for scrutinising any aspect of the finances of the Council, including monitoring and challenging the decisions of the Cabinet. They scrutinise executive decisions, before or after they have been implemented, and for holding the Cabinet to account.

<b>Roles, Responsibilities and Accountability</b>	
	<p>The Public Accounts and Audit Select Committee (PAASC) is an advisory body incorporating the Council’s audit function and reports to Assembly. It is responsible for providing independent assurance of the risk management framework and the associated systems of internal control. It provides scrutiny of financial and non-financial performance, and oversees the financial reporting process. It also has a specific responsibility to maintain an overview of the Council’s Constitution in respect of contract procedure rules and Financial Regulations and Rules.</p>
<p><b>Head of Paid Service (Chief Executive)</b></p>	<p>The Head of Paid Service is responsible for:</p> <ol style="list-style-type: none"> <li>1. the corporate and overall strategic management of the authority as a whole and the establishment of a framework for management direction, style and standards;</li> <li>2. securing a process for resource allocation that ensures due consideration of national policy and corporate priorities;</li> <li>3. ensuring arrangements are in place to monitor, manage and measure the performance of the Council.</li> </ol> <p>He or she must report to and provide information to Cabinet, the Assembly, and other Committees.</p>
<p><b>Monitoring Officer (Director of Law and Governance)</b></p>	<p>The Monitoring Officer is responsible for:</p> <ol style="list-style-type: none"> <li>1. promoting and maintaining high standards of financial conduct;</li> <li>2. reporting any actual or potential breaches of the law or mal-administration to the Assembly and/or Cabinet;</li> <li>3. ensuring that procedures for recording and reporting key decisions are operating effectively;</li> <li>4. ensuring that executive decisions and the reasons for them are made public;</li> <li>5. advising all councillors and officers about who has authority to take a particular decision;</li> <li>6. advising the Cabinet or Assembly about whether a decision is likely to conflict with the Authority’s policy framework or budget;</li> <li>7. for maintaining an up-to-date constitution.</li> </ol>
<p><b>Chief Financial Officer (Chief Operating)</b></p>	<p>The Chief Financial Officer is the Officer responsible for the proper administration of the Council’s financial affairs under Section 151 of the Local Government Act 1972, and Sections 112-114 of the Local Government Finance Act 1988.</p>

<b>Roles, Responsibilities and Accountability</b>	
<b>Officer)</b>	<p>The Chief Financial Officer has a duty under Section 114(2) of the Local Government Act 1988 to make a report if it appears that the Council, Cabinet, or any Committee has carried out a decision which (a) involves the Council incurring expenditure which is unlawful, or (b) involves a course of action which if pursued would be unlawful and likely to cause a loss or deficiency to the Council.</p> <p>The Chief Financial Officer has a duty under Section 114(3) of the Local Government Finance Act 1988 to make a timely report (in consultation with the Chief Executive and the Monitoring Officer) to every Member where it appears that the expenditure incurred or likely to be incurred in a financial year exceeds resources available to meet the expenditure.</p> <p>The Chief Financial Officer's responsibilities are:</p> <ol style="list-style-type: none"> <li>1. to ensure the co-ordination and integration of service planning, financial planning, asset management, value for money and corporate governance;</li> <li>2. to ensure that the Council's financial arrangements secure the proper stewardship and control of all public funds;</li> <li>3. to provide financial advice, information and support so that resources are managed effectively in delivering the Council's services;</li> <li>4. to set corporate financial management standards and agrees with Directorates detailed procedures to meet these standards;</li> <li>5. to ensure that there is an adequate internal audit and control;</li> <li>6. to approve financial systems or proposals to introduce new processes or systems (including IT systems) to ensure sound financial controls;</li> <li>7. to maintain the Council's principal accounting records and prepares the Council's annual statement of accounts;</li> <li>8. to provide information and financial returns to external bodies;</li> <li>9. to prepare the revenue budget and capital programme;</li> <li>10. treasury management and banking.</li> </ol>
<b>Strategic Directors</b>	<p>Each Strategic Directors' responsibilities are:</p> <ol style="list-style-type: none"> <li>1. to observe the Council's Financial Regulations, monitoring financial performance within their department and managing the service within the available budget and to clearly understand the consequences of a lack of control;</li> </ol>

<b>Roles, Responsibilities and Accountability</b>	
	<p>2. to ensure that any expenditure incurred within their service is in accordance with both the purpose and objectives of the services being provided. Expenditure must not be incurred or charged to any budget where such expenditure bears no relation to the service being provided;</p> <p>3. to establish standards of internal control and through their senior management team, ensure the proper identification and cost effective management of financial risk; to plan and maintain the effective use of resources to achieve agreed service delivery standards, take or recommend actions where necessary to stay within, or less than, the agreed budgets set by Council;</p> <p>4. to achieve and demonstrate value for money for commissioned and provided services;</p> <p>5. to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Strategic Director’s behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority;</p> <p style="padding-left: 40px;">Each Strategic Director, or failing them, the Chief Financial Officer, shall report to the Cabinet immediately where they are not complying with these Rules.</p> <p>6. the control and accountability of employees and the security, custody and control of all of the resources, including plant, buildings, materials, cash and stores, appertaining to his/her department.</p> <p>7. to operate processes to check that established controls are in place and evaluate their effectiveness and ensure that Budget Holders have effective procedures for safeguarding the Council’s resources;</p> <p>8. to identify the short, medium and long term financial implications of policy, legislative requirements and service standards;</p> <p>9. to establish clear accountabilities for all managers that include objectives of and responsibility for systems and information;</p> <p>10. to ensure all their staff understand and comply with Finance Regulations and Rules, Contract Rules, Council policies and directorate departmental instructions; and</p> <p>11. to ensure that all employees understand and have access to a copy of the Council’s Fraud and Corruption Policy and Strategy</p>

<b>Roles, Responsibilities and Accountability</b>	
	<p>and associated guidance. Where fraud or corruption is suspected, Strategic Directors must immediately report this to the Group Manager (Audit and Counter Fraud team).</p> <p>Each Strategic Director shall consult the Chief Financial Officer on any matter which is liable to materially affect the finances of the Council before any form of commitment is incurred and before reporting the matter to the Cabinet.</p> <p>Each Strategic Director shall consider the financial effects of new policy and changes in service delivery, and ensure that all reports contain appropriate financial implications agreed with the Chief Financial Officer.</p>
<b>Directors / Budget Holders</b>	<p>Each Director and Budget Holder will:</p> <ol style="list-style-type: none"> <li>1. determine the appropriate level of control within their areas of responsibility in accordance with advice and guidance provided by the Chief Financial Officer, their Directors and the Council’s auditors;</li> <li>2. monitor compliance within these regulations, policies and instructions;</li> <li>3. be accountable for planning and maintaining effective and efficient use of resources to achieve agreed service delivery standards within, or less than, the agreed budgets set by Council;</li> <li>4. clearly understand the consequences of a lack of control and compliance;</li> <li>5. ensure all their staff understand and comply with Finance Regulations and Rules, Contract Procedure Rules, Council policies and directorate departmental instructions; and have access to a copy of the Council’s Fraud and Corruption Policy and Strategy and associated guidance;</li> <li>6. identify the short, medium and long term financial implications of policy, legislative requirements and service standards;</li> <li>7. achieve and demonstrate value for money for commissioned and provided services, plan service developments and take or recommend actions where necessary to stay within agreed budgets set by the Council;</li> <li>8. ensure all staff have effective procedures for safeguarding the Council’s resources; and</li> </ol>



<b>Roles, Responsibilities and Accountability</b>	
	<p>9. operate processes to check that established controls are in place and evaluate their effectiveness.</p>
<b>All Employees</b>	<p>All employees have a responsibility to follow Finance Regulations and Rules, Contract Rules, Code of Conduct, Council policies and directorate instructions.</p> <p>Employees must ensure the Council resources are only used in carrying out the business of the Council and help the Council achieve open and honest administration by supporting approved fraud prevention strategies and avoiding potential conflicts of interest.</p> <p>Under no circumstances must employees use Council resources or assets for their personal benefit.</p> <p>Employees must not allow any personal debt owed to the Council to become unmanaged. Personal debt includes, but is not limited to, rent arrears, Council Tax arrears, arrears arising for leaseholder agreements with the Council, employee loan arrears or employee leasing arrangements. Where any such arrears have been accrued prior to employment with the Council and are still outstanding, employees should undertake to clear those arrears within an agreed and reasonable period of time.</p> <p>All employees have a responsibility to assist the Council’s audit processes, to keep accurate and comprehensive records to support the transactions undertaken on the Council’s behalf and to report to their Strategic Director any occasions where they believe that Finance Regulations and Rules, Contract Procedure Rules, Council Policies or Directorate instructions are not being followed, or where the resources are at risk.</p>
<b>Internal Audit and Risk Management Services</b>	<p>To provide advice to management on the operation of financial controls to prevent fraud, material errors and misappropriation of funds, to investigate any suspected irregularities and management of risk. These Services will conduct independent reviews of Directorate internal control arrangements and will report non-compliance with the Council’s Finance Regulations and Rules, and Scheme of Delegation.</p>
<b>External Auditors</b>	<p>The external auditors will report on whether the Council’s accounts and statements present a true and fair view of the Council’s financial position.</p>

## **Section 2: Financial Planning**

Each year the Council is required to produce a Medium Term Financial Strategy (MTFS) to provide a framework for the Council to plan and manage the way resources are allocated and spent over the next three year period, to meet the Council's objectives and to secure value for money. It therefore supports and guides the Council's annual budget setting process, the corporate planning process including the external environment expected to be faced over the next three years, and facilitates effective service delivery.

The budgets reflect Council priorities and give authority to delegated budget holders to incur expenditure to meet service standards and targets.

In order to ensure a consistent approach across the Council, the Chief Financial Officer stipulates the detailed form and procedures relating to the development of the Medium Term Financial Strategy, revenue and capital budgets by the issue of standard formats (including timetables, information requirements and challenge processes).

Strategic Directors and Directors shall prepare their reports to these standards. They will take into account the need to demonstrate the value for money, efficiency and effectiveness of current services and proposals for change, the policy choices available to the Council and service impact on national and local policy priorities including the implementation of statutory requirements, the risk and opportunities in implementing changes and the impact of proposals in the short, medium and long term.

The Chief Financial Officer shall present the Council's revenue and capital estimates (draft budget) to Cabinet for approval as part of the budget and Medium Term Financial Strategy process. The draft budget is to be submitted to and considered by Cabinet at its meeting in December, and then again with any amendments incorporated, at its meeting in February. The final draft budget is then to be approved and adopted by Assembly at its meeting in late February prior to the financial year.

### Key Timescales\*:

- |   |                   |
|---|-------------------|
| • Submission of savings proposals                   | August/ September |
| • Select Committee Scrutiny of Savings options      | October/ November |
| • Cabinet consideration of draft budget report      | February          |
| • Cabinet approval of Fees & Charges                | February          |
| • Cabinet approval of Budget and Council Tax Report | February          |
| • Assembly approval of Budget                       | February          |
| • Publication of Council Tax leaflet                | February          |
| • Circulation of Budget Book to Budget Managers     | March             |

\* These timescales were correct for the 2012/13 budget process and are indicative for all other years (and can be overridden by guidance from Corporate Finance).

## **2.1 Annual Revenue Budgets**

- 2.1.1 The general format of the budget will be approved by the Council and proposed by the Cabinet on the advice of the Chief Financial Officer. The draft budget should include indicative cash limits to different services and projects including proposed contingency funds.
- 2.1.2 All Strategic Directors are responsible for submitting bids to Corporate Finance to meet the departmental savings target set by Cabinet on the advice of the Chief Financial Officer.
- 2.1.3 Estimates of revenue income and expenditure for the current year revised budget and the following year base/original budget shall be prepared by Strategic Directors in consultation with the Chief Financial Officer in accordance with any financial plan(s) approved by the Assembly.
- 2.1.4 Budgets shall reflect Council priorities and give authority to Budget Holders to incur expenditure to meet service standards and targets.
- 2.1.5 The Chief Financial Officer shall collate the estimates and submit them for approval to the Cabinet for submission to the Assembly.
- 2.1.6 The Public Audit & Account Select Committee (PAASC) is responsible for reviewing and providing scrutiny on the draft budget ahead of it going to Cabinet.
- 2.1.7 Finally, on the advice of the Chief Financial Officer, the budget will be proposed by Cabinet and approved by the Assembly. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

## **2.2 Capital Budgets**

- 2.2.1 The Chief Financial Officer shall undertake an annual review of the medium term capital programme and consequential revenue implications for inclusion in the Medium Term Financial Strategy. This review shall take into account the ongoing need for a scheme with particular focus on cost, benefits and risk assessments.
- 2.2.2 Guidance for the preparation of the Capital Programme including the need for a full project appraisal shall be issued by the Chief Financial Officer.
- 2.2.3 Proposals for new capital schemes for the following financial year and future three years shall be prepared by Strategic Directors in consultation with the Chief Financial Officer in accordance with any financial plans of the Council. The Programme will then be reported to the Cabinet for submission to the Assembly.
- 2.2.4 The Programme shall include all schemes which are within the definition of prescribed capital expenditure, and shall show:
  - i. Existing schemes for the period of the programme;

- ii. New schemes to be started in the period of the Programme;
- iii. The estimated capital expenditure which will arise on each new scheme and the relevant form of funding; and
- iv. Slippage on schemes in progress but not expected to be completed in the current year.

2.2.5 Project appraisals for capital schemes (together with any supporting information) are to be submitted to the relevant Group Finance Manager, who will liaise with Corporate Finance. All proposed projects will be subject to assessment by the Options Appraisal Group prior for inclusion in the Programme. The appraisal process will consider options analysis, funding and costs of the project, associated revenue costs, legal, procurement implications and key risks. Once an initial appraisal has been carried out, a report can be presented to Cabinet approving the scheme. After Cabinet approval has been given, a detailed appraisal process must be undertaken; including a detailed risk register, health and safety assessment, procurement strategy and an Equalities Impact assessment prior to capital works commencing. Funding received for schemes without adequate project appraisal will be recorded and notified to Cabinet as part of the monthly resource monitoring report as *'Funding with projects being developed.'*

2.2.6 A delegated authority form is required before Contractors can be engaged and this form must be signed off by the Project Manager, the Project Sponsor, the relevant Strategic Director, Procurement and Corporate Finance. The delegated authority form details the reason for the project, the options considered, the Cabinet approval date, funding available, the contractor selected and the value of the contract awarded.

2.2.7 Capital expenditure shall only be incurred in accordance with the approved Capital Programme. The Chief Financial Officer shall be responsible for defining whether expenditure is classed as capital or revenue.

2.2.8 All capital receipts shall be pooled unless otherwise agreed by the Cabinet, for example, to contractual obligations or reduce any set aside of capital receipts or where legislation requires a different approach.

#### 2.2.9 Departmental Borrowing

Where there is insufficient external funding for a capital project, departmental borrowing can be used where the project is expected to generate sufficient savings to cover the costs of borrowing. The funding sources will be recorded on the capital programme once the project has been approved.

The cost of borrowing constitutes two elements; the Minimum Revenue Provision (MRP) and Interest. The costs will be calculated as follows:

- MRP will match the actual MRP charge using the approved basis in the Treasury Management Strategy (currently straight line basis over the life of the asset although this may be reviewed for 2014/15);

- The interest charge will also be the same each year and will be the total departmental borrowing multiplied by the interest rate;
- The interest rate will equal the Public Works Loan Board (PWLB) rate of an Equal Instalments of Principal (EIP) loan as at 1st April in the year after the asset become operational with a term equal to that of the asset's life.

Although the actual interest charged will be greater than a normal EIP loan the fact charges are not incurred until the asset becomes operational will in part offset this. Additionally, the complexity of varying the interest charges would be impractical.

Arrangements for charging departments with the costs of departmental borrowing are set out below:

- Borrowing costs are charged the year after the asset becomes operational;
- Budgets to cover the borrowing costs will be transferred by departmental finance and copies provided to Corporate Finance once Corporate Finance have circulated the charges and central codes to use; and
- Budgets will have to be set based on estimated departmental borrowing as final financing figure will not be known until year-end. As such a further in year budget transfer maybe required to match actual outturn. This demonstrates a clear relationship between project cost and revenue implications.

#### 2.2.10 Minimum Revenue Provision

Local authorities are required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing.

The Council currently uses the Equal Instalment Method to calculate its Minimum Revenue Provision (MRP) which is given by the following formula:

$$\frac{A - B}{C}$$

where:-

- A** is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements;
- B** is the total provision made before the current financial year in respect of that expenditure;
- C** is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

### 2.3 Reserves and Provisions

- 2.3.1 The Chief Financial Officer is responsible for recommending to the Cabinet the adequate level of unallocated General Fund and HRA Reserves, the Reserves

Strategy and any limitations or conditions on the use of such unallocated reserves.

2.3.2 The Chief Financial Officer is responsible for recommending to the Cabinet the adequate level of specific provisions and earmarked reserves including the decision-making and authorisation processes for the use of those provisions and reserves.

### **Section 3: Financial Management**

A key component of good financial management is to ensure that the revenue, capital and balance sheet accounts are reviewed regularly throughout the year, not just at year end. The first building block for good financial management is strong stewardship.

Sound financial management and control is important to:

- ensure expenditure incurred within services is in accordance with both the purpose and objectives of the approved budgets, in line with Council priorities and to manage the delivery of services within the available budget;
- early detection of financial risks and implications that may impact on the financial strength and stability of the Council and to implement appropriate remedial actions; and
- facilitate the delivery of value for money services.

Budgetary control allows the Council to review and adjust its budget targets during the financial year, ensuring the accountability of budget holders against their allocated budgets. Identifying and justifying variances between budgets and year-end forecast and highlight changing trends and resource requirements, enabling efficient management of surpluses and deficits.

#### **Budget Monitoring**

Budget monitoring will be carried out and reported to the Cabinet on a monthly basis that taking into account the advice of the Chief Financial Officer will make any appropriate recommendations to steward the budget in a direction consistent with agreed spending objectives.

Strategic Directors, Directors and delegated budget holders are accountable for spending within budget, reporting any variations and implementing the action proposed to correct variances.

Directors and delegated budget holders must regularly monitor actual income and expenditure against all budgets they are responsible for and ensure that all budget targets are achieved. This includes:

- projection of likely future income and expenditure in order to identify any material potential over or under spends;
- take corrective action without delay and, if action beyond their authority is required, report to their Director immediately; and
- report any material variances from income and expenditure budgets to Corporate Finance, including any impact on future years so that appropriate actions can be taken to contain, reduce or eliminate projected over or under spend.

### **3.1 Revenue Budget Monitoring**

1. Strategic Directors, Directors and delegated budget holders are responsible for monitoring their budgets, and must take appropriate action to ensure they do not exceed their budget for any one financial year.
2. On a monthly basis, Strategic Directors will meet with the Chief Financial Officer with budget monitoring reports to be submitted to Cabinet, setting out the overall financial position of each service and the current projected year-end outturn together with corrective actions as necessary.
3. Where it appears that an approved revenue budget (defined as the individual CIPFA summary subjective analysis for each service, as shown in the annually approved budget book) will overspend by £50,000 or 5% of the Gross Budget (whichever is the smaller), the responsible Strategic Director will notify the Chief Financial Officer and relevant Portfolio Holder, report to Cabinet and immediately take steps to rectify the situation.
4. Where a Service is forecasting an overall net overspend of £250,000, then this should culminate in an action plan to Cabinet, which sets out proposals for offsetting it, together with an assessment of the impact these corrective actions will have on service delivery and performance targets.
5. If an overspend in excess of £250,000 is forecast, then in addition that Strategic Director must notify the Chief Financial Officer and submit an action plan. Strategic Directors must also advise whether the problem relates solely to the current financial year or is a recurring pressure.
6. Where a particular Service has (or is projecting to have) an unspent balance, the relevant Strategic Director must apply to the Cabinet if they wish to earmark these savings for a planned purpose in the next financial year. The Cabinet may agree the use of any under spending, subject to the advice of the Chief Financial Officer as to the overall financial position of the Council.

### **3.2 Revenue Budget Virement/ Adjustment**

Budgets may be transferred within the year using a budget virement or budget adjustment. In both cases, advice must be sought from Corporate Finance before the transfer is agreed.

### 3.2.1 Revenue Budget Virement

A budget virement is a transfer of a budget from the purposes for which Council originally agreed in setting the budget and Council Tax to another purpose.

Following approval of the annual budget, Officers may approve virements in accordance with the delegations and limits set out below.

	<b>Revenue Budget Virement</b>	<b>Officer with Delegated Authority</b>
1.	<b>Within own Directorate:</b>  Up to £100,000  Up to £200,000	Directors with budget responsibility in consultation with the Strategic Director and Group Finance Manager.  Strategic Director in consultation with the Chief Financial Officer.
2.	<b>Cross Directorate</b>  Up to £200,000	Relevant Strategic Directors in consultation with the Chief Financial Officer.
3.	<b>Reserves</b>	None. All virements to and from Reserves must be approved by Cabinet

Virements for greater amounts and all supplementary estimates must be approved by the Cabinet. Virements must not be fragmented to circumvent these rules.

Each virement request must indicate whether the virement is permanent (i.e. affect current and future years' budgets) or one-off for the current financial year only.

The virement must be recorded in the Council's financial system.

Virement is permitted from the revenue budget to the capital budget but not from the capital budget to the revenue budget.

All virements to and from Reserves must be approved by Cabinet

### 3.3 Carry Forward of Revenue Budgets from One Year to the Next

With the prior written approval of the Chief Financial Officer, Strategic Directors may request for underspends on revenue expenditure of £50,000 per Director to be carried from one financial year to another. Any carry-



forward exceeding £50,000 per Director in the aggregate requires the approval of the Cabinet, which may also require any overspend to be carried forward.

Only underspends arising from delayed spending of funding received for specific purposes may be carried forward if such underspend was as a result of factors beyond management control or where the Council will suffer a financial loss.

Carry forward may not be allowed if the Directorate's total budget or the total budget of the Council is overspent at year-end. The first call on any underspend is to rectify the overall financial position.

### **3.4 Capital Monitoring**

1. Before expenditure can commence on any individual scheme within the Capital Programme, the approval of the Cabinet and the Options Appraisal Panel will be required.
2. If an approved capital scheme is forecast to overspend then the relevant Strategic Director must notify the Chief Financial Officer, and also present options for offsetting the overspend.
3. The de minimis level for capitalisation of assets is set at:
  - £6,000 for vehicles;
  - £20,000 for all other expenditure, including schools.

Related assets may be grouped together to exceed the de-minimis level where individually they would not. Examples include expenditure on an IT project or bulk buying of wheeled bins.

### **3.5 Capital Budget Virements**

Capital Virements: Transfers of any amount between schemes over £100,000 (aggregated) must be approved by Cabinet. Transfers between schemes up to £100,000 can be made by Directors with budget responsibility, in consultation with the Strategic Director and Chief Financial Officer. If transfers to/from any particular scheme are £100,000 or above, approval is needed by Cabinet.

Capital re-profiles: Subject to there being no additional funding requirement and no revenue or capital cost implication arising from such a re-profiling then delegated authority is given to Strategic Directors in consultation with the Chief Financial Officer to re-profile the capital budget of a scheme up to a value of £500,000. A series of smaller re-profiles must not be carried out in order to circumvent the total.

In order to ensure there is focus on delivery of projects on time and to budget, changes to the capital programme for virements and re-profiles will usually be made at one of three occasions during the financial year:

- February - as part of the MTFs process;
- May – as part of the Final Outturn report; and

- November – as part of the Month 6 Budget Monitoring report.

Changes may occur at other occasions if events occur outside the control of officers e.g. late confirmation and release of funds by a school extending an existing scheme. Such changes will be exceptional and not a matter of course.

### **3.6 Use of Contingency**

The contingency as set in each year's budget may be called upon by Strategic Directors in consultation with the Chief Financial Officer, for individual items of expenditure of up to £100,000, in excess of which will require Cabinet approval.

### **3.7 Financial Advice**

- 3.7.1 The advice of the Chief Financial Officer must be sought regarding any matter which could materially affect the finances or financial systems of the Council before any commitment is made.
- 3.7.2 Strategic Directors shall ensure the early and continuous involvement of the Finance and Legal functions in proposals leading to reports to Members and in particular large, complex or sensitive proposals. The Chief Financial Officer and the Monitoring Officer must be consulted on any reports to Members in accordance with the Council's established report clearance procedures. The Chief Financial Officer and/ or the Monitoring Officer has the right to withdraw any report where notice has not been given or the full financial and/or legal implications cannot be provided in the timescale available.

## **Section 4: Closure of Accounts**

The Chief Financial Officer is responsible for making arrangements for closing the accounts and producing the annual Statement of Accounts, including all matters relating to their audit and public inspection.

Each Strategic Director is responsible for ensuring that they and their staff adhere to the instructions and timetable requirements set out by Corporate Finance to enable the closure of accounts.

Each Strategic Director / delegated budget holder shall, as soon as possible after the 31 March in each year, notify the Chief Financial Officer of all outstanding expenditure (creditors), income (debtors), payments in advance (PIA), and receipts in advance (RIA) relating to the previous financial year.

Each Strategic Director / delegated budget holder must provide on time any information and evidence (working papers) the Chief Financial Officer requires to produce the Statement of Accounts; complete claims for external funding; and to produce records to meet external audit requirements.

The Statement of Accounts will be prepared in accordance with the CIPFA Code of Accounting Practice, which includes the timescales for its production, and the requirement to produce an Annual Governance Statement (AGS).

The Annual Audit Letter presents the audit opinion of the accounts, as well as comments and recommendations on the Council's financial standing, the legality of financial transactions and internal control. This will be reported to the Public Audit & Account Select Committee (PAASC) each year, with an appropriate management action plan.

#### Key Timescales\*

○ Outturn report to Cabinet – provisional	mid/late May
○ Outturn report to Cabinet – final	mid/late June
○ Statement of accounts issued to PAASC	end of June
○ Deadline for approval of accounts	end of June
○ PASSC acting as the Council's Audit Committee approve final accounts	mid September
○ Accounts signed by external auditors	end of September
○ Accounts issued for publication	end of September

\* These timescales are correct for the 2013/14 closure of accounts and are indicative for all other years (and can be overridden by guidance from Corporate Finance).

## **Section 5: Risk Management & Control of Resources**

### **5.1 Internal Control**

Internal control refers to the aspects of systems and processes 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 safeguards the Authority's assets and interests by the prevention and/or detection of error and fraud.

The Chief Financial Officer should ensure that the financial management of the authority is adequate and effective; and that there is a sound system of internal control. The internal controls need to facilitate the effective exercise of the Council's actions and include the arrangements for managing risk.

Each Strategic Director is ultimately responsible for the internal controls and risk management arrangements within their service. Internal Audit support this through delivery of its Annual Audit Plan, designed to give independent assurance on the internal control and risk management arrangements of the Council.

### **5.2 Internal Audit**

5.2.1 Under the Accounts and Audit Regulations 2011 the Council has a statutory obligation to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The Group Manager

(Internal Audit and Corporate Fraud team) has the delegated authority for providing and maintaining this service.

5.2.2 An annual review will be conducted into the effectiveness of Internal Audit which will be considered by the Public Accounts and Audit Select Committee (PAASC). Such a review will form part of their annual review of the effectiveness of the overall system of internal control and reported in the Annual Governance Statement.

5.2.3 The Group Manager (Internal Audit and Corporate Fraud team), and their nominated officers, shall have authority to:

1. enter at all reasonable times into Council operational premises or onto Council land, (this can also that of the Council's supplies and contractors where permitted by the contract agreement);
2. have access to all records, documents and correspondence relating to any financial or other transactions of the Council;
3. require such explanations as are necessary concerning any matter under examination; and
4. require any employee of the Council to produce cash, stores or any other Council property under his control.

### **5.3 Fraud, Corruption, and Theft**

5.3.1 Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds. Accordingly, the Council maintains an effective system of prevention and detection of fraud, corruption, and theft and associated policies.

5.3.2 The primary responsibility for the prevention, detection, and deterrence of fraud, bribery or money laundering activity lies with each Strategic Director. However, all Council employees have a duty to act to prevent and report occurrences of fraud and theft. This is supported by the Corporate Anti-Fraud Team through its proactive, preventative and reactive work.

5.3.3 Managers should immediately inform the Group Manager (Internal Audit and Corporate Fraud team) in any case where fraud/irregularity is suspected, who shall in turn recommend what appropriate investigations are required to the Chief Financial Officer.

### **5.4 Risk Management**

5.4.1 The Cabinet is responsible for approving the Authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. Cabinet is also ultimately responsible for ensuring that proper insurance exists where appropriate.

5.4.2 The Chief Financial Officer is responsible for the Authority's risk management policy statement and for promoting it throughout the Council.

- 5.4.3 Strategic Directors are responsible for maintaining risk registers in accordance with the Risk Management policy and framework, issued by the Council's Risk Manager. Strategic Directors will regularly review the risks and advise the Council's Risk Manager appropriately of any material changes as they arise.
- 5.4.4 All managers are responsible for managing risk, including taking action to mitigate the occurrence of the risk, and for maintaining contingencies (including a business continuity plan) should the risk actually materialise. Managers will need to take into account the matrix rating of the risk and the costs of any mitigating action.
- 5.4.5 Risk Management and effective Corporate Governance require the management of all types of risk, financial and non-financial.
- 5.4.6 All risks should be identified on a 'likelihood / impact' matrix, where each is assessed in terms of having a low, medium or high likelihood and severity, by quantifying the financial impact where possible.
- 5.4.7 The Council has a whistleblowing scheme, which all staff should be made aware of by their Manager /Strategic Director and actively encouraged to use when appropriate.

## **5.5 Insurances**

- 5.5.1 The Chief Financial Officer shall effect and periodically review all insurance cover in consultation with other Strategic Directors who shall provide such information as may be required.
- 5.5.2 Strategic Directors shall promptly notify the Chief Financial Officer of all new risks and any alterations, terminations, loss or liabilities that affect existing insurances.
- 5.5.3 Strategic Directors should also inform the Group Manager (Risk and Insurance) of any losses as soon as possible.
- 5.5.4 Strategic Directors shall consult the Chief Financial Officer in respect of the terms of any indemnity which the Council is required to obtain or provide.

## **5.6 Security**

- 5.6.1 Each Strategic Director is responsible for maintaining security at all times for all Council property, stocks, stores etc. under his/her control. He/she shall consult Group Manager (Audit and Counter Fraud team) in any case where security is thought to be defective or where special arrangements may be needed.
- 5.6.2 Maximum limits for cash holding shall be agreed with Group Manager (Internal Audit and Corporate Fraud team) and shall not be exceeded without express permission.
- 5.6.3 Keys to safes and other similar receptacles must be kept in a secure place or carried by a responsible person at all times. Any loss of keys must be

reported to the Group Manager (Internal Audit and Corporate Fraud team) as soon as possible.

- 5.6.4 Each Strategic Director will be responsible for the privacy and security of all information held or accessed by computer equipment within his/her department in accordance with Data Protection and Information Governance best practice. The Chief Financial Officer is the Council's Senior Information Risk Officer (SIRO) for the organisation, and will ensure compliance with the Information Governance Statement of Compliance (IGSOCC).

## **5.7 Banking and Cash**

- 5.7.1 Bank accounts may only be opened with the prior approval of the Chief Financial Officer. If this prior approval is not given, the Council's Bankers will report the matter to the Council and disciplinary action is probable.
- 5.7.2 Bank accounts may only be overdrawn with the prior approval of the Chief Financial Officer. Approval will be on an exceptional basis only. If this prior approval is not given, the Council's Bankers will report the matter to the Council and disciplinary action is probable.
- 5.7.3 The Chief Financial Officer must approve all banking and card acquiring arrangements across the Council.

## **5.8 Imprest Accounts and Petty Cash**

- 5.8.1 In conjunction with corporate policy, the use of Purchasing Cards (P-cards) is to be used across the Council where possible in order to minimise the use of cash. The Oracle based i-expenses system is also to be used wherever possible by staff for the reimbursement of personal expenses incurred whilst undertaking Council business.
- 5.8.2 The Chief Financial Officer shall provide such Imprest Accounts as he/she considers appropriate. These are to be used on the few occasions when P-cards and i-Expenses are not possible.
- 5.8.3 There should be regular reimbursement of the petty cash up to an Imprest level, and the holder must ensure there is adequate physical security of the cash.
- 5.8.4 No income received on behalf of the Council may be paid into an Imprest Account but must be banked or paid into the Authority promptly, in accordance with these Rules.
- 5.8.5 Payments shall be limited to minor items of expenditure and such other specific payments as the Chief Financial Officer may approve and shall be supported by a receipt. This excludes the payment of salaries and wages. No individual item purchased on petty cash shall exceed £50 in value and the total of any petty cash transaction shall not exceed £100 without the Director's prior approval to individual payments or to specific areas of payment.

5.8.6 An employee responsible for an Imprest Account shall provide the Chief Financial Officer a certificate to the state of the account, annually and when otherwise required.

5.8.7 On leaving the employment of the Council, or otherwise ceasing to be entitled to hold an Imprest Account, an employee shall account to the Chief Financial Officer for the amount advanced to him/her. No Imprest account can be overdrawn.

## **5.9 BACS and Cheques**

5.9.1 The Council's usual payment method is by BACS, and cheques should only be raised in exceptional circumstances, where there are documented reasons as to why BACS is not possible.

5.9.2 All cheques shall be ordered by the Chief Financial Officer, who shall make proper arrangements for their safe custody.

5.9.3 Cheques above financial limits set by the Chief Financial Officer shall be manually countersigned by delegated officers authorised to do so by the Chief Financial Officer. The current limits are £5,000.

## **5.10 Electronic Payments – CHAPS and Direct Debit**

5.10.1 Where payments are to be transmitted electronically, the Chief Financial Officer shall approve the necessary arrangements made to safeguard the Council against losses. Requests for electronic transfers through the banking system must be made to the Corporate Finance (Treasury Management Team) in writing by an authorised signatory.

5.10.2 The Treasury Management team must be given advance warning when such transfers are required. As a general guide, five days' notice is required for all non-routine payments in excess of £50,000.

5.10.3 Payment by Direct Debit will only be made with the prior approval of the Chief Financial Officer, and must include any necessary action to safeguard against loss of VAT recovery.

## **5.11 Investments, Borrowing and Trust Funds**

5.11.1 All investments and borrowings of money shall be under the control of the Chief Financial Officer and shall be made by him/her under arrangements approved by them in the name of the Council. These arrangements are detailed in the Council's Treasury Management Strategy Statement and its appendices.

5.11.2 All securities, the property of which are in the name of the Council or its nominees and the title deeds of all property and its ownership shall be held in the custody of the Council's Legal Service (or the Council's bankers, Custodian, Nominees or stockbrokers as appropriate).

5.11.3 The Council's custodian, with the approval of the Chief Financial Officer, shall be the Council's registrar of bonds, and shall transact and maintain records of all bond investments by the Council.

5.11.4 All trust funds shall wherever possible be in the name of the Council.

5.11.5 All employees acting as trustees by virtue of their official positions shall deposit all securities etc. relating to the trust with the Chief Financial Officer, unless the deed otherwise provides.

## **5.12 Stocks, Stores and Inventories**

5.12.1 Each Strategic Director is responsible for keeping all accounts of stocks and stores within their Service.

5.12.2 Each Strategic Director shall arrange for the storekeeper to keep the necessary records, after consultation with the Chief Financial Officer.

5.12.3 Each Strategic Director shall arrange for a system of continuous stocktaking to ensure that all items are checked at least once every year.

5.12.4 Any discrepancy or surplus, obsolete or unusable stock at any depot or stores where the total variation or expected loss does not exceed £500 or 1% of the total value of stock held at that depot, whichever is the greater, shall be dealt with by the Strategic Director in consultation with the Chief Financial Officer. Where any variation or expected loss exceeds this amount a report must be submitted to the Cabinet.

5.12.5 Inventories shall be maintained by all departments in a form and with such details determined by the Strategic Director, and with the concurrence of the Chief Financial Officer.

5.12.6 Each Strategic Director shall be responsible for maintaining an annual check of all inventory items, and for taking appropriate action with regard to surpluses or deficiencies after consultation with the Chief Financial Officer.

5.12.7 Council property shall not be used for anything other than Council business without the prior approval of the responsible Strategic Director.

## **5.13 Leases**

5.13.1 Each Strategic Director is responsible for the leases within their Service.

5.13.2 Leases need to be accounted for correctly in compliance with International Financial Reporting Standards (IFRS).

5.13.3 Where there has been an acquisition of a new lease or a change in an existing one, Strategic Directors should liaise with the Corporate Finance in order to agree the appropriate action and treatment of the lease.



## **5.14 Write Off, Disposal of Assets and Debts**

- 5.14.1 Write offs: If assets have been lost, stolen or damaged and the loss is not recoverable from insurance or other sources, they may be written off by the Strategic Directors in conjunction with the Chief Financial Officer. Any write-off or disposal made without approval will be liable to disciplinary action.
- 5.14.2 Strategic Directors may write off other non repeating sums to the value of £2,000. Sums above this limit may be written off in agreement with the Chief Financial Officer.
- 5.14.3 Debts in relation to Revenues and Benefits may be written off in accordance with the debt write off strategy as agreed from time to time by the Cabinet. The most recent approval for this strategy was October 2011.
- 5.14.4 Write offs in excess of £2,000 will be reported to the Cabinet on a quarterly basis. These details will be in the public domain.
- 5.14.5 Disposals: Any asset of the Council deemed obsolete or surplus to requirements shall, where the residual value does not exceed £5,000, be disposed of by the Strategic Director in consultation with the Group Manager (Internal Audit and Corporate Fraud team). Where the residual value exceeds £5,000 a report shall be submitted to the Cabinet stating the reason for disposal and the recommended method of disposal. The Capital Finance team are also to be informed of the disposal, as it may affect the Fixed Asset Register.
- 5.14.6 Any proposals to sell or lease land/property, etc. at less than market value must follow the procedure as laid down in the “Land Acquisitions and Disposal Rules”, which requires full consultation and agreement on the financial implications as approved by the Chief Financial Officer.
- 5.14.7 All land sales will be approved by the Cabinet and should adhere to the ‘Land Acquisition and Disposal Rules’ within Chapter 4 of Part 4 of the Council’s Constitution.

## **Section 6: Treasury Management Framework**

- 6.1 The Council adopts and adheres to the Key recommendations of the Revised CIPFA Treasury Management Code of Practice 2009, Cross-Sectoral Guidance Notes 2009 and Revised CIPFA Prudential Code
- 6.2 The Treasury Management Policy Statement (TMPS) shall be reviewed and maintained annually by the Assembly. This statement shall set out the policies and objectives of the Council’s treasury management activities.
- 6.3 The Group Manager – Treasury and Pensions shall create and maintain suitable Treasury Management Practices (TMPs), which shall set out the manner in which the Council will seek to achieve the policies and objectives set by the Assembly.

- 6.4 The Chief Financial Officer shall report to the Assembly annually and at regular intervals on all treasury management policies, practices and activities including an annual strategy at the start of the year and annual report at year end.
- 6.5 The Chief Financial Officer will set Prudential Indicators for the forthcoming and following two financial years. The Chief Financial Officer will provide regular reports to the Cabinet and Assembly and report any breaches or amendments of the Code.
- 6.6 Prudential Indicators are reported annually via the TMSS before the start of the financial year.
- 6.7 There are a number of treasury indicators which previously formed part of the prudential code, but which are now more appropriately linked to the Revised Treasury Management Code and guidance. Local authorities are still required to “have regard” to these treasury indicators.
- 6.8 The key treasury indicators which are still part of the Prudential Code are:
- Authorised limit for external debt
  - Operational boundary for external debt
  - Actual external debt
  - External Debt
- 6.9 In the medium term local authorities only have the power to borrow for capital purposes.
- 6.10 The authorised limit – This sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3 (1) of the Local Government Act 2003 (referred to in the legislation as Affordable Limit). This limit needs to be set or revised by Members.
- 6.11 The operational limit – This links directly to the Council’s estimates of the Capital Financing Reserve (CFR) and estimates of other cash flow requirements. This indicator is based on the same estimates as the authorised limits reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the authorised limit for future known capital needs now. It should act as a monitor indicator to ensure the authorised limit is not breached.
- 6.12 The Chief Financial Officer shall ensure that all legislative amendments and changes in treasury or capital limits are approved by the Assembly.
- 6.13 The Chief Financial Officer will be responsible for adopting the changes outlined and compliance with any practices or limits.

## **Section 7: Financial Administration, Systems and Procedures**

This section outlines the standards of financial administration, systems and procedures that must be followed to ensure that all employees have a clear understanding of their responsibilities in regards to:

1. Being clear on who is authorised to approve financial transactions;
2. Ensuring staff appointments are made in accordance with employment law, that salaries and wages are properly authorised, that the proper deductions are made (statutory and non-statutory) and all payments are properly recorded and correctly charged;
3. Ordering and paying for goods and services according to the Council's Contract Procedure Rules, securing value for money, paying only for what the Council receives and dealing with VAT properly;
4. Ensure the Council pays and accounts for tax correctly;
5. Ensuring all sources of income to the Council are identified, claimed and collected; and
6. Ensuring that a live and complete record of all Council transactions is maintained.

### **7.1 Approval Limits**

- 7.1.1 The approval of contracts/ contractors should be carried out in accordance with the Council's Contract Rules, which form part of this constitution. This entails amongst other things that proposed contracts greater than £500,000 must be reported to Cabinet before any procurement process begins. Furthermore, the procurement of lower value contracts are subject to a series of procedures and controls as set out in the Contract Rules and the actual award of contracts is subject to approval being granted by one or more Strategic Directors depending upon contract value.
- 7.1.2 The approval of all payments, (including purchase orders, invoice authorisations, termination payments) should be carried out within each service in accordance with the Council's internal financial scheme of delegation.

### **7.2 Human Resources and Payroll – Payments to Employees and Members**

- 7.2.1 The Chief Financial Officer is responsible for the payment of all salaries, wages and pensions, compensation and other emoluments due to current or former employees of the Council, and to Members. Each Strategic Director shall notify the Council's Transactional HR service as soon as possible, of all matters affecting the payment of such emoluments i.e. appointments, resignations, absences from duty etc.
- 7.2.2 The names of employees authorised to sign any documents affecting pay shall be sent to the Chief Financial Officer and/or partners (i.e. Elevate), as

required, by each Strategic Director together with specimen signatures and shall be amended on the occasion of any change. The Strategic Director must sign this notification.

- 7.2.3 Payments should be paid directly into employees / Members bank account on the specified pay date, and should only be paid to the person concerned, unless otherwise authorised.
- 7.2.4 All payments made shall be in accordance with established pay grades and rates of pay.

### **7.3 Ordering and Paying for Goods and Services**

7.3.1 All staff and managers are required to ensure that the most appropriate method of payment is used for each item of expenditure (excluding employee's salary payments) as follows:

1. i-Expenses – used to reimburse staff for expenses incurred in the course of their work for example travelling and subsistence, eye tests, glasses (towards the cost of single vision / bi-focal lenses) and medical certificates.

The usage of the automated i-expenses system will have authorisation levels decreed by the Organisational hierarchy up to a maximum claim value of £250. Where claims are made in excess of this value, they will not be automatically paid once approved by an appropriate officer, but will be subject to further investigation by the Accounts Payable Manager or designated representative, prior to the release of payment.

The Chief Executive and Strategic Directors will self approve their expenses, and provide a monthly report to the Chief Financial Officer.

2. Purchase Card – used to pay for low value, high volume goods or services such as advanced booking of accommodation and travel expenses, books and periodicals.

3. Purchase Order – all other expenditure that cannot be purchased using i-expenses and purchase card.  
There may be occasions, in cases of emergency, when verbal orders are placed, but these must be the exception rather than the rule and always confirmed by the issue of an authorised official order. Any verbal orders must be retrospectively raised on Oracle i-Procurement as a confirmation order to comply with the Councils “no PO no pay” policy.

Under no circumstances may individual employees use the Council's ordering or payment systems for personal use or benefit.

Failure to comply with these rules constitutes gross misconduct and may be followed by disciplinary action as appropriate.

7.3.2 Payments must be in accordance with the Contract Procedure Rules and the Financial Scheme of Delegation set out within the constitution, in respect of

financial limits and Cabinet approval, tendering for contracts, contract extensions and variation orders, and the use of approved supplier lists.

- 7.3.3 Strategic Directors or Directors must designate specific employees who are authorised to place and approve orders on their behalf, and must operate procedures which secure value for money in accordance with Contract Procedure Rules. The procedures must also be properly recorded, communicated to staff, and regularly monitored.
- 7.3.4 The Council operates an automated purchase to pay process and a requisition must be raised using Oracle i-procurement in order for a purchase order to be generated. The requisition raised is sent to an Approver with authorisation rights determined by the requisition amount and the project being charged.

The approvers for capital (programme) purchases are defined and agreed as part of the Capital Programme approval process. Before spending can commence on capital programmes, the delegated authority form, which approves the award of the contract to a named Contractor, must be completed and signed off by the appropriate Strategic Director, the Procurement Manager and Chief Financial Officer. Only then should a purchase requisition be raised on Oracle i-Procurement.

Currently, i-Procurement requisition authorisation levels are set as follows:

Band	Positions	Limits
<b>Revenue Expenditure</b>		
A	Any	£200
B	Team Leader	£10,000
C	Group Manager	£50,000
D	Nominated Manager (Commissioning)	£100,000
E	Director	£500,000
F	Chief Executive/ Strategic Director/ Chief Financial Officer	Unlimited
<b>Capital Programme</b>		
A	Project Manager	Up to - £50,000
B	Programme Manager (Group Manager / Director)	£5,000,000
C	Project Sponsor (Strategic Director / Chief Financial Officer)	Above £5,000,000

There may be occasions where these authorisation levels may not be practical, but as these must be the exception rather than the rule, the Strategic Director will be required to submit a business case for approval by the Chief Financial Officer.

It is noted that:

- There must always be full compliance with the relevant Contract Rules requirements. In particular, a report must be produced on Procurement Strategy for any contract above £50,000; and
- This must be considered by the Procurement Board if it is over £100,000.
- Any Procurement over £500,000 requires Cabinet approval.
- Expenditure funded by the Public Health Grant and Social Care budgets can be approved by either Cabinet or the Health and Wellbeing Board. Strategic Directors shall determine which is the more appropriate body to make the decision for the particular procurement.
- Strategic Directors may, subject to Rules, 5.1.4 and 6.6.6 of the Contract Rules, exempt Personalised Contracts from the full tendering requirements of the Contract Rules. Officers must however ensure that the requirements of Section B are adhered to. Please refer to Contract Rules 5.1 and 6.6 for further details.

All Capital Projects require review and approval by the Options Appraisal Group. This Group will be chaired by the Chief Financial Officer or his nominee. Also, before spending can commence on capital programmes, the delegated authority form, which approves the award of the contract to a named Contractor, must be completed and signed off by the appropriate Strategic Director, the Procurement Manager and Chief Financial Officer. Only then can a purchase requisition be raised on i-procurement.

Any changes in authorised personnel must be notified immediately to Corporate Finance and Elevate.

7.3.5 In order to protect individual employees and also minimise the risk of losses through misappropriation or fraud, duties must be arranged to avoid the same member of staff having authority to place orders, receive and pay for goods without the involvement of others. Where limited staff resources make this difficult to achieve, the advice of Internal Audit must be sought regarding compensating controls.

7.3.6 When receiving goods or services, checks must immediately be made by the requisitioner / buyer to ensure that:

1. The goods or services are in accordance with the order placed;
2. Any faults or deficiencies are reported to the supplier and remedial action taken;
3. Where necessary, inventories or stock records have been updated;

4. Goods delivered are placed in the safe custody of their authorised recipient; and
  5. Goods and services are 'received' on Oracle i-Procurement.
- 7.3.7 Payment must only be made on the satisfactory completion of the order placed. Any proposal to pay in advance of receiving the goods or services must, therefore, be first authorised by the Chief Financial Officer.
- 7.3.8 Strategic Directors will ensure to the satisfaction of the Chief Financial Officer that procedures and documentation are in place:
1. To verify that expenditure has been properly incurred, and accurate and timely payments are being made (i.e. within 30 days of the invoice being received by the Authority). Where supplier deadlines for payments are specified and they are shorter than 30 days, and especially where early payment discounts are offered, then these timescales should be met where possible;
  2. To verify that the goods, services, or works in question have been received or carried out, and are to the quality expected. Goods and services must be ordered through Oracle i-Procurement and 'goods received' upon delivery;
  3. To ensure there is adequate provision in the Budget;
  4. To avoid duplicate payments; and
  5. Incorrect invoices will not be amended but returned to the supplier.
- 7.3.9 Where items of expenditure cannot be commissioned through the raising of an Oracle i-Procurement purchase order, the creditor invoices or requisitions must be certified for payment by the responsible budget officer or designated representative. The names of such authorised employees and specimen signatures shall be authorised by the respective Director and passed to the Chief Financial Officer.
- 7.3.10 The Chief Financial Officer may require, where necessary, evidence that appropriate checks have been undertaken before payment.
- 7.3.11 Construction Industry Scheme (CIS): When ordering services such as painting, decorating, plumbing or any other general building works deemed to be within the scope of the scheme, Budget Managers must observe the regulations stipulated by Her Majesty's Revenue and Customs (HMRC). The scheme requires that the Council acts as agent to the HMRC, deducting Income Tax where appropriate. Any enquiries should be referred to the Accounts Payable Manager who will liaise with the HMRC as necessary.
- 7.4 Taxation and VAT**
- 7.4.1 The Chief Financial Officer is responsible for maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax

returns by their due date as appropriate. He / she is also responsible for advising Strategic Directors on all taxation issues that affect the Authority.

7.4.2 The Payment Team must ensure that VAT is checked when paying invoices to ensure that:

1. Transactions where no VAT is paid are correctly identified as Zero Rated, Exempt or Outside the Scope; and
2. There is a valid tax invoice and the VAT is correctly calculated.

7.4.3 Delegated budget holders must ensure that tax is correctly charged on income due to the Council.

7.4.4 Corporate Finance Service is to provide a corporate resource that will advise on VAT implications across the Council. Where more technical advice is required departments will be required to fund the cost of that advice.

## **7.5 Income Accounts and Debtors**

7.5.1 Strategic Directors must ensure that accounts are rendered promptly for the recovery of all income due. Elevate East London (EEL) will raise all accounts as requested by Strategic Directors, who will provide details of goods supplied or services / works rendered.

7.5.2 All money received by an employee on behalf of the Council shall be paid to the Chief Financial Officer, or as he/she may direct, to the Council's bank account. All cash received on behalf of the Council shall be receipted. No deduction may be made from such money without the Chief Financial Officer's authority.

7.5.3 Each employee who banks money shall enter on the paying-in slip the name of his/her department, office or establishment and, where payment is made by cheque, a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise to indicate the origin of the debt, on the reverse of each cheque.

7.5.4 Every transfer of the Council's money from one employee to another will be evidenced in the records of the department concerned by the signature of the receiving employee.

## **7.6 Accounting Systems and Processes**

7.6.1 The Chief Financial Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records.

7.6.2 Strategic Directors are responsible for the proper operation of financial processes in their own departments.

7.6.3 Any changes made by Strategic Directors to the existing financial systems, proposals to introduce new processes or the establishment of new systems



(including IT systems) must be agreed in advance by the Chief Financial Officer. Internal Audit must be informed of and involved as appropriate in all changes to systems of internal control before they happen in order that advice can be provided.

- 7.6.4 Strategic Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Each must also ensure that their staff are aware of their responsibilities under Freedom of Information legislation.
- 7.6.4 Delegated budget holders in conjunction with the Directorate Finance Managers must ensure that all financial transactions are accounted for in a timely manner in the accounting system using an appropriate code, which properly records the nature of the income or expenditure. All accounting transactions and financial statements produced must conform to the latest legislation and best accounting practices.
- 7.6.5 Delegated budget holders must ensure that all income and expenditure is accounted for separately and not set off, one against the other. Capital expenditure must be accounted for separately from revenue expenditure.
- 7.6.6 Delegated budget holders must only use their own designated accounting codes unless written authority has been given by another delegated budget holder or Chief Financial Officer.
- 7.6.7 The Chief Financial Officer, in conjunction with the delegated budget holders will maintain a definitive list of accounting codes to be used by all departments, which must be reviewed and updated regularly.
- 7.6.8 It is the responsibility of the relevant Group Finance Manager to ensure that Control and Suspense accounts are reconciled monthly. A monthly reconciliation must be done for all bank accounts, to prove the correctness of the bank balance and to confirm that all transactions have been processed into the Council's accounts.
- 7.6.9 Journal transfers approved by Group Finance Managers must be used to make accounting adjustments and must show the full details of the transaction and reference to source documents.

## **7.7 Records and Procedures**

- 7.7.1 Strategic Directors shall keep such records and adopt such procedures as, in the opinion of the Chief Financial Officer, are necessary to record correctly all financial operations of his/her department and to ensure accuracy and proper recovery of all sums due to the Council.
- 7.7.2 An effective system should be established for the examination and checking of accounts and cash transactions so that, as far as practicable:
1. The provision of such examination and checking of accounts and cash transactions shall be separated from the duties of collecting and disbursing monies;

2. Officers examining and checking accounts and cash transactions shall not themselves be involved in any of these transactions;
3. Where the principles set out above are not practicable the appropriate Strategic Director and the Chief Financial Officer shall be advised;
4. All arrangements with the Council Bankers, including the opening of new bank accounts, shall be determined by the Chief Financial Officer; and.
5. All bank accounts will be fully reconciled as at 31 March each year.

## **7.8 Trading Accounts**

The Chief Financial Officer is responsible for advising on the establishment and operation of trading accounts and business units.

## **Section 8: External Arrangements**

### **8.1 Joint Venture**

- 8.1.1 Cabinet is responsible for approving delegations, including frameworks for partnerships. Cabinet can delegate functions relating to partnerships to officers, but where functions are delegated, Cabinet remains accountable for them to the Assembly.
- 8.1.2 The Chief Executive as Head of the Paid Service represents the authority in the Elevate Joint Venture.
- 8.1.3 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in the Elevate Joint Venture that apply throughout the Authority.
- 8.1.4 The Chief Financial Officer must ensure that the accounting arrangements to be adopted relating to the Elevate Joint Venture are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues associated with contractual arrangements entered into. He or she must ensure that the risks have been fully appraised before agreements are entered in to.
- 8.1.5 Strategic Directors and staff with a client role in respect of the Elevate Joint Venture must monitor outputs and service levels to ensure that these are in line with the agreed standards.

### **8.2 External Funding**

- 8.2.1 External funding covers bids to Government and other organisations that are offering funding for projects that meet certain criteria, as well as contributions from organisations and individuals (public or private).

- 8.2.2 Strategic Directors are ultimately responsible for the external funding within their service, including exploring feasible options and proposals to maximise its availability to the Council and ensuring it is received and properly recorded.
- 8.2.3 Strategic Directors must provide the Chief Financial Officer, or nominated deputy, with details of all bids for external funding. This should also include details of any matched funding; whether it is revenue or capital; and any future/ongoing revenue implications.
- 8.2.4 Strategic Directors/ delegated budget holders must not commit expenditure on projects requiring matched funding contributions until the external funding has been confirmed, unless approval has been given by the Chief Financial Officer.
- 8.2.5 Strategic Directors / delegated budget holders must ensure that monies are received from the funding body, and where possible this should be before any planned financial commitments are entered into by the Council. Strategic Directors / Directors must also advise the Chief Financial Officer of all grant and subsidy notifications as soon as they are received.
- 8.2.6 Strategic Directors / delegated budget holders are also responsible for ensuring that all conditions associated with external funding are met, and that all appropriate information and evidence required to complete grant/subsidy claims is provided on time.
- 8.2.7 Where the external funding notified is higher than the budget, the surplus amount should be returned to the central contingency unless regulations specify restrictions on its use, in which case it should be used to offset other uncontrollable pressures within the service. Where the funding is less than the budget, the Strategic Director / Director should notify the Chief Financial Officer of options for containing the potential overspend.
- 8.2.8 Some services may be funded (wholly or partly) through time-limited external funding. When the possibility of expenditure / commitments slipping past the funding deadline is forecast, the responsible Strategic Director / Director / delegated budget holder should notify the Chief Financial Officer immediately and provide options for reducing expenditure and/or identifying alternative funding. Where there is a risk of external funding being reduced or stopped, budget managers should have an exit strategy in place, which will prevent any impact on other internal Council budgets.

### **8.3 Work for Third Parties**

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

## **APPENDIX A**

### **INTERPRETATION**

- A.1 Any reference to an Act of Parliament, Regulation or other legislation shall include a reference to that legislation as amended, applied, consolidated or re-enacted by virtue of any subsequent legislation.
- A.2 Any reference to 'Strategic Director' shall also include the Chief Executive and the Director of Law and Governance and their nominated deputies.
- A.3 The expression 'The Chief Financial Officer' is sometimes also known as the Council's 'Section 151 Officer.'
- A.4 Any reference to the 'Chief Financial Officer' shall include their nominated Deputy.
- A.5 The 'Assembly' means the Council acting as or through the Assembly, and includes any person or body to which the Assembly delegates functions.
- A.6 The 'Council' means the London Borough of Barking and Dagenham.
- A.7 The expression 'Cabinet' includes any person or body to which the Cabinet delegates executive functions.
- A.8 'Value' shall mean, where known, the precise value or, where not known, the estimated value, of the works, services, goods or materials that will be payable by the Council over the entire contract period (including any extension period). Where the anticipated value is near the turning point between two classifications, the value of the contract shall be treated as if it were in the higher classification.
- A.9 'Partnership' means public sector partnerships in which the Council participates as a constituent participant or lead authority within a separate organisation.
- A.10 The term 'contract' shall include all the contracts, agreements and orders for the carrying out of work, the provision of services and the supply of goods or materials to, for, or by the Council, by the purchase, lease, rental or hire purchase, including the provision of services to the public on the Council's land or premises. It shall not include contracts for the employment of staff, or for the sale, purchase, lease or licence of land or buildings.
- A.11 These Rules are to be interpreted subject to United Kingdom and European Union legislation, regulations, orders and directives. EU Procurement legislation in particular prohibits discrimination on grounds of national standards or in support of the promotion of local economic interests. These EU Treaty provisions apply to all contracts including those below the EU Public Procurement thresholds.
- A.12 Chief Officers will refer to the Chief Executive any questions relating to the interpretation of the Rules.
- A.13 These Rules should be applied in accordance with the Code of Practice.