

# Financial Regulations

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## **A FINANCIAL MANAGEMENT**

### **A1 Financial Management Standards**

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

All staff (including temporary and contract staff and consultants) and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

Financial Regulations do not cover every eventuality or circumstance but the principles outlined should always be applied.

- A1.1 The Strategic Director of Resources has overall responsibility for ensuring the proper administration of the financial affairs of the Council, as required by Section 151 of the Local Government Act 1972, and by Section 114 of the Local Government Finance Act 1988. Their nominated deputy is the Accountancy Manager who fulfills all the functions of the Section 151 Officer in the event of their absence.
- A1.2 The Strategic Director of Resources is responsible for maintaining a continuous review of Financial Regulations which shall provide for the supervision and control of finances, accounts, expenditure, income and assets.
- A1.3 Any changes to Financial Regulations will be subject to the approval of the full Council.
- A1.4 The Financial Regulations provide the framework for managing the Council's financial affairs. They apply to every elected member and all staff of the Council.
- A1.5 All elected members and staff have a general responsibility for taking reasonable action to provide for the security of assets under their control, and for ensuring that the use of assets and resources is legal, properly authorised, provides value for money and achieves best value.
- A1.6 Members of the Strategic Leadership Team, and the Leadership and Management Team are responsible for ensuring that all staff in their service areas are aware of the existence and content of Financial Regulations and other internal regulatory and procedure documents, and that they comply with them.
- A1.7 Should an instance of non-compliance with these rules be discovered the Strategic Director of Resources may, after consultation with the Chief Executive, make a report to the Leader, Full Council and/or Audit & Standards Committee, as appropriate. Non-compliance with financial rules may also lead to disciplinary action being taken.

### **A2 Scheme of Virement**

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

The scheme of virement is intended to enable the Policy Committees, Members of the Strategic Leadership Team and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources.

- A2.1 A Strategic Leadership Team Member, Strategic Director or Head of Service may exercise virement on budgets under their control for amounts up to £25,000 on any one

budget head during the current financial year only, following agreement with the Strategic Director of Resources and subject to the conditions in paragraph A2.4 below.

- A2.2 Virements of amounts greater than £25,000 but less than £75,000 require the approval of the appropriate committee, following a joint report by the Strategic Director of Resources and the Strategic Leadership Team Member, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year.
- A2.3 Virement of amounts greater than £75,000 requires the approval of Strategy and Resources committee, following a joint report by the Strategic Director of Resources and the Strategic Leadership Team Member, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year.
- A2.4 Virement between pay and non-pay must be approved by the Strategic Director of Resources.
- A2.5 The Strategic Director of Resources may authorise additional expenditure funded from additional income arising up to a level of £100,000. Any such authorisation must be reported in the next budget report to Strategy and Resources Committee.
- A2.6 Virement that is likely to impact on the level of service activity of another Strategic Leadership Team Member or Head of Service should be implemented only after agreement with that officer.
- A2.7 Where an approved budget is a lump-sum budget, reserve contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- (i) The amount is used in accordance with the purposes for which it has been established;
  - (ii) Strategy and Resources has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Committee.
  - (iii) The Strategic Director of Resources has approved the usage.
- A2.8 Budget adjustments within the Housing Repairs and Improvements Programme will be subject to separate arrangements in agreement with the relevant budget holder and the Strategic Director of Resources or Accountancy Manager, as set out below:
- (i) Virement on budgets within the Housing Repairs and Improvements Programme for amounts up to £50,000 are subject to agreement with the relevant budget holder and the Strategic Head (Finance and Business Services);
  - (ii) Virement of amounts greater than £50,000 but less than £250,000 require the approval of the Housing Committee;
  - (iii) Virement of amounts greater than £250,000 requires the approval of the appropriate Strategy and Resources committee.

### **A3 Treatment of Year-End Balances**

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

The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry forward.

- A3.1 Normally, only specifically designated accounting reserves and provisions may be carried forward from one accounting year to the next.
- A3.2 The Section 151 Officer may agree carry forward of resources from one financial year to the next, if they are satisfied that the expenditure will be incurred in the new financial year on the same purpose as originally intended.
- A3.3 The level of approved carry forwards will be reported to Strategy and Resources Committee as part of the annual Outturn Report.

### **A4 Accounting Policies**

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

The Strategic Director of Resources is responsible for the preparation of the Council's statement of accounts, in accordance with proper accounting practices as currently in force, for each financial year ending 31 March.

- A4.1 The Strategic Director of Resources is responsible for selecting suitable accounting policies and for ensuring that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year. Such policies should comply with the proper accounting practices currently in force.

### **A5 Accounting Records and Returns**

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

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

- A5.1 The Strategic Director of Resources shall determine the accounting procedures and records of the Council.
- A5.2 The Strategic Director of Resources shall arrange for the proper administration of all accounts and accounting records.
- A5.3 Wherever possible, the following principles shall be complied with when allocating financial duties:
  - (i) 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.

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

A5.4 The Strategic Director of Resources must be consulted on and approve any changes to accounting records and procedures.

A5.5 All staff and members must maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.

## **A6 The Annual Statement of Accounts**

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

The Council has a statutory responsibility to prepare its own accounts to present a true and fair view of its operations during the year. The Audit and Standards Committee full Council is responsible for approving the statutory annual statement of accounts.

Relevant legislation determines the format and deadlines.

A6.1 The Strategic Director of Resources shall sign and date the statement of accounts, stating that it presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March each year.

A6.2 The Strategic Director of Resources shall draw up a timetable for final accounts preparation and advise staff and external auditors accordingly.

A6.3 Staff and members shall comply with accounting guidance provided by the Strategic Director of Resources and supply the Strategic Director of Resources promptly with any information required for the preparation of the statement of accounts.

A6.4 The Strategic Director of Resources shall ensure that the Statement of Accounts is audited in line with government requirements and the results of the audit are reported back to the Audit and Standards Committee.

## **B FINANCIAL PLANNING**

### **B1 Revenue Budget Preparation, Monitoring and Control**

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

Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget. By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual budget limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the budget allocated to it.

B1.1 The Strategic Director of Resources shall, in consultation with Members of the Strategic Leadership Team and Heads of Service, prepare and submit annually to the appropriate committee budget estimates of income and expenditure.

- B1.2 The estimates presented to committees shall be accompanied by a report from the Strategic Director of Resources drawing attention to any provision made for a new service or the material alteration or extension of an existing service.
- B1.3 After consideration by the committees, the Budget shall be presented to Strategy and Resources Committee and then full Council, together with a report by the Strategic Director of Resources with a recommendation relating to setting the rate of Council Tax.
- B1.4 The Strategic Director of Resources is responsible for determining the format and timetable of the budget setting process, and for providing guidance to Officers on the process of preparing estimates.
- B1.5 Heads of Service are ultimately responsible for the preparation of a budget for their own service area.
- B1.6 The full Council's approval of the Budget shall authorise the incurring of expenditure and the collection of income within the approved budget estimates. The decisions to be made each February will include;
- The allocation of resources and approval of income targets for both the General Fund and Housing Revenue Account
  - The Capital Programme
  - The Medium-Term Financial Plan
  - Any indicators as required by "The Prudential Code", including the borrowing limit
  - The Capital Strategy
  - A list of fees and charges as agreed by Policy Committees
  - The Council Tax Base
  - The rate of B and D Council Tax
- B1.7 The Strategic Director of Resources shall establish and maintain an appropriate framework of budgetary management and control which ensures that:
- (i) budgets remain within the approved estimates unless the full Council agrees otherwise.
  - (ii) each budget holder has available timely and accurate information on income and expenditure on each budget which is sufficiently detailed to enable them to fulfil their budgetary management responsibilities.
  - (iii) expenditure is only committed against an approved budget head.
  - (iv) all officers responsible for committing expenditure comply with relevant guidance, Contract and Procurement & Procedure Rules and Financial Regulations.
  - (v) budget responsibility is aligned as closely as possible to the decision making process that commits expenditure.
  - (vi) significant variances from approved budget estimates are investigated promptly and explained by budget holders.
- B1.8 Members of the Strategic Leadership Team, Heads of Service and nominated budget holders are responsible for maintaining budgetary control within their service areas in adherence to the principles in B1.6 and for ensuring that all income and expenditure is properly recorded and accounted for.

- B1.9 Members of the Strategic Leadership Team, Heads of Service and nominated budget holders should ensure that spending remains within each of their service areas overall budget limits, and that individual budget heads are not overspent, by monitoring budgets and taking appropriate corrective action where significant variations from the approved budget estimates are forecast. The Strategic Director of Resources must be informed of all estimated variances over £20,000 as soon as is practicable after they are identified.
- B1.10 Budget monitoring reports will be presented to Policy Committees at least three times in each financial year and include analysis of variances above £20,000.
- B1.11 Members of the Strategic Leadership Team, Heads of Service and nominated budget holders should ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and that this is operating effectively.

## **B2 Budgets and Medium-Term Planning**

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

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. Medium-term planning (or a three to five year planning system) involves a planning cycle in which managers develop their own plans and these are consolidated into an overall strategic plan for the Council. The Medium-Term Plan is the financial representation of the strategic objectives as set out in the overarching Council Plan. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.

- B2.1 The Strategic Director of Resources shall arrange for the preparation of a Medium Term Financial Plan, covering a four year period, which shall be updated at least annually to reflect changes in anticipated budget outturns, levels of funding and expenditure, and other prudent financial projections.
- B2.2 Members of the Strategic Leadership Team, Heads of Service and Managers should inform the Strategic Director of Resources promptly of any known or anticipated service, legislative or other changes which may have significant financial impacts within the next four years.

## **B3 Resource Allocation**

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

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

- B3.1 The Strategic Director of Resources shall advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.

- B3.2 Members of the Strategic Leadership Team, Heads of Service and Managers shall work within budget limits and shall utilise resources in the most efficient, effective and economic way.
- B3.3 Members of the Strategic Leadership Team, Heads of Service and managers shall seek to identify opportunities for efficiency savings where it is possible to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.
- B3.4 If required by the Strategic Leadership Team, Heads of Service and Managers, shall present options to meet any saving targets required by the Medium Term Financial Plan.

## **B4 Capital Programme**

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

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. The Council must operate within the prudential framework as set out by the Chartered Institute of Public Finance and Accountancy. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

- B4.1 The Strategic Director of Resources shall present an annual four year capital plan, together with details of the funding estimated to be available, to Strategy and Resources committee. The Strategy and Resources committee will make recommendations on the capital plan and on any associated financing requirements to the full Council.
- B4.2 The Strategic Director of Resources shall issue guidance concerning capital schemes and controls, for example, on project management techniques. The Strategic Director of Resources is responsible for determining whether expenditure is classed as capital or revenue, having regard to government regulations and accounting requirements.
- B4.3 The procedures for establishing and monitoring the Capital Programme are set out in the “Capital Strategy” to be approved annually by Full Council and include such guidance as required by B4.2.
- B4.4 The inclusion of any capital proposal in the programme does not commit the Council to such expenditure.
- B4.5 No action shall be taken to commit the Council to capital expenditure until the relevant Strategic Leadership Team Member has determined whether it is necessary to undertake a feasibility study.
- B4.6 Any procurement of goods, services and works relating to the Capital Programme must be carried out in accordance with the Council’s Contract and Procurement Procedure Rules.



## **B5 Maintenance of Reserves**

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

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

- B5.1 The Strategic Director of Resources shall advise the Strategy and Resources committee and/or the full Council on prudent levels of reserves for the Council and shall take account of the advice of the external auditors in this matter.
- B5.2 The Strategic Director of Resources will allocate funds to reserves as part of the year-end financial closedown process and report their decisions to the Strategy and Resources Committee.
- B5.3 Members of the Strategic Leadership Team, Heads of Service and nominated budget holders should ensure that reserves are used only for the purposes for which they were intended.
- B5.4 The Strategic Director of Resources can approve allocations from reserves on the purposes for which they were established, in consultation with the Chief Executive and relevant Committee Chair.
- B5.5 Strategy and Resources Committee can approve the use of the capital reserve, and the Major Repairs Reserve for the HRA, for variation on capital schemes subject to there being sufficient funds available in the reserve and a limit per scheme of £250,000 and is no more than 50% of the original capital scheme budget. A joint report by the Strategic Director of Resources and the Strategic Leadership Team Member must specify the proposed additional expenditure and must explain the implications in the current and future financial year.

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

### **C1 Risk Management and Insurance**

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

All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the Council and to ensure its continued financial stability and good reputation. In essence it is, therefore, an integral part of good business practice.

- C1.1 The Strategic Head (Finance and Business Services), in consultation with the other Members of the Strategic Leadership Team, shall prepare and promote the Council's risk management policy statement, and develop risk management controls.

- C1.2 The Strategic Leadership Team is responsible for maintaining a Strategic Risk Register with each Head of Service, or Service Manager being responsible for maintaining their own service based risk register.
- C1.3 The Audit and Standards Committee is responsible for oversight of risk management arrangements, including approval of the Risk Management Framework.
- C1.4 The Strategic Director of Resources shall include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
- C1.5 The Strategic Director of Resources shall effect corporate insurance cover, through external insurance and internal funding, and negotiate all claims, in consultation with other officers where necessary.
- C1.6 Staff and elected members shall notify the Strategic Director of Resources immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Strategic Director of Resources or the Council's insurers.
- C1.7 Staff and elected members shall take responsibility for risk management where appropriate, having regard to advice from the Strategic Director of Resources and other specialists (e.g. crime prevention, fire safety and prevention, and health and safety).
- C1.8 The Strategic Leadership Team and Heads of Service shall ensure that there are regular reviews of risk within their service areas. This should include any risks associated with the operation and expiry of contracts within their service areas to ensure continued or appropriate service delivery without interruptions or additional costs. They must also ensure that all employees;
- are aware of their responsibilities for risk management and insurance
  - receive adequate support and training to carry out their responsibilities
  - comply with the council's standards of financial management
  - are personally protected from risk
- C1.9 The Strategic Director of Resources must be notified promptly of all new risks requiring insurance, new properties and vehicles, and of any alterations affecting existing insurances.
- C1.10 Staff and elected members should not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## **C2 Internal Controls**

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

The Council requires internal controls to manage and monitor progress towards its strategic objectives. The Council also has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations. Additionally, the Council 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.

- C2.1 The Strategic Director of Resources shall advise on the establishment of an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- C2.2 Members of the Strategic Leadership Team and Heads of Service shall establish formal processes to check at least annually that established controls in their service areas are being adhered to and to evaluate their effectiveness, in order to be confident of the proper use of resources, achievement of objectives and management of risks.
- C2.3 Members of the Strategic Leadership Team and Heads of Service shall review existing controls in the light of changes affecting the Council and establish and implement new ones in line with guidance from the Strategic Director of Resources. They are also responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication. In such cases the Strategic Director of Resources must be consulted before removing any controls.
- C2.4 Members of the Strategic Leadership Team and Heads of Service shall ensure that staff have a clear understanding of the internal controls which they are required to operate and comply with, and appreciate the consequences of a lack of control.
- C2.5 Internal Audit shall be informed immediately if any officer or elected member believes that there has been or may be a breach of internal controls.

### **C3 Internal Audit**

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

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations more specifically require that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

- C3.1 Internal Audit shall have the authority to:
- (i) access all Council premises at reasonable times
  - (ii) access all assets, records, documents, correspondence and control systems
  - (iii) receive any information and explanation from any officer or elected member of the Council considered necessary concerning any matter under consideration
  - (iv) require any employee or elected member of the Council to account for cash, stores or any other Council asset under his or her control
  - (v) access records belonging to third parties, such as contractors, when required
  - (vi) directly access the Chief Executive, and any Committee of the Council.
- C3.2 The internal audit function should operate in accordance with the CIPFA’s Code of Practice for Internal Audit in Local Government in the United Kingdom, the Chartered Institute of Internal Auditors (UK and Ireland) Standards for the Professional Practice of Internal Auditing, and with any other statutory obligations and regulations

- C3.3 Internal Audit shall provide an independent, objective, assurance and consulting activity for the review of the council's system of internal control.
- C3.4 The Head of Internal Audit is responsible for providing a written report to those charged with governance, which includes an opinion on the adequacy and effectiveness of the council's control environment
- C3.5 The Strategic Director of Resources, in consultation with Members of the Strategic Leadership Team and the Audit and Standards Committee, shall approve the risk based Internal Audit Annual Plan prepared by the Internal Audit Manager..
- C3.6 The Head of Internal Audit shall ensure that effective procedures are in place to investigate promptly any alleged fraud or irregularity.
- C3.7 Members of the Strategic Leadership Team and Heads of Service shall:
- (i) consider and respond promptly to recommendations in Internal Audit reports
  - (ii) ensure that any agreed actions arising from Internal Audit recommendations are carried out in a timely and efficient fashion
  - (iii) notify Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources
  - (iv) ensure that new systems for maintaining financial records or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation.

#### **C4 External Audit**

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

The external auditor has a statutory responsibility for providing an opinion on the Statement of Accounts and the Value for Money opinion of the Council.

- C4.1 External auditors shall be given access at all reasonable times to premises, personnel, documents and assets that they consider necessary for the purposes of their work.
- C4.2 Staff should ensure that all records and systems are up to date and available for inspection by external audit if required.

#### **C5 Preventing Fraud and Corruption**

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

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether internal or external. The Council's expectation of propriety and accountability is that elected members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations (eg. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

- C5.1 The Internal Audit Manager shall maintain and keep up to date the Council's anti-fraud and corruption policy.

- C5.2 The Monitoring Officer shall maintain and keep up to date the Council's whistle-blowing policy.
- C5.3 Staff and elected members shall report any suspected irregularities immediately to Internal Audit.
- C5.4 Should any irregularity reported to Internal Audit be thought to warrant police involvement, the police shall be contacted by the Head of Internal Audit after consulting with the Chief Executive and/or the Strategic Director of Resources.
- C5.5 Staff and elected members shall comply with the requirements of the relevant Codes of Conduct relating to making declarations of gifts and hospitality, and private interests.

## **C6 Security**

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

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

- C6.1 The Strategic Director of Resources shall ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £20,000. The function of the asset register is to provide the authority with information about fixed assets so that they are:
  - (i) safeguarded
  - (ii) used efficiently and effectively
  - (iii) adequately maintained.
- C6.2 Any use of Council property or equipment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- C6.3 One Legal shall hold and provide for the safe custody of all deeds, leases and similar documents relating to the ownership of land and buildings.
- C6.4 Staff and elected members shall not use any Council asset or item of equipment for personal use without proper authority.
- C6.5 Staff and elected members shall ensure the safe custody of monies, vehicles, equipment, furniture, inventories and other property belonging to the Council.
- C6.6 The Strategic Leadership Team and Heads of Service shall ensure that their service areas maintain a register of moveable assets and equipment in accordance with arrangements defined by the Strategic Director of Resources.
- C6.7 The Strategic Leadership Team and Heads of Service shall ensure that assets and equipment are identified, their location recorded and that they are appropriately marked as Council property and insured.
- C6.8 The Strategic Director of Resources shall be consulted in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

- C6.9 Cash holdings on premises shall be kept to a minimum.
- C6.10 Keys to safes and similar receptacles shall be carried on the person of those responsible at all times; loss of any such keys must be reported to the Strategic Director of Resources as soon as possible.
- C6.11 The disposal or part exchange of assets over £20,000 in value should normally be by public auction or open market sale.
- C6.12 Staff and elected members have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way, or may be in breach of Data Protection legislation.
- C6.13 Strategic Leadership Team, Heads of Service and Managers shall ensure that inventories are maintained at reasonable levels, are adequately recorded and safeguarded, and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- C6.14 If required for the production of the annual statement of accounts, Strategic Leadership Team and Heads of Service shall arrange for independent stock takes at the 31<sup>st</sup> March each year, and shall provided a certified stock valuation certificate to the Strategic Director of Resources in accordance with the timetable specified.
- C6.15 Heads of Service may authorise for write off or disposal redundant stocks and equipment up to a total value of £5,000 after consultation with the Strategic Director of Resources. Where any items disposed of have a financial value, appropriate measures must be taken to achieve value for money. Where the value of items to be written off or disposed of exceeds £5,000, authorisation of the appropriate Strategic Leadership Team member must be obtained, and disposal should be by competitive quotations or auction, unless, following consultation with the Strategic Director of Resources, the relevant Strategic Leadership Team member decides otherwise in a particular case.

## **C7 Treasury Management**

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

Many millions of pounds pass through the Council's hands each year. Treasury Management procedures aim to provide assurance that the Council's money is properly managed in a way that balances risk with return, but with overriding consideration being given to security.

- C7.1 The Strategic Director of Resources shall arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's treasury management policy statement and strategy.
- C7.2 The Strategic Director of Resources shall report at least twice yearly on treasury management activities to Audit and Standards Committee, as well as setting an annual Treasury Management Strategy.
- C7.3 The Strategic Director of Resources shall operate such bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Strategic Director of Resources. All bank accounts shall be in the name of the Council.

- C7.4 The Strategic Director of Resources shall be responsible for ordering all cheques and any other instruments of payment, and shall make adequate arrangements for their safe custody.
- C7.5 All investments of money shall be made in the name of the Council or in the name of nominees approved by the full Council.
- C7.6 The Strategic Director of Resources shall effect any borrowings that may be required, which shall be in the name of the Council.
- C7.7 No loans shall be made to third parties nor any interests acquired in companies, joint ventures or other enterprises without the approval of the Strategy and Resources Committee, following consultation with the Strategic Director of Resources.
- C7.8 The Strategic Director of Resources shall arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Strategic Director of Resources, unless the deed provides otherwise.
- C7.9 Where an officer of the Council becomes responsible for the safe-keeping or administration of any monies, funds or valuables which are not the property of the Council, but which, save for their employment by the Council the officer would not otherwise have responsibility for, that officer must take all reasonable steps to ensure the monies, funds or valuables involved are properly safe-guarded and accounted for. The officer should inform their line manager of the circumstances relating to any such instances.

## **C8 Imprest Accounts (Petty Cash)**

- C8.1 The Strategic Director of Resources shall approve the provision of any petty cash imprest accounts to meet minor expenditure on behalf of the Council and shall prescribe rules for operating these accounts.
- C8.2 Officers operating a petty cash imprest account shall:
- (i) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
  - (ii) make adequate arrangements for the safe custody of the account
  - (iii) produce upon demand by the Strategic Director of Resources or Internal Audit cash and all vouchers to the total value of the imprest amount
  - (iv) record transactions promptly
  - (v) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
  - (vi) provide the Strategic Director of Resources with a certificate of the value of the account held at 31 March each year
  - (vii) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made

- (viii) on leaving the authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Strategic Director of Resources for the amount advanced to him or her.

## **D SYSTEMS AND PROCEDURES**

### **D1 General**

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

Service areas have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. They are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly. The Strategic Director of Resources has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.

- D1.1 The Strategic Director of Resources shall make arrangements for the proper administration of the Council's financial affairs, including:
- (i) issuing advice, guidance and procedures for officers and others acting on the Council's behalf
  - (ii) determining the accounting systems, form of accounts and supporting financial records
  - (iii) establishing arrangements for audit of the Council's financial affairs
  - (iv) approving any new financial systems to be introduced
  - (v) approving any changes to be made to existing financial systems.
- D1.2 Members of the Strategic Leadership Team, Heads of Service and Service Manager shall establish appropriate controls to ensure that, where relevant:
- (i) all input is genuine, complete, accurate, timely and not previously processed
  - (ii) all processing is carried out in an accurate, complete and timely manner
  - (iii) output from systems is complete, accurate and timely.
- D1.3 Members of the Strategic Leadership Team and Heads of Service shall ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- D1.4 Members of the Strategic Leadership Team and Heads of Service shall ensure that systems are documented and staff trained in operations.
- D1.5 Members of the Strategic Leadership Team shall, subject to approval from the Strategic Director of Resources, establish a scheme of delegation identifying officers authorised to act upon their behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority, and shall supply lists of authorised officers, delegated limits, to the Strategic Director of Resources together with any subsequent variations.



- D1.6 The Head of Technology shall ensure that effective contingency arrangements, including back-up procedures and disaster recovery, exist for computer systems.
- D1.7 All staff shall comply with Data Protection, computer misuse and copyright legislation and, in particular, shall ensure that only software legally acquired and installed by the Council is used on its computers.

## D2 Income

### Why is this important?

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 cashflow and also avoids the time and cost of administering debts.

- D2.1 The Strategic Director of Resources shall agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- D2.2 The Strategic Director of Resources shall order and supply all receipt forms, books or tickets and similar items and establish the arrangements for their control.
- D2.3 The Strategic Director of Resources shall approve all debts to be written off in accordance with the authorisation limits as set out in the table below, and shall keep a record of all sums written off and will adhere to the requirements of the Accounts and Audit Regulations currently in force.

Amount/Limit	Authorisation process
Amounts not exceeding £250	Senior Accounting Technician in consultation with the Accountancy Manager.
Amounts greater than £250 but not exceeding £10,000	Strategic Director of Resources/Accountancy Manager in consultation with the relevant Strategic Leadership Team Member or Head of Service.
Amounts greater than £10,000 but not exceeding £50,000	Strategic Director of Resources in consultation with the relevant Strategic Leadership Team Member or Head of Service. Write-offs must be reported retrospectively to the relevant delegated Committee.
Amounts greater than £50,000	These should only be written-off with the approval of the Strategy and Resources Committee.

- D2.4 Where small debt or credit balances for Council Tax and Business Rates are lower than the cost of court fees to make a claim, these can be written off by a senior revenues officer and reported within an annual report summarising write-offs on the Collection Fund.
- D2.5 The Strategic Director of Resources or Accountancy Manager shall approve credit balances on closed accounts to be written off after a reasonable effort to return the credit balance.
- D2.6 The Strategic Director of Resources shall establish a fees and charges policy for the supply of goods or services, including the appropriate charging of VAT, and to review it

annually, in line with corporate policies. This shall be approved by full Council annually each February.

- D2.7 Strategic Leadership Team members and Heads of Service are responsible for recommending to the Strategic Director of Resources the fees and charges to be set for goods or services falling within their control, apart from those charges fixed on a statutory basis.
- D2.8 Members of the Strategic Leadership Team and Heads of Service must seek to recover sundry debt outstanding in accordance with Debt Recovery Policy as approved by the Strategic Director of Resources.
- D2.9 Members of the Strategic Leadership Team and Heads of Service are responsible for the collection of income within their area of responsibility shall establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- D2.10 Staff shall issue official receipts or maintain other documentation as approved by the Strategic Director of Resources for all income collected.
- D2.11 At least two employees shall be present when post is opened, and money received by post shall be properly identified and recorded.
- D2.12 All income shall be paid fully and promptly into Cashiers or to the Council's designated security collection agency. Appropriate details should be recorded on paying-in slips to provide an audit trail.
- D2.13 Income collected shall be paid in intact, and shall not be used to cash personal cheques or make payments, except where specifically permitted by the Strategic Director of Resources.
- D2.14 A record shall be kept of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- D2.15 Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- D2.16 The Strategic Director of Resources shall be notified of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Strategic Director of Resources and not later than 30 April.

### **D3 Ordering and Paying for Work, Goods and Services**

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

Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council has a statutory duty to achieve best value, in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

**These procedures must be read in conjunction with the Council's Procurement and Procedure Rules relating to contracts.**

- D3.1 Every officer and member of the Council has a responsibility to declare any links or personal interests that they may have with suppliers and/or contractors if they are

engaged in contractual or purchasing decisions on behalf of the Council, in accordance with the relevant Codes of Conduct.

- D3.2 Official orders must be in a form approved by the Strategic Director of Resources. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Strategic Director of Resources.
- D3.3 Each order must conform to the guidelines approved by the Council and the Procurement and Procedure rules.
- D3.4 Payments will be made by the Council within 30 days of the receipt, or other mutually agreed terms, of goods or services. Heads of Service must consult with the Strategic Director of Resources before agreeing any non-standard terms.
- D3.5 Apart from petty cash, Government Procurement Card, and payments made from cash advances, the normal method of payment shall be by BACS, drawn on the Council's bank account by the Strategic Director of Resources. Cheque payments will only be made in exceptional circumstances. The use of direct debit for any payment shall require the prior agreement of the Strategic Director of Resources.
- D3.6 The Strategic Director of Resources will give authorisation for an Officer to use a Government Procurement Card. When the card has been issued the Officer must follow the regulations set out in the Conditions of Use and procedures Manual. In particular a VAT invoice should be obtained for each transaction.
- D3.7 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts or purchasing arrangements.
- D3.8 The authoriser of a purchase order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Councils approach to procurement. Value for money should always be achieved.
- D3.9 Goods and services shall be checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order.
- D3.10 Payment shall not made unless a proper VAT invoice has been received, checked, coded and certified for payment, in accordance with the procedures specified by the Strategic Director of Resources Invoices shall not be amended; if any invoice is found to be incorrect, a replacement shall be requested from the originator.
- D3.11 Payments shall not be made on photocopied or faxed invoices, statements or any documents other than the formal invoice which may be received via email.
- D3.12 The Strategic Director of Resources shall arrange for such checks and requests for explanation as are considered necessary before any payment is made. Payment may be withheld if the Strategic Director of Resources considers that to make such payment may be illegal or improper.
- D3.13 The Strategic Director of Resources shall be notified of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the

timetable determined by the Strategic Director of Resources and, in any case, not later than 7 April or the date specified in the Closure of Accounts Guidance.

D3.14 Where any contract exceeds £200,000 in value, details of the proposed list of contractors to be invited to tender shall be provided to Financial Services for vetting of their financial status.

D3.15 With regard to contract management and monitoring, the following requirements must be complied with:

- (i) payment to contractors shall only be made on a certificate issued by the responsible officer in accordance with the contract, which shall show the estimated value of work to date, the balance remaining, and the percentage of retention money if any,
- (ii) any variation to a contract shall be authorised by the supervising or responsible officer who shall, where possible notify the contractor in writing prior to the work being done. All verbal variations to a contract must be confirmed by a written variation order in accordance with the requirements of the contract,
- (iii) any variation shall be reported to the Strategy and Resources Committee where a substantial change in the specification of any works or additional expenditure is involved which is likely to result in exceeding the original project budget by 5% or by £50,000 (whichever is the greater),

D3.16 Nothing in these Financial Regulations shall prevent the Authority from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency or which is referable to Section 138 of the Local Government Act 1972 Emergency Regulations.

D3.17 When an event is deemed to be an emergency by the County Emergency Planning Team any one of the following officers shall be permitted to authorise expenditure up to £100,000:

- Chief Executive
- Strategic Directors

In the unlikely event that none of these are available, the most senior officer present is expected to authorise such expenditure as is necessary to quickly and effectively respond to the emergency. Appropriate records and audit trails must be kept, and all expenditure must be made through the team leading the emergency response.

## **D4 Payments to Employees and Members**

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

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that members' allowances are paid in accordance with the scheme adopted by the full Council.

- D4.1 The Strategic Director of Resources shall arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to employees, in accordance with prescribed procedures, on the due date.
- D4.2 The Section 151 Officer is responsible for the maintenance of proper national insurance, income tax and other statutory pay records and for the accurate and timely payment of pension contributions and other deductions to third parties
- D4.3 No new appointments or changes to arrangements for existing employees are permitted without adequate budget provision or approval from the Strategic Director of Resources/Strategic Leadership Team. All appointments shall be made in accordance with the Council's rules and approved establishments, grades and scales of pay.
- D4.4 The Strategic Director of Resources shall make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised within the required timescales. The Strategic Director of Resources has the discretion in making payments outside of those timescales.
- D4.5 Members of the Strategic Leadership Team and Heads of Service shall ensure that appointments are made in accordance with the regulations and policies of the Council and the approved staffing establishment, grades and scale of pay and that adequate budget provision is available.
- D4.6 The Strategic Director of Resources and Human Resources shall be notified immediately of all appointments, terminations (including proposed redundancies and early retirements), or variations which may affect the pay or pension of an employee or former employee,
- D4.7 Officers authorising travel and subsistence claims and other allowances shall satisfy themselves that journeys were on Council business and expenses were properly and necessarily incurred, and that reimbursement is properly due from the Council, ensuring that cost-effective use of travel arrangements is achieved.
- D4.8 Officers authorising travel claims must satisfy themselves that the vehicles used for council business are properly insured, taxed and roadworthy.
- D4.9 Officers authorising payments shall satisfy themselves that work claimed for has actually been undertaken and/or in the case of goods that they have actually been received.
- D4.10 The Strategic Director of Resources shall be notified of the details of any benefits in kind received by employees, to enable full and complete reporting in accordance with Inland Revenue requirements.

## **D5 Taxation**

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

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

- D5.1 The Strategic Director of Resources shall arrange for the correct completion and submission of all HM Revenue and Customs returns regarding PAYE.

- D5.2 The Strategic Director of resources shall arrange for the completion an accurate monthly return of VAT inputs and outputs to HM Revenue and Customs.
- D5.3 The Strategic Director of Resources shall arrange for the submission of all required details to the HM Revenue and Customs regarding the construction industry tax deduction scheme.
- D5.4 Staff shall ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations, in accordance with guidance and instructions issued by the Strategic Director of Resources.
- D5.5 Staff shall ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- D5.6 Capital Schemes – There are VAT implications for de minimus exempt income calculation. There is a need to consult with the Strategic Director of Resources on VAT implications of all new schemes.
- D5.7 Under no circumstances shall an Officer or Member use the auspices of the council to purchase goods or services for their own private purposes to avoid paying VAT. To do so may result in disciplinary action.

## **D6 Partnerships**

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

Partnerships play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. The Council is continually working in partnership with others – public agencies, private companies, community groups and voluntary organisations, in order to mobilise investment, bid for funds, champion the needs of the area and harness the energies of local people and community organisations.

- D6.1 The main reasons for entering into a partnership are:
- (i) the desire to find new ways to share risk
  - (ii) the ability to access new resources
  - (iii) to provide new more efficient ways of delivering services
  - (iv) to forge new relationships.
- D6.2 A partner is defined as either:
- (i) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project or
  - (ii) a body whose nature or status give it a right or obligation to support the project.
- D6.3 Partners participate in projects by:
- (i) acting as a project deliverer or sponsor, solely or in concert with others.
  - (ii) acting as a project funder or part funder.
  - (iii) being the beneficiary group of the activity undertaken in a project.

- D6.4 Partners have common responsibilities:
- (i) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organization.
  - (ii) to act in good faith at all times and in the best interests of the partnership's aims and objectives.
  - (iii) be open about any conflict of interests that might arise.
  - (iv) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors.
  - (v) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature.
  - (vi) to act wherever possible as ambassadors for the project.
- D6.5 Where the Council's total financial commitment to any partnership project in terms of funding in cash or in kind is anticipated to exceed £200,000, the following requirements must be agreed with the Strategic Director of Resources.
- (i) a scheme appraisal for financial viability in both the current and future years.
  - (ii) risk appraisal and management.
  - (iii) resourcing, including taxation issues.
  - (iv) audit, accounting, security and control requirements.
  - (v) carry-forward arrangements.
- D6.6 Partnership agreements and arrangements should not be entered into where they may impact adversely upon the services provided by the Council.
- D6.7 Partnership agreements and arrangements shall be properly documented, in a format agreed by the Strategic Director of Resources and the Monitoring Officer.
- D6.8 Where a partnership involves the procurement of goods or services, the requirements of the Council's Procurement and Procedure Rules relating to contracts and Financial Regulations must be followed in the selection of partner organisations and the workings of partnerships when Stroud District Council is the lead authority on procurement. Where the normal tendering arrangements are not appropriate the Strategic Director of Resources shall agree a Service Level Agreement between the organisations involved.
- D6.9 The Strategic Director of Resources shall be entitled to request sufficient information relating to any partnership agreement or arrangement to make entries in the Council's accounting records or any disclosure in the Council's statement of accounts which may be required.

## **D7 External Funding**

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

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the Home Office provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

- D7.1 The Strategic Director of Resources shall be notified in advance of all funding to be received from external bodies and shall make arrangements for the proper receipt and recording of such funding in the Council's accounting records.
- D7.2 Members of the Strategic Leadership Team and Heads of Service shall ensure that bids or applications for external funding are only made where they can be justified in terms of the Council's aims and objectives, and that suitable and sufficient resources can be allocated to comply with any funding, administration and accounting requirements without adversely impacting upon the Council's existing services.
- D7.3 Heads of Service are responsible for ensuring compliance with all grant conditions placed by external funders upon grant income received. This includes appropriate liaison with Internal Audit and the relevant member of the Strategic Leadership Team, as required, to ensure sign off requirements are met.