

REVIEW OF FINANCIAL PROCEDURE RULES
(formerly known as Financial Regulations)

1. RECOMMENDATION

To agree that the attached Financial Procedure Rules be approved and adopted.

Financial Procedure Rules

An Overview

Who do Financial Procedure Rules affect?

All directorate spend and all employees who spend money, manage budgets or procure goods and services on behalf of the Council or other bodies where the Council is the lead or accountable body. This would therefore include:

- At Leisure Centres including the two Joint user Leisure Centres as they are managed and operated by the Council.
- The Joint Waste Collection Service with Tamworth BC as the Council acts as the lead Council for the operation of the service.
- The Locality Commissioning Board because the Council is the Accountable body.
- The Southern Staffordshire Building Control Partnership where the Council is the lead.
- Partnerships where the Council is the lead (even if expenditure is being reimbursed).

What do Financial Procedure Rules cover?

Financial Procedure Rules form part of the governance arrangements of the Council and are, in effect, the rules set by the Council to regulate its internal procedures for the conduct of business and how it spends money and records transactions.

They form part of the Council's constitution¹. In legal terms they are known as "Standing Orders". Any amendment to the rules needs to be agreed by Full Council.

They include:

- **Financial Management** – the roles of Cabinet, Council, Committees, Statutory Officers, Chief Internal Auditor and Leadership Team.
- **Financial Planning** – the Policy Framework, budgeting, the Medium Term Financial Strategy, the Revenue Budget, Capital Programme, budget monitoring and control, the scheme of virement, accounting policies, accounting records and returns, the annual Statement of Accounts and reserves and balances.
- **Audit, Risk Management and Control of Resources** – Audit inspection, preventing fraud and corruption, managing risk, internal controls and insurance.
- **Systems and Procedures** – Accounting systems, income, expenditure, ordering and paying for work, goods and services, payments to suppliers and salaries and wages, contracting, petty cash, banking, Treasury Management, Taxation, Stocks and Stores, Inventories and Asset Management and Staffing.
- **External Arrangements** – Partnerships, joint working and grant funding (see *Commissioning and grants below*), external funding and work for third parties.

¹ The 2000 Act requires each local authority to prepare, keep up to date and publicise a document known as the Council's Constitution.

The Constitution provides an important means of enabling citizens and stakeholders to understand how the Council makes decisions and who is responsible for those decisions.

The Constitution is at the heart of the Local Authority's business. It allocates power and responsibility within the Local Authority, and between it and others. It also regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders. The Constitution must be publicised and accessible to anyone interested in finding out how the Council makes decisions or where responsibility lies.

An introduction to Commissioning - contracts and grants

Traditionally the third sector has funded services in part through grants from government. This funding is provided to deliver a wide variety of services and outcomes. Grants were the general method that local and central government used to support organisations. The move towards awarding contracts rather than giving grants is a part of a general reform of public services so more and more services are provided by external providers in either the private or third sector.

There are significant differences between **grants** and **contracts** which change the nature of how you interact with the recipient of the funding.

What is Commissioning?

Commissioning is the entire process of the Council assessing the needs of a community or client group, working out how to fulfil those needs, and subsequently designing and securing the provision of that service to that client group or community.

The commissioning cycle involves:

1. Assessment (or reassessment) of need;
2. Identifying resources;
3. Planning how to use resources;
4. Arranging service delivery through a procurement process;
5. Monitoring and reviewing service delivery.

Commissioning can result in either or both the award of grants or procurement exercises where a legal contract is in place to deliver a specified service. These two processes are explained in more detail in the paragraphs below:

What are contracts?

Contracts are essentially a legally binding promise between two parties, usually for the supply of goods or services in return for a '*consideration*'. The '*consideration*' is usually money. It is significant because the relationship between the two parties is defined by contractual law as opposed to the particular terms and conditions of the funder.

A contract gives rise to a legal relationship between the two parties. Practically, a contract is delivered when the specifications of delivery are met. This means that the contract contains a description of the completed service, known as a specification. This is one side of the agreed promise. Once this specification is met, the full *consideration* or payment, the other side of the promise needs to be met. All parties need to fulfil their side of the promise to fulfil the contract. If either party does not fulfil their side, there has been a contravention of the legal relationship, for which there can be serious ramifications. The benefit of a contract is that the party paying the money only has a right to determine the specification of the completed service and agree a price. There is no right to know how money is spent and if a contractor can meet the specification cheaper they can keep the excess. Contracts are also legally binding to both parties

Issues to consider are:

- Length: due to the investment needed and the impact they have, contracts tend to be longer than some grants.
- Legally binding for both parties, meaning that there is a legal obligation on the funder as well as the provider of services. This also means that an organisation needs a very good reason not to deliver the service.
- Negotiation: some contracts are negotiable, which means organisations should feel confident about challenging unfavourable terms and conditions

- Transparency: as per European Union regulations, contracts should be paid promptly and be awarded transparently.
- Involvement: contracts enable organisations to improve the design and delivery of services to beneficiaries
- Partnership: there are a growing number of chances to collaborate and work with other organisations to deliver contracts

What are grants?

Grants are a specific amount of funding given to an organisation for specific activity to be delivered within a specific time frame. Funders are usually government departments, local authorities, other large charities or charitable trusts. A grant is a lump sum of money that is essentially a gift that does not have a legally binding status. It is usually subject to conditions set by the funder such as to provide a service or complete an activity in a certain way. An example would be a youth organisation receiving a grant to buy sports equipment.

Conditions can be very detailed and include the process by which money is paid, what the money will be spent on, and even who will spend the money. Also if the activity is not delivered the funder can stop paying further sums. But these can only be determined by the conditions laid out by the funder and a grant does not give rise to a legal relationship between the two parties.

Although there are no specific legal obligations for grants other than the terms and conditions of the funder there is best practice that is recommended.

Differences between a grant and a contract

Grant	Contract
A grant is a gift, usually with conditions attached	A contract is an agreement between two parties
A grant is not legally binding, (but Compact is recommended for governing them)	A contract is a legally binding relationship between two parties
If you fail to meet the conditions of a grant only the amount of the grant needs to be repaid	Failure to meet the contract can result in a claim for damages worth more than the contract
Usually you have to outline how a grant will be spent on the project	You don't have to outline how you will spend the money to achieve the specification
If you don't spend all of the grant you have to return what's left over	If you don't spend all of the money on delivering the service you can keep what's left over.
The price of the grant is based on delivering the project	The price of the contract is based on what is outlined in the tender or what can be negotiated.
Usually grants are for one off time limited projects	Contracts can be for ongoing continuous services

Things to consider when awarding a grant or signing a contract

- Is what you want the organisation to deliver a one-off or an ongoing service?
- Have you, or anybody else tried procuring this service before? Is this a pilot project?
- Is anyone already delivering this or a service like this?
- Is anyone interested in providing this service? Are any public authorities thinking of providing this service?
- How much risk can you take? Can you afford to pay compensation if things go wrong?
- How much control do you want over the service? How much control do you want over how the money is spent?

Procurement Contacts

Your first point of contact for Procurement Advice in the Council should be Kevin Sleeman. The Council has a Service Level Agreement with Staffordshire County Council's Procurement Team for the provision of specialist technical procurement advice. The contacts are:

Gail Stephens	Head of Categories (People) Staffordshire Procurement Wedgwood Building Tipping Street Stafford ST16 2DH Tel: 01785 895213 Email: gail.stephens@staffordshire.gov.uk	Initial contact for all procurement related functions for the Council's People Directorate, including Adult Social Care, Children, Young People and Families Services, Community Safety and Education and Skills.
Rosie O'Doherty	Senior Category Manager (Place) Wedgewood Building Tipping Street Stafford ST16 2DH Tel: 01785 854650 Email: rosie.odoherty@staffordshire.gov.uk	Initial contact for all procurement related functions for the Council's Place Directorate, including Agency/Temporary Staff, Construction Services and Supplies, Energy Supply, Financial Services, FM Services, ICT Services and Supplies, Office Services and Supplies, Transport and Vehicles, Waste Disposal and Collection Services.

What happens if Financial Procedure Rules are not followed?

All members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.

There is a waiver or exception process that can be followed where it is not practicable to adhere to Financial Procedure Rules. However, the waiver or exception cannot be applied to procurements likely to exceed the European Union procurement thresholds for services and works or would place the Council in breach of the law with respect to procurement.

Failure to comply with Financial Procedure Rules or instructions issued under them, may constitute gross misconduct. Breaches of Financial Procedure Rules must be reported to the Council Solicitor and Monitoring Officer or Internal Business Support Services Executive who may liaise with Internal Audit / Personnel to investigate the circumstances and decide any further action(s) to be taken.

Who do I speak to if I have a query?

In the event of queries please contact the officers detailed below:

Financial Procedure Rules – Anthony Thomas, Internal Business Support Services Executive, or the Internal Business Support Services Team, 308012
anthony.thomas@lichfielddc.gov.uk

Procurement – Kevin Sleeman, Information Systems and Strategy Manager, 308120
kevin.sleeman@lichfielddc.gov.uk



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1.0 STATUS OF FINANCIAL PROCEDURE RULES

1.1 Introduction

1.1.1 These Financial Procedure Rules provide the governance framework for managing the authority's financial affairs. They apply to every member and officer of the Council and anyone acting on its behalf. They also apply to any partnerships that the Council is a member of and for which the Council is the Accountable Body.

1.1.2 They form an integral part of the procedures used within the Council and must not be considered in isolation to other parts of the Constitution particularly Contract Procedure Rules and other financial policies and procedures.

1.1.3 Where the Council is not the Accountable Body the Council Lead Officer is responsible for ensuring propriety and proper processes are followed to ensure the Council's reputation is not at risk.

1.1.4 The procedure rules identify the financial responsibilities of the Council, Cabinet and Scrutiny Members, the Head of Paid Service, the Chief Finance Officer and Monitoring Officer.

1.1.5 Reference to Head of Paid Service, Monitoring Officer, Chief Finance Officer, Members of Leadership Team, and Service Managers must be construed with reference to the Constitution.

1.1.6 These Financial Procedure Rules are published on the Council's intranet under the Financial Advice section.

1.2 Observing these Financial Procedure Rules

1.2.1 All members and staff have a general responsibility for taking reasonable action to provide for the security of the assets and resources such as money under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

1.2.2 The Council operates a system of managerial and financial control whereby the Chief Finance Officer has overall responsibility for the proper management of the finances of the Council as a whole however the day-to-day financial control and administration in each Directorate is devolved to the members of Leadership Team¹.

1.2.3 Members of Leadership Team are responsible for ensuring that all staff in their service areas are aware of the existence and content of the authority's Financial Procedure Rules and other internal regulatory documents and that they comply with them.

1.2.4 All amounts shown in these Financial Procedure Rules are exclusive of Value Added Tax (VAT) and other taxes, unless otherwise specified.

¹ The Council's Leadership Team comprises the Chief Executive, two Strategic Directors and two Directors.

1.3 Maintaining these Financial Procedure Rules

1.3.1 The overall responsibilities of the Chief Finance Officer in respect of these regulations are therefore to:

- Maintain a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval in consultation with the Monitoring Officer.
- Issue detailed financial procedures, setting out how the procedure rules will be implemented.
- Issue advice and guidance to underpin the Financial Procedure Rules that members, officers and others acting on behalf of the authority are required to follow.
- Report to Audit Committee and Cabinet, where appropriate, breaches of the Financial Procedure Rules to Members.
- Require any Officer to take any action deemed necessary (as is proportionate and appropriate) to ensure proper compliance with these Financial Procedure Rules.

1.4 Key Decisions

1.4.1 A key decision is a decision taken by the Council at Cabinet or Council and includes:

- A decision made in connection with setting the Council Tax
- Expenditure or savings if they exceed **£50,000**
- A decision which significantly affects the community in two or more wards

1.4.2 Therefore, any a key decision includes implementing a revenue or capital project, spend or income with a total cost or income of more than **£50,000**, even if the project, spend or income is already included in the Council's budget. The Cabinet must make all key decisions.

1.4.3 This must be based on a report from the appropriate Director and the Chief Finance Officer or their authorised representative. The financial implications section of the Cabinet Report will need to be agreed with the Chief Finance Officer or their authorised representative.

1.5 Sanctions and Remedies for Non-Compliance

1.5.1 These Financial Procedure Rules have been drafted with a view to avoiding any uncertainty or ambiguity as to the principles, standards and procedures to be observed. If any uncertainty or dispute arise pursuant to these Financial Procedure Rules or instructions issued under them, the matter must be referred to the Chief Finance Officer for interpretation and/or arbitration.

1.5.2 Failure to comply with Financial Procedure Rules or instructions issued under them, may constitute gross misconduct. Breaches of Financial Procedure Rules must be reported to Internal Audit, who will be responsible for investigating the circumstances and recommending the further action(s) to be taken.

2.0 FINANCIAL REGULATION A : FINANCIAL MANAGEMENT

2.1 INTRODUCTION

2.1.1 This part of the Financial Procedure Rules set out the overall framework of financial management responsibilities at the Council,

2.1.2 All members and staff have a common duty to abide by the highest standards of probity and propriety when making decisions about the use of public monies. It is important that this is transparent, properly accounted for in respect of the correct accounting year and reported in accordance with recognised accounting standards, conventions and policies.

2.1.3 Key controls

2.1.3.1 The key controls and control objectives for financial management standards are:

- their promotion throughout the authority
- a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Cabinet and Council.

2.2 THE COUNCIL

2.2.1 The Council is responsible for adopting the authority's constitution and Members Code of Conduct and for approving the policy framework and budget within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the authority's overall framework of accountability and control. The framework is set out in its Constitution. The Council is also responsible for monitoring compliance with the agreed policy and related Cabinet decisions.

2.2.2 The Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council and its Committees. The Constitution contains delegations and details of who has responsibility for which decisions.

2.3 THE CABINET

2.3.1 The Cabinet is responsible for proposing the policy framework and budget to the Council, and for discharging Cabinet functions in accordance with the policy framework and budget.

2.3.2 Cabinet decisions can be delegated to an individual Cabinet Member, and/or an officer.

2.3.3 The Cabinet is responsible for establishing protocols to ensure that individual Cabinet Members consult with relevant officers before taking a decision within his or her delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

2.4 COMMITTEES OF THE COUNCIL

2.4.1 The Council has established the following committees:

- Four Overview and Scrutiny Committees
- Planning Committee
- Regulatory and Licensing
- Audit
- Standards
- Employment
- Lichfield District Board
- Locality Commissioning Board

2.4.2 The functions of these Committees can be found in the Constitution.

2.5 THE STATUTORY OFFICERS (see Appendix A)

2.5.1 **THROUGHOUT THESE FINANCIAL `PROCEDURE RULES REFERENCES TO THE HEAD OF PAID SERVICE, CHIEF FINANCE OFFICER, MONITORING OFFICER, LEADERSHIP TEAM AND DIRECTORS MUST BE CONSTRUED WITH REFERENCE TO DEFINITIONS IN THE CONSTITUTION.**

2.6 Head of Paid Service

2.6.1 The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole. The Head of Paid Service must report to and provide information for the Cabinet, the Council, the Overview and Scrutiny Committees and other Committees. The Head of Paid Service is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Council's decisions see below.

2.7 Monitoring Officer

2.7.1 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the standards committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

2.7.2 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. The Monitoring Officer must also ensure that council members are aware of decisions made by the Cabinet.

2.7.3 The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.

2.7.4 The Monitoring Officer is responsible for advising the Cabinet or Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the policy framework.

2.7.5 The Monitoring Officer together with the Chief Finance Officer is responsible for advising the Cabinet or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- initiating a new policy
- committing expenditure in future years to above the budget level
- incurring inter-service transfers above virement limits
- causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.

2.7.6 The Monitoring Officer is responsible for maintaining an up to date Constitution.

2.8 Chief Finance Officer

2.8.1 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations 2011.

2.8.2 The Chief Finance Officer is responsible for:

- the proper administration of the authority's financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the Medium Term Financial Strategy including the Revenue Budget and Capital Programme
- Treasury Management.

2.8.3 **Section 114** of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Council, Cabinet and external auditor if the authority or one of its officers:

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

2.8.4 Section 114 of the 1988 Act also requires:

- the Chief Finance Officer to nominate a properly qualified member of staff to deputise should the Chief Finance Officer be unable to perform the duties under section 114 personally
- the authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary - to carry out the duties under section 114.

2.9 The Chief Internal Auditor

2.9.1 The Chief Internal Auditor is designated by the Chief Finance Officer as part of their Directorate Scheme of Delegation contained in the Constitution and plays a key role in providing assurance to Members, the Chief Finance Officer, the Head of Paid Service and Leadership Team about the practical deployment and effectiveness of financial management across the Council.

2.9.2 The Chief Internal Auditor has rights of access to information and data held by officers or members of the Council at all reasonable times and is responsible for the overall management and deployment of internal audit resources at the Council. The Chief Internal Auditor also has the right to report on any relevant matter of concern to senior management and members of the Council outside normal line management arrangements should the Chief Internal Auditor deem this necessary in protecting the interests of the Council and/or local tax payers.

2.10 Members of Leadership Team

2.10.1 Whilst the Chief Finance Officer has overall responsibility for the finances of the Council, Directors are responsible for the day-to-day management of their Directorate's finances. Their responsibilities in relation to financial management include:

- maintaining satisfactory financial management standards within their Directorates with sufficient resources including legal advice where this is necessary to carry out the duties specified by legislation or otherwise directed by these Financial Procedure Rules;
- promoting and ensuring compliance with the Financial Procedure Rules and practices set by the Chief Finance Officer in their Directorates;
- consulting with the Chief Finance Officer on any matter which is liable to materially affect the resources of the Council. This must be done before any commitment is incurred, or a report made to Cabinet, Cabinet Member or to a Committee for decision;
- ensuring that Cabinet Members are advised of the financial implications of all proposals and that these have been agreed by the Chief Finance Officer or their nominated representative;
- signing contracts on behalf of the Council in accordance with the contract procedure rules;
- reporting suspected fraud and irregularities to the Chief Internal Auditor for investigation and referral to the Police as necessary;
- ensuring that the common officer delegations relating to financial management and administration as set out in the Council's Scheme of Delegation within their Directorates are exercised with due regard to the detailed requirements of these Financial Procedure Rules;
- implementing the management recommendations of Internal Audit and external auditors agreed with the Director and Service Managers.

3.0 FINANCIAL REGULATION B : FINANCIAL PLANNING

3.1 INTRODUCTION

3.1.1 The purpose of financial planning is to set out and communicate the Council's objectives, resource allocations and related performance targets and to provide an agreed basis for subsequent management control, accountability and reporting.

3.1.2 The Council's Budget sets agreed parameters around the annual activities and functions of Directorates and their services. The Council's Medium Term Financial Strategy represents a three-year financial plan to address those issues which have medium to long term financial implications for the Council.

3.1.3 Key controls

3.1.3.1 The key controls for performance plans including financial plans are:

- to ensure that all relevant plans are produced and that they are consistent.
- to produce plans in accordance with statutory requirements.
- to meet the timetables set.
- to ensure that all performance information is accurate, complete and up to date.
- to provide improvement targets which are meaningful, realistic and challenging.

3.2 POLICY FRAMEWORK

3.2.1 The Council is responsible for approving the policy framework and budget. The policy framework comprises the following statutory plans and strategies:

- the Plan for the District (Strategic Plan) and Annual Action Plans. The Chief Executive is responsible for proposing the Plan for the District to the Cabinet for consideration before its submission to the Council for approval.
- the Medium Term Financial Strategy including the revenue Budget, Capital Programme and Treasury Management Policy statement
- plans and strategies which together comprise the Local Plan
- Risk Management Strategy

3.2.2 The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions must be referred to the Council by the Monitoring Officer.

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

3.3 BUDGETING

3.3.1 The general format of the Budget will be approved by the Council and proposed by the Cabinet on the advice of the Chief Finance Officer. The draft Budget should include allocation to different services and projects, proposed taxation levels and contingency funds where necessary.

3.3.2 Key controls

3.3.2.1 The key controls for the Budget format are:

- the format complies with all legal requirements.
- the format complies with CIPFA's Service Reporting Code of Practice (SERCOP) for Local Authorities.
- the format reflects the accountabilities of service delivery.

3.4 Medium term financial planning

3.4.1 Medium term financial planning allows the Council to think beyond the constraints of any given financial year and annual budget and prepare for future events.

3.4.2 Key controls

3.4.2.1 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 Cabinet 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.

3.4.2.2 The Chief Finance Officer is responsible for reporting a Medium Term Financial Strategy including the Revenue Budget and the Capital Programme to the Cabinet for recommendation to Full Council. This will set out the overall medium term financial issues facing the Council, and consider the actions the council may need to take.

3.4.2.3 The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework.

3.5 Resource allocation

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

3.5.2 **Key controls**

3.5.2.1 The key controls for resource allocation are:

- resources are acquired in accordance with the law and using an approved authorisation process
- 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.

3.5.3 **Responsibilities of the Chief Finance Officer**

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

3.5.3.2 To assist in the allocation of resources to budget holders.

3.5.4 **Responsibilities of Directors**

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

3.5.4.2 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

3.6 **Revenue Budget**

3.6.1 The Revenue Budget must be constructed so as to ensure that it properly reflects the priorities of the Council and Service Plan considerations. Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit.

3.6.2 The Budget process must ensure that resources are:

- required in accordance with the law and properly authorised;
- used only for the purpose intended to achieve approved policies, objectives and service priorities;
- held securely for use when required;
- used with the minimum level of waste, inefficiency or loss.

3.6.3 The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a Medium Term Financial Strategy on a rolling three-yearly basis for consideration by the Cabinet, before submission to the Council. The Council may amend the Budget or ask the Cabinet to reconsider it before approving it.

3.6.4 The Chief Finance Officer in consultation with each Director is responsible for:

- ensuring that an annual Revenue Budget is prepared in the context of a medium term three year Financial Strategy for consideration by Cabinet and its recommendation to Council.

- maintaining a resource allocation process that properly reflects all due consideration of the Council's Policy Framework, ambitions and priorities;
- advising the Cabinet on the format of the budget for approval by Full Council;
- allocating central budgets, for example inflation and pensions;
- providing advice and guidance to the Cabinet further to its responsibility for issuing guidance on budget preparation to take all due account of: legal requirements; medium term planning prospects and known issues; the Plan for the District; available resources spending pressures; government initiatives and public policy requirements; internal policy directives; cross cutting issues and Council priorities.
- determining the detailed form of revenue estimates consistent with the Budget approved by Full Council after consultation with the Cabinet and Directors;
- reporting to Cabinet on the aggregate spending plans of Directorates and on the resources available to fund them, identifying any implications for Council Tax levies;
- advising on the implications of spending decisions and funding options;
- encouraging the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness and by encouraging good practice in conducting financial appraisals of growth or savings and developing the financial aspects of effective Service Planning;
- where relevant and appropriate seeking to recover the cost of the service overheads when 'trading' with other organisations;
- advising the Full Council on the Cabinet's budget proposals in accordance with the Chief Finance Officers responsibilities under S151 of the Local Government Act.

3.6.5 Directors are responsible for ensuring:

- Budget estimates of income and expenditure are a realistic reflection of agreed corporate and service priorities, and that they are submitted to the Cabinet as part of the overall Budget setting process. These estimates must be consistent with any relevant cash limits, the annual Budget cycle and prepared in line with guidance issued by the Cabinet on the advice of the Chief Finance Officer. In drawing up draft Budget plans, Directors must have regard to:
 - spending patterns and pressures revealed through the Budget monitoring process;
 - legal requirements;
 - policy requirements as defined by Council and set out in the Policy Framework;
 - initiatives already under way.
 - effective budgetary control within their Directorates, establishing detailed budgets for each service area in advance of the financial year and requiring such budgets to be properly managed by responsible named budget holders;
 - financial and Budget plans are integrated into service planning.
 - If Directors are unable to keep within their agreed budget limits they must consult with the Chief Finance Officer, who has a statutory duty to report any significant issues to Members.

The Capital Programme

3.6.6 The Capital Programme is a plan that sets out the resource allocations to be made to capital projects that have the approval of Full Council. Capital expenditure involves acquiring or enhancing non-current assets with a long term value to the organisation, such as land, buildings, major items of plant, equipment or vehicles plus Revenue Expenditure Funded from Capital Under Statute – including capital grants and work on third party assets where the spend is in excess of the Asset Register threshold of **£10,000**.

3.6.7 Key controls

3.6.7.1 The key controls for capital programmes are:

- specific approval by the Council for the programme of capital expenditure
- expenditure on capital projects is subject to the approval of the Chief Finance Officer
- a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Cabinet
- proposals for improvements and alterations to buildings must be approved by the appropriate member of the Leadership Team
- the development and implementation of asset management plans
- accountability for each proposal is accepted by a named manager
- monitoring of progress in conjunction with expenditure and comparison with approved budget.

3.6.8 The Regulations and standards relating to budgetary management and control of the Revenue Budget apply equally to capital expenditure and any changes to revenue budgets arising out of changes to the Capital Programme must be dealt with accordingly. All capital expenditure is incurred or committed by project. Capital expenditure must be reported gross of any funding and controlled at that level.

3.6.9 No expenditure may be incurred on a project unless it has been approved as part of the Capital Programme. Equally, no project requiring Government sanction or funding either in full or in part may begin until the sanction and/or funding has been officially confirmed. All credit agreements must be referred to the Chief Finance Officer for approval prior to projects being included in the Programme.

3.6.10 All capital expenditure must be incurred by 31 March of the financial year for which it is approved, although approvals can be slipped provided the position is reported to the Cabinet, unless there is an external requirement to spend within any given year. Where projects are part of a rolling Programme or span a number of years, approval is required for each year's expenditure when the project is approved for inclusion in the Programme.

3.6.11 As with the Revenue Budget, it is possible to vire between projects within the approved Capital Programme where known funding shortages and/or underspends have arisen. The same rules and principles set out for revenue virement apply to the Capital Programme. If shortfalls in funding or overspends cannot be met by transferring resources between projects within the agreed Capital Programme, requests of additional funding from reserves must be prepared by the relevant Director in consultation with the Chief Finance Officer for approval by the Cabinet.

3.6.12 In relation to the Capital Programme the Chief Finance Officer is responsible for:

- ensuring that an annual Capital Programme is prepared for consideration by the Cabinet for recommendation to Full Council;
- reporting to the Cabinet on income, expenditure and resources compared with approved estimates;
- issuing guidance on capital projects and controls and defining what will be regarded as capital having proper regard to Government regulations and accounting conventions;
- ensuring that all projects relying on the use of prudential borrowing for funding purposes are properly appraised using robust business cases.
- Undertaking external borrowing in line with the Council's Approved Medium Term Financial Strategy including the type of loan and its repayment period.
- maintaining a record of the current Capital Budget and expenditure on the Council's financial systems.

3.6.13 In relation to the Capital Programme, Directors are responsible for:

- complying with the guidance issued by the Chief Finance Officer regarding capital projects and controls;
- ensuring that all capital projects put forward for consideration have been properly appraised and that each project and estimate includes a proper project plan, progress targets and sets out the sources of funding for the project including all associated revenue expenditure;
- preparing regular reports reviewing the Capital Programme provisions for their services;
- ensuring adequate records and audit trails are maintained in respect of all capital contracts;
- monitoring capital expenditure and receipts against approved Capital Budgets on a project by project basis and reporting to the relevant Cabinet Member on a regular basis in accordance with the standard revenue budget monitoring arrangements set out above;
- reporting to the Cabinet if proposed sources of funding are not secured if planned funding from linked assets sales or external grants and contributions cannot be realised, corporate funding support must be sought.

3.7 Budget Monitoring and Control

3.7.1 The Council Budget sets an annual cash limit. To ensure the Council does not exceed its Budget, each service is required to manage its own income and expenditure within the cash limited Budgets allocated to them to be spent on agreed service activities.

3.7.2 Key controls

3.7.2.1 The key controls for managing and controlling the Revenue Budget are:

- budget holders must 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 their budgets 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
- performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budgets.

3.7.2.2 The Chief Finance Officer is responsible for establishing a robust framework of budgetary management and control that ensures that:

- budget management is exercised within annual cash limits;
- appropriate and timely financial information is available to Directors and budget holders that enables budgets to be monitored and controlled effectively;
- expenditure is committed only against approved budget heads and associated structure of detailed cost centres;
- all officers responsible for committing expenditure comply with these Regulations;
- each cost centre is delegated to a named budget holder to be determined by the relevant Chief Officer. Budget responsibilities should be aligned as closely as possible with those making day to day decisions to commit expenditure;
- significant variances from Budget are investigated and reported by Budget holders on a regular basis.

3.7.2.3 The Chief Finance Officer must monitor and control the level of income and expenditure against budget allocations overall. The Chief Finance Officer must ensure that monitoring reports are provided through the Monitoring Framework for Members to consider on a regular basis throughout the financial year (to be determined and advised by the Chief Finance Officer) and a report after the year end setting out the revenue outturn. Budget monitoring reports must include:

- explanations of all variations to service Budgets where deemed appropriate by the Chief Finance Officer;
- explanations of financial implications and material considerations such as: part and/or full year consequences of variances; one off and/or recurring costs and income; total project costs and sources of funding; asset or leasing effects; costs associated with staffing matters including the costs of redundancy and effects on the pension fund; service plan implications and impact on service delivery (both within the service plan area and across other services or portfolios as appropriate).

3.7.2.4 Reports containing budget monitoring information must be reviewed by the Chief Finance Officer, or by the Chief Finance Officers nominated representative(s) prior to the submission of the report to Leadership Team.

3.7.2.5 Any overspending on service estimates in total on budgets under the control of a Director must be reported by the Chief Finance Officer to the Cabinet. Where overspending is such that it appears the overall budget will be exceeded, and there is a need for an additional call on the council reserves the Chief Finance Officer must report the issue to full council.

3.7.2.6 Any internal surpluses arising from in-house trading activities/business units shall be retained for the benefit of the Council subject to any provision to do otherwise set out in the Medium Term Financial Strategy.

3.7.2.7 The Chief Finance Officer is also responsible for:

- reporting to the Cabinet and Full Council in consultation with the relevant Director if they are unable to balance expenditure and resources within their existing budgets and a supplementary estimate is required;
- jointly preparing with the relevant Director(s) reports to the Cabinet regarding virements which are in excess of **£50,000** (either as individual items in-year or **when taken in aggregate**);
- reporting regularly to the Cabinet (as determined and advised by the Chief Finance Officer) on the overall revenue budget position and the Council's available contingencies, balances and reserves.

3.7.2.8 It is the responsibility of Directors to:

- ensure effective budgetary control arrangements exist and are observed within their own Directorates in accordance with these Financial Procedure Rules;
- ensure spending remains within the relevant cash limits by controlling income and expenditure within their Directorate, monitoring performance and taking corrective action where significant variations from budget are forecast, taking account of any financial information and/or advice provided by the Chief Finance Officer or their nominated representative(s).
- regularly report performance and variances and provide projections within their own areas and take action to avoid exceeding their budget allocation, alerting the Chief Finance Officer to any known or expected budget problems;
- report to the Cabinet and Full Council as necessary the financial implications of any new in-year proposal or amendment that will: create financial commitments in future years; change existing policies, initiate new policies or result in existing policies ceasing to operate; materially extend or reduce the Council's services.

3.8 Schemes of virement

3.8.1 The term virement refers to transfers of resources between or within approved cost centres for both Revenue and Capital purposes. A virement does not create additional budgetary liabilities. Instead the virement mechanism exists to enable the Cabinet, Directors and their staff to manage their Budgets with a degree of flexibility within the overall Policy Framework and Budget set by Full Council, thereby optimising the use of resources throughout the financial year. The virement schemes for revenue and capital do not exist as a means of remedying poor budgetary control or financial planning for known commitments and service priorities, or otherwise excuse Directors and budget holders from the need to manage their budgets prudently and responsibly. Nor may virements be effected after the year end to retrospectively fund over or under spends unless approved in advance by the Chief Finance Officer.

3.8.2 **Key controls** for the scheme of virement are:

- it is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from this scheme requires the approval of the Council.
- the overall Budget is agreed by Cabinet and approved by Council. Members of Leadership Team and Budget holders are therefore authorised to incur expenditure in accordance with the estimates that make up the Budget.

3.8.3 It is important that the scheme is carefully controlled within guidelines established by Full

Council and administered by the Chief Finance Officer. Any variation from those guidelines must be approved by Full Council. All virements must:

- not commit the Council to any on-going additional expenditure in future years unless virements are permanent redirections of resources;
- be notified in writing to the Chief Finance Officer or his/her nominated representative;
- be reported in budget monitoring reports to the Cabinet in accordance with the scheme of virement operated by the Council ;
- be recorded in the Council's financial systems.

3.8.4 The scheme of revenue virement and agreed thresholds for delegated decision making purposes is set out below:

Decision Maker	Delegated Powers and Authority	Revenue Budget Thresholds
Cabinet	<p>To approve virements between Service Plans in excess of £50,000 (either individually or in aggregate for the financial year)</p> <p>To approve allocations of resources from approved contingencies and reserves</p> <p>To make recommendations to Council for the release of budget resources in excess of the approved contingencies and reserves</p> <p>To approve virements from within Service Plans or between Service Plans into new or otherwise unplanned functions and activities if savings are available to be re-directed into the new activity</p>	<p>Over £50,000</p> <p>As set by the annual Budget</p> <p>As set by the annual Budget</p> <p>Over £50,000</p>
Directors (in consultation with the Chief Finance Officer)	To approve virements between Service Plans within their Directorates	Up to £50,000 (either individually or in aggregate for the financial year)
Budget Holders (in consultation with Business Advisors)	To approve virements within their Service Plans	Up to £50,000 (either individually or in aggregate for the financial year)

3.8.5 The scheme of capital virement and agreed thresholds for delegated decision making purposes is set out below:

Decision Maker	Delegated Powers and Authority	Capital Programme Thresholds
Cabinet	To approve virements between Projects	Over £50,000
Directors (in consultation with the Chief Finance Officer)	To approve virements between Projects	Up to £50,000

3.9 Accounting Policies

3.9.1 The Chief Finance Officer 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* (CIPFA/LASAAC), for each financial year ending 31 March.

3.9.2 Key controls

3.9.2.1 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.

3.9.3 Responsibilities of the Chief Finance Officer

3.9.3.1 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 at 31 March each year, and covers such items as:

- separate accounts for capital and revenue transactions
- the basis on which debtors and creditors at year end are included in the accounts
- details on substantial provisions and reserves
- non-current assets
- depreciation
- capital charges
- work in progress
- stocks and stores
- Revenue Expenditure Funded from Capital Under Statute
- accounting for value added tax
- government grants
- leasing
- pensions

3.9.4 Responsibilities of Directors

3.9.4.1 To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

3.10 Accounting Records and Returns

3.10.1 Maintaining proper accounting records is one of the ways in which the authority discharges its responsibility for stewardship of public resources. The authority 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 authority's resources.

3.10.2 **Key controls**

3.10.2.1 The key controls for accounting records and returns are:

- all Cabinet members, finance staff and budget holders operate within the required accounting standards and timetables
- 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.

3.10.3 **Responsibilities of the Chief Finance Officer**

3.10.3.1 To determine the accounting procedures and records for the authority. Where these are maintained outside the finance service area, the Chief Finance Officer must consult the member of the Leadership Team concerned.

3.10.3.2 To arrange for the compilation of all accounts and accounting records under the Chief Finance Officers direction.

3.10.3.3 To comply 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 themselves be engaged in these transactions.

3.10.3.4 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 2003.

3.10.3.5 To ensure that all claims for funds including grants are made by the due date.

3.10.3.6 To prepare and publish the audited accounts of the authority for each financial year, in accordance with the statutory timetable.

3.10.3.7 To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule.

3.10.4 **Responsibilities of Directors**

3.10.4.1 To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures and to comply with the accounting policies when allocating accounting duties.

3.10.4.2 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.

3.10.4.3 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

3.11 The Annual Statement of Accounts

3.11.1 The authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. Full Council is responsible for approving the statutory annual statement of accounts.

3.11.2 Key controls

3.11.2.1 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 is the Chief Finance Officer
- 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 (CIPFA/LASAAC).

3.11.3 Responsibilities of the Chief Finance Officer

3.11.3.1 To select suitable accounting policies and to apply them consistently.

3.11.3.2 To make judgments and estimates that are reasonable and prudent.

3.11.3.3 To comply with the Code of Practice on Local Authority Accounting in the United Kingdom.

3.11.3.4 To sign and date the statement of accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March.

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

3.11.4 Responsibilities of Directors

3.11.4.1 To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information when required.

3.12 Reserves & balances

3.12.1 Financial reserves and balances are maintained as a matter of prudence against unforeseen events and future contingencies. The Chief Finance Officer is responsible for advising the Cabinet and Full Council on prudent levels of reserves and balances for the Council as part of the annual budget setting process based on a reasoned assessment of risk.

3.12.2 Key controls

- To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC) and agreed accounting policies.
- For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

- Authorisation and expenditure from reserves by the appropriate member of the Leadership Team or Service Manager in consultation with the Chief Finance Officer.

3.12.3 The Council must decide the level of its general reserves in determining the level of Council Tax. The purpose, usage and basis of transactions must be clearly set out in respect of each of the reserves and balances held by the Council. Expenditure from Council reserves and balances can only be made with the prior approval of the Council, unless delegated authority to do so has been conferred by the Cabinet to a Cabinet Member or Director.

4.0 FINANCIAL REGULATION C : AUDIT, RISK MANAGEMENT AND CONTROL OF RESOURCES

4.1 Audit & inspection

4.1.1 Audit is a key management tool that Members and Directors should rely on to provide an independent and objective assessment of the probity, legality and value for money of Council arrangements. It examines, evaluates and reports on the adequacy of internal systems of control in the proper, economic, efficient and effective use of resources. Legislation requires that the Council provides for the function of both internal and external audit services.

4.1.2 The statutory requirement for the Council to maintain "*an adequate and effective system of internal audit*" is set out in Regulation 5 of the Accounts and Audit Regulations 2003, as amended by the Accounts & Audit (Amendment) (England) Regulation 2006 and further to S151 of the Local Government Act 1972.

4.1.3 Key controls

4.1.3.1 The key controls for Internal Audit are:

- that it is independent in its planning and operation
- the Head of Internal Audit has direct access to the Head of Paid Service, Chief Finance Officer, all levels of management and directly to elected members
- the Internal Auditors comply with the Auditing Practices Board's guideline Guidance for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.

4.1.4 Internal Audit will provide assurance to Members, Directors and the general public on the effective operation of governance arrangements and the internal control environment operating at the Council;

- objectively examine, evaluate and report on the probity, legality and value for money of Council arrangements for managing all items of income, expenditure and safe-guarding assets;
- review arrangements for ensuring proper accounting controls, systems and administration are maintained and make recommendations for action and improvement;
- help to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing;
- act as a means of deterring all fraudulent activity, corruption and other wrongdoing, conducting investigations into any matter referred to it for investigation by management or officers and members of the public and reporting its findings to Directors and Members as appropriate for action;
- Conduct investigations into suspected fraudulent activity and improper conduct as reported by Members, employees and the general public in line with the Council's Whistle-blowing policy;
- Report all known breaches of these regulations and Contract Procedure Rules and any other action leading to expenditure incurred ultra vires, identifying any areas of poor financial probity and stewardship problems for action by Directors and Members as appropriate;
- advise the Chief Finance Officer and Monitoring Officer as to any necessary

intervention in decision making if it is likely that any proposed action will lead to unbudgeted or unlawful expenditure or activity;

- review the Council's arrangements for ensuring the income and expenditure of the organisation is properly and regularly monitored in line with the budget setting, monitoring and reporting requirements set out in these Regulations;
- advise officers and members of value for money issues and/or the poor or inappropriate use of Council resources and make recommendations for improvement;
- review the optimisation of income generation opportunities from grants and subsidies monies available from Government;
- advise the Chief Finance Officer of any appropriate action necessary to safeguard the fiduciary interests of the Council and current and future Council Tax payers.

4.1.5 Internal Audit and the External Auditors must be allowed to act independently and objectively in their planning and operation without undue influence by either Directors or Members.

4.1.6 The Chief Internal Auditor is designated by the Chief Finance Officer. Their nominated representative(s) has rights of direct access and reporting to the Chief Finance Officer, all Directors and Members. The Chief Internal Auditor's staff have rights of access to all Council buildings and properties, information and data at all reasonable times.

4.1.7 The Audit Commission was previously responsible for appointing external auditors to Councils. The Local Audit and Accountability Act 2014 abolished the Audit Commission although several of the Commission's functions have and will continue since its closure on 31 March 2015 :

- **Management of audit contracts.** An independent company created by the Local Government Association (Public Sector Audit Appointments Limited) will be responsible for overseeing the Commission's current external audit contracts with audit firms from 1 April 2015 until December 2017 or up to 2020. It will manage the contracts and exercise statutory powers to appoint auditors, set and determine fees, and to make arrangements for housing benefit subsidy certification.
- The professional conduct of auditors will continue to be regulated by the professional accountancy bodies. From 2017 or up to 2020, Recognised Supervisory Bodies will determine the eligibility of local public auditors and register them and, in turn, they will be recognised and supervised by the Financial Reporting Council. The Financial Reporting Council's Audit Quality Review team will monitor the local public audits carried out by auditors through new regulatory arrangements.
- **Grant certification.** The role of making arrangements for housing benefit subsidy certification will transfer to Public Sector Audit Appointments Limited from 1 April 2015. It is intended that this role will continue until housing benefit is rolled into Universal Credit, or until the audit contracts end – whichever happens first. The independent company will not have a role in relation to the certification of other grant claims.
- **Code of Audit Practice.** The National Audit Office will produce and maintain the Code of Audit Practice and provide supporting guidance to auditors from 1 April 2015.

- **Whistleblowing.** The Comptroller and Auditor General will be a prescribed person to whom whistleblowing disclosures can be made in respect of local public bodies under the Public Interest Disclosure Act 1998 from 1 April 2015. Appointed auditors retain their status as a prescribed person under the Act.
- **National Fraud Initiative.** Since 1 April 2015 the powers to conduct the National Fraud Initiative have become the responsibility of the Cabinet Office.
- **Counter fraud.** To preserve the legacy of the Audit Commission's counter-fraud work, Government will publish relevant counter-fraud tools and outputs online with open access before the Commission closes at the end of March 2015.
- **Provision of information about audit.** The National Audit Office will publish information previously provided by the Audit Commission. The NAO will become the owner of *Council Accounts: A Guide to Your Rights*, often referred to as the guide to the electorate's rights with regard to the audit of their local authority. Public Sector Audit Appointments Limited will continue to publish Auditing the Accounts and quarterly and annual reports on auditor compliance and audit quality.
- **Analytical tools.** Public Sector Audit Appointments Limited has the two Value for Money Profiles Tools (for councils and for fire authorities), and the Audit Fees Comparator Tool. The Financial Ratios Tool is also likely to continue.
- **National value for money studies.** Building on its existing work, including in the Health sector, the National Audit Office now also carries out studies which consider the value for money of services delivered by the local government sector.
- **Best value inspections.** Since 4 April 2014 Best Value Inspections have been the responsibility of the Secretary of State for Communities and Local Government.

The duties of the External Auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998 and the Local Government Act 2000. These variously include rights of access and the right to report publicly on their findings and recommendations. The external auditors must comply with the provisions of a Code of Audit Practice in planning and conducting their work. This includes the audit of the Council's financial statements, the financial aspects of corporate governance and performance management. The work of the council's auditors is reported to the Audit Committee in their annual audit letter.

4.1.8 **Key controls**

- 4.1.8.1 External Auditors are appointed normally for a minimum period of five years. The National Audit Office will prepare a code of audit practice, which External Auditors follow when carrying out their audits.
- 4.1.8.2 The Council may also be subject to audit, inspection or investigation by external bodies such as HM Revenues & Customs, and various other Inspectors of service at any time.

4.2 Preventing fraud & corruption

4.2.1 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by Members, Officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that Members and all staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the Constitution, the Council's Policy Framework and all relevant professional and other codes of practice. To that end the Council has adopted an anti-fraud and corruption strategy and whistle-blowing policy along with a code of conduct governing the behaviour of Members.

4.2.2 Key controls

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

- the authority has an effective anti-fraud and anti-corruption policy 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 authority or who are corrupt
- high standards of conduct are promoted amongst members by the standards committee
- the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded
- whistle blowing procedures are in place and operate effectively
- legislation including the Public Interest Disclosure Act 1998 is adhered to.

4.2.3 All staff and Members of the Council must inform the Chief Internal Auditor immediately if they suspect or know of any impropriety, financial irregularity, fraud or corrupt practice. The Chief Internal Auditor is responsible for determining the nature of any investigation work required in respect of any allegation of wrong doing, and/or any other action required and may refer matters to the Police or other appropriate external body as they see fit.

4.2.4 Internal Audit are required to investigate all referrals of fraud at the direction of the Chief Internal Auditor and in doing so have:

- rights of access to all Council premises and property, all data, records, documents, and correspondence relating to any financial matter or any other activity of the Council;
- the right to require any member of staff or Member to provide any information or explanation needed in the course of their investigations;
- the right to refer investigations to the Police in consultation with the relevant Director(s) and Chief Finance Officer.

4.2.5 In addition, the Chief Internal Auditor should:

- refer cases directly to the Police if the Chief Internal Auditor believes that normal consultation practices would compromise the integrity of the investigation against the interests of the Council or the general public;
- notify the council's external auditors of any matter that they would rightly expect to be informed of in order to support the function of an effective and robust external audit service;
- require any officer or member to :
 1. make available such documents relating to the accounting and other records of the Council that are necessary for the purpose of the audit;
 2. supply any information or explanation considered necessary for that purpose.

4.3 **Managing risk**

4.3.1 Risk Management is inherent to good management practice and essentially; it is concerned with identifying potential events (risks), establishing what could go wrong (threats) and the potential for success (opportunities) with the aim of trying to achieve the right balance between the two. The outcome from proper risk consideration ensures that managed controls are in place and the effective prioritisation and allocation of potentially scarce resources to the most appropriate area (high risk), to ensure service continuity and performance improvement.

4.3.2 **Key controls**

4.3.2.1 The key controls for risk management are:

- procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority
- a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
- managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
- provision is made for losses that might result from the risks that remain
- acceptable levels of risk are determined and insured against where appropriate
- the authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

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

4.3.2.3 The Chief Finance Officer is responsible for preparing the Council's risk management policy & strategy and for promoting it throughout the Council.

4.3.2.4 It is the responsibility of Chief Officers to ensure there are regular reviews of risk within

their areas of responsibility having regard to advice from the Council's Risk and Resilience Service and other specialist Officers for example Health and Safety.

4.3.2.5 Full details of the way that the Council manages its risks are set out in the Risk Management Strategy and form part of the supplementary guidance to these Financial Procedure Rules.

4.4 Internal Controls

4.4.1 The authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

4.4.2 The authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

4.4.3 The authority 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.

4.4.4 The system of internal controls is established in order to provide measurable achievement of:

- efficient and effective operations
- reliable financial information and reporting
- compliance with laws and regulations
- risk management.

4.4.5 Key controls

4.4.5.1 The key controls and control objectives for internal control systems are:

- key controls must be reviewed on a regular basis and the authority 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 must operate in accordance with the principles contained in the Auditing Practices Board's guideline - CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.

4.5 Insurance

4.5.1 The Director of Leisure and Parks is responsible for:

- effecting all relevant insurances and dealing with all claims;
- consulting with the Chief Finance Officer on risk management issues related to insurance;
- reviewing, at least annually, all insurances.

4.5.2 It is the responsibility of Directors to:

- advise the Director of Leisure and Parks of all new risks, properties, vehicles or potential liabilities for which insurance may be required; and of any changes affecting existing risks or insurance cover required;
- notify the Director of Leisure and Parks in writing without delay of any loss, liability or damage or any event likely to lead to a claim, and shall provide such information and explanations required by the Director of Leisure and Parks or the Council's insurers;
- ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

5.0 FINANCIAL REGULATION D : SYSTEMS AND PROCEDURES

5.1 Introduction

5.1.1 Good systems and procedures are essential to the effective management and administration of the Council's financial affairs. This section covers :

- Accounting systems
- Income
- Expenditure
- Banking arrangements
- Treasury management
- Taxation
- Stock & stores
- Trading accounts

5.1.2 Key controls

5.1.2.1 The key controls for systems and procedures are:

- basic data exists to enable the authority'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.

5.2 Accounting systems

5.2.1 The Council relies on a variety of different financial and accounting systems in controlling and administering the finances of the organisation. It is vital that these systems ensure information is recorded accurately, completely and in a timely manner and that all necessary controls are in place to ensure that all transactions are properly processed and any errors detected promptly and rectified.

5.2.2 The Chief Finance Officer is responsible for:

- determining the Council's main accounting system for the preparation of the Council's accounts and for monitoring all income and expenditure. The main accounting and budgeting system used at the Council is known as the Oracle Financial Management System;
- determining any other key financial systems which may sit outside the Oracle Financial Management System;
- ensuring that all financial systems are sound and properly integrated and interfaced;
- issuing advice, guidance and procedure notes on the use and maintenance of Oracle Financial Management System and related financial systems and for ensuring that all finance staff are trained and competent in the use of financial systems.

5.2.3 Directors have devolved responsibility for the finances of their Directorates and must ensure that proper accounting and financial systems exist. At the same time adequate internal controls need to be incorporated to safeguard against waste, loss or fraud. They must also ensure that officers in their Directorates are aware of and have access to copies of these Regulations and any supplementary advice and guidance issued by the Chief Finance Officer.

5.2.4 Further to this, Directors are specifically responsible for:

- ensuring all accounting records are properly maintained and held securely, including any supporting vouchers, documents, contracts etc with financial implications;
- ensuring Oracle Financial Management System is used as the prime means of monitoring expenditure and income in their Directorates and for comparing spend against budgets, except and unless the Chief Finance Officer advises or agrees that alternative arrangements may be made;
- ensuring that Oracle Financial Management System is used to accurately record the financial transactions of their Directorate in accordance with the advice and guidance given by the Chief Finance Officer and in a way that ensures compliance with all legal requirements, proper accounting practice and enables returns to be made to central government, taxation authorities and other relevant bodies and provides a complete audit trail;
- the effective operation of financial systems within their own Directorate to the extent that they are operated and controlled within their Directorate;
- ensuring regular reconciliations between other Directorates systems of financial administration with the Council's financial management systems (Oracle Financial Management System);
- reporting systems failure to the Chief Finance Officer and consulting with them about any changes or new developments;
- ensuring there is a documented and tested disaster recovery plan as part of an agreed business continuity strategy for financial administration;
- ensuring that systems are documented and all staff have been properly trained in their use.

5.3 Income

5.3.1 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 of supplying goods or services as this improves the Council's cash flow.

5.3.2 Key controls

5.3.2.1 The key controls for income are:

- all income due to the authority is identified and charged correctly, in accordance with an approved charging 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 authority is paid without delay to the Chief Finance Officer or, as he or she directs, to the authority's bank account and properly recorded. The responsibility for cash collection should be

separated from that:

- for identifying the amount due
- for reconciling the amount due to the amount received
- 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.

5.3.2.2 The Council has moved away from accepting cash except where this is unavoidable. Any cash received must be acknowledged by the issue of an official receipt and all monies then accounted for and paid directly into an approved bank account. Details of all cash received on a local basis must be forwarded to the Chief Finance Officer for allocation to the correct accounts.

5.3.2.3 Income must never be used to directly fund expenditure and therefore all transactions must be shown separately in the ledger. Officers are directly responsible for the safe custody of any money received until it has been paid into the bank or handed over to another officer. Receipts should be given and retained in such circumstances.

5.3.2.4 Procedures for writing off debts that are properly due to the Council shall be as follows:

Decision Maker	Delegated Powers and Authority	Write Off Thresholds
Cabinet	To approve write offs. The Chief Finance Officer shall maintain a record of such write offs showing attempted recovery action taken and the justification for non-recovery.	£25,000 and above
Directors with the agreement of the Chief Finance Officer	To approve write offs. The Chief Finance Officer shall maintain a record of such write offs showing attempted recovery action taken and the justification for non-recovery.	Below £25,000

5.3.2.5 The Chief Finance Officer is responsible for making arrangements for the collection of all income due to the Council and approving the procedures, systems and documentation used in its collection in line with the Corporate Debt Management Policy.

5.3.2.6 Directors are responsible for:

- collecting income for which there is budget provision within the budgets for which they are responsible;
- using the systems for the collection and recording of cash and credit income provided by the Chief Finance Officer unless they have the approval of the Chief

Finance Officer to make alternative arrangements;

- the proper separation of duties between staff raising accounts and those responsible for income collection;
- collecting all income and initiating all appropriate recovery action for debts that are not paid promptly where local arrangements for doing so have been agreed with the Chief Finance Officer;
- ensuring any money received is properly identified, recorded and safeguarded;
- issuing official receipts as necessary and maintaining all other documentation for income collection purposes and ensuring controlled stationery is securely stored;
- keeping all income received in secure storage and ensuring cash holdings do not exceed insurance limits;
- ensuring all income is paid fully and promptly into approved bank accounts in the form in which it is received and that all details are properly recorded on paying in slips which are retained for audit trail purposes. Money collected and deposited must be reconciled to the bank account on a regular basis;
- ensuring income is not used to cash personal cheques or used to make other payments;
- supplying the Chief Finance Officer with all details relating to works done, services supplied or other amounts due to be raised through the corporate invoicing system;
- ensuring all fees and charges are set with due regard to income policy, the legal responsibilities of the organisation and any relevant social or economic policy objectives set out in the Council's Policy Framework;
- assisting in the collection of debts originating from their Directorates in line with the Council's Debt Management Policy by providing information and taking any recovery action necessary on a local basis with the agreement of the Chief Finance Officer;
- recommending to the Chief Finance Officer all debts to be written off and maintaining records of all sums written off. Once raised on the accounting system, no bona fide debt can be cancelled except by full payment or by being formally written off in the accounts. Credit notes can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and must not be used for any other purpose;
- notifying the Chief Finance Officer of any outstanding income due in relation to the previous financial year as soon as possible in line with the annual timetable for the closedown of the accounts determined by the Chief Finance Officer.

5.3.2.7 All Officers are responsible for the safe custody of any money received until it has been paid into the bank or handed over to another officer.

5.4 Expenditure

5.4.1 Expenditure may be incurred provided there is funding available through normal ordering and invoicing processes, entering into a contract arrangement, through the payment of salaries, wages and allowances, credit/procurement cards or in exceptional circumstances through raising a cheque requisition. Directors, or their nominated representatives, are authorised to incur expenditure on works, goods and services where there is an approved budget for which they are responsible, provided such expenditure is legally incurred and within the Policy Framework.

5.4.2 All foreign travel to be approved by the Chief Finance Officer, except for where it is a Director of the Council; Chief Executive to determine or where it is the Chief Executive; Leader of the Council to determine. The decision must consider the total cost, including the extent of external funding where applicable, and the overall anticipated benefits from the trip.

5.4.3 Expenditure must be shown separately to income and expenditure proposals that attract amounts of income must be shown gross in the accounts. The determination of any financial thresholds or bandings referred to by these Regulations must therefore be done with reference to the gross amount.

5.5 Ordering and paying for work, goods and services

5.5.1 Public money must be spent with demonstrable probity and in accordance with the authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. Regard shall be had at all times to the Council's procurement strategy. These procedures should be read in conjunction with the authority's Contract Procedure Rules on tenders and contracts.

5.5.2 Key controls

5.5.2.1 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 Contract Procedure Rules
- goods and services received are checked to ensure they are in accordance with the order. Goods must not be received by the person who authorised the order
- payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards
- all payments are made 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
- all expenditure, including VAT, is accurately recorded against the correct budget and any exceptions are corrected
- in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

5.5.2.2 Directors must use the Oracle Financial Management System except in the case of emergencies or if approval has been given by the Chief Finance Officer to an alternative arrangement.

5.5.2.3 Official purchase orders must be issued for all purchases, including those under contract when an obligation is created not at the point when an invoice is received. This is to ensure all commitments are accurately reflected in the budgetary control process except where:

- purchases are made through petty cash;

- they are allowed under the Government Procurement Credit Card policy;
- expenses, for example, employee expenses.

5.5.2.4 Official orders electronic or otherwise must be in an approved form as determined by the Chief Finance Officer. They may only be authorised by signatories up to the limits of their delegation as set out in the relevant Directorate schemes of delegation and the Authorised Signatory List. This record must be accurate, complete and kept up to date. If it is necessary for a verbal order to be placed for any good reason, it must be followed up by an official order as soon as it is possible to do so. Orders must be clear and specific; they must state quantity, price, nature of the goods or service etc. This will ensure a meaningful comparison between what was ordered and what has been received can be made and the invoice can be matched to the order. Official orders may not be raised for personal or private purchases.

5.6 Payments for works, goods and services

5.6.1 Payments for works, goods and services must only be made:

- on receipt of an invoice or contract certificate which satisfies VAT regulations, or;
- where the liability for payment is clearly established and evidenced;
- in accordance with contractual commitments.

5.6.2 All Directors must use the Oracle Financial Management System unless they have the approval of the Chief Finance Officer to make alternative arrangements. Officers must ensure payments for works, goods and services are not made unless they are supplied in accordance with an official order, or contract, and the invoice amount/contract certificate is correct. Any officer purchasing goods and service must not receive personal benefits including personal loyalty cards, for example, Tesco club card.

5.6.3 Council Government Procurement Credit Cards can be used for procuring goods, works and services when approved through the Government Procurement Credit Card policy. Personal credit cards should not be used for any Council purchases. Any individual transaction limits and aggregate spend limits must be approved by the Chief Finance Officer or delegated representative. All transactions must be entered onto the Oracle Financial Management System and proper separation of duties between officers ordering and/or procuring and those authorising must be maintained. Any individual transaction limit must not exceed that set out under the financial scheme of delegation unless agreed by the Chief Finance Officer or delegated representative.

5.6.4 Payments in advance must be avoided except where this is the accepted practice for the type of expenditure involved, for example leasing payments, travel or conference facility fees or where use of a Council Government Procurement Credit Card has been authorised. Where interim or part payments form part of a contract, interim certificates or part invoices these must be authorised for payment only after the value of the work done or goods or services received has been confirmed.

5.6.5 A proper separation of duties must be maintained between staff responsible for requisitioning or creating contractual commitments for works, goods and services and those authorising the commitment. Staff that approve a requisition through the Oracle Financial Management System must not be responsible for receiving and checking works, services and goods received notes where this is required. Directors must agree alternative

arrangements with the Chief Finance Officer if it is not practically possible to maintain an adequate separation of duties for any reason.

5.6.6 All invoices and receipts must be original documents which comply with VAT regulations (where documents that are non VAT compliant are received, the VAT cost will be borne by the Service). Invoice coding slips for use in exceptional circumstances and Internal Invoices must be properly completed detailing the correct VAT code, finance ledger codes, sufficient narrative description to allow invoices to be matched and properly described in the Oracle Financial Management System and all necessary signatures electronic or otherwise for authorisation and payment.

5.6.7 Directors must ensure that payments are made in an appropriate timescale that will not unduly disadvantage the Council's cash flow, resulting in the Council incurring late payment penalties or prejudice the financial position of those to whom the payment is to be made. The Council's performance standard for the payment of invoices is 30 days from the date of the invoice. This is a Performance Indicator monitored by Leadership Team and reported to Cabinet and Strategic Overview and Scrutiny Committee.

5.7 Contracting for works, goods and services

5.7.1 The Contract Procedure Rules are issued as a supplementary guidance document to these Financial Procedure Rules, they set out the specific procurement rules and procedures to be observed in contracting for the provision of works, goods and services.

5.8 Payments of salaries, wages & allowances

5.8.1 Staff costs form the largest item of expenditure made by the Council. It is important that payments are accurate, complete, timely and made in accordance with what is due consistent with the individual conditions of employment and/or the terms of any officer or Member allowance scheme and that such payments are fully recorded and accounted for in the accounting system.

5.8.2 Key controls

5.8.2.1 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
 - 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 that HM Revenue and Customs regulations.

5.8.2.2 The Personnel Manager is responsible for providing a corporate payroll system for recording all payroll data and generating payments to employees and Members. The system must allow for the proper calculation of all pay and allowances, National Insurance and pension contributions, Income Tax and all other deductions. Directors must use the corporate payroll system for all payments to employees. Directors are responsible for ensuring that all information relating to an employee's entitlement to pay and/or the payment of allowances are forwarded to the Payroll team within agreed timescales. All supporting evidence of entitlement must be provided to payroll at the same time (i.e. signed timesheets, appointment forms, changes in pay scales, approval for responsibility payments etc).

5.8.2.3 Directors must have the approval of the Personnel Manager and the Chief Finance Officer if they wish to pay an individual a wage or salary outside the payroll system including all posts that are designated in legislation as being Officers of the Council. Outside of this any such circumstance must be regarded as exceptional and Directors must give careful consideration to the employment status of the individual in doing so (ie self employed, consultant or sub-contractor) and the taxation implications of making alternative arrangements.

5.9 Petty cash and disbursements

5.9.1 The Chief Finance Officer will provide petty cash floats to a maximum amount agreed with Directors for the purpose of meeting minor expenses where there is no alternative method of payment. Directors are responsible for ensuring all petty cash monies are securely stored and are only used for the purposes intended. VAT receipts must be provided with requests for reimbursements. All receipts and vouchers must be retained and regular reconciliations carried out and recorded by staff responsible for managing petty cash floats, in line with the Council's petty cash procedures.

5.10 Banking arrangements

5.10.1 It is the responsibility of the Cabinet to approve the banking arrangements of the Council and for the Chief Finance Officer to manage the banking contract on a day to day basis. Council payments must be made by cheque, BACS or other instrument drawn on the Council's bank account by the Chief Finance Officer. Directors must have the prior approval of the Chief Finance Officer to operate local bank accounts and this will only be allowed in exceptional circumstances.

5.10.2 The Chief Finance Officer is responsible for ensuring regular reconciliations are carried out on a monthly basis for all the main bank accounts to the financial records of the Council. All cheques on the main bank account are to be ordered and controlled by the Chief Finance Officer who will make arrangements for the safe custody of all blank cheques and the preparation, signing and dispatch of cheques.

5.11 Treasury Management

5.11.1 The Council has adopted the recommendations set out in the CIPFA Code of Practice on Treasury Management in setting out the Council's Treasury Management Strategy and policy statements.

5.11.2 Key controls

- That the authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the authority's treasury policy statement.

5.11.3 The Chief Finance Officer is responsible for:

- preparing a Treasury Management Strategy setting out the objectives, policies, working practices and controls to be observed in the Council's treasury management activities for approval by the Cabinet;
- ensuring the implementation of the strategy and its periodic review, reporting progress and any necessary changes to Cabinet on a regular basis;
- ensuring that the Strategic Overview and Scrutiny Committee scrutinise the Treasury Management Strategy and Monitoring reports;
- all investment, borrowing and credit agreements entered into on behalf of the Council, credit cards and hire purchase arrangements. Finance leases will not be approved for use except in very special circumstances;
- authorising all direct debits within the Council in advance of any agreement being signed.
- approving the set-up of any company, joint companies, joint ventures, partnerships or investments;
- the custody of all financial securities which are the property of the Council, or are held in its name;
- the registration of all Council owned stocks, bonds, mortgages and loans;
- effecting all loans in the Council's name to meet its needs on the most economic terms available.

5.11.4 Directors are responsible for:

- ensuring that loans or guarantees are not given to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of Full Council following consultation with the Chief Finance Officer;
- arranging for all trust funds to be held in the name of the Council wherever possible and ensuring that trust funds operate within the law and the specific requirements for each trust. All officers acting as trustees by virtue of the position with the Council shall deposit securities relating to the trust to the custody of the Chief Finance Officer unless the deeds specifically require otherwise;
- arranging the secure administration of funds held on behalf of third parties and partnerships ensuring that the systems and controls for administering such funds are approved by the Chief Finance Officer and subject to regular audit.

5.12 Taxation

5.12.1 Like all organisations, the authority 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.

5.12.2 Key controls

5.12.2.1 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.

5.12.2.2 The Chief Finance Officer is responsible for ensuring:

- the completion of a monthly return of VAT inputs and outputs to HM Revenues & Customs;
- the provision of details to the Inland Revenue regarding the construction industry tax deduction scheme;

5.12.2.3 The Personnel Manager is responsible for ensuring:

- the completion of all Inland Revenue returns regarding PAYE;
- the provision and maintenance of up to date guidance for Council employees on payroll taxation issues.

5.12.2.4 Directors are responsible for ensuring that:

- the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenues & Customs;
- where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry scheme (CIS) deduction requirements;
- all persons employed by the Council are added to the Council's payroll and tax deducted from any payments made to them (with approved exceptions agreed by the Personnel Manager and Chief Finance Officer where the individuals concerned are bona fide self-employed or are employed by a recognised agency);
- all advice and guidance on payroll taxation issued by the Personnel Manager and Chief Finance Officer is followed and adhered to by staff in their own Directorates.

5.13 Stocks & stores

5.13.1 Directors may hold reasonable levels of stocks and stores of consumable items, materials, equipment and goods for resale. They are responsible for the receipt and custody of stock items and for writing off any items of stock. Directors must take VFM considerations into account in holding stocks and stores and ensure unnecessarily high levels of stocks are not allowed to accumulate. The value of stocks and stores held at the year-end must be certified by a stock take on a basis agreed with the Chief Finance Officer.

5.13.2 Procedures for the disposal of redundant stocks and equipment are set out in the guide to the disposal of assets.

5.14 Inventories & asset management

5.14.1 The Council holds non-current assets in the form of property, vehicles, equipment and

furniture. It also makes use of other non-tangible assets such as intellectual property. It is essential to the financial health and well-being of the Council that these assets are safeguarded and used efficiently and effectively in supporting the delivery of Council services. All staff are responsible for safeguarding the assets and information used in their day to day activities and must ensure they are aware of their responsibilities in respect of the Data Protection Act, software copyright legislation, and the security of the Council's information systems.

5.14.2 Key controls

5.14.2.1 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 authority 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 procedure rules of the authority so as to maximise benefits
- an asset register is maintained for the authority, assets are recorded when they are acquired by the authority and this record is 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 authority'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 authority's computer systems, including maintaining restricted access to the information held on them and compliance with the authority's computer and internet security policies.

5.14.2.2 The Chief Finance Officer is responsible for:

- ensuring that an asset register is maintained in accordance with good practice for all non-current assets valued in excess of **£10,000** and that asset valuations are made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (the SORP);
- ensuring compliance with the rules in relation to contractual commitments for the acquisition and disposal of assets as follows:
 - the disposal of surplus assets, land and buildings up to the value of **£50,000** on behalf of the Council in consultation with, the relevant Director(s) and Cabinet Member for Finance, Democratic and Legal Services. All disposals must comply with the Contract Procedure Rules that form supplementary guidance to these regulations. All disposals valued in excess of **£50,000** must be referred to the Cabinet for decision;
 - the acquisition of all land and buildings on behalf of the Council having due regard to the provisions of the Asset Management Strategy, Capital Programme and Medium Term Financial Strategy subject to the appropriate budgetary provisions having already been agreed by the Council.

- ensuring advice on the VAT implications of proposed land & building acquisitions and sales is sought at the planning stage;
- ensuring that all asset acquisitions and disposals are properly recorded within asset records and comply with the disposal policy;
- maintaining up to date records of all land and buildings, including valuations in the form of a corporate asset addition, register for the Council and these records must as a minimum be reviewed on an annual basis;
- ensuring all rents, charges, fees etc due in respect of properties and land are raised and all income is collected and accounted for in the Council's accounting systems.

5.14.2.3 The Director of Leisure and Parks is responsible for:

- arranging for all insurances and requiring Directors to ensure all assets are kept securely and used efficiently and effectively.

5.14.2.4 Directors are responsible for:

- providing the Chief Finance Officer or delegated deputy with information and all relevant documentation regarding all assets owned or used in relation to services provided by the Directorate(s) for the purposes of maintaining an up to date and complete asset management register;
- ensuring the proper security and safe custody of all assets under their day to day operational control and consult with the Chief Finance Officer or his/her delegated deputy in any case where security concerns exist or if it is considered that special security arrangements are required;
- to record all disposals or part exchange of non-land and building assets, in line with the disposal policy;
- to maintain local inventories recording adequate descriptions of all furniture, fittings, equipment, plant & machinery above **£500** and record items of a lower value where the risk is considered to be significant;
- reporting all assets that are lost, stolen or destroyed to the Insurance Officer for recording purposes and where necessary the Chief Internal Auditor in compliance with the asset disposal policy;
- making sure property is only used in the course of the Council's business, unless specific permission has been given by the Director to do otherwise.
- ensuring all lessees and other prospective occupiers of Council land and buildings are not allowed to take possession or enter the property until a lease or agreement has been made;
- the Strategic Director (Development, Democratic and Legal Services) will act as custodian for all title deeds for the Council.

5.15 Staffing

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

5.15.2 Key controls

5.15.2.1 The key controls for staffing are:

- an appropriate staffing strategy and policy exists, in which staffing

requirements and budget allocation are matched

- 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 authority
- checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

5.15.3 **Responsibilities of the Chief Finance Officer**

5.15.3.1 To ensure that budget provision exists for all existing and new employees.

5.15.4 **Responsibilities of the Personnel Manager**

5.15.4.1 To act as an advisor to members of the Leadership Team on areas such as National Insurance and pension contributions, as appropriate.

5.15.5 **Responsibilities of Directors**

5.15.5.1 To produce an annual staffing budget in consultation with the Chief Finance Officer.

5.15.5.2 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).

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

5.15.5.4 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.

6.0 FINANCIAL REGULATION E : EXTERNAL ARRANGEMENTS

6.1 Introduction

6.1.1 The Council exercises an important community leadership role, helping to orchestrate the contributions of various stakeholders in discharging its statutory responsibilities for promoting and improving the economic, social and environmental well-being of the area.

6.2 Partnerships, joint working & grant funding (see Appendix B for further information)

6.2.1 A grant can be defined as a contribution or subsidy (in cash or in kind) given by the Council to another organisation for a specified purpose. Grants must be conditional upon the delivery of specified standards or outputs and be subject to the production of regular monitoring reports and the delivery of agreed outcomes.

6.2.2 The Chief Finance Officer must satisfy themselves that the accounting arrangements for all partnerships and joint ventures are proper and appropriate, including all audit and inspection requirements. The Chief Finance Officer must also consider overall corporate governance arrangements and any legal and taxation issues when partnerships are arranged with external bodies. The Chief Finance Officer must ensure all known risks are appraised before entering into agreements with external bodies and seek to ensure value for money is obtained.

6.2.3 Key controls

6.2.3.1 The key controls for authority partners are:

- to be aware of their responsibilities under the Authority's Financial and Contract Procedure rules
- 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 the 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 before the project commences
- to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

6.2.4 The Chief Finance Officer is also be responsible for advising on the funding and financing of a project including:

- financial viability in current and future years;
- risk appraisal and risk management arrangements;
- resourcing and VAT;
- audit, security and control requirements;
- carry forward arrangements.

6.2.5 Directors are responsible for:

- maintaining local registers of partnerships entered into with external bodies in accordance with procedures specified by the Chief Finance Officer and providing information about those to the Head of Paid Service as required;
- ensuring that a risk management assessment has been carried out before entering into agreements with external bodies;

- ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Council;
- ensuring that all agreements and arrangements are properly documented;
- providing appropriate information to the Chief Finance Officer to enable relevant entries to be made in the Council's Statement of Accounts concerning material items;
- ensuring that the appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.
- ensuring that for all instances of grant/loan funding there is:
 1. an appropriate 'state aid' de-minimis declaration made by the recipient organisation;
 - in respect of loans a process of monitoring on at least a six monthly basis providing an update to the relevant lead officer.
 2. a Service Level Agreement in place to protect the Council.
 3. must have prior budgetary approval, typically through the budget process;
 4. over **£50,000** must be approved by the Cabinet & Chief Finance Officer and must have a legally binding grant funding agreement (GFA) rather than an SLA;
 5. must be raised using the prescribed Financial Ledger Codes;
 6. below **£50,000** must be notified to the Chief Finance Officer who will determine whether there is existing delegation that provides authority to award the grant, or if it requires cabinet approval. Where the grant is an annual grant, approval as part of the budget process will be sufficient;

6.3 External funding

6.3.1 External funding can prove a very important source of additional income to an authority, but funding conditions need to be carefully examined before entering into any agreement to ensure they are compatible with the aims and objectives of the Council. Councils are being encouraged to provide seamless service delivery by working closely with other agencies and service providers (both public and private). Funds from external agencies such as the National Lottery can provide additional resources for services. However, whilst the scope for funding has increased, it is usually linked to increasingly tight specifications and may not be flexible enough to meet the aims and objectives of the Council ambitions and plans.

6.3.2 Key controls

6.3.2.1 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
- to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council
- 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.

6.3.3 The Chief Finance Officer is responsible for:

- ensuring that all external funding is received and properly recorded in the Council's accounts;
- match funding requirements are considered prior to entering into any agreement and that future revenue budgets reflect these requirements;
- ensuring all audit requirements are met.

6.3.4 Directors are responsible for ensuring that:

- Any External Funding Reports are compiled in consultation with the Chief Finance Officer in line with the Council's key decision requirements contained within the Council's constitution.
- all claims for funds are made by the due date;
- the project progresses in accordance with the agreed project plan and all expenditure is properly incurred and recorded.

6.4 Work for third parties

6.4.1 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 must be put in place to ensure that any risks associated with undertaking such work is minimised and that the work is done intra vires. All work should be properly costed in accordance with the advice and guidance of the Chief Finance Officer and done on the basis of a proper contract according to the Contract Procedure Rules set out as supplementary guidance to these Financial Procedure Rules.

6.4.2 Key controls

6.4.2.1 The key controls for working with third parties are:

- to ensure that proposals are costed properly in accordance with guidance provided by the Chief Finance Officer
- to ensure that contracts are drawn up using guidance provided by the Chief Finance Officer 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 Contracts Register.

6.4.3 The relevant Cabinet Member(s) are responsible for approving the contractual arrangements for work undertaken on behalf of a third party or external bodies.

6.4.4 The Monitoring Officer is responsible for issuing guidance with regard to the financial aspects of any third party contracts and the maintenance of the contracts register.

6.4.5 Directors are responsible for:

- ensuring that the approval of the Cabinet Member is obtained before any negotiations are concluded to work for third parties;
- maintaining a register of all such contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer;
- ensuring that appropriate insurance arrangements have been made;
- ensuring that the Council is not put at risk from any bad debts;

- ensuring that no contract will be subsidised by the Council;
- ensuring that the service has the appropriate expertise to undertake the contract;
- ensuring that such contracts do not impact adversely upon the services provided to the Council;
- providing appropriate information to the Chief Finance Officer to allow entries to be made in the Council's final Statement of Accounts.
- ensuring that there is no conflict of interest with any third party provider.

Statutory Officers of the Council

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Chief Finance Officer

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Nominated Deputy:
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An introduction to Commissioning - contracts and grants

Traditionally the third sector has funded services in part through grants from government. This funding is provided to deliver a wide variety of services and outcomes. Grants were the general method that local and central government used to support organisations. The move towards awarding contracts rather than giving grants is a part of a general reform of public services so more and more services are provided by external providers in either the private or third sector.

There are significant differences between **grants** and **contracts** which change the nature of how you interact with the recipient of the funding.

What is Commissioning?

Commissioning is the entire process of the Council assessing the needs of a community or client group, working out how to fulfil those needs, and subsequently designing and securing the provision of that service to that client group or community.

The commissioning cycle involves:

1. Assessment (or reassessment) of need;
2. Identifying resources;
3. Planning how to use resources;
4. Arranging service delivery through a procurement process;
5. Monitoring and reviewing service delivery.

Commissioning can result in either or both the award of grants or procurement exercises where a legal contract is in place to deliver a specified service. These two processes are explained in more detail in the paragraphs below:

What are contracts?

Contracts are essentially a legally binding promise between two parties, usually for the supply of goods or services in return for a '*consideration*'. The '*consideration*' is usually money. It is significant because the relationship between the two parties is defined by contractual law as opposed to the particular terms and conditions of the funder.

A contract gives rise to a legal relationship between the two parties. Practically, a contract is delivered when the specifications of delivery are met. This means that the contract contains a description of the completed service, known as a specification. This is one side of the agreed promise. Once this specification is met, the full *consideration* or payment, the other side of the promise needs to be met. All parties need to fulfil their side of the promise to fulfil the contract. If either party does not fulfil their side, there has been a contravention of the legal relationship, for which there can be serious ramifications. The benefit of a contract is that the party paying the money only has a right to determine the specification of the completed service and agree a price. There is no right to know how money is spent and if a contractor can meet the specification cheaper they can keep the excess. Contracts are also legally binding to both parties

Issues to consider are:

- Length: due to the investment needed and the impact they have, contracts tend to be longer than some grants.
- Legally binding for both parties, meaning that there is a legal obligation on the funder as well as the provider of services. This also means that an organisation needs a very good reason not to deliver the service.
- Negotiation: some contracts are negotiable, which means organisations should feel confident about challenging unfavourable terms and conditions
- Transparency: as per European Union regulations, contracts should be paid promptly and be awarded transparently.
- Involvement: contracts enable organisations to improve the design and delivery of services to beneficiaries
- Partnership: there are a growing number of chances to collaborate and work with other organisations to deliver contracts

What are grants?

Grants are a specific amount of funding given to an organisation for specific activity to be delivered within a specific time frame. Funders are usually government departments, local authorities, other large charities or charitable trusts. A grant is a lump sum of money that is essentially a gift that does not have a legally binding status. It is usually subject to conditions set by the funder such as to provide a service or complete an activity in a certain way. An example would be a youth organisation receiving a grant to buy sports equipment.

Conditions can be very detailed and include the process by which money is paid, what the money will be spent on, and even who will spend the money. Also if the activity is not delivered the funder can stop paying further sums. But these can only be determined by the conditions laid out by the funder and a grant does not give rise to a legal relationship between the two parties.

Although there are no specific legal obligations for grants other than the terms and conditions of the funder there is best practice that is recommended.

Differences between a grant and a contract

Grant	Contract
A grant is a gift, usually with conditions attached	A contract is an agreement between two parties
A grant is not legally binding, (but Compact is recommended for governing them)	A contract is a legally binding relationship between two parties
If you fail to meet the conditions of a grant only the amount of the grant needs to be repaid	Failure to meet the contract can result in a claim for damages worth more than the contract
Usually you have to outline how a grant will be spent on the project	You don't have to outline how you will spend the money to achieve the specification
If you don't spend all of the grant you have to return what's left over	If you don't spend all of the money on delivering the service you can keep what's left over.
The price of the grant is based on delivering the project	The price of the contract is based on what is outlined in the tender or what can be negotiated.
Usually grants are for one off time limited projects	Contracts can be for ongoing continuous services

Things to consider when awarding a grant or signing a contract

- Is what you want the organisation to deliver a one-off or an ongoing service?
- Have you, or anybody else tried procuring this service before? Is this a pilot project?
- Is anyone already delivering this or a service like this?
- Is anyone interested in providing this service? Are any public authorities thinking of providing this service?
- How much risk can you take? Can you afford to pay compensation if things go wrong?
- How much control do you want over the service? How much control do you want over how the money is spent?