

# FINANCIAL REGULATIONS

## INTRODUCTION

### Background

1. The Local Government Act 1972 section 151 requires the Council to make arrangements for the proper administration of its financial affairs. Together with the Contract Standing Orders, they regulate the conduct of Council business.
2. These Financial Regulations must be available to and apply to every councillor and employee of the Council and anyone acting on its behalf. They will apply to agents and consultants acting for the Council and to services carried out under agency arrangement, unless specifically excepted by the relevant Group Head and the Chief Finance Officer.
3. They will also apply to all arms-length organisations, wholly owned companies, agencies and partnerships with whom the Council does business and for whom the Council is the relevant accounting body. Where the Council is not the relevant accounting body, but is a responsible partner, staff must ensure that the accounting body has in place adequate Regulations and proper schemes of delegation and ensure that the arrangements are agreed with the Section 151 Officer.
4. Copies of Financial Regulations are provided to the Chief Executive, Deputy Chief Executives, Chief Finance Officer, all Group Heads and Service Managers and are included in the Council's Constitution.
5. To help you understand the terminology used in Financial Regulations, a Glossary of Terms is attached at the end.

### Scope & Review

6. It is the responsibility of the Chief Executive, Deputy Chief Executives, Chief Finance Officer and Group Heads to ensure Financial Regulations are followed.
7. Group Heads are responsible for ensuring that all staff in their departments are aware of the existence and content of the Financial Regulations and that they comply with them. Equally, staff have a reciprocal responsibility to comply with the regulations.
8. All councillors and employees 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, is properly authorised, provides value for money and achieves best value. In doing so, proper consideration must be given at all times to matters of probity and propriety in managing the assets, income and expenditure of the Council.
9. Failure to follow Financial Regulations and Contract Standing Orders will be reported to the Chief Finance Officer immediately and may, in consultation with Human Resources, be treated as a disciplinary offence.

10. Financial Regulations should be reviewed in line with inflation every two years by the Chief Finance Officer in consultation with the Chair and Vice Chair of Corporate Corporate Policy and Resources Committee.

## **Financial Regulation A – Financial Accountabilities and Management**

- A1 Financial management covers all financial accountabilities in relation to the running of the Council including the policy framework and budget and should be read in conjunction with the Council's Constitution and in particular the Budget and Policy Framework Procedure Rules.

### **COUNCIL**

- A2 The Council has the general responsibility for setting the Council's policy and budget framework.
- A3 The Council is responsible for:-
- a. adopting and changing the Council's Constitution and Members' Code of Conduct;
  - b. approving the policy framework, including the Capital Strategy, the Treasury Management Strategy and the Revenue Budget and Reserves Strategy within which the Council operates;
  - c. approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Council's Constitution;
  - d. monitoring compliance with the agreed policy, related strategy decisions by Corporate Policy and Resources Committee and Local Code of Corporate Governance; and
  - e. approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council and its committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution.

### **Corporate Policy and Resources Committee**

- A4 The Council is responsible for delegating the following functions to the Corporate Policy and Resources Committee in accordance with the the Constitution:
- a) proposing the policy framework, its overall community and corporate strategies and budget strategy to the Council; and
  - b) monitoring the performance of Services, projects and programmes; and
  - c) discharging its functions and responsibilities as set out in the Council's Constitution and in accordance with the Policy Framework and Budget approved by Council.

The Corporate Policy and Resources Committee can delegate its decision making powers to a formally constituted sub-committee of the Committee, a staff member or a joint committee in accordance with the scheme of delegation as set out in the Council's Constitution.

## ROLE OF OFFICERS

### STATUTORY OFFICERS

#### **Chief Executive (Head of Paid Service)**

- A5 The Chief Executive as Head of Paid Service for the purposes of the Local Government Act 1989 is responsible for overall corporate and strategic management and has operational responsibility for the management of the Council as a whole. They must report as necessary to the Council and to the Corporate Policy and Resources Committee (and other strategic committees). They are responsible for provision of professional advice to all parties in the decision making process. The Chief Executive is also responsible together with the Monitoring Officer, for the system of record keeping in relation to all the Council's decisions.

#### **Group Head of Corporate Governance (Monitoring Officer)**

- A6 The Group Head of Corporate Governance as the Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee. The Group Head of Corporate Governance will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors. He/she is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or to Corporate Policy and Resources Committee, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- A7 The Group Head of Corporate Governance will ensure that relevant staff reports and background papers are made publicly available as soon as possible. He/she must also ensure that councillors are aware of decisions made by committees and employees who have delegated responsibility in accordance with the Council's Constitution.

#### **Deputy Chief Executive (Chief Finance Officer)**

- A8 Under Section 151 of the Local Government Act 1972 and the general direction of the Corporate Policy and Resources Committee, the Chief Finance Officer is responsible for the proper administration of the Council's financial affairs.
- A9 Under Section 114 of the Local Government Act 1988, the Chief Finance Officer (CFO) is also responsible for reporting to the Council if councillors or staff make or are about to make a decision involving unlawful expenditure, loss or deficiency, or if proposed expenditure is likely to exceed available resources.
- A10 The Chief Finance Officer, as defined in the Constitution has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:
- a) Section 151 of the Local Government Act 1972
  - b) Local Government Finance Act 1988
  - c) The Local Government and Housing Act 1989

- d) The Accounts and Audit Regulations (England) 2015
- e) The Local Government Act 2003

A11 The CFO is responsible for:

- a) the proper administration of the Council's financial affairs
- b) setting and monitoring compliance with accounting and financial management procedures and standards
- c) maintaining an effective and adequate internal audit and all audit arrangements
- d) advising on the corporate financial position
- e) key financial controls necessary to secure sound financial management providing financial information
- f) preparing and controlling forward financial plans, budget strategies, the Revenue Budget, the Capital Strategy and Capital Programme
- g) treasury management and banking arrangements financial and related IT systems
- h) procedures and controls for ordering services, supplies and works
- i) payment of accounts and collection of income
- j) pay and pensions;
- k) providing advice and training to budget holders including advice on financial and operational controls.

A12 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Council and External Audit if the Council or its staff:

- has made, or is about to make a decision which involves or would involve unlawful expenditure
- has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to result in a loss or deficiency by the Council; or
- is about to make an unlawful entry in the Council's accounts

A13 The Chief Finance Officer must also make a report under this section if it appears that the expenditure of the authority (including expenditure it is proposing to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to meet that expenditure. In preparing a report the Chief Finance Officer shall consult as far as practicable with the Chief Executive, as the Head of the Council's Paid Service, and with the Group Head of Corporate Governance under the Local Government and Housing Act 1989.

A14 Section 114 of the 1988 Act also requires that the Deputy Chief Finance Officer performs these functions in the absence of the Chief Finance Officer. The Chief Accountant is the Council's statutory Deputy Chief Finance Officer.

- A15 The Council is required 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.
- A16 The Chief Finance Officer is responsible for advising the Corporate Policy and Resources Committee or the 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:
- a) initiating new policies and financial commitments
  - b) committing expenditure in future years above budget
  - c) budget or spending transfers above virement limits
- A17 The Chief Finance Officer is responsible for considering and approving requests to waive the regulations and will consult the Chief Executive and councillors where they consider this appropriate. All waivers will be reported by the Chief Finance Officer to the Corporate Policy and Resources Committee.
- A18 **Delegated Authorities**
- Under delegations to officers authority to make financial transactions is delegated to the Chief Executive, Deputy Chief Executives and Chief Finance Officer. However, some delegation to other staff is necessary for practical purposes. These delegations form lines of accountability which should be clear, well communicated and regularly reviewed. They also provide control through appropriate levels of authorisation, limited numbers and separation of duties.
- A19 Deputy Chief Executives will keep a list of their staff authorised to make financial transactions, copy that list to Chief Finance Officer for entry onto the financial system, and review it regularly.
- A20 An authorised signatory matrix is available to record delegated authorities. Essential details are staff member’s name, grade, specimen signature, transaction type, value limit of authority and evidence of approval by the Deputy Chief Executives, Management Team and the CFO.
- A21 In an emergency the Chief Executive, Deputy Chief Executives or Chief Finance Officer may authorise such expenditure as is necessary, to be later ratified by the Corporate Policy and Resources Committee.
- A22 A Group Head is a staff member fully responsible to a Deputy Chief Executive or Chief Executive (as applicable), for the management and provision of an identifiable service in accordance with service plans and strategies.
- A23 Group Heads are responsible for:
- a) ensuring that the Corporate Policy and Resources Committee or relevant strategic committee is advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer;
  - b) operating financial processes within their departments. To do this they must ensure that adequate operational controls are in place;

- c) controlling expenditure and income, monitoring performance and taking the necessary action to remain within budgets and cash limits;

A24 It is the responsibility of Group Heads to consult with the Chief Finance Officer and seek approval regarding any matters which are liable to affect the Council's finances materially, before any commitments are incurred.

### **MANAGING EXPENDITURE: SCHEME OF VIREMENT (BUDGET TRANSFERS)**

A25 The Scheme of Virement is intended to enable the Corporate Policy and Resources Committee, Chief Executive, Deputy Chief Executives and Group Heads and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council and therefore, to optimise the use of resources.

A26 The Council is responsible for agreeing procedures for virement of expenditure between budget headings.

A27 Virements are the temporary transfer of surplus budget provisions between 'estimate' headings. These do not affect the base budgets for future years.

A28 Group Heads are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Finance Officer where required.

A29 Key controls for the Scheme of Virement are:

- a) It is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from this scheme requires the approval of the Corporate Policy and Resources Committee.
- b) The overall budget is agreed by the Corporate Policy and Resources Committee and approved by the Council. The Deputy Chief Executives, Group Heads and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement. For this purpose, a service comprises a separate page or column in the published budget.
- c) Virement does not create additional overall budget liability. Virements are not permitted on the following revenue expenditure heads unless the Chief Finance Officer has approved their use:
  - a) Business rates resulting from revaluation
  - b) Insurance
  - c) Capital financing charges
  - d) Members' allowances
  - e) Government grants
  - f) And any others identified by the Chief Finance Officer

A30 The Chief Executive, Deputy Chief Executives and Group Heads are expected to exercise their overall discretion in managing their budgets

reasonably and prudently. For example they should aim to avoid supporting recurring expenditure from on-off sources of savings or additional income of creating future commitments, including full-year effects of decisions made partway through a year for which they have not identified future resources.

- A31 The Chief Executive, and Deputy Chief Executives may transfer or "vire" funds between revenue budget heads (~~both revenue and capital~~) within their services, subject to the following general parameters:
- (a) All corporate guidelines and policies will be followed;
  - (b) Conditions of Service will be complied with;
  - (c) A single 'one-off' budget may not be transferred to fund a new ongoing item of expenditure; and
  - (d) Budgets not under effective control of the budget holder may not be vired eg rates and insurance.
- A32 Any such transfer will be agreed with the Group Head and discussed with the service accountant before implementation and agreed by the Chief Finance Officer.
- A33 Any proposal to transfer funds between services requires the approval of the Management Team (MAT) and the Corporate Policy and Resources Committee.
- A34 Any revenue virement (~~revenue or capital~~) with a value greater than £100,000 must be approved by the Corporate Policy and Resources Committee.

A35 Any capital virement must be approved by the Corporate Policy and Resources Committee.

(Note to officers - all numbering hereafter needs adjusting).

### **Supplementary Estimates**

- A35 If an essential increase in spending cannot be contained within existing budgets through the transfer arrangements described above, the relevant Deputy Chief Executive will consult with the Chief Finance Officer and report to the Corporate Policy and Resources Committee (where applicable), to obtain a supplementary estimate. No expenditure may be incurred until the supplementary estimate has been approved.
- A36 The Chief Finance Officer in consultation with the Chair and Vice Chair of Corporate Policy and Resources Committee is authorised to approve a total supplementary expenditure in a year not exceeding **5%** of the approved Net Revenue Budget, and **£20,000** on any approved capital scheme.
- The Corporate Policy and Resources Committee is authorised to approve a total supplementary expenditure in a year not exceeding **10%** of the approved Net Budget, Requirement of the Council and **£1,000,000** on any approved capital scheme.
- A37 The Chief Finance Officer shall maintain a record of all supplementary estimates approved.



- A38 If a claim is made against the Council which is not recoverable under an insurance policy, the Leader has authority to spend as necessary in resisting the claim, and/or in deciding and meeting the terms of any settlement made in the best interests of the Council. The Chief Executive is authorised to decide the terms of any settlement involving expenditure not exceeding £30,000, and to spend such amounts subject to report on the circumstances of the claim and settlement to the next meeting of the Corporate Policy and Resources Committee.

#### **Treatment of year-end balances**

- A39 The Chief Finance Officer is responsible for agreeing procedures for the carrying forward of underspendings on budget headings.
- A40 The rules below cover arrangements for the transfer of resources between accounting years, i.e a carry-forward. For this purpose, a budget head is a line in the estimates report or, as a minimum, at an equivalent level to the standard service subdivision as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Service Expenditure Analysis.

#### **Responsibilities of the Chief Finance Officer**

- A41 To administer the scheme of carry forward.
- A42 To report all major underspendings (£50k) on services estimates to the Corporate Policy and Resources Committee
- A43 To report all major overspends (£50k) service estimates to the Corporate Policy and Resources Committee and to the Council.
- A44 To monitor the spending of any carry forwards and report to Management Team.

#### **Responsibilities of the Corporate Policy and Resources Committee**

- A45 To consider and approve as appropriate the items put forward on the carry forward list.

#### **Responsibilities of Deputy Chief Executives and Group Heads**

- A46 Any overspending on service estimates in total on budgets under the control of the Chief Executive, Deputy Chief Executive or Group Heads must be explained to the Chief Finance Officer. The Chief Finance Officer will report the extent of major over and under spendings to the Corporate Policy and Resources Committee and in the case of major overspendings also to the Council.

### **ACCOUNTING POLICIES**

- A47 The Chief Finance Officer is responsible for determining accounting policies and financial systems and ensuring that they are applied consistently. The Chief Finance Officer is responsible for the preparation of the Council'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: A Statement of Recommended Practice (CIPFA/LASAAC)

for each financial year ending 31 March, and the Accounts and Audit (England) Regulations 2015.

- A48 The key controls for accounting policies are:
- a) Systems of internal control are in place that ensure financial transactions are lawful;
  - b) Suitable accounting policies are selected and applied consistently;
  - c) Proper accounting records are maintained; and
  - d) Financial statements are prepared which present fairly the financial position of the Council and its expenditure and income.
  - e) External audit of these financial statements.

### **Responsibilities of the Chief Finance Officer**

- A49 To select suitable accounting policies and to ensure that they are applied consistently.
- A50 To exercise supervision over financial and accounting records and systems with a view to ensuring their uniformity, co-ordination and compatibility.
- A51 To prepare and publish reports containing the statements on the overall finances of the Council, including the Council's Annual Report and Accounts.
- A52 To make proper arrangements for the audit of the Council's accounts in accordance with the provisions of the Accounts & Audit Regulations Act 1996 (as amended and updated);
- A53 To prepare and publish the audited accounts in accordance with the statutory timetable for the approval of the Audit Committee before the national target date; and
- A54 To ensure Services have in place suitable arrangements for compiling and submitting all claims for funds, including grants, by the due date.

### **Responsibilities of the Deputy Chief Executives and Group Heads**

- A55 To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.
- A56 To obtain the approval of the Chief Finance Officer before introducing any books, forms or procedures or other records relating to cash, stores or other accounts of the Council which may affect the Council's finances.
- A57 To submit to the Chief Finance Officer any information as the latter considers necessary for accounting and costing purposes and allow the Chief Finance Officer access at all reasonable times to all accounting records and documents which may affect the Council's finances.
- A58 To consult the Chief Finance Officer when preparing publications containing financial information.

### **ACCOUNTING RECORDS AND RETURNS**

- A59 The Chief Finance Officer is responsible for determining the accounting procedures and records for the Council.

- A60 All accounting procedures and records will be approved by the Chief Finance Officer.
- A61 All accounts and accounting records will be compiled by the Chief Finance Officer or under their direction. The form and content of records maintained in other services will be approved by the Chief Finance Officer.
- A62 The following principles will apply in accounting procedures:
- a. calculating, checking and recording of sums due to or from the Council will be separated as completely as possible from their collection or payment;
  - b. staff responsible for examining and checking cash transaction accounts will not process any of these transactions themselves;
  - c. reconciliation procedures are carried out to ensure transactions are correctly recorded;
  - d. procedures are in place to enable accounting records to be reconstituted in the event of systems failure; and
  - e. prime documents are retained in accordance with legislative and other requirements.
- A63 The Chief Finance Officer is responsible for ensuring financial management and accounting information is available for all services administered by the Council, in either electronic or hard copy format.
- A64 The need to balance speed and accuracy with cost in producing accounting statements will be considered and determined by the Chief Finance Officer, after consulting the Group Head concerned.

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

- A65 The Audit Committee is responsible for approving the annual statement of accounts, which have to be signed by the Chief Finance Officer and the Chairman of the Audit Committee. The Chair of Corporate Policy and Resources Committee and Chief Executive also to sign off the Annual Governance Statement incorporated into the Statement of Accounts

## FINANCIAL REGULATION B: FINANCIAL PLANNING

B1 The Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the Corporate Policy and Resources Committee. . In terms of financial planning, the key elements are:

- the corporate strategy in the form of the Corporate Plan;
- service plans;
- the medium term financial strategy;
- the Outline Budget;
- the Revenue Budget;
- the Reserves Strategy
- Treasury Management Strategy
- the Capital Strategy and
- the Capital Programme.

### THE BUDGET PROCESS

#### Introduction

B2 Each year, the Chief Finance Officer and Chief Accountant will prepare timetables for the preparation, submission and approval of the Outline Budget, Capital Budget and detailed Revenue Budget. These budgets will comply with the Code of Practice on a Prudential Approach to Local Authority Commitments.

B3 The order of paragraphs in this section roughly follows the order in which the budget process is carried out.

#### Capital Programme

B4 The Chief Executive, and Deputy Chief Executives will prepare provisional estimates of income and expenditure on capital schemes for each of their services, for each of the next four financial years, together with details of any revenue implications. The Chief Finance Officer will specify the form these estimates should take and the timetable for their submission.

B5 Capital expenditure differs from revenue expenditure in several ways, and falls into the following general categories:

- a) purchase or construction of an asset;
- b) enhancement of an asset; and
- c) grants for capital purposes.

B6 Council assets include land, buildings, vehicles, plant and equipment. The Council makes grants for capital purposes such as improvement grants and grants to housing associations which are classed as capital expenditure.

B7 Capital expenditure is often of high value and the benefit is expected to be spread over a number of years. Revenue expenditure is the annual running costs in relation to the provision of a service.

- B8 Provisional estimates will distinguish between committed and uncommitted expenditure. A scheme can only be included in provisional estimates after detailed evaluation by Management Team in accordance with agreed criteria.
- B9 Management Team will consider the provisional capital programme. After making any necessary amendments, the Chief Finance Officer will submit the summarised programme and estimated resources to the the Corporate Policy and Resources Committee, together with a report on the revenue implications of the programme and any other relevant information.
- B10 The programme recommended by services and a report by the Chief Finance Officer will be submitted to the Corporate Policy and Resources Committee, for final consideration in the context of the Council Tax to be levied.

### **Outline Budget Forecast**

- B11 Management Team will prepare information needed to produce an Outline Budget Forecast for each of their services. The Chief Finance Officer will specify the form this Forecast should take and the timetable for its submission.
- B12 This information will include :-
- i. an indication of the continued need for the service at its current level and in its current form;
  - ii. the impact on the service of known or likely legal or contractual changes over the next four years;
  - iii. the impact over the next four years of any policy changes already approved by the Management Team
  - iv. The impact other changes on service levels and net income such as anticipated population growth, state of the economy

- B13 Management Team will consider the initial Outline Budget Forecast. After making any necessary amendments, the Chief Finance Officer will submit it to the Corporate Policy and Resources Committee, together with a report on the possible central government funding levels as set out in the Local Authorities Provisional Settlement ,other grant funding and anticipated retained business rates income, availability of reserves and implications for the Council Tax.
- B14 The Corporate Policy and Resources Committee will consider this and determine the overall level of resources to be made available, and the limits within which detailed budgets can be prepared.

### **Detailed Revenue Budget**

- B15 Management Team will prepare provisional detailed estimates of income and expenditure on the revenue account in accordance with the Corporate Plan for each of their services for the next financial year. The Chief Finance Officer will specify the form these estimates should take and the timetable for their submission.
- B16 These estimates will reflect the Outline Budget Forecast and the decisions of the Corporate Policy and Resources Committee detailed at paragraph B13 above.
- B17 All revenue budgets will be prepared at current costs, and converted to outturn prices by Financial Services. The forecast for inflation will be decided by the Chief Finance Officer.

- B18 Each budget head will be cash limited, and any minor variations in spending will be met from the approved budget. A budget head is an individual sum specified in the published service budget.
- B19 The Chief Finance Officer will submit the detailed draft Revenue Budget to Management Team for consideration and approval and subsequently submit it to the Corporate Policy and Resources Committee.

### **Approval of the Annual Revenue Budget**

- B20 By 1 March at the latest each year, the Corporate Policy and Resources Committee will submit to the Council estimates of income and expenditure on the revenue account which it recommends for the next financial year, together with statements of precepting authorities' requirements, and its recommendation for the Council Tax necessary to meet the expenses of both the Council and precepting authorities.
- B21 The Council will meet by 1 March each year to consider the total budget proposals submitted by the Corporate Policy and Resources Committee and decide the amount of Council Tax to be levied for the next financial year.
- B22 Once approved by the Council, amounts detailed in the Annual Budget may only be applied to the objects specified under their relevant budget head, or "voted". See paragraph A31 above for procedures to vary these approvals.

### **BUDGETARY CONTROL**

- B23 Budgetary control ensures that once budget has been approved by the 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.

### **CAPITAL**

#### **Authorisation of Capital Expenditure**

- B24 Capital expenditure on a scheme not included in estimates or budgets may only be incurred after full evaluation of that scheme by the Corporate Policy and Resources Committee and/or its Development sub-committee (as appropriate) (if under £1 million). Any proposed capital expenditure over £1 million must be evaluated and agreed by majority of Council Members. This will include a statement explaining the scheme's purpose, the need for it and a detailed analysis of capital costs involved. Exceptions are any payments authorised under paragraph A35 above. If the estimated expenditure is expected to cover more than one financial year, the estimate will show:

- i. the total estimated expenditure, and
- ii. the proposed levels of spend for each financial year involved.

This paragraph (B24) shall take priority over any other clause or paragraph within this Constitution that may be, or appear to be, in conflict.

- B25 The scheme evaluation will also include a statement of estimated revenue expenditure and income generated by the scheme:
- (a) during the construction period, and
  - (b) for the first three years following the completion of the project.
- B26 The Deputy Chief Executives can authorise reasonable expenditure on necessary preliminary works, fees and salaries on schemes for which they are responsible, within the approved capital programme.
- B27 Accountability for each capital project is to be accepted by a named manager.

### **Capital Expenditure Monitoring**

- B28 No Group Head responsible for the implementation of a capital scheme may incur capital expenditure greater than the approved budget for that year.
- B29 As soon as a staff member becomes aware of a likely overspend on a Capital Scheme, they must report to Management Team and the Corporate Policy and Resources Committee (as applicable), requesting a supplementary estimate in accordance with A35 and expenditure under A36.
- B30 The Group Head for Neighbourhood Services is authorised to purchase new equipment other than programmed replacements, provided such purchases are contained within Neighbourhood Services' revenue plan as agreed in advance with the Chief Finance Officer.

### **RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER**

- B31 To prepare capital estimates jointly with the Chief Executive, Deputy Chief Executives and Group Heads and to report them to the Corporate Policy and Resources Committee for approval. The Corporate Policy and Resources Committee will make recommendations on the capital estimates and on any associated financing requirements to the Council.
- B32 To prepare and submit reports to the Corporate Policy and Resources Committee on the projected income, expenditure and resources compared with the approved estimates.
- B33 To issue guidance concerning capital schemes and controls, for example on project appraisal techniques.
- B34 To approve the re-phasing of capital schemes within the approved capital programme between financial years, subject to the availability of resources to make the most effective use of those resources.

### **Responsibilities of Chief Executive, Deputy Chief Executives and Group Heads**

- B35 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- B36 To ensure that all major capital proposals have undergone a project appraisal in accordance with the Council's project management methodology.
- B37 To ensure that adequate records are maintained for all capital contracts.

- B38 To proceed with projects only when there is adequate provision in the capital programme.
- B39 To prepare and submit reports jointly with the Chief Finance Officer to the Corporate Policy and Resources Committee on any variation in contract costs greater than the approved limits.
- B40 To ensure all credit arrangements such as leasing arrangements, are not entered into without the prior approval of the Chief Finance Officer.

### **Prudential Code**

- B41 Under the Local Government Act 2003 the Council is required by regulation to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities (the Code). The key objectives of the Prudential Code are to ensure that within a clear framework, the capital investment plans of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management is undertaken in a manner that supports prudence, affordability and sustainability.
- B42 The Council is responsible for approving prior to the commencement of the financial year the prudential indicators for the forthcoming financial year and at least the two subsequent financial years required by the Code. The indicators required as a minimum are:

*For the three year period:*

Estimates of the ratio of financing costs to net revenue stream;  
Estimates of the Council Tax that would result from the totality of the authority's plan;  
Estimates of capital expenditure;  
Estimate of capital financing requirement (underlying need to borrow for a capital purpose);  
Authorised limit for external debt;  
Operational boundary for external debt; and  
aAny locally determined indicators considered appropriate

*After the year end actual values are to be calculated for:*

Ratio of financing costs to net revenue stream;  
Capital expenditure;  
Capital financing requirement; and  
External debt.

### **Responsibilities of the Chief Finance Officer**

- B43 The Chief Finance Officer is responsible for establishing procedures to both monitor performance against all forward looking prudential indicators and for ensuring that net external borrowing does not exceed the capital financing requirement. The Chief Finance Officer will report to Council any significant deviations from expectations. The Chief Finance Officer will ensure that regular monitoring is undertaken in year against the key measures of affordability and sustainability, by reviewing estimates of financing costs to revenue and the



capital financing requirement. Significant variation in the estimates used to calculate these prudential indicators, for example caused by major overruns of expenditure on projects or not achieving in-year capital receipts, will require a report to Council setting out management action.

## **REVENUE**

### **Authorisation of Revenue Expenditure**

B44 Subject to Financial Regulations, Contract Standing Orders and any other specific limitations, the Chief Executive, and each Deputy Chief Executive is authorised to spend those sums voted to their areas of responsibility for the financial year. With the exception of Regulations B47-B52 below, revenue expenditure may only be incurred for purposes specified in the Annual Budget, and is strictly limited to the amounts voted under relevant budget heads.

### **Key Controls**

B45 The key controls for managing budgets are:

There is a nominated budget manager for each cost centre heading;

Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;

Budget managers follow an approved certification process for all expenditure; and

Income and expenditure are properly accounted for.

### **Responsibilities of the Chief Finance Officer**

B46 To establish an appropriate framework of budgetary management and control that ensures that:

- a) Budget management is exercised within annual cash limits;
- b) Each Deputy Chief Executive and Group Head has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
- c) Ensure each cost centre has a single named Manager determined by the, relevant Deputy Chief Executive or Group Head. As a general principle, budgetary responsibility should be aligned as closely as possible to the decision making processes that commits expenditure;
- d) To be responsible for providing appropriate financial information to enable budgets to be monitored effectively;
- e) To administer the Council's scheme of virement; and
- f) To prepare and submit reports on the Council's projected income and expenditure compared with the budget to Management Team, Group Heads and Corporate Policy and Resources Committee on a regular basis.

## **Responsibilities of the Chief Executive, Deputy Chief Executives and Group Heads**

- B47 The Chief Executive, Deputy Chief Executives are responsible for supervising income and expenditure within their services. Similarly Group Heads are responsible for supervising income and expenditure within their departments.
- B48 To control income and expenditure within their areas and to monitor performance taking account of financial information provided by the Chief Finance Officer. They should take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.
- B49 To maintain budgetary control within their services and to ensure that all income and expenditure is properly recorded and accounted for.
- B50 To ensure that spending remains within a services's overall cash limit and that individual budget heads are not overspent by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- B51 To ensure compliance with the scheme of virement.
- B52 To agree with the relevant Chief Executive, Deputy Chief Executive or Group Head where it appears that a budget proposal, including a virement proposal may impact materially on another service area.

## **REPORTS WITH FINANCIAL IMPLICATIONS**

- B53 The Chief Finance Officer will be consulted on any report on any matter affecting or likely to affect the Council's finances.
- B54 This consultation will take place as early as possible, before any meeting of staff or councillors at which the report is first considered.
- B55 Any Committee report with financial implications will first be submitted to Management Team.

# FINANCIAL REGULATION C: CONTROL OF RESOURCES

## INTRODUCTION

- C1 It is essential that robust systems are maintained for identifying and evaluating all significant operational risks to the Council on an integrated basis. This includes the active participation of all staff associated with planning and delivering services

## Risk management

- C2 Risk Management is the whole process of identifying, and evaluating and controlling the strategic and operational risks of the Council. A risk is the chance or possibility of loss, damage, injury or failure to achieve objectives by an unwanted or uncertain action or event. This includes the risk of 'missed opportunities'.
- C3 As the Council is the custodian of public funds risk management is particularly significant and the level of risk that can be tolerated in its activities will need to be carefully considered with risks and reward carefully evaluated.
- C4 The sections below outline key components of the Council's adopted risk management framework.
- C5 The key controls for risk management are:-
- a) establishing clear roles, responsibilities and reporting lines within the Council for risk management;
  - b) maintaining a clear Corporate Risk Register and Policy;
  - b) incorporating risk management considerations into all operations and decision making processes;
  - c) maintaining documented procedures for the control of risk and the provision of suitable information, training and supervision;
  - d) maintaining an appropriate incident reporting and recording system with investigation procedures to establish cause and prevent recurrence;
  - e) offering a framework for allocating resources to identified priority risk areas;
  - f) operating appropriate project management methodologies proportionate to the scale of projects;
  - g) reinforcing the importance of effective risk management as part of the everyday work of employees by offering training;
  - h) maintaining effective communication and the active involvement of every councillor and employee of the Council;
  - i) including risk management as an agenda item at meetings as appropriate and holding Corporate Risk Management Group meetings;
  - j) providing opportunities for shared learning on risk management across the Council; and
  - k) preparing contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the Council and its business capability.

- C6 The Chief Finance Officer is responsible for ensuring regular corporate assessments of risk and Group Heads for reviewing risks annually.
- C7 The Chief Finance Officer is responsible for developing specific programmes and procedures for establishing and maintaining risk management activities and to ensure the dispersal of vital information and, where appropriate, provide guidance, interpretation and understanding of the systems involved.
- C8 The Chief Finance Officer has implemented a risk management structure involving the Management Team, a Corporate Risk Management Group, Internal Audit and Group Heads to support their responsibilities.
- C9 Group Heads will take responsibility for risk management in their department having regard to advice from the Chief Finance Officer and other specialist staff (e.g. health and safety, internal audit).

## **INSURANCE**

- C10 The Chief Finance Officer will arrange all insurance cover, keep a register of insurances and ensure the Council's insurance arrangements are reviewed each year.
- C11 Before the annual renewal of insurance cover, the Chief Finance Officer will provide the Deputy Chief Executives as necessary with a summary of all current insurances to check and review their adequacy.
- C12 Each Group Head will provide the Chief Finance Officer immediately with details of all new risks to be insured, and of any alterations affecting existing insurable risks.
- C13 Each Deputy Chief Executive will forward any new or renewal contract terms to the Chief Finance Officer for risk analysis before any contract is let and appropriate insurance cover arranged.
- C14 Each Deputy Chief Executive will ensure that any proposals for new buildings or alterations to existing buildings are copied to the Chief Finance Officer before any tenders are requested, for risk analysis and arrangement of appropriate insurance cover.
- C15 The appointment of insurance brokers to act on behalf of the Council will be reviewed every three years by the Chief Finance Officer.
- C16 Any event which may result in an insurance claim will be immediately notified to the Chief Finance Officer, to make all claims on the Council's Insurers. Where an incident has occurred Group Heads must take steps to mitigate any future incident, but where a repair is required should first take a photograph for evidence purposes.
- C17 No staff member will admit liability, take any action or enter into any correspondence admitting liability on behalf of the Council.
- C18 All staff and voluntary workers on Council business are included in a suitable fidelity guarantee policy.

### Internal control

- C19 Internal Control is a key component in the Council's Risk Management process. It relates to the whole system of policies, processes and checks employed to mitigate risks.
- C20 Internal control refers to the systems of control to ensure that the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources, that the Council's assets and interests are safeguarded, and that organisational goals will be achieved.
- C21 The Chief Finance Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C22 It is the responsibility of Group Heads to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to control risks.

### Internal Audit requirements

- C23 The authority of the Internal Audit function is derived from legislation and for local authorities this is implied by Section 151 of the Local Government Act 1972, which requires that authorities shall *'make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs'*.

The Accounts and Audit (England) Regulations 2015 more specifically state *'A local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control'*.

All audit work must be conducted in accordance with the Public Sector Internal Audit Standards.

- C24 Significant issues arising from audit reports will be reported to the relevant Deputy Chief Executive, and periodic reports will be made to Management Team and the Audit Committee.
- C25 The Chief Finance Officer and the Chief Internal Auditor provided by Southern Internal Audit Partnership or their authorised representatives shall have authority where necessary in the performance of Council duties to:
- enter any Council premises or land in the occupation of the Council;
  - have access to all records, documents and correspondence relating to any financial and other transaction of the Council;

- require and receive oral or written explanations from any employee as he/she thinks necessary concerning any matter under examination; and
- require any employee of the Council to produce cash, stores or any other Council property under their control.

C26 The Audit Committee is to approve the annual audit plan prepared by the Chief Internal Auditor provided by Southern Internal Audit Partnership to take account of the characteristics and relative risks of the activities involved.

C27 Any suspected fraud or irregularity must be reported to the Chief Finance Officer who will refer the matter to Internal Audit for investigation.

Internal Audit will have organisational independence through direct reporting lines to the Section 151 Officer, the Chief Executive and Audit Committee.

The Audit Committee will approve the Annual Governance Statement

### **Responsibilities of Chief Executive, Deputy Chief Executives and Group Heads**

C28 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets which the auditors consider necessary for their work.

C29 To ensure that auditors are given any information and explanations they seek in the course of their work.

C30 To consider and respond promptly to recommendations in audit reports.

C31 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

C32 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Internal Auditor provided by Southern Internal Audit Partnership before implementation.

C33 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs who have statutory rights of access.

### **Preventing fraud and corruption**

C34 The Council is a public body and therefore will not tolerate any fraud and corruption in the administration of its responsibilities, whether from inside or outside the authority. All councillors and employees are expected to lead by example on all aspects of honesty, propriety and accountability. The Council also expects that individuals and organisations with whom it comes into contact (e.g. suppliers, contractors, service providers, and partners) will act towards the authority with integrity.

- C35 The Council's Anti-fraud, Bribery and Corruption policy sets the culture for the organisation to address the risk of fraud and corruption, and summarises the methods of prevention, detection and investigation in place.
- C36 All managers are responsible for developing and maintaining procedures to prevent fraud and corruption.

### **FINANCIAL IRREGULARITIES**

- C37 The Chief Finance Officer will be notified of any irregularity in the financial affairs of the Council or in the exercise of its functions.
- C38 Irregularities will be reported as appropriate to the Chief Executive and councillors.
- C39 Any councillor or staff member who is aware of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property, resources or systems, should immediately report it to their Group Head, Chief Finance Officer, Chief Internal Auditor provided by Southern Internal Audit Partnership, Chief Executive, Deputy Chief Executives, Monitoring Officer or External Auditor, having regard to the Council's Anti-Fraud, Bribery and Corruption Policy. Pending investigation and reporting, the Group Head should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration
- C40 If officers feel they cannot raise their concerns through any of these routes, they may contact Protect (0203 117 2520), a registered charity whose services are free and strictly confidential.
- C41 Where irregularities involve either councillors or staff the Chief Finance Officer, in consultation with the Chief Executive, is responsible for deciding whether to involve the police.

### **Assets**

- C42 Group Heads must ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.
- C43 Separate registers are maintained for the following fixed assets:
- land and buildings (maintained on the Property Terrier);
  - vehicles and plant;
  - ICT equipment
  - furniture and equipment financed from capital; and
  - infrastructure expenditure.
- C 44 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the approval of the Deputy Chief Executives.

- C45 If the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with its approved intellectual property procedures.

## **SECURITY**

### **General**

- C46 The Deputy Chief Executives, along with the Group Heads, are responsible for the security of buildings, stocks, stores, furniture, equipment, cash etc under their control. The Chief Finance Officer will be consulted where security may be failing or where special security arrangements may be needed.

### **Data Protection and Information Security**

- C47 The Chief Executive, and Deputy Chief Executives are responsible for the security and privacy of information held within their services and for ensuring compliance with Data Protection, Copyright and Computer Misuse Acts.
- C48 All staff members will be made aware of their obligations under the Acts and the Council's policy regarding data and systems security as set out in the Finance Procedure Manual and on Spelnet. This includes physical security, privacy and passwords, back ups, viruses and software copyright.

### **Responsibilities of the Chief Finance Officer**

- C49 The Chief Finance Officer is responsible through the Group Head for Regeneration and Growth, for strategic management and maintenance issues.
- C50 The Chief Finance Officer is responsible in liaison with Accountancy, ICT Services and Asset Management for maintaining the Council's Asset Register.
- C51 To ensure that asset registers are maintained in accordance with good practice for fixed assets. The function of asset registers is to provide the Council with information about fixed assets so that they are:
- safeguarded;
  - used efficiently and effectively; and
  - adequately maintained.

To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

- C52 To report to the Corporate Policy and Resources Committee any significant (over £50k) write-off of stocks and stores.



## **Responsibilities of Chief Executive, and Deputy Chief Executives**

C53 The Chief Executive, Deputy Chief Executives and Group Heads are responsible for day to day management of assets used within their services and are accountable for ad hoc maintenance.

## **Responsibilities of Group Heads**

C54 The Group Head for Regeneration and Growth must maintain an Asset Register in a form approved by the Chief Finance Officer for all land and buildings. The Group Head for Neighbourhood Services is to maintain asset registers in a form approved by the Chief Finance Officer for vehicles and plant currently owned or used by the Council. The Group Head for Commissioning and Transformation to maintain an asset register of all ICT equipment in a form approved by the Chief Finance Officer. Any use of property by a department or establishment other than for direct service delivery, with the exception of investment properties, should be supported by documentation identifying terms, responsibilities and duration of the use.

C55 The Group Head for Neighbourhood Services is responsible for organising ad hoc maintenance of Neighbourhood Services' assets.

C56 Group Heads are to ensure the proper security of all buildings and other assets under their control. Investment property let to third parties is their responsibility to secure.

C57 To pass the title deeds to the Group Head of Corporate Governance, who is responsible for custody of all title deeds.

C58 To ensure that the department maintains an inventory of moveable assets in accordance with guidance defined by the Chief Finance Officer.

C59 To ensure that controls are in place to ensure that staff members do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

## **All assets**

C60 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.

C61 To record all disposal or part exchange of assets and notify the Finance team. Individual assets valued at £1,200 or more should be disposed of or part exchanged by competitive tender or public auction unless the Chief Finance Officer agrees otherwise.

C62 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.

- C63 To seek advice from the relevant Deputy Chief Executive, or Chief Executive on the disposal of surplus or obsolete materials, stores or equipment, subject to paragraph C61 above.
- C64 To ensure that income received for disposal of an asset is properly banked and coded.
- C65 Assets for disposal should be identified and disposed of:
- a) at the most appropriate time;
  - b) when it is in the Council's best interests; and
  - c) for the best price (taking into account factors such as environmental issues).

### **Land, buildings and other assets**

- C66 To ensure that leaseholders and other prospective occupiers of Council land are not allowed to take possession of or enter the land until a lease or agreement, in a form approved by the relevant Deputy Chief Executive, has been established as appropriate.

### **Moveable assets**

- C67 To ensure that assets are identified, their location recorded and that they are appropriately marked.
- C68 The Deputy Chief Executives and Group Heads are responsible for all furniture and equipment in their departments. Wherever practicable, items will be marked as the property of the Council.
- C69 A central inventory of all furniture, fittings and equipment, plant and machinery will be maintained by the Group Head of Regeneration and Growth , with each Service providing details of all acquisitions and disposals. Services are to liaise with the Finance team
- C70 Council property may not be removed unless on Council business and with the written agreement of the Chief Executive, or Deputy Chief Executive concerned.
- C71 All items on the inventory will be checked annually by Group Heads, and any discrepancies reported to the Chief Finance Officer. As part of the annual check services are to review the condition of assets and take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as laptops, computer equipment, cameras and recording equipment should be identified with security markings as belonging to the Council.
- C72 The Chief Finance Officer will approve write-off of discrepancies, except where the authority of the Corporate Policy and Resources Committee is required under paragraphs D20 to D22 below.
- C73 The Deputy Chief Executives and Group Head for Neighbourhood Services may authorise the disposal of furniture and equipment with an estimated market value of up to £1,200 (per item or collectively). The Chief Finance Officer will approve disposal of more valuable items in writing.

- C74 To make sure that property is only used in the course of the Council's business unless the Chief Executive, or Deputy Chief Executive concerned has given permission otherwise.

### **Stocks and stores**

- C75 The Chief Executive, Deputy Chief Executives and the Group Head for Neighbourhood Services are responsible for all stores held in their services. Wherever practicable, all items will be effectively marked as the property of the Council.
- C76 Stores held will not exceed reasonable requirements.
- C77 All goods received will be checked against the copy order at time of delivery and the supplier immediately notified of rejected goods.
- C78 All receipts, issues and balance of stock items will be properly recorded in a form agreed by the Chief Finance Officer.
- C79 The Chief Executive, Deputy Chief Executives and the Group Head for Neighbourhood Services will regularly check that items are accounted for, and arrange for continuous and independent stocktaking to be carried out. Any material shortfalls will be reported to the Chief Finance Officer. The Chief Executive, Deputy Chief Executives and the Group Head Neighbourhood Services will also arrange for stocktakes and the provision of signed stock certificates as at 31 March each year, as good management and to satisfy external audit requirements.
- C80 The write-off of shortfalls will be approved in writing by the Chief Finance Officer, except where the authority of the Policy and Resources Committee is required under paragraphs D20 to D22 below
- C81 The Deputy Chief Executives and Group Head for Neighbourhood Services may authorise the disposal of stores with an estimated market value of up to £1,200 (per item or collectively). The Chief Finance Officer will approve disposal of more valuable items in writing.
- C82 Where the disposal value is less than £1,200, the Group Head must dispose of the item in a fair and effective manner and keep a record of the disposal.
- C83 Procedures for disposal of such stocks and equipment where their value is over £1,200 should be by competitive quotations or auction unless the Chief Finance Officer advises otherwise in a particular case.

### **Cash**

- C84 Maximum limits for cash holdings will be agreed with the Chief Finance Officer and not exceeded without their permission. Group Heads are to ensure cash holdings on premises are kept within the agreed limits. Group Heads to ensure that keys to safes and similar receptacles are carried on the person of those responsible whilst the site is occupied and removed from the premises when the site is unoccupied and to ensure that access codes, combinations and passwords remain confidential and are made available to the Finance team.

## TREASURY MANAGEMENT

- C85 Treasury Management covers all activities associated with any monies borrowed (Loans) or invested (Investments) on behalf of the Council irrespective of the time period covered by the transactions. It also embraces the management and control of the Council's banking arrangements.
- C86 The Council has adopted CIPFA's "Code of Practice for Treasury Management in Local Authorities".
- C87 A Treasury Policy Statement setting out its strategy and procedures has been adopted by the Council, and its implementation and monitoring delegated to the Corporate Policy and Resources Committee.
- C88 All money (as defined in the Treasury Policy Statement) in the hands of the Council will be aggregated for the purposes of Treasury Management and be under the control of the Chief Finance Officer as the officer designated for the purposes of Section 151 of the Local Government Act, 1972.
- C89 The Chief Finance Officer is responsible for reporting to the Council a proposed treasury management and annual investment strategy for the coming financial year at or before the start of each financial year. The report will set out the proposed levels for the prudential treasury management indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities.
- C90 All executive decisions on borrowing, investment or financing will be delegated to the Chief Finance Officer, who is required to act in accordance with CIPFA's "Code of Practice for Treasury Management in Local Authorities", the Treasury Policy Statement and Systems Documentation.
- C91 All investments of the Council's funds will be made in the name of the Council by the Chief Finance Officer, unless the Council has authorised its investments to be made by an outside agent, when they should be in the name of Trustees for the Council.
- C92 All loans to the Council will be negotiated by the Chief Finance Officer and paid direct by the lender or their agent into the Council's bank account.
- C93 All stocks of interim loan receipts, temporary loan receipts and bond certificates will be controlled by the Chief Finance Officer.
- C94 The Chief Finance Officer is the only primary authorised signatory to any form of loan receipts, including such receipts issued under seal.
- C95 Repayment of loans will, wherever possible, be made through the head office of the Council's bankers in exchange for the original loan receipt.
- C96 The Chief Finance Officer is authorised to borrow temporarily pending receipt of money from Business Rates, loans, Council Tax, Government Grants and other income properly due to the Council, within the limit agreed by the Council each year.
- C97 The Chief Finance Officer will report to the Corporate Policy and Resources Committee twice each financial year on the activities of the Treasury

Management operation, and on the exercise of Treasury Management powers delegated to them. One of these reports will be an Annual Report on Treasury Management to be presented by 30 September of the succeeding financial year.

### **BANKING ARRANGEMENTS**

- C98 The Chief Finance Officer is responsible for operating and supervising the Council's Bank and Giro Accounts, including ordering, custody and issue of all cheques. The Chief Finance Officer will review the Council's banking arrangements at least every 5 years.
- C99 The Chief Finance Officer, the Deputy Chief Finance Officer and the 1st signatory, and others approved in writing by the Chief Finance Officer, each have authority, in accordance with the mandate given to the bank, to sign cheques and be accepted as satisfactory signatories for any other purpose in connection with the Council's Bank and Giro Accounts.
- C100 All payment instructions for amounts of £21,000 and above require two authorising signatures, namely, the Chief Finance Officer or the Deputy Chief Finance Officer as the 1st signatory, and others approved in writing by the Chief Finance Officer as the 2nd signatory.
- C107 Where the Chief Finance Officer's signature or name, or that of their predecessor, is pre-printed on cheques or Giro-cheques, or is printed by computer or by cheque signing machine, adequate security arrangements will be made for the custody and control of both cheques and signature plates.
- C101 All banking accounts will be reconciled with the cash book each month.

### **PETTY CASH ACCOUNTS**

- C102 When there is no easy access to the Cashiers at the Council offices, the Chief Finance Officer will advance petty cash balances to responsible staff members. An account of total petty cash spent with vouchers, certified by the Chief Executive, Deputy Chief Executives or person authorised by them, will be passed to the Chief Finance Officer for reimbursement. The petty cash account will be kept in a form and manner agreed by the Chief Finance Officer.
- C103 Use of petty cash will be kept to a minimum and limited to expenses which are unavoidably or conveniently payable in this manner. They will not include items over £30 unless agreed by the Chief Finance Officer.
- C104 Income received on behalf of the Council will not be paid into a petty cash account, but paid to the Council in accordance with paragraphs D8 –D19 below.
- C105 Officers responsible for petty cash accounts will give the Chief Finance Officer an annual certificate for each account balance by 15 April.
- C106 On returning a petty cash account, a staff member will account to the Chief Finance Officer for the amount advanced to them.
- C107 Petty cash and other floats will be available for inspection by audit.

## **Credit Cards**

C108 Maximum limits for credit card facilities will be agreed by the Chief Finance Officer and these will not be exceeded without their permission. Group Heads and Service Managers are to authorise the monthly expenditure incurred by their staff who are authorised credit card users. No personal expenditure is to be incurred on an authorised council credit card and it is the responsibility of the authorised card holder to keep PIN numbers safe and immediately advise their manager and credit card provider if the card becomes cloned or lost.

## **Unofficial Funds**

C109 Management Team is responsible for ensuring the proper administration of unofficial funds, that is any funds associated with Council business, supervised or managed by Council staff, but not part of the Council's funds, such as social funds in Day Centres.

C110 The Chief Finance Officer will be notified of any unofficial funds and give advice on keeping and auditing them.

C111 Any staff member holding unofficial funds will produce an accurate account in writing of all financial transactions, with associated supporting documentation.

## **PROTECTION OF PRIVATE PROPERTY IN THE TEMPORARY CUSTODY OF THE AUTHORITY/LOST PROPERTY**

C112 The Chief Executive, and Deputy Chief Executives will ensure that details of any lost property is recorded before removal, that two officers certify the accuracy of the record, and that items are held securely until disposal.

C113 The Chief Executive, and Deputy Chief Executives will obtain proof of ownership prior to release of property.

C114 The Chief Executive, and Deputy Chief Executives will agree how to dispose of unclaimed items with the Chief Finance Officer.

## **SALARIES AND WAGES**

C115 The Chief Finance Officer is responsible for the payment of all salaries, wages, compensation and any other sums to current and former employees.

C116 The Chief Executive, and Deputy Chief Executives will notify the Chief Finance Officer immediately of all appointments, resignations, or any other events affecting terms of employment or pay, including all sick absences, accidents on or off duty, or special leave without pay.

C117 Where required, time sheets in a form approved by the Chief Finance Officer will:-

- (a) be completed by the employees themselves unless illiterate, when the supervisor will complete them, with a note of the circumstances;
- (b) be certified by the appropriate supervisor unless otherwise agreed by the Chief Finance Officer; and
- (c) be forwarded to the Chief Finance Officer at a time agreed by them.

C118 Claims for expenses will be in a form approved by the Chief Finance Officer and signed by the Chief Executive, or Deputy Chief Executive concerned or their nominated staff member, to certify their accuracy and reasonableness. Claims must be submitted within seven days of the end of the month in which the expenditure was incurred.

### **CODE OF CONDUCT FOR EMPLOYEES**

C119 The Staff Code of Conduct (Part 5b of this Constitution) applies to and will be followed by all staff members. It covers:

Standards, disclosure of information, political neutrality, relationships, appointments and other employment matters, outside commitments, personal interests, equality issues, separation of roles during tendering, sponsorship, gifts and hospitalit, and use of financial resources.

## **Financial Regulation D – Systems and Procedures**

- D1 Sound systems and procedures are essential to an effective framework of accountability and control.

### **General**

- D2 The Chief Finance Officer is responsible for the operation of the Council's IT systems for financial and business-related purposes, for accounting systems, the form of accounts and the supporting financial records. Any changes made to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, Group Heads are responsible for the proper operation of financial processes in their own departments.
- D3 Any changes to agreed procedures by Group Heads to meet their own specific service needs should be agreed with the Chief Finance Officer.
- D4 Group Heads should ensure that their staff receive relevant financial training which has been approved by the Chief Finance Officer.
- D5 Group Heads must ensure that, where appropriate, details of system containing personal data are provided to the Data Protection Officer so that where applicable they are registered in accordance with Data Protection legislation.
- D6 Group Heads must ensure that staff are aware of their responsibilities under the freedom of information legislation and comply with guidance issued by the Group Head of Commissioning and Transformation or the Group Head of Corporate Governance.

### **Income and expenditure**

- D7 It is the responsibility of Group Heads to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff members authorised to act on the Group Heads' behalf in respect of payments, income collection and for placing orders together with the limits of their authority.

The Chief Finance Officer is responsible for specifying the procedure to be followed in ordering, making payments, collecting income and approving procedures for writing off debts as part of the overall control framework of accountability and control.

## **INCOME**

### **Setting Fees and Charges**

- D8 Fees and charges will be reviewed at least annually as part of the budget setting process.



- D9 Any changes or new charges will be agreed by the Corporate Policy and Resources Committee or the Chief Executive or Deputy Chief Executives, as set out in the constitution.

### **Invoicing and Collection of Income Due**

#### **Responsibilities of the Chief Finance Officer**

- D10 The Chief Finance Officer is responsible for agreeing arrangements for the collection of all income due to the Council and approving the procedures, systems and documentation for its collection.
- D11 All receipt forms, books, tickets and similar items will be ordered and supplied to Services by the Chief Finance Officer.
- D12 The Chief Finance Officer is responsible for paying all monies received into the Council's bank, normally not later than the next business day.
- D13 To approve all debts to be written-off in accordance with the scheme of delegation.

#### **Responsibilities of Chief Executive, Deputy Chief Executives, and Group Heads**

- D14 The Chief Executive, or each of the Deputy Chief Executives will provide the Chief Finance Officer with details of all amounts due.
- D15 All monies received by a staff member on behalf of the Council will be paid without delay to the Chief Finance Officer as follows, unless direct deposit with the Council's bankers is arranged.
- Cash – daily  
cheques exceeding £1,000 – daily  
cheques not exceeding £1000 – within 3 days
- All cheques and postal orders received in any part of the Council will be crossed with "Account Borough of Spelthorne".
- D16 Every sum received by a member of Council staff will be immediately acknowledged by the issue of an official receipt, ticket or voucher, except for cheques where the Chief Finance Officer may agree other arrangements.
- D17 Every transfer of official money from one staff member to another will be immediately acknowledged by the issue of a receipt or, where appropriate, by signature in a cash accounting record.
- D18 The Chief Finance Officer shall be notified of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council.
- D19 The Chief Executive, Deputy Chief Executives and Group Heads will notify the Chief Finance Officer of all income due before the end of the financial year but not yet invoiced, in accordance with the closure timetable prepared each year by the Chief Finance Officer.

## **WRITE-OFFS OF INCOME, STOCKS, FURNITURE AND EQUIPMENT**

- D20 The Chief Finance Officer may write off income or physical items with a value not exceeding £5,000 or unlimited where there is bankruptcy, liquidation proceedings, administration or receivership proceedings have been instigated.
- D21 Group Heads and the Deputy Group Head for Customer Services and Deputy Chief Executive (Chief Finance Officer) may write off debts for individual outstanding balances up to the following values:
- Council Tax to the value of £5,000
  - Business Rates to the value of £9,000
  - Housing Benefits to the value of £5,000
  - Sales Ledger to the value of £3,000
- D22 An up to date record of all income written-off will be maintained by the Chief Finance Officer, and an independent reconciliation of write-off sums to approved lists for write-off will be made periodically.

## **SPONSORSHIP**

- D23 Where an outside organisation wishes to sponsor or is asked to sponsor a local government activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts and hospitality applies, as detailed in the Code of Conduct for Employees.
- D24 A Gifts, Hospitality and Sponsorship Register is maintained by Corporate Governance, where details of any sponsorship accepted by staff on behalf of the authority will be entered.

## **ORDERS FOR WORKS, GOODS AND SERVICES**

### **Responsibilities of the Chief Finance Officer**

- D25 The Chief Finance Officer will approve the form and control of all official orders.

### **Responsibilities of Chief Executive, Deputy Chief Executives and Group Heads**

- D27 The Chief Executive, Deputy Chief Executives and Group Heads are responsible for the control and use of official orders in their respective services.
- D28 The Chief Finance Officer will be notified in writing of staff authorised to issue orders on behalf of the Chief Executive and Deputy Chief Executives, with specimen signatures and details of authority limits, in accordance with the delegations approved under paragraphs A20-A23 above. Group Heads are to ensure that their department reviews periodically a list of staff members approved to authorise invoices.
- D29 All orders will be issued through the financial system except in agreed circumstances, such as for supplies of gas and electricity services, petty cash purchases or where a formal contract is to be prepared.

- D30 If it is not practicable to issue an official order when an order is placed, one will be completed immediately afterwards by the staff member placing the order, and marked "Confirmation of telephone or verbal order"
- D31 Wherever possible the Council will seek to transmit to suppliers by electronic means official purchase orders.
- D32 Official orders will be goods receipted by the staff member responsible for the works or receiving goods. It is important to provide separation of duties between staff raising and goods receipting orders. The Chief Finance Officer will agree accounts to evidence of receipt before making payment.
- D33 As a general principle and subject to Contract Standing Orders, all purchases will be open to competition wherever reasonable and cost effective.

## **PAYMENT OF ACCOUNTS**

### **Responsibilities of the Chief Finance Officer**

- D34 The Chief Finance Officer is responsible for examining, verifying and certifying invoices and any other payment vouchers or accounts through the financial system. Any exceptions will be returned to originating officers for certification. Details of staff members authorised to sign such records will be sent to the Chief Finance Officer by the Chief Executive and each Deputy Chief Executive, together with specimen signatures and authority limits, in accordance with the delegations described at paragraphs A18-A21 above.
- D35 To ensure that all payments for works, goods, and services are made within the statutory 30 days (Late Payment of Commercial Debts (Interest) Act 1988) unless any other terms or conditions have been agreed in writing. Any interest incurred under that act will be recharged to the cost centre of the original payment.
- D36 The Chief Finance Officer will pay accounts due at set intervals, usually not less than once every week.
- D37 A register of periodical payments will be maintained by the Chief Finance Officer for control and monitoring purposes.

### **Responsibilities of Chief Executive, Deputy Chief Executives and Group Heads**

- D38 The certifying officer will ensure:
- (a) the work, goods or services to which the account relates have been received, carried out, examined and approved;
  - (b) the prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct and agree with the official order or contract;
  - (c) the relevant expenditure has been properly incurred and is within the relevant budget;
  - (d) appropriate entries have been made in inventories, stores records or other records as required;
  - (e) the account has not been previously passed for payment and is a proper liability of the Council; and

- (f) the correct expenditure code has been inserted in respect of each item.

- D39 For purchase of land or property, details of the purchase, the name of the vendor and the purchase price and acquisition expenses will be given in a statement for certification by the Chief Executive. Full details of such purchases will be entered in the official Asset Register, to be kept by the Chief Finance Officer.
- D40 The Chief Executive, and Deputy Chief Executives will notify the Chief Finance Officer of all outstanding expenditure relating to the previous financial year in accordance with the agreed closure timetable prepared each year by the Chief Finance Officer .
- D41 Group Heads are to ensure that invoices are passed for payment promptly to ensure they can be paid within 30 days.

## **CONTRACTS FOR BUILDING, CONSTRUCTION OR ENGINEERING WORK, ASSOCIATED MAINTENANCE CONTRACTS AND EMPLOYMENT OF CONSULTANTS**

### **Contract Standing Orders**

- D42 The Chief Executive, and Deputy Chief Executives will ensure compliance with the Council's Contract Standing Orders.

### **Tenders**

- D43 The Chief Finance Officer will investigate the financial status of tenderers as necessary.
- D44 No contract will be entered into unless the Chief Executive, or relevant Deputy Chief Executive is confident of the tenderer's ability to complete the contract.
- D45 The Chief Executive, and Deputy Chief Executives will provide the Chief Finance Officer and the Corporate Procurement Manager with details of all contracts for entry into the contracts register.

### **Contract Register**

- D46 The Chief Finance Officer will maintain an online up to date register of all contracts with a total value of more than £5,000. Purchase orders which have been properly authorised in accordance with the Contract Standing Orders, will not for this purpose constitute contracts.
- D47 The Deputy Chief Executives and Group Heads will be responsible for notifying the Chief Finance Officer and the Corporate Procurement Manager with details of all new contracts and forthcoming contracts necessary to enable the register to be maintained.

### **Contract Payments**

- D48 Payments on account to contractors will only be made on a certificate issued by the supervising officer and signed by the relevant Group Head.
- D49 The payment certificate will show the total amount of the contract, the sum paid to date, the instalment certified, the balance remaining, the retention monies, and Value Added Tax (VAT).

- D50 The Chief Executive, or Deputy Chief Executive concerned is responsible for obtaining all necessary sub-contractors' tax certificates and forwarding them to the Chief Finance Officer prior to payment.
- D51 Under the Inland Revenue Construction Industry Scheme (IR14/15(CIS)) introduced 1 August 1999, payments cannot be made to sub-contractors unless a tax certificate has been obtained.

### **Variations**

- D52 Where practical changes are necessary which do not alter the essential nature of the original contract, as opposed to additional works, goods or service, the Chief Executive, or relevant Deputy Chief Executive may approve such variations after consultation with the Chief Finance Officer, provided the cost of the proposed variation can be met from within the total budget approved for the contract and such variation also accords to the procedures in Contract Standing Orders.
- D53 Where the approved budget would be exceeded, approval for any variation must be obtained in accordance with the provisions for amendments to budgets within these regulations.
- D54 The reasons for and details, including cost, of every variation must be recorded on the relevant contract file, specifically authorised in writing by the supervising officer and endorsed by the Chief Executive or appropriate Deputy Chief Executive, and a copy supplied to the Chief Finance Officer at the time of issue.
- D55 Documented variation orders are not required where site instructions are issued for routine repairs under a maintenance contract, such as for park seat repairs, street cleaning or clearance of fly tipping, provided a budget is built into the contract to cover such work.

### **Final Account**

- D56 The final certificate of completion will not be issued until the supervising officer has provided the Chief Finance Officer with a detailed statement of account and all relevant documents required.
- D57 The Chief Finance Officer will examine contract final accounts, make all necessary enquiries and receive any information and explanations they require to confirm the accuracy of the accounts.
- D58 Claims from contractors for matters not clearly within the terms of any existing contract will be referred to the Group Head of Corporate Governance to consider the Council's legal liability and, where necessary, to the Chief Finance Officer for financial consideration before a settlement is reached.

### **Agency Arrangements**

- D59 As far as practicable, Financial Regulations apply to works entered into on behalf of a body from whom the Council has accepted delegated powers, or for whom the Council acts as an agent. The requirements of any such body should be followed if they differ from these Financial Regulations or Contract Standing Orders.

### **Consultants**

D60 In the case of contracts entered into by the Council and supervised by consultants, any agreement with the latter should include a requirement to comply with the Council's Financial Regulations.

### **VALUE ADDED TAX (VAT)**

D61 The Chief Finance Officer is responsible for maintaining all records, accounts and claims as directed by the Valued Added Tax Act, 1983.

### **VAT on Payments**

D62 The Chief Finance Officer will take reasonable steps to ensure that the payment documentation provided by all suppliers of goods, works, or services conforms to the requirements of a proper VAT invoice.

### **VAT on Receipts**

D63 Each staff member responsible for raising invoices on behalf of the Council will ensure within reason that the Council has complied with relevant Value Added Tax legislation regarding the supply of its services.

### **Exempt Supplies**

D64 For services where VAT supplies are classified as Exempt under VAT regulations, officers will ensure that all activities are fully evaluated for VAT purposes and any tax implications are identified before any expenditure is committed or contractual arrangements made.

D65 The following are usually classified as Exempt activities under VAT rules:

Land & Buildings (unless have opted to tax)	Social Services	Education	Burial & Cremation
Insurance	Finance	Health	

### **Payments to employees and Councillors and co-opted members**

D66 The Chief Finance Officer is responsible for paying all employees and allowances to Councillors and co-opted members.

### **MEMBERS' ALLOWANCES**

D67 The Chief Finance Officer will make payments to any Members or co-opted members entitled to claim allowances on receipt of the proper form, completed and certified in accordance with the Council's scheme for allowances.

### **Taxation**

D68 The Chief Finance Officer is responsible for advising Management Team/Group Heads, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.

D69 The Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **Financial Regulation E – External Arrangements**

- E1 The Council provides a distinctive leadership role in the community. As part of the Community Strategy it brings together other local public, private, voluntary and community sector organisations in partnership to address local needs.
- E2 A partner can be an organisation undertaking part funding or participating as a beneficiary in a project, or a body whose nature or status give it a right or obligation to support the project, or a body working on a joint venture with the Council for the delivery or acquisition of services.

### **Partnerships**

- E3 The Corporate Policy and Resources Committee is responsible for approving partnership arrangements with other public, private, voluntary and community sector organisations to address local needs.
- E4 The Council and strategic committees can delegate functions – including those relating to partnerships – to staff. These are set out in the scheme of delegation that forms part of the Council’s Constitution and any subsequent delegations.
- E5 The Chief Executive is responsible for ensuring the due diligence and legality for all partnership arrangements.
- E6 Group Heads are responsible for informing the Chief Finance Officer and Group Head of Corporate Governance of partnership arrangements entered into so that they can ensure that accounting arrangements adopted relating to partnerships and joint ventures are satisfactory and that the overall corporate governance arrangements are satisfactory when contracts are arranged with external bodies. The Chief Finance Officer must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

### **External funding**

- E7 The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council’s accounts.

### **Work for third parties**

- E8 The Chief Finance Officer and the Group Head of Corporate Governance are responsible for approving the contractual framework for any work for third parties or external bodies.



## GLOSSARY OF TERMS

<b>Accrual</b>	A sum included in the final accounts to cover income or expenditure attributable to that year but for which payment was not received/made during that year. Local authorities only accrue for revenue expenditure; capital expenditure is recorded on a receipts and payments basis.
<b>Appropriation</b>	The transfer of ownership of land or buildings from one service to another. Transfer of the purpose for holding land from one purpose to another.
<b>Budget</b>	A statement of the authority's plans for revenue and capital expenditure and income over a specified period of time.
<b>Budget Head</b>	A specific area of activity where expenditure may be incurred or income collected.
<b>Capital Discharged</b>	The amount of capital expenditure which has been paid for out of revenue or other sources.
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<b>Capital Receipts</b>	Proceeds from the sale of assets and other receipts of a capital nature over £10,000.
<b>Capital Receipts Unapplied</b>	Capital receipts not yet used for repayment of debt, or to finance capital expenditure.
<b>Deferred Capital Receipts</b>	Deferred Capital Receipts are the amounts derived from sales of assets which will be received in instalments over agreed periods of time.
<b>Fidelity Guarantee</b>	Insurance against fraudulent losses.
<b>Government Grants</b>	Sums paid by central Government towards either specific services or in aid of services generally.

<b>Net Revenue Budget</b>	
<b>Outturn</b>	The actual income and expenditure for a period or financial year as disclosed by the quarterly reports or final accounts.
<b>Precept</b>	A rate which the Council is required to levy on behalf of a non-rating authority, e.g. Surrey County Council.
<b>Rateable Value</b>	The annual assumed rental value of a property, to which rate poundages are applied to arrive at rates payable.
<b>Reserves</b>	Funds set aside to meet future revenue and capital expenditure on specific items or as a contingency against future losses.
<b>Revenue Contributions to Capital Outlay (REFCUS)</b>	The financing of capital expenditure directly from revenue, as permitted under statute.
<b>Revenue Expenditure</b>	The day to day costs of providing services, i.e., staff costs and overheads, such as, advertising, subscriptions and vehicle running costs.
<b>Value for Money</b>	<p>The National Audit Office (NAO) uses three criteria to assess the value for money of government spending i.e. the optimal use of resources to achieve the intended outcomes:</p> <p>Economy: minimising the cost of resources used or required (inputs) – spending less;</p> <p>Efficiency: the relationship between the output from goods or services and the resources to produce them – spending well; and</p> <p>Effectiveness: the relationship between the intended and actual results of public spending (outcomes) – spending wisely.</p>
<b>Virement</b>	The transfer of funds between budget heads, once approved by the Chief Financial Officer

<b>Voted</b>	Sums approved by councillors for expenditure against budget heads.
<b>Working Balances</b>	Sum provided within the accounts to meet those expenses which are incurred in advance of the receipt of income as well as for unforeseen contingencies.