

## **PART 7.4**

### **STANDARD FINANCIAL PROCEDURES**

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## **1 INTRODUCTION**

- 1.1 Financial Regulations set out the framework of control, responsibility and accountability for the proper administration of the council's financial affairs to enable Members and officers to carry out their statutory duties. The Financial Regulations need to be translated into a set of operational procedures to ensure their effective implementation and, in particular, the responsibilities of the Executive Director Finance & Resources and Chief Officers must be clearly set out. These "Standard Financial Procedures" therefore form part of the formal Financial Regulations and detail how the regulations are to be applied in practice.
- 1.2 Each section of the Standard Financial Procedures follows the format set out below:
- Why is this important? – this sets the context for the standard financial procedure/s;
  - Key controls – this explains the key internal controls that set the framework for ensuring financial regulations are operating effectively;
  - Responsibilities of the Executive Director Finance & Resources (Chief Finance Officer) – sets out the specific responsibilities of this officer;
  - Responsibilities of Chief Officers – sets out the specific responsibilities of some or all of the officers as appropriate (see 'Definitions' below).

## **2 DEFINITIONS**

- 2.1 Financial Regulations incorporate Financial Standing Orders and Standard Financial Procedures.
- 2.2 In Financial Regulations the following terms/roles have the following meanings:
- 'Finance Director', 'Executive Director Finance & Resources' and 'Chief Finance/Financial Officer' all have the same meaning for the purposes of Financial Regulations;
  - 'The S151 Officer' is also the Chief Finance Officer. 'The Deputy S151 Officer' is the Head of Financial Services;
  - 'Executive Directors' include the Executive Director Finance & Resources, the Executive Director Health and Adult Social Care, Executive Director Families, Children and Learning, Executive Director Economy, Environment & Culture, Executive Director Neighbourhoods, Communities and Housing and the Executive Lead for Strategy, Governance and Law

- 'Corporate Management Team' (CMT) comprises members of the Executive Leadership Team and those Heads of Service appointed on JNC conditions of service
- 'Chief Officer' means any member of the Executive Leadership Team
- 'Executive Leadership Team' means the Team comprising the Chief Executive, Executive Director Finance & Resources, Executive Director Health and Adult Social Care, Executive Director Families, Children and Learning, Executive Director Economy, Environment & Culture, Executive Director Neighbourhoods, Communities and Housing, the Executive Lead for Strategy, Governance and Law, the Monitoring Officer or any of their successors including any person appointed to undertake the functions of the Chief Officer by whatever name called unless the context suggests otherwise.
- 'Budget Holders' and 'Budget Managers' have the same meaning and include any officer of the council given delegated responsibility by a Chief Officer for managing an approved budget.

**A FINANCIAL MANAGEMENT**

**A.1 FINANCIAL MANAGEMENT STANDARDS**

**Why is this important?**

- A.1.1 All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that those standards are met. A set of Financial Management Standards were approved by the council's chief officer group in 2007 and are available on the council's intranet.
- A.1.2 Each year the council's external auditor provides an opinion in the Financial Statements on the council's arrangements for securing economy, efficiency and effectiveness (i.e. value for money) in its use of resources. The auditor will consider how well the council plans and manages its finances, how well its assets and other resources are managed, and the effectiveness of its arrangements for financial governance and internal control.

**Key Controls**

- A.1.3 The key controls and control objectives for financial management standards are:
- the promotion of the agreed standards throughout the authority;
  - a monitoring system to review compliance with financial management standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Policy, Resources & Growth Committee.

**Responsibilities of the Executive Director Finance & Resources:**

- A.1.4 To maintain an appropriate set of Financial Management Standards taking into account best practice and statutory requirements. These will underpin the financial management training and support provided to the authority's Members and officers.
- A.1.5 To maintain strong financial management and administration, underpinned by effective systems of internal financial controls.
- A.1.6 To ensure a prudential financial framework is in place including medium term planning.

- A.1.7 To ensure proper professional practices are adhered to and act as head of profession in relation to the standards, performance and development of finance staff throughout the council.
- A.1.8 To advise on the key strategic controls necessary to secure sound financial management.
- A.1.9 To ensure that financial management information is available to enable accurate and timely monitoring within the Targeted Budget Management (TBM) framework, and reporting of comparisons of national and local financial performance indicators.

**Responsibilities of Chief Officers are:**

- A.1.10 To promote the financial management standards set by the Executive Director Finance & Resources across their services and to monitor adherence to the standards and practices, liaising as necessary with the Executive Director Finance & Resources.
- A.1.11 To comply with any corporate organisation and development programme designed to increase awareness, knowledge and skills in respect of financial management standards.

**A.2 MANAGING EXPENDITURE**

**A.2.1 Scheme of Virement (Budget Transfer)**

**Why is this important?**

- A.2.1.1 The scheme of virement is intended to enable the Policy, Resources & Growth Committee, Chief Officers and their staff to manage budgets with a degree of flexibility within the overall budget framework determined by Full Council, and therefore to optimise the use of resources.

**Key controls**

- A.2.1.2 Key controls for the scheme of virement are that:
- It is administered by the Executive Director Finance & Resources within the budget framework set by Full Council.
  - The overall budget is agreed by the Policy, Resources & Growth Committee and approved by Full Council. Chief Officers and budget holders are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure.
  - A virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently and in

accordance with any performance management arrangements approved by the Chief Executive and/or Executive Leadership Team. For example, supporting recurring expenditure or future ongoing commitments by virement of one-off sources of savings or additional income is not appropriate where they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets on an ongoing basis or must otherwise seek Policy, Resources and Growth Committee approval for additional resources.

- Virements may only be made in respect of direct expenditure or income. Virements may not be made to or from internal charges or other inter-departmental administrative or support service charges (i.e. Indirect or 'below the line' expenditure/income).
- Virement is inappropriate where expenditure and income items are linked. This is to avoid virement of one side of the activity only, for example, meals income and the related provisions cost. This principle applies equally to projects financed by grants or contributions by third parties including joint finance.
- Virement on a scale that implies a change of policy must be channelled through normal committee reporting requirements. Similarly, new activities outside reasonable interpretation of existing council policy will continue to require Policy, Resources & Growth Committee approval.
- Creation of expenditure budgets from anticipation of income, for example, expanding a trading activity, should be actioned prudently.
- Virements should not be allowed to disguise under/overspends but it is appropriate to use them to achieve an element of budget realignment.
- Virement between the General Fund and other funds (e.g. HRA, Schools DSG) is not allowed.
- Virements within Schools DSG are not subject to these regulations and must be in accordance with the Scheme for Financing Schools and the Schools Forums Regulations.
- Detailed reasons for virements should be specified.

### **Responsibilities of the Executive Director Finance & Resources**

- A.2.1.3 To prepare, in consultation with the relevant Executive Director, a report to Policy, Resources & Growth Committee where virements in excess of £250,000 are proposed excepting technical centralisation / decentralisation virements as noted in A.2.1.5 and virements within Schools DSG as noted in A.2.1.2.

- A.2.1.4 To approve virements greater than £100,000 but less than £250,000 excepting technical centralisation / decentralisation virements as noted in A.2.1.5 and virements within Schools DSG as noted in A.2.1.2.
- A.2.1.5 To approve all technical centralisation / decentralisation virements required to reflect internal charging arrangements.
- A.2.1.6 To action virements to reflect Committee decisions including restructuring of services.

### **Responsibilities of Chief Officers**

- A.2.1.7 Chief Officers may exercise virements on budgets under his or her control for amounts up to £100,000 on any one budget head during the year, following notification to the Executive Director Finance & Resources directly or through his or her Head of Finance for that service area. Below £25,000 budget holders can approve virements without approval of a Chief Officer.
- A.2.1.8 Amounts greater than £100,000 but less than £250,000 require the approval of the Executive Director Finance & Resources.
- A.2.1.9 Amounts greater than £250,000 require the approval of Policy, Resources & Growth Committee, following a report by the Executive Director Finance & Resources in consultation with the relevant Executive Director, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. This information should be included in Targeted Budget Management reports.
- A.2.1.10 Virements that are likely to impact on the level of service activity of another Chief Officer may only be implemented after agreement with the relevant Chief Officer. This does not apply to technical centralisation / decentralisation virements.
- A.2.1.11 All virements impacting on employee budgets must be in accordance with any approved Establishment Management procedure.
- A.2.1.12 No virement relating to a specific financial year should be made after 31 March in that year.
- A.2.1.13 Virements within schools DSG are dealt with in the Scheme for Financing Schools and the Schools Forums Regulations.
- A.2.1.14 Where an approved budget is a lump sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:



- the amount is used in accordance with the purposes for which it has been established;
- the Policy, Resources & Growth Committee 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 Policy, Resources & Growth Committee.

## A.2.2 Treatment of year-end balances

### **Why is this important?**

A.2.2.1 Overspends or underspends in relation to the approved revenue budget may occur for a variety of reasons. With regard to General Fund budgets, there is no 'as of right' carry forward of underspends from one financial year to another except where this is provided for by a binding partnership agreement or other legal agreement with a third party. Decisions on carry forward of overspending or underspending will be made in the context of the financial position of the council as a whole and not any one particular service area.

A.2.2.2 The rules below cover arrangements for the transfer of resources between financial years, that is, a carry forward.

### **Key controls**

A.2.2.3 Appropriate accounting procedures are in operation to ensure that carried forward totals are correct.

### **Responsibilities of the Executive Director Finance & Resources**

A.2.2.4 To administer the scheme of carry forward for General Fund budgets within the guidelines approved by the Policy, Resources & Growth Committee and, for all funds, to ensure compliance with the Accounts and Audit Regulations and the Code of Practice for local authority accounting.

A.2.2.5 To agree carry forward of General Fund underspends of up to £50,000 per division of service<sup>1</sup>, but not exceeding £1,000,000 in total, if he/she considers this incentivises good financial management. To seek approval from the Policy, Resources & Growth Committee for carry forward of underspends over £50,000. To advise the Policy, Resources & Growth Committee on the financial position of the council and the implications for overspends, which may need to be carried forward in exceptional circumstances.

### **Responsibilities of Chief Officers**

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<sup>1</sup> A division of service is a major service area defined by the Executive Director Finance & Resources. This will normally be service areas headed up by a Chief Officer or an officer reporting directly to a Chief Officer.

- A.2.2.6 Should the Policy, Resources & Growth Committee, after consulting the Executive Director Finance & Resources, determine that overspending on service estimates under the control of the Chief Officer be carried forward to the following year, the overspend will constitute the first call on service estimates in the following year.
- A.2.2.7 Underspendings cannot be carried forward without consultation with the Executive Director Finance & Resources, who will determine if specific approval is required by the Policy, Resources & Growth Committee.
- A.2.2.8 The policy on overspending and underspending on schools' balances is dealt with in the Scheme for Financing Schools.

### A.3 **ACCOUNTING POLICIES**

#### **Why is this important?**

- A.3.1 The Executive Director Finance & Resources is responsible for the preparation of the authority's Statement of Accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom for each financial year ending 31 March.

#### **Key controls**

- A.3.2 The key controls for accounting policies are:
- systems of internal control are in place that ensure that financial transactions are lawful
  - suitable accounting policies are selected and applied consistently
  - proper accounting records are maintained
  - financial statements are prepared which present fairly the financial position of the authority and its expenditure and income as at 31 March.

#### **Responsibilities of the Executive Director Finance & Resources**

- A.3.3 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the Statement of Accounts, which is prepared as at 31 March each year, and covers such items as: separate accounts for capital and revenue transactions, fixed assets, charging for capital, capital receipts, debtors and creditors, stocks and work in progress, provisions, reserves, charging for support services, investments, pensions, single entity and group accounts.

#### **Responsibilities of Chief Officers**

A.3.4 To adhere to the accounting policies and guidelines approved by the Executive Director Finance & Resources.

#### A.4 **ACCOUNTING RECORDS AND RETURNS**

##### **Why is this important?**

A.4.1 Maintaining proper accounting records is one of the ways in which the council discharges its responsibility for stewardship of public resources. The council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the council's resources.

##### **Key controls**

A.4.2 The key controls for accounting records and returns are:

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

##### **Responsibilities of the Executive Director Finance & Resources**

A.4.3 To determine the accounting procedures and records for the authority. Where these are likely to be maintained outside of the Finance service, the Chief Officer concerned should consult the Executive Director Finance & Resources.

A.4.4 To arrange for the compilation of all accounts and accounting records under his or her direction, and to ensure that adequate records are maintained by Chief Officers to provide a management trail to the corporate financial system and the accounting statements.

A.4.5 To ensure compliance with the following principles when allocating accounting duties:

- separating the duties of providing information about sums due to or from the authority and calculating, checking and

recording these sums from the duty of collecting or disbursing them

- employees with the duty of examining or checking the accounts of cash transactions must not be engaged in these transactions.

- A.4.6 To prepare and publish the audited accounts of the council for each financial year, in accordance with the statutory timetable and with the requirement for the Audit & Standards Committee to approve the Statement of Accounts in accordance with that timetable.
- A.4.7 To administer the council's arrangements for under and overspendings to be carried forward to the following financial year.
- A.4.8 To ensure the proper retention of financial documents in accordance with the requirements set out in Standard Financial Procedures paragraph D.8.9.
- A.4.9 To provide statutory information to the government and external auditors as required.

### **Responsibilities of Chief Officers**

- A.4.10 To consult and obtain the approval of the Executive Director Finance & Resources before introducing or making any changes to accounting records and procedures.
- A.4.11 To comply with the principles outlined at paragraph A.4.5 above when allocating accounting duties.
- A.4.12 To maintain adequate records to provide a management trail (the "audit trail") leading from the source of income/expenditure through to the accounting statements.
- A.4.13 To ensure that all claims for funds including grants are made by the due date and to ensure reconciliation with the prime financial system.
- A.4.14 To supply information to the Executive Director Finance & Resources as appropriate to enable the requirements of 'Accountable Body' status to be met in accordance with European Union or UK requirements.
- A.4.15 To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the Executive Director Finance & Resources.

## **A.5 THE ANNUAL STATEMENT OF ACCOUNTS**

### **Why is this important?**

A.5.1 The council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Audit & Standards Committee is responsible for approving the statutory annual statement of accounts.

A.5.2 The key controls for the annual statement of accounts are:

- The authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this authority, that officer, the Section 151 Officer, is the Executive Director Finance & Resources. The Deputy Section 151 Officer is the Head of Financial Services.
- The authority's statement of accounts must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom issued by the CIPFA/LASAAC joint committee.

### **Responsibilities of the Executive Director Finance & Resources**

A.5.3 To select suitable accounting policies and to apply them consistently.

A.5.4 To make judgements and estimates that are reasonable and prudent.

A.5.5 To comply with the Code of Practice for Local Authority Accounting.

A.5.6 To sign the statement of accounts in accordance with statutory timescales, stating that they present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March.

A.5.7 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

A.5.8 To submit statutory financial information to the government as required.

A.5.9 In respect of the signing and certification of the annual statement of accounts, to comply with the duties of the 'responsible financial officer' under regulation 8 of the Audit and Accounts Regulations 2011.

### **Responsibilities of Chief Officers**

A.5.10 To comply with accounting guidance provided by the Executive Director Finance & Resources and to supply the same with information when required.

**B FINANCIAL PLANNING**

**B.1 LOCAL PLANS**

**Why is this important?**

B.1.1 Each local authority may publish various plans in accordance with its Policy Framework or to comply with statutory requirements as set out by government from time to time. The purpose of these plans is usually to explain overall priorities and objectives, current performance, and/or proposals for further improvement. The authority currently publishes an annual Corporate Plan setting out its priorities.

**Key controls**

B.1.2 The key controls for local plans are:

- to ensure that all relevant plans are produced in accordance with the council's Policy Framework and that they are consistent;
- to produce plans in accordance with any relevant statutory requirements;
- to meet the statutory and/or local timetables set;
- to ensure that all performance and financial information is accurate, complete and up to date;
- to provide improvement or financial targets which are meaningful, realistic and appropriately challenging.

**Responsibilities of the Executive Director Finance & Resources**

B.1.3 To ensure the provision of the financial information that needs to be included in local plans is in accordance with the council's Policy Framework and/or statutory requirements and agreed timetables.

B.1.4 To contribute to the development of corporate and service targets and objectives and performance information.

B.1.5 To ensure that systems are in place to collect accurate financial information for use as performance indicators, including how effective the council is in obtaining value for money.

B.1.6 To ensure that financial performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

### **Responsibilities of Chief Officers**

- B.1.7 To contribute to the development of performance plans, compacts or agreements in line with the council's Policy Framework and/or statutory requirements.
- B.1.8 To contribute to the development of corporate and service targets and objectives and performance information, including performance data on critical budgets in relation to Targeted Budget Management.

### **Responsibilities of the Executive Lead for Strategy, Governance and Law**

- B.1.9 To ensure that systems are in place to collect accurate information for use as performance indicators.
- B.1.10 To ensure that non-financial performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

## **B.2 BUDGETING**

### **B.2.1 Format of the Budget**

#### **Why is this important?**

- B.2.1.1 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how any rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

#### **Key Controls**

- B.2.1.2 The key controls for the budget format are:
  - the format complies with all legal requirements;
  - the format complies with CIPFA's Code of Practice for local authority accounting;
  - the format reflects the accountabilities of service delivery.

### **Responsibilities of the Executive Director Finance & Resources**

- B.2.1.3 To advise the Policy, Resources & Growth Committee on the format of the budget that is approved by Full Council.

### **Responsibilities of Chief Officers**

- B.2.1.4 To comply with accounting guidance provided by the Executive Director Finance & Resources.

## B.2.2 Revenue budget monitoring and control

### **Why is This Important?**

- B.2.2.1 Budget management ensures that once the budget has been approved by Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control using the Targeted Budget Management (TBM) framework is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that holds designated managers accountable for defined elements of the budget and for performance. TBM is also linked to performance monitoring and requires action plans to mitigate variances from budgets, particularly for those budgets that could have a critical impact, in order to ensure the council meets its financial targets. TBM therefore has a strong risk-based focus.
- B.2.2.2 By continuously identifying and explaining variances against budgetary targets, the council can identify changes in trends and resource requirements at the earliest opportunity. The council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the council does not overspend in total, each service is required to manage its own expenditure within the budget allocated to it and produce robust action plans to bring spending back in line, subject to revised targets set for each manager to deal with adverse variations elsewhere in the council's budget.
- B.2.2.3 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the Scheme of Delegation to Officers.
- B.2.2.4 Service Committees shall keep all fees and charges under review in accordance with the Corporate Fees & Charges Policy and shall receive a report from Executive Directors on price variation above or below the corporately applied rate of inflation.

### **Key controls**

- B.2.2.5 The key controls for managing and controlling the revenue budget are:
- budget holders should be responsible only for income and expenditure that they can influence;
  - there is a nominated budget holder for each cost centre heading;
  - budget holders accept accountability for the budgets allocated to them and the level of service to be delivered and understand their financial responsibilities;



- budget holders follow an approved certification process for all expenditure;
- income and expenditure are properly recorded and accounted for;
- financial performance is monitored and reported in accordance with the requirements of the council's budgetary control framework (TBM);
- performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget;
- budget holders must not charge goods and services against the budgets of other managers without obtaining prior agreement;
- budget holders are aware of and comply with Financial Management Standards; financial management training and support is available across the council.

### **Responsibilities of the Executive Director Finance & Resources**

B.2.2.6 To establish an appropriate framework of budget management and control, together with guidance and training, which ensures that:

- budget management is exercised in accordance with the framework of Targeted Budget Management and within annual budgets unless Full Council agrees otherwise;
- each Chief Officer and budget holder has available timely information on receipts and payments on each budget which is sufficiently detailed to enable budget holders to fulfil their budgetary responsibilities;
- each cost centre has a single named budget holder, determined by the relevant Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure, and expenditure should only be committed to an approved budget head;
- significant variances from approved budgets are investigated and reported by budget holders regularly to Financial Services and to the relevant Chief Officer, together with action plans to bring the budget back in line;
- all officers responsible for committing expenditure comply with relevant guidance, financial regulations and financial authorisation levels determined by the Executive Director Finance & Resources.

B.2.2.7 To administer the council's scheme of virement.

B.2.2.8 To submit reports to the Policy, Resources & Growth Committee and to Full Council, in consultation with the relevant Executive

Director and Chief Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control.

- B.2.2.9 To determine and keep under review financial authorisation levels, including those contained within financial systems, including variation or removal of financial authorisation in accordance with the framework of budget management and control.
- B.2.2.10 To prepare and submit reports on the council's projected income and expenditure compared with the budget monthly to the Chief Officers and at least quarterly to the Policy, Resources & Growth Committee.

### **Responsibilities of Chief Officers**

- B.2.2.11 To maintain budgetary control within their services for the budgets delegated to them and to ensure that all income and expenditure is properly recorded and accounted for.
- B.2.2.12 To ensure that all officers within their service who are responsible for committing expenditure undertake appropriate training, particularly where this is mandated, to ensure they comply with relevant guidance and financial regulations.
- B.2.2.13 To ensure that an accountable budget holder is identified for each item of income and expenditure under the control of the Chief Officer (grouped together in a series of cost centres) and that the budget holder monitors the relevant budget/s in accordance with the council's TBM framework. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- B.2.2.14 To ensure that budget holders do not charge goods and services against the budgets of other managers without obtaining prior agreement.
- B.2.2.15 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action and implementing action plans where significant variations from the approved budget are forecast.
- B.2.2.16 To ensure that a monthly monitoring process is in place for services to review performance levels/levels of service in conjunction with the budget and the process is operating effectively.
- B.2.2.17 In consultation with the relevant Executive Director and the Executive Director Finance & Resources to prepare and submit to

Chief Officers monthly and Policy, Resources & Growth Committee at least quarterly reports on the service's projected expenditure compared with its budget.

- B.2.2.18 To ensure prior approval by Full Council or the Policy, Resources & Growth Committee (as appropriate) for significant new proposals that:
- create new financial commitments in the current year;
  - create financial commitments in future years;
  - change existing policies, initiate new policies or cease existing policies;
  - materially extend or reduce the authority's services.
- B.2.2.19 To ensure compliance with the scheme of virement (see paragraph A.2.1).
- B.2.2.20 To agree with the relevant Chief Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Chief Officer's level of service activity.

### B.2.3 Budgets and Medium-Term Planning

#### **Why is this important?**

- B.2.3.1 The council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable limited resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the authority's plans and policies. The council sets this out at a high level in its Medium Term Financial Strategy (MTFS), which is a longer term forecast of capital and revenue plans including reserves. The key aim of the MTFS is to provide financial stability over the medium term to support delivery of the council's key service priorities and outcomes.
- B.2.3.2 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of Full Council. Budgets are needed so that the council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a local authority to budget for a deficit.
- B.2.3.3 Medium-term planning involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium term plan. This ensures that the council is always preparing for events in advance.

#### **Key Controls**

- B.2.3.4 The key controls for budgets and medium term planning are:

- specific budget approval for all expenditure;
- budget holders are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Policy, Resources & Growth Committee for their budgets and the level of service to be delivered;
- a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken and action plans implemented.

### **Responsibilities of the Executive Director Finance & Resources**

- B.2.3.5 To prepare and submit reports on budget prospects to Full Council, including resource constraints set by the Government, especially dealing with the robustness of the budget and the adequacy of reserves.
- B.2.3.6 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by Full Council, and after consultation with the Policy, Resources & Growth Committee and Executive Leadership Team.
- B.2.3.7 To prepare and submit reports to Full Council on the council's overall financial strategy which meets its policy and service objectives, showing aggregate spending plans of services and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- B.2.3.8 To ensure there is a Medium Term Financial Strategy and provide detailed financial forecasts to assist in the development of the council's plans and strategies.
- B.2.3.9 To encourage the best use of resources and value for money by working with Chief Officers collectively and individually to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of investment or savings options, and in developing financial aspects of service planning.
- B.2.3.10 To advise Full Council on the Policy, Resources & Growth Committee's proposals in accordance with his or her responsibilities under s151 of the Local Government Act 1972.

### **Responsibilities of Chief Officers**

- B.2.3.11 To prepare estimates of income and expenditure, in consultation with the Executive Director Finance & Resources having regard to the formal guidance issued by the Executive Director Finance &

Resources to be submitted to the Policy, Resources & Growth Committee and Full Council.

B.2.3.12 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

B.2.3.13 When drawing up draft budget requirements, to have regard to:

- guidance issued by the Executive Director Finance & Resources;
- spending patterns and pressures revealed through the Targeted Budget Management process;
- legal requirements;
- policy requirements as defined by Full Council in the approved policy framework;
- initiatives already under way and council priorities;
- revenue costs of proposed capital schemes.

B.2.3.14 To encourage the best use of resources and value for money by working with the Executive Director Finance & Resources to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in drafting business cases or conducting financial appraisals of investment or savings options, and in developing financial aspects of service planning and commissioning intentions.

## B.2.4 Resource Allocation

### **Why is this important?**

B.2.4.1 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil needs or priorities. It is therefore imperative that needs/priorities are carefully considered and that resources are fairly allocated, in order to fulfil all legal responsibilities, and ensure that value for money is obtained. Resources may include staff, money and assets.

### **Key Controls**

B.2.4.2 The key controls for resource allocation are that:

- resources are acquired in accordance with the law and using an approved authorisation process, for example, in accordance with the council's Corporate Procurement Strategy and Contracts Standing Orders to ensure value for money;

- resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
- resources are securely held for use when required;
- resources are used with the minimum level of waste, inefficiency or loss for other reasons.

### **Responsibilities of the Executive Director Finance & Resources**

B.2.4.3 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.

B.2.4.4 To assist in the allocation of resources to budget managers.

### **Responsibilities of Chief Officers**

B.2.4.5 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

B.2.4.6 To identify opportunities to maximise other external funding sources, and minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

B.2.4.7 Collectively, to identify opportunities to manage or allocate resources more effectively across the council provided this complies with statutory requirements, Financial Regulations and the council's policy framework including its approved budget and local plans.

B.2.5 Capital Programmes

#### **Why Is This Important?**

B.2.5.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

B.2.5.2 The Local Government Act 2003 permits local authorities to borrow to finance capital expenditure provided that the plans are affordable, prudent and sustainable in the long term. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of limited resources.

B.2.5.3 All capital expenditure, as defined in the Local Government Act 2003 or in any subsequent regulations, will be included within the approved capital programme, with the exception of expenditure on

the acquisition of equipment, vehicles or plant not exceeding £20,000, which is for operational purposes only. This does not preclude such items being treated as capital items (i.e. fixed assets or enhancements to fixed assets) for accounting purposes.

### **Key Controls**

B.2.5.4 The key controls for capital programmes are:

- specific approval by Full Council for the programme of capital expenditure, in conjunction with the annual revenue budget process, outlining the phasing of expenditure and the sources of funding;
- a scheme and estimate, including options appraisal, project plan, progress targets and associated revenue expenditure are prepared for each capital project, for approval in accordance with the table at B.2.5.9;
- no capital scheme to proceed unless all required finance and other necessary approvals have been obtained;
- proposals for improvements and alterations to buildings must be approved by the appropriate Chief Officer in consultation with the Head of Property & Design;
- major rolling programmes of capital expenditure will require a detailed report to be submitted to Policy, Resources & Growth Committee covering all the schemes within each programme of works and will include the purpose, benefits, risks, total projected cost, expenditure profile and the full financial implications, both capital and revenue. This will include, but not be limited to, the programmes for the housing stock, Education, Asset Management Fund, Corporate Planned Maintenance, ICT Investment Funds, Strategic Investment Funds and Local Transport Plan. These may be reported separately or as part of a Targeted Budget Management report;
- the development and implementation of an Asset Management Plan;
- a nominated, accountable budget holder for each scheme and/or component of the programme;
- monitoring of progress on capital schemes and comparison with approved budget and remedial action taken to address overspends, reporting monthly to Chief Officers and at least quarterly to the Policy, Resources & Growth Committee;
- compliance with the Council's Corporate Procurement Strategy and Contract Standing Orders, for example when inviting competitive quotes or tenders.

## **Responsibilities of the Executive Director Finance & Resources**

- B.2.5.5 To prepare capital estimates jointly with Chief Officers as a collective and to report them to Full Council for approval, together with the revenue implications and prudential indicators as prescribed in the Prudential Code to demonstrate the affordability of the plans. The Policy, Resources & Growth Committee will make recommendations on the capital estimates and on any associated financing requirements to Full Council. The approval of the Policy, Resources & Growth Committee is required where a Chief Officer proposes to bid for or exercise additional borrowing not anticipated in the capital programme. This is because the extra borrowing may create future revenue commitments to financing costs.
- B.2.5.6 To prepare and submit, at least quarterly, reports to the Policy, Resources & Growth Committee on the projected expenditure and resources compared with the approved estimates and to obtain authorisation for any variations outside approved virement limits. Performance against capital budgets will be incorporated in Targeted Budget Management reports alongside revenue performance.
- B.2.5.7 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of capital expenditure will be determined by the Executive Director Finance & Resources, having regard to government regulations and accounting requirements.

## **Responsibilities of Chief Officers**

- B.2.5.8 To comply with guidance concerning capital schemes and controls issued by the Executive Director Finance & Resources.
- B.2.5.9 Prior to the commencement of any capital project, Chief Officers shall produce and submit for approval a detailed report to the Policy, Resources & Growth Committee. Reports should be compiled separately or as part of the standard TBM monitoring report according to the criteria listed below. This will include the purpose, benefits, risks, total projected cost, expenditure profile and full financial implications, both capital and revenue, of the proposed project. No capital project shall be reported without a satisfactory business and financial case developed in consultation with finance officers.

Project Reporting Criteria	TBM report appendix	Separate report to Policy, Resources & Growth Committee
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<u>Initial project approval:</u>		
Total projected cost less than £100,000.	√	
Total projected cost greater than or equal to £100,000 could be in the capital monitoring report appendix (TBM) or in a separate report to the Policy, Resources & Growth Committee, depending on size, risk, revenue or policy implications.		√
Projects committing the council to on-going additional revenue costs. As above, depends on size of capital cost and/or risk, policy implications as to which is most appropriate.	√	√
Specific works funded under a s106 agreement	√	
Leasing costs to be incurred instead of capital financing costs where assets are to be acquired, and where expenditure would be within budget.	√	
<u>Significant increases in tender or contract prices.</u>	√	

B.2.5.10 Where provision is made within the Capital Programme for advance feasibility design and works, each Chief Officer may incur expenditure associated with the feasibility and initial design of future capital schemes with the approval of the Executive Director Finance & Resources. Any expenditure incurred where a scheme does not proceed will be recharged to the service's revenue budget.

B.2.5.11 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Executive Director Finance & Resources.

B.2.5.12 To ensure that tenders and/or quotations are obtained in accordance with the council's Corporate Procurement Strategy, procurement Codes of Practice (COPs) and Contract Standing Orders. This includes ensuring that centrally negotiated contracts are used if they are in place.

B.2.5.13 To prepare regular reports reviewing the capital programme provisions for their services. They should also provide estimated final costs of schemes in the approved capital programme for consideration by the Executive Director Finance & Resources and inclusion in (at least) quarterly reports to the Policy, Resources & Growth Committee.

- B.2.5.14 To promptly identify and report slippage on any schemes and to liaise with the Executive Director Finance & Resources in respect of reprofiling capital expenditure into future financial years where circumstances outside the control of the council mean that it is not possible to spend capital budgets in the current financial year.
- B.2.5.15 To ensure that adequate records are maintained for all capital contracts in line with Contract Standing Orders.
- B.2.5.16 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Executive Director Finance & Resources where required.
- B.2.5.17 To ensure that all necessary approvals have been received from the Planning Authority or Government Departments where appropriate.
- B.2.5.18 To prepare and submit information, jointly with the Executive Director Finance & Resources, to be included within the TBM report to the Policy, Resources & Growth Committee, of any variation in contract costs greater than the amount approved within the Capital Programme. Chief Officers may meet cost increases of up to 10% or £50,000, whichever is the lesser, by virement from savings elsewhere within their capital programme or revenue budget, subject to agreement with the Executive Director Finance & Resources.
- B.2.5.19 To obtain Executive Director Finance & Resources approval for carry forwards of year-end capital underspends, other than when funded from scheme specific resources. Where projects are overspent, this may be a first call on the service's capital allocation in the subsequent year's programme.
- B.2.5.20 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Executive Director Finance & Resources and, if applicable, approval of the scheme through the capital programme.
- B.2.5.21 To consult with the Executive Director Finance & Resources and to seek Policy, Resources & Growth Committee approval where the Chief Officer proposes to bid for supported borrowing or other external funding to support expenditure that has not already been included in the approved Capital Programme.
- B.2.5.22 To ensure that no schemes are brought forward or substituted in the Capital Programme without Executive Director Finance & Resources approval where 'slippage' of an approved scheme may have occurred.
- B.2.5.23 To aim to complete, construct or procure all items expected to be undertaken in each financial year of a scheme in order to ensure that capital schemes are carefully resourced and monitored. The aim must be to keep capital slippage to an absolute minimum and to

take action to avoid the risk of losing capital resources through slippage.

### **B.3 MAINTENANCE OF RESERVES**

#### **Why is this important?**

- B.3.1 The local authority must decide the level of general reserves it wishes to maintain before it can decide the level of Council tax. Reserves are maintained as a matter of prudence. Reserves enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

#### **Key Controls**

- B.3.2 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies.
- B.3.3 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- B.3.4 Authorisation of expenditure from specific reserves by the appropriate Chief Officer should only be actioned with the approval of the Executive Director Finance & Resources. Allocations from the council's general contingency reserves require the approval of the Executive Director Finance & Resources in accordance with budget guidelines set by Full Council.

#### **Responsibilities of the Executive Director Finance & Resources**

- B.3.5 To annually review the levels of reserves, taking into account an appropriate assessment of financial risks, and advise the Policy, Resources & Growth Committee and/or Full Council on prudent levels of general reserves and risk provisions for the council.

#### **Responsibilities of Chief Officers**

- B.3.6 To ensure that resources are used only for the purposes for which they were intended.

## **APPENDIX C**

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

#### **C.1 RISK AND OPPORTUNITY MANAGEMENT (ROM)**

##### **Why is this important?**

- C.1.1 All organisations face risks that can affect achievement of their objectives. Risk Management is defined as “the culture, processes and structure, which come together to optimise the management of potential opportunities and adverse effects”.
- C.1.2 Risk and Opportunity Management is concerned with evaluating the probability of an event and its consequences, identifying the measures the organisation already has in place to manage identified issues (risks) and then taking any further action to control these risks effectively. The adequacy of the control measures should be monitored and the control measures reviewed as necessary.
- C.1.3 It is at the core of decision-making, business planning, managing change and innovation and needs to be practised at all levels. It enables the effective use of resources, securing the assets of the organisation and its continued financial and organisational well-being.
- C.1.4 Risks and Opportunities need to be identified, evaluated and managed:
- at a strategic level when setting objectives, outlining strategic business plans, planning major changes, large projects and/or undertaking improvement reviews;
  - at an operational level by selecting the most appropriate means to manage the particular risk identified; this could range from assessing risks and setting objectives and actions when planning or managing risks by implementing health and safety policies or procedures, complying with Financial Regulations, Contract Standing Orders or seeking insurance cover.

##### **Key controls**

- C.1.5 The key controls for risk management are:
- The ROM Strategy is agreed and adhered to across the council.
  - Procedures are in place to identify, assess and manage the risks that may hinder the council from reaching its objectives.

- Risk and opportunity management is a formalised stage of the business planning process, project management, major changes initiatives and financial programme key controls.
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls.
- Risk management training and support is available across the council.
- Managers know that they are responsible for managing risks and are provided with information on risk management initiatives and incidence levels.

### **Responsibilities of the Policy, Resources & Growth Committee**

C.1.6 The Policy, Resources & Growth Committee is responsible for approving the council's ROM Strategy and for reviewing the effectiveness of risk management. The Audit & Standards Committee also has a role in reviewing risk and opportunity management arrangements (see Financial Regulations).

### **Responsibilities of the Executive Director Finance & Resources**

C.1.7 The Executive Director Finance & Resources is required to:

- prepare the council's ROM Strategy for approval by the Policy, Resources & Growth Committee;
- issue and maintain procedures relating to risk management;
- develop risk management controls in conjunction with all Chief Officers;
- promote risk management across the council and provide advice to managers on the most appropriate risk management tools to use.
- arrange cost effective and appropriate insurance cover and deal with insurance claims and resultant risk actions to reduce the incidence and severity of similar losses;
- ensure procedures are in place to investigate claims within required timescales;
- develop risk management controls for insurable risks;
- effect corporate insurance cover through external insurance and internal funding, and to oversee the negotiation of all claims in consultation with other officers and relevant bodies where necessary;
- maintain a continuous review of claims experience and to effect the optimum balance of internal and external insurance cover over time;

- administer the Municipal Mutual Insurance (MMI) Scheme of Arrangement, take all necessary action, process any claims and report to the Policy, Resources & Growth Committee any significant variations in the Scheme.

### **Responsibilities of Chief Officers**

#### **C.1.8 Chief Officers are required to:**

- ensure that there is a continuous review of exposure to risk within their services, produce and update risk registers for these services and act at all times so as to minimise risks;
- produce evidence of risk registers and risk management actions when undertaking strategic business planning, major change initiatives, large projects (for example, capital projects), new partnership arrangements and improvement reviews;
- monitor the progress of identified risks and subsequent risk management actions;
- notify the Executive Director Finance & Resources immediately of any major risks that are identified and cannot be managed within the resource levels of the service;
- raise the awareness and understanding of risk management throughout the council through training and regular use of risk management techniques in decision-making and planning;
- notify the Executive Director Finance & Resources immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Executive Director Finance & Resources or the authority's insurers;
- co-operate at all times with the investigations of the Insurance Manager and supply all information upon request. It is imperative that officers comply with the timescales for investigating claims. Failure could directly affect the authority's ability to defend a claim or could result in financial penalties being imposed on the authority;
- take responsibility for risk management, having regard to advice from the Executive Director Finance & Resources and other specialist officers (for example, the Risk Manager, the Insurance Manager, crime prevention, fire prevention, health and safety);
- notify the Executive Director Finance & Resources promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances, and supply the Executive Director Finance & Resources with asset valuations for insurance purposes as required;
- consult the Executive Director Finance & Resources on the terms of any indemnity that the authority is requested to give

and to ensure no indemnities are given on behalf of the council without the agreement of the Executive Director Finance & Resources and the Executive Lead for Strategy, Governance and Law ;

- ensure that employees, or anyone covered by the authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim;
- ensure that all companies or individuals contracted to carry out construction work have adequate Public Liability insurance cover, consulting if necessary with the Executive Director Finance & Resources;
- provide all relevant information and documentation to the Executive Director Finance & Resources when requested;
- to fund from their budget the total cost of any claim which has been lost due to a service's inability to meet the protocol time limits.

## **C.2 INTERNAL CONTROLS**

### **Why is this important?**

C.2.1 The council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives. The council is now required to publish an Annual Governance Statement in its Statement of Accounts.

C.2.2 The council has statutory obligations and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations. It also faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

C.2.3 It is the responsibility of Chief Officers to maintain and promote sound arrangements for internal control. These arrangements will be devised by management to ensure that 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.

### **Key Controls**

C.2.4 The key controls and control objectives for internal control systems are:

- key controls should be reviewed on a regular basis and the council should make a formal statement annually to the effect

that it is satisfied that the systems of internal control are operating effectively;

- managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
- financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;
- an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) and with any other statutory obligations and regulations.

### **Responsibilities of the Executive Director Finance & Resources**

- C.2.5 To assist the council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- C.2.6 To put in place and maintain an adequate and effective internal audit service.
- C.2.7 To report significant new or changed risks to the Audit & Standards Committee.

### **Responsibilities of Chief Officers**

- C.2.8 To check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- C.2.9 To review existing controls in the light of changes affecting the council and to establish and implement new ones in line with guidance from the Executive Director Finance & Resources.
- C.2.10 To ensure staff have a clear understanding of their responsibility to identify and manage risk on a continuous basis.

## **C.3 AUDIT REQUIREMENTS**

### **C.3.1 Internal Audit**

#### **Why is this important?**



C.3.1.1 The requirement for an internal audit function for local authorities is implied by s151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003 (as amended) require the council to maintain an adequate and effective internal audit service.

C.3.1.2 Accordingly, internal audit is an assurance function that primarily provides an independent and objective opinion to the council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

### **Key Controls**

C.3.1.3 The key controls for internal audit are:

- that it is independent of day-to-day service operation in its planning and operation;
- the head of the Internal Audit service has direct access to the Chief Executive, all levels of management and directly to elected Members as appropriate;
- that internal auditors comply with the CIPFA Code of Practice for Internal Audit in Local Government and the International Standards for Internal Auditing (IIA).

### **Responsibilities of the Executive Director Finance & Resources**

C.3.1.4 To ensure there is an effective internal audit function and assist with management in providing effective arrangements for financial scrutiny.

C.3.1.5 To ensure that internal auditors have the authority to:

- access council premises at reasonable times;
- access all assets, records (including electronic), documents, correspondence and system applications;
- receive any information and explanation considered necessary concerning any matter under consideration;
- require any employee of the council to account for cash, stores or any other authority asset under his or her control;
- access records belonging to third parties, such as contractors, when required;
- directly access the Chief Executive, the Policy, Resources & Growth Committee and Members as appropriate.

- C.3.1.6 To ensure that Internal Audit staff at all times respect the confidentiality of operations or management information in the areas subject to audit activity.
- C.3.1.7 To approve the Internal Audit Strategy and Annual Audit plans prepared by the head of the Internal Audit service, which take account of the characteristics and relative risks of the activities involved.
- C.3.1.8 To advise on counter fraud strategies and measures, and ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- C.3.1.9 To ensure the provision of advice on the nature and extent of any further investigation to be conducted following the discovery or report of any irregularity involving cash, stores or other assets. Where there is the possibility of criminal action being brought, to ensure that any further interviewing is conducted to meet the requirements of the Police and Criminal Evidence Act 1984 and other relevant legislation.
- C.3.1.10 To refer any matter to the Police following consultation with the Chief Officer concerned, and the Monitoring Officer.
- C.3.1.11 To ensure that at the conclusion of each internal audit, a report and recommendations (if any) are submitted promptly to the relevant Chief Officer of the service concerned.

### **Responsibilities of Chief Officers**

- C.3.1.12 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets and are provided with any information and explanations, that they consider necessary for the purpose of their work.
- C.3.1.13 To consider and respond promptly to recommendations in audit reports and ensure the implementation of recommendations by agreed deadlines.
- C.3.1.14 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the timescale agreed with the head of the Internal Audit service.
- C.3.1.15 Chief Officers are responsible for notifying the head of the Internal Audit service immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

C.3.1.16 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Executive Director Finance & Resources prior to implementation.

### C.3.2 External Audit

#### **Why is this important?**

C.3.2.1 Currently, external auditors are appointed to each local authority in England and Wales by the Audit Commission. The external auditor has rights of access to all documents and information necessary for audit purposes.

C.3.2.2 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, s4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The Code of Audit Practice issued in 2010 (as amended and updated) sets out the auditor's objectives to review and report upon:

- the financial aspects of the audited body's corporate governance arrangements;
- the audited body's financial statements;
- aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information.

C.3.2.3 This council's accounts are scrutinised by the external auditor, who must be satisfied that the Statement of Accounts 'presents fairly' the financial position of the authority and its income and expenditure for the year in question and complies with legal requirements. Under the Code of Audit Practice the external auditors will also be required to certify that they believe the council has spent money effectively and obtained value for money.

#### **Key Controls**

C.3.2.4 External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a code of audit practice, which external auditors follow when carrying out their audits.

#### **Responsibilities of the Executive Director Finance & Resources**

C.3.2.5 To ensure that the external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.

- C.3.2.6 To ensure there is effective liaison between external and internal audit.
- C.3.2.7 To work with the external auditor and advise Full Council, the Policy, Resources & Growth Committee, the Audit & Standards Committee and Chief Officers on their responsibilities in relation to external audit.

#### **Responsibilities of Chief Officers**

- C.3.2.8 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- C.3.2.9 To ensure that all records and systems are up to date and available for inspection.

#### **C.4 PREVENTING FRAUD AND CORRUPTION**

##### **Why is this important?**

- C.4.1 The council is committed to fighting fraud and a zero tolerance policy in the administration of its responsibilities, whether internal or external fraud.
- C.4.2 The council's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- C.4.3 The council also expects that individuals and organisations (for example, suppliers, contractors, partners, service providers) with whom it comes into contact will act towards the council with integrity and without thought or actions involving fraud and corruption.
- C.4.4 The council must ensure that it complies with the Proceeds of Crime Act 2002, Money Laundering Regulations 2007 and the Bribery Act 2010.
- C.4.5 Money laundering
  - C.4.5.1 Money laundering is the term used for a number of offences involving the proceeds of crime or terrorist funds. It also includes the processing, or in any way dealing with, or concealing, the proceeds of crime.
  - C.4.5.2 The Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 place some important obligations on all staff. The head of the Internal Audit service is the designated Money Laundering Reporting Officer for the council. Staff are required to inform the head of the Internal Audit service of any known or suspected money laundering activities. Staff should not normally accept a single cash transaction in excess of £10,000 GBP or the

equivalent in Euros (EUR) at current exchange rates without the approval of the head of the Internal Audit service or nominated deputy.

#### C.4.6 Bribery Act 2010

C.4.6.1 Bribery is a criminal offence and council officers and Members must not pay bribes or offer improper inducements to anyone for any purpose, nor accept bribes or improper inducements.

C.4.6.2 To use a third party as a conduit to channel bribes to others is a criminal offence. Officers and members must not engage indirectly in or otherwise encourage bribery.

#### **Key Controls**

C.4.7 The key controls regarding the prevention of financial irregularities are that:

- the council has an effective Counter Fraud Strategy and maintains a culture that will not tolerate fraud or corruption;
- all Members and staff act with integrity and lead by example;
- senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the council or who are corrupt;
- high standards of conduct are promoted amongst members by the Audit & Standards Committee, and compliance with the Code of Conduct for Members;
- the maintenance of a register of interests in which any hospitality or gifts accepted by staff must be recorded;
- whistle blowing procedures are in place and operate effectively;
- legislation including the Public Interest Disclosure Act 1998 is adhered to;
- the maintenance of a register of Members' financial and other interests and a register of gifts and hospitality, over the value of £25, that Members have received in connection with their official duties.

#### **Responsibilities of the Executive Director Finance & Resources**

C.4.8 To develop and maintain a Counter Fraud Strategy.

C.4.9 To maintain adequate and effective internal control arrangements.

C.4.10 To ensure that all suspected irregularities are reported to the head of the Internal Audit service, and, if appropriate, to the Chief Executive and the Policy, Resources & Growth Committee.

#### **Responsibilities of Chief Officers**

- C.4.11 To ensure that all suspected irregularities are reported to the head of the Internal Audit service.
- C.4.12 To instigate the council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- C.4.13 To ensure that where financial impropriety is discovered, the Executive Director Finance & Resources is informed. Where sufficient evidence exists to believe that a criminal offence may have been committed, the police may be called in following consultation with the Director of Finance and/or Monitoring Officer to determine with the Crown Prosecution Service whether any prosecution will take place.
- C.4.14 To maintain a directorate register of staff interests, such that potential conflicts of interest are identified and avoided wherever possible.
- C.4.15 The Monitoring Officer must maintain a register of Members' financial and other interests and a register of gifts and hospitality over the value of £25.

## C.5 **ASSETS**

### C.5.1 Security and Inventories

#### **Why is this important?**

- C.5.1.1 The council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. Up-to-date asset registers are a prerequisite for proper fixed asset accounting and sound asset management.

#### **Key Controls**

- C.5.1.2 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- resources are used only for the purposes of the council and are properly accounted for;
  - resources are available for use when required;
  - resources no longer required are disposed of in accordance with the law and the regulations of the council so as to maximise benefits;
  - asset registers and a property terrier are maintained for the council, assets are recorded when they are acquired and the

records are updated as changes occur with respect to the location and condition of the asset;

- all staff are aware of their responsibilities with regard to safeguarding the council's assets and information, including the requirements of the Data Protection Act and software copyright legislation;
- all staff are aware of their responsibilities with regard to safeguarding the security of the council's ICT systems, including maintaining restricted access to the information held on them and compliance with the council's ICT and internet security policies;
- an Asset Management Plan is maintained to identify strategies to deal with council property, ensuring property is used effectively and efficiently and with value for money, linked to the council's budgets, strategies, and objectives.

### **Responsibilities of the Executive Director Finance & Resources**

C.5.1.3 To ensure that an asset register is maintained in the council's financial records in accordance with good practice for all fixed assets with a value in excess of a pre-determined level which will be kept under review. In addition the Head of Property & Design has delegated power to maintain a property terrier, which records the holding committee and/or service, location, extent, plan reference, purchase and sale details, nature of the interest, tenancies granted, rents payable and purposes for which the property is held. The function of the asset register and the property terrier is to provide the council with information about fixed assets so that they are safeguarded, used efficiently and effectively, adequately maintained and insured.

C.5.1.4 To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, and valued to the Royal Institution of Chartered Surveyors (RICS) Appraisal & Valuation Standards.

C.5.1.5 To provide guidance on the form of records to be kept for stocks and stores.

C.5.1.6 To prepare the council's Asset Management Plan.

### **Responsibilities of Chief Officers<sup>2</sup>**

C.5.1.7 The below-mentioned responsibilities of Chief Officers in relation to assets shall be read in accordance with the Council's Corporate Landlord arrangements as set out in the Scheme of Delegations to Officers.

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<sup>2</sup> The below references to the Council's Corporate Landlord arrangements come into effect on 23 May 2013.

- C.5.1.8 The appropriate Chief Officer shall ensure that adequate inventories are maintained in a form approved by the Executive Director Finance & Resources for all properties, plant and machinery, furniture, fittings equipment and any movable assets of significant value currently owned or used by the council. Periodic checks of inventories should be undertaken. Where appropriate, security marking shall be used. The value of items to be included in an inventory shall be prescribed by the Executive Director Finance & Resources.
- C.5.1.9 To submit information to the Executive Director Finance & Resources for the purpose of updating accounting, costing and financial records in respect of fixed assets including property and vehicles etc.
- C.5.1.10 To ensure that lessees, and other prospective occupiers of council land, are not allowed to take possession of or enter council land unless a lease or agreement has been put in place in a form agreed by the Head of Property and Design. This provision does not apply to HRA land, which is to be managed by the relevant Chief Officer in accordance with the Scheme of Delegations to Officers.
- C.5.1.11 To ensure the proper security of all buildings and other assets under their control. Chief Officers are responsible for the receipt, care, safe custody and issue of stocks and stores. Stores records shall be kept in a form agreed by the Executive Director Finance & Resources. Leased vehicles, plant or equipment may not be disposed of without the prior approval of the Executive Director Finance & Resources.
- C.5.1.12 Where property is considered to be surplus to the requirements of a service area, to notify the Head of Property & Design who will make decisions regarding the future management or disposal of the property. This provision does not apply to HRA land, which is to be managed by the relevant Chief Officer in accordance with the Scheme of Delegations to Officers.
- C.5.1.13 To grant easements, licenses or wayleaves of less than 3 months duration in accordance with the Scheme of Delegation to Officers. Any further extension of such agreements is to be managed by the Head of Property and Design. This provision does not apply to HRA land, which is to be managed by the relevant Chief Officer in accordance with the Scheme of Delegations to Officers.
- C.5.1.14 To pass title deeds to the Executive Lead for Strategy, Governance and Law who is responsible for custody of all title deeds.
- C.5.1.15 To ensure that no council asset is subject to personal use by an employee without proper authority.
- C.5.1.16 To ensure the safe custody of vehicles, equipment, furniture, stock, stores, uniforms, keys, staff identity cards and other property



belonging to the council and to maintain an effective system of stock control where appropriate. A certificate of the value of stocks held as at 31 March each year should be provided to the Executive Director Finance & Resources. Stocks should be maintained at reasonable levels, having regard to factors such as turnover, value, delivery quantities and delivery period, and are subject to a regular independent physical check.

- C.5.1.17 To consult the Executive Director Finance & Resources in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- C.5.1.18 To ensure cash holdings on premises are kept to a minimum and are held securely and within insured limits. Secure arrangements should also be in place for any cheques held on council premises.
- C.5.1.19 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times and that the issue of keys is formally recorded and controlled and that the loss of any such keys must be reported to the Executive Director Finance & Resources as soon as possible.
- C.5.1.20 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Executive Director Finance & Resources, the Policy, Resources & Growth Committee agrees otherwise.
- C.5.1.21 Where property is removed for an authorised purpose, and only if appropriate insurance cover has been obtained, full details and authorisation should be properly recorded (e.g. in a loans book) to enable its identification. Authorised purposes might include the use of portable computer equipment away from the office and also equipment used for home-based working.
- C.5.1.22 To investigate and remove from the council's records (that is, write off) discrepancies as necessary, in accordance with approved procedures, or to obtain Policy, Resources & Growth Committee approval if they are of significant value following consultation with the Executive Director Finance & Resources. Where equipment or materials become unusable or obsolete, the Executive Director Finance & Resources may arrange for it to be written off in accordance with instructions issued by him/her. Where equipment or materials have a scrap value or resale value, disposal shall be at the best price obtainable following the procedure for disposal issued by the Executive Director Finance & Resources.
- C.5.1.23 To ensure that goods are checked to the goods received note at the time of delivery, matched to order specification and that a delivery note is obtained.

## C.5.2 Intellectual Property

### **Why is this important?**

- C.5.2.1 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.
- C.5.2.2 Certain activities undertaken within the council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

### **Key Controls**

- C.5.2.3 In the event that the council decides to become involved in the commercial exploitation of inventions, the matter should only proceed following consultation with and on the advice of the Executive Director Finance & Resources and Executive Lead for Strategy, Governance and Law .
- C.5.2.4 Data and content, including that on the council's public website, should only be made available for re-use under the terms of the Open Government Licence.

### **Responsibilities of the Executive Director Finance & Resources**

- C.5.2.5 To develop and disseminate good practice through the council's intellectual property procedures.

### **Responsibilities of Chief Officers**

- C.5.2.6 To ensure that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware of an employer's rights with regard to intellectual property.
- C.5.2.7 To consult the Executive Director Finance & Resources and Executive Lead for Strategy, Governance and Law on any proposals to commercially exploit inventions.
- C.5.2.8 The Executive Lead for Strategy, Governance and Law is responsible for assessing whether any exceptional circumstances may support an exemption to publish data and content under the Open Government Licence.

## C.5.3 Disposal of Assets

### **Why is this important?**

- C.5.3.1 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary

resources should be disposed of in accordance with the law and the documented procedures for the sale of land and buildings are set out in the Asset Management Plan. Section 123 Local Government Act 1972 generally requires councils to obtain best consideration that can reasonably be obtained when disposing of such assets. However, disposal at less than best consideration is possible under the legislation, for example, when other benefits are to be gained, including social housing and regeneration, but the circumstances need to be checked carefully in each case to ensure that the detailed requirements for a disposal at less than the best consideration can be satisfied.

### **Key Controls**

- C.5.3.2 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the council, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.
- C.5.3.3 Procedures protect staff involved in the disposal from accusations of personal gain.

### **Responsibilities of the Director of Finance**

- C.5.3.4 To issue guidelines representing best practice for disposal of assets.
- C.5.3.5 To ensure appropriate accounting entries are made to remove the value of disposed assets from the council's records and to include the sale proceeds if appropriate.

### **Responsibilities of Chief Officers**

- C.5.3.6 To ensure that the guidelines on the disposal of surplus or obsolete materials, stores or equipment are followed.
- C.5.3.7 To ensure that income received for the disposal of an asset is properly banked and coded.

## **C.6 TREASURY MANAGEMENT**

### **Why is this important?**

- C.6.1 Many millions of pounds pass through the council's books each year. This has led to the establishment of formal codes of practice on Treasury Management drawn up by CIPFA. These aim to provide assurances that the council's money is properly managed in a way that balances risk with return, but with overriding consideration being given to the security of the council's financial resources.

## Key Controls

- C.6.2 All monies in the hands of the council shall be aggregated for the purposes of Treasury Management and shall be under the control of the Executive Director Finance & Resources or the council's appointed agent.
- C.6.3 That the council adopts the key recommendations of CIPFA's "Treasury Management in the Public Services: Code of Practice" (the Code) as described in section 4 of that Code.
- C.6.4 Accordingly the council will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies and objectives of its treasury management activities;
  - suitable treasury management practices (TMP's), setting out the manner in which the council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;
  - an Annual Investment Strategy (AIS).
- C.6.5 The content of the policy statement and TMP's will follow the recommendations contained in sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the council. Such amendments will not result in the council materially deviating from the Code's key recommendations.
- C.6.6 The content of the AIS will follow guidance issued by the government. Full Council will approve the AIS prior to the commencement of the year, and any subsequent changes or revisions, on the recommendation of the Policy & Resources Committee.
- C.6.7 The Council delegates responsibility for the implementation and monitoring of its treasury management policies, practices and AIS to the Policy, Resources & Growth Committee, and for the execution and administration of all treasury management decisions to the council's Executive Director Finance & Resources who will act in accordance with the council's treasury management policy statement, TMP's and AIS.
- C.6.8 Policy, Resources & Growth Committee will receive reports on its treasury management policies, practices and activities (including the AIS) at least three times a year, these being an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in the TMP's.

## **Responsibilities of the Executive Director Finance & Resources**

- C.6.9 To arrange the borrowing and investments of the council in such a manner as to comply with the CIPFA Code and the council's Treasury Management Policy statement and Annual Investment Strategy.
- C.6.10 To report at least three times a year on treasury management activities to the Policy, Resources & Growth Committee.
- C.6.11 To ensure that all investments of money are made in the name of the council or in the name of nominees approved by the Policy, Resources & Growth Committee.
- C.6.12 To effect all borrowings in the name of the council and to maintain records of such borrowing in accordance with the CIPFA Code and the council's Treasury Management Policy Statement.
- C.6.13 To act as, or to appoint the council's bankers to act as, the council's registrar of stocks, bonds, mortgages etc.

## **Responsibilities of Chief Officers**

- C.6.14 To follow the instructions on banking issued by the Executive Director Finance & Resources.
- C.6.15 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Executive Director Finance & Resources who will be responsible for seeking approval of the Policy, Resources & Growth Committee and/or Full Council where appropriate.

## **C.7 TRUST FUNDS, FUNDS HELD FOR THIRD PARTIES AND OTHER VOLUNTARY FUNDS**

- C.7.1 Trust and other voluntary funds frequently provide service areas with additional sources of finance to provide services to their customers. Although not public money, such funds are administered by employees of the council in normal work time and therefore minimum standards must be met. In addition, customers, clients and benefactors who contribute to the fund are entitled to expect minimum levels of financial stewardship and accountability.
- C.7.2 It is most important that an effective audit is carried out by a person with experience appropriate to the level of turnover of the fund. Where the annual income of the fund exceeds £25,000, the council recommends that a qualified accountant is appointed as the auditor/independent examiner.

- C.7.3 The auditor must be totally independent from and have no indirect connection with the administration of the fund such as might inhibit the impartial conduct of the audit. This precludes:
- any member of staff involved in the administration of the fund;
  - a relative of any member of staff responsible for administering the fund.
- C.7.4 In addition, the auditor should have the requisite ability and practical experience to carry out a competent examination of the accounts.
- C.7.5 Where the annual variable income of the fund exceeds the VAT registration threshold (£77,000 as at 2012), the auditor should be a Consultative Committee of Accountancy Bodies (CCAB) qualified accountant; that is, a member of one of the six recognised accountancy bodies in the UK.

### **Key Controls**

- C.7.6 The key controls for Trust Funds, funds held for third parties and other voluntary funds are:
- Funds are only used for the purposes for which they are intended.
  - All funds with income over £25,000 are inspected or audited on an annual basis by an appropriately qualified auditor.
  - All monies are accounted for and kept separate from council funds.

### **Responsibilities of the Executive Director Finance & Resources**

- C.7.7 To ensure that all trust funds held in the name of the council are audited in line with any statutory requirements.
- C.7.8 To provide guidance on accounting arrangements.

### **Responsibilities of Chief Officers**

- C.7.9 To arrange for all trust funds to be held, wherever possible, in the name of the council. All officers acting as trustees by virtue of their official position shall deposit securities etc. relating to the trust with the Executive Director Finance & Resources, unless the deed otherwise provides.
- C.7.10 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Executive Director Finance & Resources, and to maintain written records of all transactions.
- C.7.11 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

- C.7.12 To follow all guidance issued by the Executive Director Finance & Resources.
- C.7.13 Chief Officers shall maintain an itemised inventory of private property of persons taken into the care of the council, in each case prepared in the presence of two authorised officers. Such property shall be removed only in the presence of two people who shall both certify the itemised inventory of these items. Chief Officers shall also maintain an itemised inventory of private property when steps are necessary to prevent or mitigate loss or damage of moveable property. Inventory records shall be produced to the Executive Director Finance & Resources on request.
- C.7.14 The Executive Director Adult Services shall be responsible for the administration of the personal effects and property of deceased persons within the definition of the Public Health (Control of Disease) Act 1984.
- C.7.15 All private valuables of persons taken into the care of the council such as jewellery, watches or other articles of a similar nature and documents of title shall be deposited for safe custody in accordance with arrangements approved by the Executive Director Finance & Resources. A record must always be maintained by the Chief Officer wherever cash is held, including bank accounts or building society accounts. Due care must be taken to prevent or mitigate loss or damage to property of those who are taken into care.
- C.7.16 Disposals of such property shall be in accordance with arrangements approved by the Executive Director Finance & Resources.
- C.7.17 Chief Officers are responsible for ensuring that all voluntary funds held, where money and/or assets are handled by employees in the course of their employment or office, which have not been issued by the council, are properly administered and that they are audited under arrangements approved by the Executive Director Finance & Resources. Where cash is held in a bank account or building society account or such similar arrangements, a record must be maintained accordingly by the Chief Officer concerned. Cheques issued in respect of these accounts must not be pre-signed.

## C.8 **STAFFING**

### **Why Is this Important?**

- C.8.1 In order to provide good quality services, it is crucial that the council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level. There must be adherence to council policies and procedures on staff recruitment and security of confidential information.

## **Key Controls**

C.8.2 The key controls for staffing are:

- an appropriate workforce strategy and policy exists, in which staffing requirements and budget allocation are matched within agreed limits/tolerances;
- procedures are in place for forecasting staffing requirements and cost;
- controls are implemented that ensure that staff time is used efficiently and to the benefit of the council;
- checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy, and have appropriate security clearance;
- within the total financial estimate provision approved by the council, Chief Officers shall be entitled to vary the numbers and composition of their workforce in order to meet service requirements provided such variations do not commit the council to increased expenditure in future years. Where an 'Establishment Management' process is approved by the Chief Executive and the Executive Director Finance & Resources, the Chief Officers must comply with the requirements of the process including any specified authorisations or approvals.

## **Responsibilities of the Executive Director Finance & Resources**

C.8.3 To act as an advisor to Chief Officers on areas such as National Insurance and pension contributions, as appropriate.

C.8.4 Overall responsibility for ensuring that Human Resources and Health & Safety strategies, codes of practice, policies and procedures are developed and implemented across the council.

## **Responsibilities of Chief Officers**

C.8.5 To produce an annual staffing budget.

C.8.6 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads). This includes compliance with any approved staffing budget or establishment management procedures.

C.8.7 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

C.8.8 To comply with corporate requirements on recruitment to ensure that employees are appropriately qualified, experienced and trustworthy, and have appropriate security clearance.



- C.8.9 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided. In particular, where an 'Establishment Management' procedure is approved by the Chief Executive and Executive Director Finance & Resources, Chief Officers must comply with the requirements of the process including any specified authorisations or approvals.
- C.8.10 To ensure authorisation for recruitment to vacant posts is in accordance with any corporate vacancy management process approved by the Chief Executive or Executive Leadership Team and that any opportunities are taken to generate short-term savings from vacant posts without severely impacting on service performance. Further guidance is set out in D.2.3 Payments to employees and Members.
- C.8.11 To comply with any direction set by the Policy, Resources & Growth Committee, the Chief Executive or Executive Leadership Team in respect of vacancy management controls.

**D SYSTEMS AND PROCEDURES**

**D.1 IT SYSTEMS AND RELATED PROCEDURES**

**Why is this important?**

- D.1.1 Service areas have many systems and procedures relating to the control of the council's assets, including purchasing, costing and management systems. Services are increasingly reliant on Information & Communication Technology (ICT) for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- D.1.2 The Executive Director Finance & Resources has a professional responsibility to ensure that the council's financial ICT systems are sound and should therefore be notified of any new developments or changes.
- D.1.3 The Executive Director Finance & Resources is responsible for the procurement, development, implementation and maintenance of all ICT systems to the standards required by the business functions of Brighton & Hove City Council and its infrastructure.

**Key Controls**

- D.1.4 The key controls for systems and procedures are:
- basic data exists to enable the council's objectives, targets, budgets and plans to be formulated;
  - performance is communicated to the appropriate managers on an accurate, complete and timely basis;
  - early warning is provided of deviations from target, plans and budgets that require management attention;
  - operating systems and procedures are secure.

**Responsibilities of the Executive Director Finance & Resources**

- D.1.5 To make arrangements for the proper administration of the council's financial affairs, including to:
- issue advice, guidance and procedures for officers and others acting on the council's behalf;
  - determine the financial systems, form of accounts and supporting financial records;

- establish arrangements for audit of the council's financial affairs;
- approve any new financial systems to be introduced, including systems linked to or interfaced with "feeder systems" the corporate financial information system;
- approve any changes to be made to existing financial systems or related feeder systems;
- ensure output from the system is complete, accurate and timely;
- have suitable controls to ensure that systems and procedures are secure.

### **Responsibilities of Chief Officers**

- D.1.6 To ensure that accounting records are properly maintained and held securely.
- D.1.7 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Executive Director Finance & Resources.
- D.1.8 To ensure that a complete management trail is maintained, allowing financial transactions to be traced between the accounting records and the original document.
- D.1.9 To incorporate appropriate controls to ensure that, where relevant:
- all input is genuine, complete, accurate, timely and not previously processed
  - all processing is carried out in an accurate, complete and timely manner.
- D.1.10 To comply with all other system controls as required by the Executive Director Finance & Resources.
- D.1.11 To ensure compliance with all guidance and relevant legislation in relation to HM Revenue & Customs requirements, and be responsible for meeting from delegated budgets any penalties and interest payments which may arise following non-compliance.
- D.1.12 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- D.1.13 To ensure there is a documented and tested Disaster Recovery plan to allow information system processing to resume quickly in the event of an interruption. Wherever possible, back-up information should be securely retained in a fireproof location, always off site.
- D.1.14 To ensure that systems are documented and staff trained in operations.

- D.1.15 To consult with the Executive Director Finance & Resources before changing any existing ICT system or introducing new systems.
- D.1.16 To ensure that only officers authorised to act on their behalf process payments, collect income and place orders, including variations; this should be evidenced through either: local procedure/practice notes, job descriptions/organisational structure, a record of authorised signatories or a scheme of financial delegation or authorisation.
- D.1.17 To provide a Scheme of Delegation or Authorisation or supply lists of authorised officers, with specimen signatures and delegated limits to the Executive Director Finance & Resources, together with any subsequent variations.
- D.1.18 To ensure that, where appropriate, ICT systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- D.1.19 To ensure that relevant standards and guidelines for computer systems are observed.
- D.1.20 To ensure that ICT equipment, infrastructure and software are protected from loss and damage through theft, vandalism, etc.
- D.1.21 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- only software legally acquired and installed by the council is used on its computers;
  - staff are aware of legislative provisions;
  - in developing systems, due regard is given to the issue of intellectual property rights , and where computer systems are developed for the council, the resulting programs should be held in escrow or equivalent arrangements.

## D.2 **INCOME AND EXPENDITURE**

### D.2.1 Income

#### **Why Is this Important?**

- D.2.1.1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance or at the point of supplying goods or services as this improves the council's cash-flow and also avoids the time and cost of administering debts.

#### **Key Controls**

- D.2.1.2 The key controls for income are:

- all income due to the council is identified and charged correctly, in accordance with the Corporate Fees & Charges Policy, which is regularly reviewed;
- all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
- all money received by an employee on behalf of the council is paid without delay to the Executive Director Finance & Resources or, as he or she directs, to the authority's bank account, and is properly recorded. The responsibility for cash collection should, ideally, be separated from:
  - the responsibility for identifying the amount due;
  - the responsibility for reconciling the amount due to the amount received.
- income received is not used to meet expenditure;
- effective action is taken to pursue non-payment within defined timescales;
- formal approval for debt write-off is obtained;
- appropriate write-off action is taken within defined timescales;
- appropriate accounting adjustments are made following write-off action;
- all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule;
- money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process;
- to guard against fraud and money laundering, the maximum cash deposit accepted will be £10,000 or the equivalent in Euros at current exchange rates.

### **Responsibilities of the Executive Director Finance & Resources**

- D.2.1.3 To agree arrangements and promote best practice for the collection of all income due to the council.
- D.2.1.4 To collect income due in all cases where formal invoices are raised.
- D.2.1.5 To ensure that all income received is kept securely and banked properly.
- D.2.1.6 To order and supply to services all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.

- D.2.1.7 To approve the form of all cash collection facilities and associated procedures. This includes safes, automated cash collection machines and other cash collection facilities.
- D.2.1.8 To agree the write-off of bad debts in accordance with financial limits and to report to the Policy, Resources & Growth Committee if this is material to either the accounts of the council as a whole or to the service in question.
- D.2.1.9 To approve all debts to be written off in accordance with financial limits and to keep a record of all sums written off and to adhere to the requirements of the Accounts and Audit Regulations 2011 (as amended).
- D.2.1.10 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- D.2.1.11 To ensure that appropriate accounting adjustments are made following write-off action.

#### **Responsibilities of Chief Officers**

- D.2.1.12 To ensure that all income is accounted for. An officer authorised to raise an invoice shall not be permitted to amend or cancel invoices raised by him/her. Chief Officers shall ensure that only officers authorised by them are able to amend or cancel invoices on their behalf and that all requests to amend or cancel invoices will require a minimum of two authorised signatories. The Executive Director Finance & Resources shall be notified promptly of all money due to the council including details of contracts, leases or agreements and arrangements entered into which involve the receipt of money by the council. The Executive Director Finance & Resources must be promptly notified of new, or variations to, rents and leases or other periodic income to ensure that the periodic income register is accurately maintained.
- D.2.1.13 To establish a charging framework for the supply of goods or services, including the appropriate charging of VAT, which accords with the Corporate Fees & Charges Policy and to review charges regularly.
- D.2.1.14 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- D.2.1.15 To issue official receipts or to maintain other documentation for income collection in a form approved by the Executive Director Finance & Resources.
- D.2.1.16 Raising invoices has a cost implication. Invoices for supplies or services with a value of less than £5 must not be issued without the approval of the relevant Chief Officer.

- D.2.1.17 To ensure that a record is kept of any money or cash equivalents (e.g. postal orders) received by post and is signed by the receiving officer.
- D.2.1.18 To hold securely receipts, tickets and other records of income for the appropriate period.
- D.2.1.19 To lock away all income (cash and cheques) to safeguard against loss or theft, and to ensure the security of cash handling. Maximum limits for cash held shall be agreed with the Executive Director Finance & Resources, having regard to the council's insurance cover, and must not be exceeded.
- D.2.1.20 To ensure that all relevant cash collection procedures issued by the Executive Director Finance & Resources are complied with including the requirements of the corporate banking contract and security carrier contracts.
- D.2.1.21 To ensure that income is paid fully and promptly into the appropriate council bank account in the form in which it is received. There must be sufficient information to identify the transaction. Money collected and deposited must be reconciled to the bank account on a regular basis. All cheques, money orders and postal orders received in any service area shall be crossed "Brighton & Hove City Council".
- D.2.1.22 To ensure that reconciliations are in place to confirm that all income collected by their services is banked promptly and intact.
- D.2.1.23 To ensure income is not used to cash personal cheques or make other payments.
- D.2.1.24 To ensure that debtor invoices are raised and despatched promptly following any work done, goods supplied or services rendered where payment has not been received at or prior to the point of supply.
- D.2.1.25 To recommend to the Executive Director Finance & Resources debts to be written off in accordance with financial limits and to keep a record of all sums written off up to the approved limit.
- D.2.1.26 To notify the Executive Director Finance & Resources of any contracts, leases or other arrangements entered into, which involve the payment of money to the council.

D.2.2 Ordering and Paying for Work, Goods and Services

**Why is this important?**

- D.2.2.1 Public money should be spent with demonstrable probity and in accordance with the council's policies. Councils have a statutory duty to put in place arrangements to secure economy, efficiency and effectiveness in the use of resources. The council's procedures

should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the council's Corporate Procurement Strategy and procurement Codes of Practice (COPs).

D.2.2.2 Every officer and member of the council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the council, in accordance with appropriate codes of conduct.

### **Key Controls**

D.2.2.3 The key controls for ordering and paying for work, goods and services are:

- all goods and services are ordered only by appropriate persons and are correctly recorded;
- all goods and services shall be ordered in accordance with the council's Corporate Procurement Strategy, procurement Codes of Practice (COPS) and purchase order system requirements;
- the tender and award of all contracts for goods, services and works shall be subject to the council's Contract Standing Orders and relevant statutory and European Union directives;
- goods and services received are checked to ensure they are in accordance with the order. Where practicable, managers should try to ensure goods are not received by the person who placed the order;
- payment should not be made unless goods have been ordered and received by the council to the correct price, quantity and quality standards. Exceptions include advance booking for travel, places at seminars or courses, or overnight accommodation provided the value does not exceed £10,000;
- Excluding the exceptions above, where it is not possible to order and purchase goods or services in the required sequence (i.e. order, receipt of goods, invoice and payment), advance payment may be allowable subject to the prior approval of the Executive Director Finance & Resources;
- all payments are made within the payment terms or otherwise within 30 days to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
- all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule (see paragraph D.8.8.4);



- all expenditure, including VAT, is accurately recorded against the correct budget or accounting code and any exceptions are corrected;
- in addition, the effect of e-business/e-commerce and electronic purchasing (e-Procurement) requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

D.2.2.4 All orders, including e-purchasing orders, must be in a form approved by the Executive Director Finance & Resources.

D.2.2.5 Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment from the council shall be by BACS, cheque or other instrument or approved method, drawn on the council's bank account by the Executive Director Finance & Resources. The use of direct debit shall require the prior agreement of the Executive Director Finance & Resources.

D.2.2.6 Orders must not be raised for any personal or private purchases, nor must personal or private use be made of council contracts.

#### **Responsibilities of the Executive Director Finance & Resources**

D.2.2.7 To ensure that all the council's financial systems and procedures are sound and properly administered and that authorisation levels are commensurate with Financial Regulations, Standing Orders, Schemes of Delegation and good practice.

D.2.2.8 To maintain a Scheme of Authorisation for all Corporate Financial and Procurement IT Systems and any subsidiary IT systems capable of generating payments, orders or other financial commitments.

D.2.2.9 To approve any changes to existing financial systems and to approve any new systems before they are introduced.

D.2.2.10 To approve the form of official orders and associated terms and conditions, and ensure there is a back-up of orders that have been generated on the system, as part of the back-up/disaster recovery plan.

D.2.2.11 To make payments from the council's funds on the Chief Officer's authorisation or purchase order system authorisation that the expenditure has been duly incurred in accordance with Financial Regulations.

D.2.2.12 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a Court Order.

- D.2.2.13 To make payments to contractors on the certificate of the appropriate Chief Officer or purchase order system authorisation, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- D.2.2.14 To provide advice and encouragement on making payments by the most economical means and to report to Chief Officers as a collective on payment processing performance in accordance with corporate reporting requirements.

### **Responsibilities of Chief Officers**

- D.2.2.15 To comply with guidance issued by the Corporate Procurement Team, to ensure that the most favourable terms for price, delivery and quality have been obtained.
- D.2.2.16 To ensure the safe custody and proper use of official orders, including e-purchasing orders. Orders shall include clearly the originator, the nature and quantity of the goods, supplies and services to be supplied and details of agreed or estimated prices, relevant discounts and delivery terms and be authorised by the appropriate officer.
- D.2.2.17 To ensure that no orders are issued for goods or services where the cost is not covered by an approved budget in the relevant service area.
- D.2.2.18 To ensure that orders are only used for goods and services provided to and for the use of the service area. Individuals must not use official orders or e-purchasing orders to obtain goods or services for their private use.
- D.2.2.19 To ensure that only those staff authorised by him or her place and/or authorise orders in accordance with the Scheme of Authorisation approved by the Executive Director Finance & Resources (see D.2.2.8). The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained in accordance with Contract Standing Orders.
- D.2.2.20 To ensure that copy orders are retained where non-computerised records are used, and that they are held securely.
- D.2.2.21 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order.
- D.2.2.22 To pay invoices promptly in accordance with contract terms; the council target is payment within agreed terms or 30 days from the date the invoice is received.
- D.2.2.23 To ensure that payment is not made unless a proper VAT invoice (excluding any balance brought forward) in the name of the council

has been received, checked, coded and certified for payment, confirming:

- receipt of goods;
- that the invoice has not previously been paid;
- that expenditure has been properly incurred and is within budget;
- that prices are correct, including discounts; and
- that tax is deducted where appropriate and at the appropriate rate.

D.2.2.24 Chief Officers are responsible for obtaining necessary VAT receipts. Failure to obtain adequate receipts could result in charges levied by H M Revenue & Customs, and this charge will be made to the relevant service.

D.2.2.25 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the head of the Internal Audit service. In cases of payments on copy invoices, careful checks need to be carried out to prevent duplicate payments. When authenticated, a copy invoice should be marked clearly “not previously passed for payment” and properly certified.

D.2.2.26 To encourage suppliers of goods and services to receive payment by the most economical means for the council. Where payment of accounts by computerised system is proposed (e.g. e-billing), the system and certification procedures must be approved by the Executive Director Finance & Resources. Payments made by direct debit must have the prior approval of the Executive Director Finance & Resources.

D.2.2.27 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Executive Director Finance & Resources. A record of all leases for the provision of accommodation must be kept and be available for audit and Targeted Budget Management at all times. This should include the length of the contract, terms of the lease, financial costings, authorisations to enter into the leases and evidence of contract compliance.

D.2.2.28 To notify the Executive Director Finance & Resources of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined annually by the Executive Director Finance & Resources.

D.2.2.29 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Executive Director Finance & Resources the systems and procedures to be adopted in relation to financial aspects, including

certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

D.2.2.30 The Executive Director Finance & Resources and Chief Officers are responsible for ensuring that invoices are retained (either in secure file storage or electronically) for the defined period in accordance with Financial Regulations – Retention of Records (see paragraph D.8.8.4).

D.2.2.31 Invoices should be made available for inspection as required, for example, by the Executive Director Finance & Resources, External Audit, HM Revenue & Customs.

### D.2.3 Payments to Employees and Members

#### **Why is this important?**

D.2.3.1 Staff costs are the largest item of expenditure for most council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by Full Council. The payroll function in this council is managed by the Head of Human Resources & Organisational Development.

#### **Key Controls**

D.2.3.2 The key controls for payments to employees and Members are:

- proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to starters, leavers, variations, and enhancements; and that payments are made on the basis of timesheets or claims;
- frequent reconciliation of payroll expenditure against approved budget and bank account;
- all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule (see paragraph D.8.8.4);
- that HM Revenue & Customs regulations are complied with.

#### **Responsibilities of the Executive Director Finance & Resources**

D.2.3.3 The Executive Director Finance & Resources has overall corporate responsibility for compliance with statutory rules relating to employee matters and shall issue appropriate relevant advice, guidance and training to all staff to ensure that Chief Officers adhere to all statutory rules and the mandatory aspects of the council's

Human Resources Policies and Practices including the agreed use of appointment procedures; the proper use of job evaluation or other agreed system for determining remuneration; the method used to make payments to staff including those falling within locally determined and local management schemes; dismissals; contract variations and the security and privacy of associated data.

- D.2.3.4 To supply information on full time equivalent staffing numbers, and arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, with personal information linked to the payroll system, in accordance with procedures prescribed by him or her, on the due date.
- D.2.3.5 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- D.2.3.6 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- D.2.3.7 To make arrangements for paying Members' travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- D.2.3.8 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- D.2.3.9 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

### **Responsibilities of Chief Officers**

- D.2.3.10 To ensure appointments are made in accordance with the regulations of the council and approved establishments, grades, scales of pay and approved budget levels.
- D.2.3.11 To maintain personnel information in a format specified by the Head of Human Resources & Organisational Development and notify him or her promptly of all appointments, terminations, increments, timesheets, or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Head of Human Resources & Organisational Development.
- D.2.3.12 To ensure that adequate and effective systems and procedures are operated, so that:
  - payments are only authorised to bona fide employees;
  - payments are only made where there is a valid entitlement;
  - conditions and contracts of employment are correctly applied;

- employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness;
- any systems used to process personnel data or remunerations are properly maintained in compliance with these Financial Regulations, and that arrangements for paying salaries, compensation and other emoluments also comply.

D.2.3.13 To ensure that only officers authorised to act on behalf of Chief Officers sign records and timesheets in accordance with the access controls applicable to the HR/Payroll system. The Head of Human Resources & Organisational Development will determine the appropriate access and authorisation levels.

D.2.3.14 To ensure that payroll transactions are processed only through the payroll system, in order to ensure compliance with HM Revenue & Customs requirements. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HM Revenue & Customs apply a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Human Resources & Organisational Development.

D.2.3.15 Certification of timesheets by authorised officers means that:-

- the expenditure has been properly incurred, is legal, and that there is relevant estimate provision or other authority to spend;
- the payment is in accordance with the council's human resources policy and practices and other regulations;
- the calculations of hours, pay rates and other allowances are correct;
- the timesheet is arithmetically correct,
- the timesheet has not previously been paid. In cases of copy timesheets, careful checks need to be carried out to prevent duplicate payments. When authenticated, any copy should be marked clearly "not previously passed for payment" and properly certified.

D.2.3.16 Ex-gratia payments shall be paid through the payroll system in accordance with Standard Financial Procedures - Financial Limits (see paragraph D.8.5).

D.2.3.17 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the council in accordance with nationally agreed rates, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Head of Human Resources & Organisational

Development is informed where appropriate. Payment of lump sum allowances shall only be made in accordance with arrangements formally approved by the Head of Human Resources & Organisational Development.

D.2.3.18 To ensure that the Head of Human Resources & Organisational Development is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

D.2.3.19 To ensure that all appropriate payroll documents are retained and stored for the defined statutory period (see paragraph D.8.8.4).

### **Responsibilities of Members**

D.2.3.20 To submit claims for members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the financial year-end.

### **D.2.4 Corporate Procurement/Purchasing Cards**

#### **Why is this important?**

D.2.4.1 Corporate Procurement Cards are issued when:

- There is an operational requirement for the flexibility which the card would offer;
- There is an ongoing need that cannot be met effectively or efficiently by other arrangements;
- There is a pattern of low value, high volume purchases where a purchase order is not appropriate.

D.2.4.2 Corporate procurement cards must not be used as methods of avoiding normal purchasing/payment arrangements.

#### **Key Controls**

D.2.4.3 The key controls for corporate procurement cards are:

- All applications for corporate procurement cards should be made on the appropriate form, meeting the specific criteria, appropriately authorised and supported by a business case approved by the budget holder;
  - A condition of usage agreement is issued to the cardholder upon approval, which must be signed and returned;
  - There is an individual transaction and monthly spend limit issued for each card holder which can not be exceeded. Card limits will be reviewed at regular intervals and if necessary revised;

- Finance will monitor the use of corporate procurement cards. If inappropriate expenditure occurs, then it can be deducted from accrued salary and may result in the cancellation of the card;
- Cardholders are required to keep a copy of all documentation that relates to the purchases, including the monthly procurement card statement that will be received by all purchasing cardholders.

### **Responsibilities of the Executive Director Finance & Resources**

- D.2.4.4 To establish a corporate procurement card system that can be operated securely within the council.
- D.2.4.5 To ensure that procurement card expenditure is accounted for and correctly presented in the council's accounts.

### **Responsibilities of Chief Officers**

- D.2.4.6 To ensure that officers holding a corporate procurement card:
- Obtain and retain receipts to support each payment made against the procurement card. Where appropriate, an official receipted VAT invoice must be obtained;
  - Submit records as required by the Executive Director Finance & Resources at regular intervals for uploading into the council's system;
  - Make adequate arrangements for the safe custody of the card;
  - Reconcile the expenditure monthly; reconciliation sheets to be verified in accordance with the notified procedure;
  - Lost or stolen cards must be reported immediately to the council's banker and Finance;
  - Return the card to the council (Finance) upon leaving the council or at the request of the Executive Director Finance & Resources;
  - Do not use the card to obtain cash advances.
- D.2.4.7 The Chief Finance Officer may require the return of the card at any time and may suspend or cancel its use in the event that the cardholder fails to comply with the conditions of use of the card.

### **D.2.5 Corporate Credit Cards**

#### **Why is this important?**

- D.2.5.1 Corporate Credit Cards are issued when:



- An element of an officer's duties involves travel outside the city of Brighton and Hove including overseas, for council business;
- There is an ongoing need that cannot be met effectively by other arrangements;
- The case for an officer to be issued with a card has been approved by the relevant Chief Officer or, in the case of Chief Officers themselves, the Chief Executive.

D.2.5.2 Corporate credit cards must not be used as methods of avoiding normal purchasing/payment arrangements.

### **Key Controls**

D.2.5.3 The key controls for corporate credit cards are:

- A condition of usage agreement is issued to the cardholder upon approval, which must be signed and returned to Finance;
- There is a credit limit issued for each card holder which cannot be exceeded. Credit limits will be reviewed at regular intervals and if necessary revised;
- All items of expenditure listed on monthly statements are entered on a monthly return giving sufficient details of the activity/purpose and expenditure code;
- Full credit card slips must be attached to monthly expenditure returns to support expenditure. VAT receipts must be retained;
- The officer's line manager, Chief Finance Officer (or deputy) must authorise monthly expenditure returns;
- Finance will monitor the use of corporate credit cards. If inappropriate expenditure occurs, then it can be deducted from accrued salary and may result in the cancellation of the card.

### **Responsibilities of the Executive Director Finance & Resources**

D.2.5.4 To establish a corporate credit card system that can be operated securely within the council.

D.2.5.5 To ensure that credit card expenditure is accounted for and correctly presented in the council's accounts.

### **Responsibilities of Chief Officers**

D.2.5.6 To ensure that officers holding a corporate credit card:

- Obtain and retain receipts to support each payment made using the credit card; where appropriate, an official receipted VAT invoice must be obtained;
- Submit records as required by the Executive Director Finance & Resources at regular intervals for examination and coding;

- Make adequate arrangements for the safe custody of the card;
- Record transactions promptly;
- Reconcile the expenditure monthly; reconciliation sheets to be signed, a copy retained by the card holder and a copy forwarded to Finance;
- Lost or stolen cards must be reported immediately to the council's banker and Finance;
- Ensure that the card is never used to cash personal cheques or to make personal loans;
- Return the credit card to Finance upon leaving the council or at the request of the Executive Director Finance & Resources;
- Do not use the card to obtain cash advances.

D.2.5.7 The Chief Finance Officer may require the return of the card at any time and may suspend or cancel its use in the event that the cardholder fails to comply with the conditions of use of the card.

#### D.2.6 Imprest and Petty Cash Accounts

##### **Why is this important?**

D.2.6.1 Imprest and petty cash accounts allow:

- Urgent purchases where officers are unable to obtain goods or services in a timely manner to allow the continued delivery of the service.
- Minor items of expenditure, when it would not be cost effective to purchase the item through the creditor payments system.

D.2.6.2 Imprest and petty cash accounts must not be used as methods of avoiding normal purchasing/payment arrangements.

##### **Key Controls**

D.2.6.3 The key controls for imprest and petty cash accounts are:

- all transactions are properly accounted for;
- proper authorisation procedures are in place;
- there is appropriate supporting documentation for all purchases;
- purchases are appropriate and could not be made through the council's normal purchase ordering system;
- purchases demonstrate Value for Money;

- accounts are kept in balance and reconciled on a regular basis;
- cash, cheque books and accounting records are held securely.

### **Responsibilities of the Executive Director Finance & Resources**

- D.2.6.4 To establish a petty cash/imprest system to be operated by the council.
- D.2.6.5 To ensure that petty cash is accounted for and correctly presented in the council's accounts.

### **Responsibilities of Chief Officers**

- D.2.6.6 To ensure that employees operating an imprest account:
- obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
  - use vouchers and other documentation prescribed by the Executive Director Finance & Resources;
  - ensure that a separation of duties is evidenced in the processing and authorisation of each payment;
  - retain documentation in accordance with the instructions of the Executive Director Finance & Resources and HMRC;
  - maintain the account in balance and submit records as required by the Executive Director Finance & Resources at regular intervals for examination and the reimbursement of expenditure;
  - make adequate arrangements for the safe custody of the account;
  - produce upon demand by the Executive Director Finance & Resources cash and all vouchers to the total value of the imprest amount;
  - record transactions promptly;
  - reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
  - reconcile and balance the account to the satisfaction of their line manager on leaving the employment of the council or on ceasing to be responsible for the account;
  - provide the Executive Director Finance & Resources with a certificate of the value of the account held on request (normally once a year);
  - ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into

the account are the reimbursement of the float and change relating to purchases where an advance has been made;

- ensure that no income received on behalf of the council may be paid into a petty cash/imprest account but must be banked or paid into the council;
- repay to the Council the balance of the petty cash/imprest held upon leaving the council or at the request of the Executive Director Finance & Resources.

D.2.6.7 No officer shall certify a petty cash/imprest bank account claim for reimbursement of expenditure to him/herself.

D.2.6.8 No payments or reimbursements shall be made for values over £100.

D.2.6.9 In no circumstances shall imprest accounts be allowed to go overdrawn.

### D.3 **VAT & TAXATION**

#### **Why is this Important?**

D.3.1 Like all organisations, the council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

#### **Key Controls**

D.3.2 The key controls for taxation are:

- budget holders are provided with relevant information and kept up to date on tax issues;
- budget holders are instructed on required record keeping;
- all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
- records are maintained in accordance with instructions;
- returns are made to the appropriate authorities within the stipulated timescale.

#### **Responsibilities of the Executive Director Finance & Resources**

D.3.3 In liaison with the Head of Human Resources & Organisational Development, to arrange for the completion of all HM Revenue & Customs returns regarding Pay As You Earn (PAYE).

D.3.4 To complete a monthly return of VAT inputs and outputs to HM Revenue & Customs.

- D.3.5 To provide details to HM Revenue & Customs regarding the construction industry tax (CIS) deduction scheme.
- D.3.6 To maintain up-to-date guidance for council employees on taxation issues.
- D.3.7 To provide details to the HM Revenue & Customs and account for income tax deducted from payments made by the council.

#### **Responsibilities of Chief Officers**

- D.3.8 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue & Customs regulations.
- D.3.9 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- D.3.10 To ensure that all persons employed by the council are added to the council's payroll and tax deducted from any payments, except where the individuals are proven to be genuinely self-employed or are employed by a recognised staff agency.
- D.3.11 To follow the guidance on taxation issued by the Executive Director Finance & Resources.

#### **D.4 TRADING ACCOUNTS**

##### **Why is this important?**

- D.4.1 Trading accounts have become more important as local authorities have developed a more commercial culture. Councils are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

##### **Responsibilities of the Executive Director Finance & Resources**

- D.4.2 To advise on the establishment and operation of trading accounts and business units.

##### **Responsibilities of Chief Officers**

- D.4.3 To observe all statutory requirements in relation to business units, including, where required, the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged.
- D.4.4 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- D.4.5 To ensure that any trading unit prepares an annual business plan.

## D.5 **COUNCIL SYSTEMS**

### **Why is this important?**

- D.5.1 It is essential that the council's financial systems are developed in a planned and co-ordinated way so that they interface correctly in order to deliver high quality management information to support the council's requirements and strategies.

### **Responsibilities of the Executive Director Finance & Resources**

- D.5.2 To liaise with Chief Officers on the proposed development of financial systems.

### **Responsibilities of Chief Officers**

- D.5.3 To follow the council's ICT Strategy and liaise with the Executive Director Finance & Resources on any proposals either to purchase IT equipment or software, or to undertake a significant upgrade or expansion of existing systems. This includes compliance with any corporate Procurement and ICT approval procedures for the purchase of ICT.
- D.5.4 To conform to the council's 'Use of ICT' policies including security and control of systems' standards within their services and for security and privacy of data necessary to accord with the Data Protection Act.
- D.5.5 All Chief Officers must ensure that all such systems within their services are registered in accordance with the Data Protection Act. When accessing central or other systems, Chief Officers will be responsible for ensuring that agreed procedures are followed. Any proposal to purchase or develop a major computer system (IT hardware, software or communications equipment) shall be the subject of a business case in an approved form and in accordance with the council's ICT Strategy and corporate Procurement and ICT approval procedures. Such proposals will also be subject to post implementation review.
- D.5.6 Chief Officers, in conjunction with the Executive Director of Finance & Resources, shall make sound and sufficient contingency and Disaster Recovery arrangements to ensure the security and business continuity of services in the event of a disaster, for example, fire, flood etc. and to enable the restitution of systems and data.
- D.5.7 The Executive Director Finance & Resources shall be responsible for the issue of guidance related to the control and security of information and communication systems.

## D.6 CONTROL OF CONTRACTS

### Why is this important?

- D.6.1 The achievement of value for money when procuring goods and services is a key task to ensure that public money is well spent. Very large sums are spent on procured goods and services and the adoption and implementation of good procurement practice can significantly improve value for money through reduced prices, improved quality and/or increased volumes at no extra cost. The council has introduced 'Category Management' as an approach to further improve value for money.

### Responsibilities of the Executive Director Finance & Resources

- D.6.2 To issue and review regularly Contract Standing Orders, the Corporate Procurement Strategy, Procurement Codes of Practice and Procurement Guidance/Toolkits to ensure that procurement efficiencies and value for money are key objectives across the council.

### Responsibilities of Chief Officers

- D.6.3 To comply with the documents and guidance referred to in paragraph D.6.2.
- D.6.4 Operational leasing or contract hire arrangements for vehicles, plant or equipment may be entered into by Chief Officers, provided the Executive Director Finance & Resources is satisfied that the method of finance is appropriate for the asset concerned and that the best terms available have been secured.
- D.6.5 Works in Default:-
- Each Chief Officer responsible for issuing works in default notices must obtain at least three written quotations for the work from contractors selected from the council's approved Selective Tendering Standing List.
  - Policy, Resources & Growth Committee approval must be sought if the estimated cost of the works exceeds £100,000. Executive Director Finance & Resources approval is required for works estimated at £100,000 or lower.
  - A charge on the property must be made as soon as the works are completed by advising the Executive Lead for Strategy, Governance and Law accordingly.
  - Each Chief Officer shall ensure that all companies contracted to carry out works in default have adequate Public and Personal Liability insurance cover, consulting if necessary with the Executive Director Finance & Resources.

- All other Financial Regulations and Standing Orders relating to ordering and payment for goods and services apply.

D.6.6 Works to execute statutory functions and to remedy urgent public health hazards:-

- Occasionally it is necessary for the council to serve notice to undertake various works, including unblocking or repairing drains, removing rubbish and boarding up dangerous properties.
- All works undertaken in this regard should comply with Contract Standing Orders.

## D.7 **BANKING ARRANGEMENTS**

### **Why is this important?**

D.7.1 It is essential that the council operates cost effective and sound banking systems to ensure its financial transactions are documented with the utmost accuracy, with the avoidance of fraud and corruption. The Policy, Resources & Growth Committee shall approve all banking contract terms and conditions.

### **Responsibilities of the Executive Director Finance & Resources**

D.7.2 To make or approve all other arrangements with the council's bankers and is authorised to operate such accounts as he/she deems necessary. Bank accounts for imprest holders and delegated financial management schemes and the provision of card facilities shall be subject to the approval of the Executive Director Finance & Resources.

D.7.3 With the exception of imprest accounts or Local Management Schemes, to order all cheques, including accounts operated through the post office network, and make proper arrangements for their safe custody.

D.7.4 To issue procurement and/or credit cards to Chief Officers or other officers with delegated authority with the consent of the Executive Director Finance & Resources and only on terms approved by him/her.

D.7.5 To ensure cheques drawn on the council's main bank accounts bear the facsimile signature of the Executive Director Finance & Resources or be signed by him/her or officers authorised by the Executive Director Finance & Resources. The manual pre-signing of cheques is not permitted on any cheque drawn on a council bank account.

D.7.6 To manually sign cheques in excess of £50,000 or authorise an officer nominated by the Executive Director Finance & Resources to sign manually.



- D.7.7 To ensure bank accounts, which are maintained by establishments as imprest accounts or under schemes of local management, are operated on a dual signatory basis unless specific alternative arrangement have been agreed in writing with the Executive Director Finance & Resources.
- D.7.8 Where payments are to be transmitted either electronically or automatically, to approve the necessary arrangements made to safeguard the interests of the council.
- D.7.9 To ensure all council funds are banked to the corporate accounts of the council, appropriate subsidiary accounts or other accounts in the name of the council and approved by the Executive Director Finance & Resources. To ensure no other accounts are used for transacting or transferring council funds.

### **Responsibilities of Chief Officers**

- D.7.10 To manage bank accounts, imprest accounts and credit cards in accordance with guidance issued by the Executive Director Finance & Resources, and ensure that all council funds are banked to corporate accounts of the council.
- D.7.11 To maintain records of delegated powers given to officers to manage banking arrangements.

## **D.8 FINANCIAL LIMITS**

### **Why is this important?**

- D.8.1 Financial limits need to be set in the interests of good governance and financial management. The Executive Director Finance & Resources is responsible for managing and maintaining an effective Scheme of Financial Limits which is primarily, but not exclusively, embedded in the procedures for access to and use of relevant corporate financial systems. Chief Officers are responsible for ensuring that only authorised officers act on their behalf and that each officer complies with the Scheme of Financial Limits as it applies to them.
- D.8.2 Virements - Revenue Budget
  - D.8.2.1 Chief Officers are responsible for ensuring that virements are actioned in accordance with the requirement specified in Standard Financial Procedures paragraph A.2.1.
  - D.8.2.2 In keeping with the “Targeted Budget Management” framework, Chief Officers shall ensure that only officers authorised to act on their behalf process virements. This will normally be evidenced through either: local procedure/practice notes, job

descriptions/organisational structure, a record of authorised officers and/or a scheme of financial delegation.

D.8.3 Virements - Capital Programme

D.8.3.1 Chief Officers shall consult with the Executive Director Finance & Resources on planned virements within the Capital Programme.

D.8.4 Carry Forwards

D.8.4.1 The policy in respect of the carry forward of underspendings and overspendings is set out in Standard Financial Procedures paragraph A.2.2.

D.8.5 Authorisation Limits to minimise budget pressures

D.8.5.1 The Executive Leadership Team may occasionally put in place authorisation limits so that no expenditure can be incurred over certain limits (e.g. £500) without approval of a Chief Officer and/or an Executive Director to safeguard the council's budget position.

D.8.6 Ex-Gratia Payments

D.8.6.1 Chief Officers may authorise ex-gratia payments in respect of minor items of loss or damage to personal property and clothing of employees and customers in respect of services delivered by their directorate.

D.8.6.2 No ex-gratia payments in excess of £2,500 shall be made without the approval of the Executive Director Finance & Resources.

D.8.6.3 A complete record of ex-gratia payments made by Chief Officers shall be maintained and shall be available to the Executive Director Finance & Resources on request.

D.8.7 Write Off of Debts

D.8.7.1 No debts due to the Council shall be written off except with the consent of Section 151 Officer or Deputy S151 Officer (i.e. the Executive Director Finance & Resources and their nominated S151 Deputy).

D.8.7.2 The S151 Officer shall be authorised to write off corporate debts up to £2,500 subject to evidence and confirmation from finance officers that all cost-effective recovery routes have been exhausted.

D.8.7.3 The S151 Officer shall also be authorised to write off any other debt due to the council subject to the following:-

- A full explanation of the circumstances to the satisfaction of the S151 Officer having been provided by the appropriate Chief Officer;

- All Chief Officers must indicate that they have seen and approve debts, for their services, recommended for write off;
- Where in the opinion of the S151 Officer the amount involved is significant in relation to either the accounts of the council as a whole or to the service in question, the circumstances shall be reported to the Policy, Resources & Growth Committee.

#### D.8.8 Write Off of Stocks and Stores

D.8.8.1 No deficiency, which occurs in excess of £10,000 shall be written off by a Chief Officer without the prior approval of the Policy, Resources & Growth Committee.

D.8.8.2 Variations below this figure may be written off by a Chief Officer with the agreement of the Executive Director Finance & Resources.

D.8.8.3 A complete record of stocks and stores written off shall be maintained by the appropriate Chief Officer and retained.

#### D.8.9 Retention of Records

D.8.9.1 Chief Officers are responsible for ensuring that electronic and physical records are carefully and systematically filed as they are required for inspection by a number of agencies such as Internal Audit, the external auditors, Department for Works and Pensions, HM Revenue & Customs officials, etc.

D.8.9.2 The advised minimum periods for the retention of financial records are detailed below. The list is not exhaustive and is based on either legislative requirements or the Local Government Classification & Retention Scheme recommended by the Information & Records Management Society. If uncertain as to whether a particular retention class on the list is applicable, contact the Council's Records Manager for assistance. Periods referred to are in addition to the current year of account, which ends at the conclusion of the annual external audit of the Council's accounts.

D.8.9.3 Records held locally in establishments shall be retained in accordance with guidance issued by the Council's Records Manager.

D.8.9.4 Schedule for the Retention of Records:

The schedule below is not exhaustive and highlights the most important financial documents. Updates information and guidance is provided by the Council's Records Manager.

<b><u>Record</u></b>	<b><u>Period (plus current year)</u></b>
Published Accounts/Annual Reports	Permanently
Annual Accounts Working Papers	6 years
Audit investigations and irregularity reports	6 years
Audit letters and reports	6 years
Benefit Payments	5 years
Taxation Returns	Permanently
Pension Scheme Records	Permanently
Property Deeds of landholdings	Permanently
Loans and investment records	6 years
Bank/Credit Card Statements, Bank credits	6 years
Cheques	6 years
Creditors Invoices	6 years
VAT receipts	6 years
Council Tax Records	5 years
Creditor payment records	6 years
Copy Orders	6 years
Group Certificates	6 years
Prime Salaries & Wages notifications	5 years
Copy payslips, allowances and expenses	6 years
Issue of Cards and statements	6 years
Insurance	5 years
Contracts and Supporting Documents - under seal	*12 years
(*after contract ends)	
Contracts let in accordance with Standing Orders	*6 years
(*after contract ends)	
Stock/Stores Records	6 years
Stock Write Off and Debt Write Off records	5 years
Bank Paying-in books	5 years
Till Rolls	2 years
Receipt Books	5 years
Rail warrants	6 years
School Meals Records	2 years
Audit Trails of computer system security related events	2 years
Application control, error and exception reports	2 years
Budget Working papers	2 years
Final Accounts working papers	2 years after the accounts have been signed

**E EXTERNAL ARRANGEMENTS**

**E.1 PARTNERSHIPS**

**Why is this important?**

- E.1.1 Local authorities work in partnership with others – including public agencies, private companies, community groups and voluntary organisations and other relevant bodies – to deliver important community services to meet user needs.
- E.1.2 Local authorities can mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

**Key Controls**

- E.1.3 The key controls for council partners are:
- if appropriate, to be aware of their responsibilities under the authority's Financial Regulations and the code of practice on tenders and contracts;
  - to ensure that risk management processes are in place to identify and assess all known risks;
  - to ensure that project appraisal processes are in place to assess the viability of a project in terms of resources, staffing and expertise;
  - to agree and accept formally the roles and responsibilities of each of the partners involved in the project or services before commencement;
  - to communicate regularly with other partners so that problems can be identified and shared to achieve their successful resolution.

**Responsibilities of the Executive Director Finance & Resources**

- E.1.4 To ensure that any partnership arrangements are underpinned by clear and well documented internal financial controls.
- E.1.5 To advise on the key elements of funding a project or service. They include:
- a scheme appraisal for financial viability in both the current and future years;
  - risk appraisal and management;
  - resourcing, including taxation issues;

- audit, security and control requirements;
- management of underspends and overspends;
- carry-forward arrangements;
- recovery of overheads.

E.1.6 To ensure that the accounting arrangements are satisfactory and that statutory and other accounts and associated claims and returns in respect of grants are prepared.

E.1.7 To maintain a corporate register of partnerships.

### **Responsibilities of Chief Officers**

E.1.8 To ensure that, before entering into agreements with external bodies, a risk assessment, an options appraisal and appropriate financial checks have been undertaken.

E.1.9 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the council.

E.1.10 To ensure that all agreements and arrangements are properly documented and appropriate legal advice sought, particularly for large scale partnerships such as S75 Health Act 2006 health and social care partnerships.

E.1.11 To provide appropriate information to the Executive Director Finance & Resources to enable a note to be entered into, or a memorandum account added to, the council's Statement of Accounts, and possible consolidation under group accounts, concerning material items.

## **E.2 EXTERNAL FUNDING**

### **Why is this important?**

E.2.1 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the council. Funds from external agencies such as the Heritage Lottery Fund or from European sources can provide additional resources to enable the relevant partnership to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding may be linked to narrow specifications and may not be flexible enough to support the council's overall priorities.

## Key Controls

E.2.2 The key controls for external funding are:

- to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
- as far as possible, to ensure that funds are acquired only to meet the priorities approved in the policy framework by Full Council, although it may be local or sub-regional partnerships that bid for these funds;
- most importantly, to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.
- to ensure that any potential ongoing commitments from projects or partnerships are properly identified and considered at the outset.

### Background

E.2.3 The significant sources of external funding currently accessed by Brighton & Hove City Council or local partnerships include:

- Direct European Union funding;
- European Union programmes e.g. INTERREG;
- UK Government programmes;
- UK funding programmes, e.g. Heritage Lottery Fund.

E.2.4 Numerous other external funding sources exist which may be accessed by the council or local partnerships. If further guidance is required advice should be sought from the Executive Director Finance & Resources or the relevant Chief Officer.

E.2.5 It is often the case that the council acts as the Accountable Body for externally funded programmes. The function of the council as Accountable Body is to take financial responsibility for the funding programme, irrespective of the council's level of involvement in the individual projects within the programme. Included within the financial responsibility of the Accountable Body is the requirement to repay to the grant funding authority all sums of grant aid advanced to any project which;

- fails,
- expends funding outside the terms of its grant agreement,
- has inadequate records to verify its expenditure,
- has inadequate records to verify its outputs,
- disposes of capital assets acquired with grant funding,
- in any material respect contravenes its funding agreement.

- E.2.6 Given that some projects involve very substantial sums, the potential detrimental effect upon the council is self-evident. Hence the need for these specific financial regulations applicable to external funding.
- E.2.7 Matched Funding
- E.2.7.1 External funding rarely covers the entire project cost and grant aid is often provided on a “matched funding” basis whereby the grant funder provides an agreed percentage of funds and the balance must be ‘matched’ by other funding provided by the applicant. Match funding may be either in cash or in kind. When matched funding is provided by the council, it affords the opportunity for increased service provision. However, many projects have a lifetime of 3 to 5 years, but can be as long as 7 years. Consequently, when supporting a project, services must consider the long-term impact this will have on their capital and revenue budgets. There is a danger of entering into commitments that cannot be met through council funds. For this reason it is a requirement that at the inception of any project proposal involving external funding, either capital or revenue, the Executive Director Finance & Resources must be notified immediately.
- E.2.7.2 Before any contractual obligations are entered into, whether for an internally managed project or an externally managed project to which council funds are being contributed, a report must be submitted to Policy, Resources & Growth Committee for approval of the project if there is any match funding and the council’s contribution is in excess of £50,000 and budgetary provision has not previously been approved. This approval needs to be well planned and may need to twin track with any bidding process to ensure that when the outcome of the bidding process is announced, officers are in a position to enter into contract negotiations having already gained the approval of the Policy, Resources & Growth Committee.
- E.2.7.3 When a report is sent to the Policy, Resources & Growth Committee requesting the approval of a project, the funding for that project must have been agreed amongst participating services, and that agreement must be in writing and appended to the report. When external partners are involved, written confirmation of their financial commitment must be obtained, on headed paper, and signed by an appropriate officer of the organisation (e.g. if a body corporate, either a director or the company secretary). The written confirmation of each external partner must also be appended to the committee report.
- E.2.7.4 The Policy, Resources & Growth Committee report must contain a paragraph summarising the sources of internal funding and any funding in kind proposed. The paragraph must reference an annex, which provides a detailed budget of the intended project, showing the estimated cost by each expenditure heading and the total cost of



the project. The financing of that total cost must equal the funds to be made available internally, from external partners and from the external funding agency. No project may be submitted for approval where the funding arrangements are incomplete.

#### E.2.8 Delivery Partnerships

E.2.8.1.1 The council acts as the Accountable Body for various funding streams and is formally accountable for the delivery of agreed action plans.

E.2.8.1.2 The Accountable Body, acting for the appropriate partnership, must ensure that the requirements set out in funding agreement letters and in government department manuals are complied with.

#### E.2.9 Forward Funding

E.2.9.1.1 Where the council makes an advance, grant or other financial assistance to any person (under s1 of the Localism Act 2011, s2 of the Local Government Act 2000 or any other relevant power) to finance revenue or capital expenditure pending receipt of the external grant, the amount of funding is limited to the forecast value of the quarter's claim which is being advanced. No further forward funding will be made available until a project sponsor organisation has provided satisfactory evidence to enable the council to make a grant claim to the grant funding authority. Forward funding will only be considered where the project has had formal approval and is supported by an appraisal.

E.2.9.1.2 In the exceptional circumstances of programmes funded by European Union funds, this rule is varied to allow forward funding over a longer duration. Under European Union grant rules the final payment of grant cannot usually be made until all projects in a programme have submitted their final audited grant claim.

E.2.9.1.3 Any external programme that requires forward funding pending the receipt of grant income is subject to approval by the Policy, Resources & Growth Committee. The approval will set the maximum limit for the forward funding. The Executive Director Finance & Resources would then have delegated authority to approve forward funding requests for individual projects up to that maximum limit for the programme.

E.2.9.1.4 When forward funding with a projected value of less than £100,000 in each quarter is requested by a project, approval for the forward funding, for the duration of the project, must be given by the relevant Chief Officer.

E.2.9.1.5 If at any time it becomes evident that forward funding in excess of £100,000 will be required in a future quarter, then a separate report

must be submitted to the Policy, Resources & Growth Committee by the appropriate Chief Officer requesting authority to forward fund for the duration of the project.

E.2.9.1.6 The forward funding of voluntary and community-based organisations that seek to implement projects for the council must comply with the funding agreement.

#### E.2.10 Funding Agreements

E.2.10.1 A partnership deed must be signed by the project sponsor organisation and the council, for each project undertaken within any grant funding programme.

### **Responsibilities of the Executive Director Finance & Resources**

E.2.11 To ensure that all funding notified by external bodies is received and properly recorded in the council's accounts.

E.2.12 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

E.2.13 To issue grant claims procedures to ensure that grant claims are submitted on time to the appropriate funding body and to ensure that audit requirements are met.

### **Responsibilities of Chief Officers**

E.2.14 To comply with corporate guidance or protocols in respect of bidding activity for external funds. This is designed to ensure that:

- the quality of bids is improved, increasing the chance of success;
- bids are linked with partners wherever possible, thereby avoiding duplicated or conflicting bids likely to be rejected by funders due to the lack of a joined-up approach;
- management and staff are supported to navigate complex bidding processes;
- where possible, information on external funding is collated across the authority.

E.2.15 Where required by these regulations, to ensure that the Policy, Resources & Growth Committee approves reports for externally funded projects after full consultation with the Executive Director Finance & Resources.

E.2.16 To ensure that all claims for funds are made by the due date in accordance with procedures issued by the Executive Director Finance & Resources. All Government grant claims or claims for

externally funded schemes must be examined and certified by the S151 Officer or Deputy and authorised in writing.

- E.2.17 All grant claims should be accompanied by the Grant Claim header sheet where applicable and a detailed reconciliation to the council's main financial system.
- E.2.18 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded in accordance with Financial Regulations and any specific requirements of the funding body.
- E.2.19 Copies of notifications from Government Departments including consents, approvals, regulations, circulars and letters in any way relating to finance shall be forwarded by Chief Officers immediately to the Executive Director Finance & Resources.

### E.3 **WORK FOR THIRD PARTIES INCLUDING COLLABORATION AGREEMENTS**

#### **Why is this important?**

- E.3.1 Current legislation enables the council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with such work are minimised and that it is within the legal powers of the council. This section also includes collaboration arrangements such as shared services where a service or services of the council intend to join forces with another provider to provide services to a third party (and/or back to the authority), either as the lead agency or as a junior partner.

#### **Key Controls**

- E.3.2 The key controls for working with third parties are:
  - to ensure that proposals are costed properly in accordance with guidance provided by the Executive Director Finance & Resources;
  - to ensure that appropriate approval to enter into contracts, either directly or through collaboration arrangements, for the provision of services to a third party (and/or back to the authority) is obtained;
  - to ensure that contracts and collaboration arrangements do not breach European Union or UK procurement legislation and directives;
  - to ensure that contracts are drawn up using guidance provided by the Executive Director Finance & Resources and that the formal approvals process is adhered to;

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

### **Responsibilities of the Executive Director Finance & Resources**

- E.3.3 To issue guidance with regard to the financial aspects of third party contracts and collaboration arrangements and to maintain a contract register.

### **Responsibilities of Chief Officers**

- E.3.4 Chief Officers may enter into contracts, Service Level Agreements, or collaboration arrangements (e.g. shared services) for the provision of services to third parties (and/or back to the authority) not exceeding £500,000 in value over the contract period provided always that such provision does not contravene extant statutory powers and duties and European Union or UK procurement legislation and directives;
- E.3.5 Where the value exceeds £500,000 over the contract period, the approval of the Policy, Resources & Growth Committee must be obtained before any negotiations are concluded to work for third parties or to enter into collaborative arrangements.
- E.3.6 To ensure that appropriate insurance arrangements are made.
- E.3.7 To ensure that the council is not put at undue risk from any bad debts.
- E.3.8 To ensure that no contract is subsidised by the council.
- E.3.9 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- E.3.10 To ensure that the Chief Officer's staff have the appropriate expertise to undertake the contract.
- E.3.11 To ensure that such contracts do not impact adversely upon the services provided for the council.
- E.3.12 To ensure that all contracts are properly documented.
- E.3.13 To provide appropriate information to the Executive Director Finance & Resources to enable a note to be entered into the Statement of Accounts and possible consolidation under group accounts.

## **SCHEDULE OF OFFICER RESPONSIBILITIES**

### Monitoring Officer

Financial Regulations including Standard Financial Procedures refer to the Monitoring Officer. The Executive Lead for Strategy, Governance and Law undertakes this role.

### Chief Finance Officer

The role of Chief Finance Officer (S151 Officer) is undertaken by the Executive Director Finance & Resources. He/she is also responsible for strategic risk management.

### Deputy Chief Finance Officer (Deputy S151 Officer)

This role is currently held by the Head of Financial Services. This role deputises for the Chief Finance Officer in relation to the statutory requirements of Section 151 of the Local Government Act 1972. The Deputy CFO role does not include authority awarded to the Executive Director Finance & Resources under the Scheme of Delegation to Officers.

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