



**CITY OF YORK COUNCIL**

**Financial Regulations  
(Draft)**

**Version 1 June 2009**

**City of York council  
Financial Regulations**

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# Status of Financial Procedure Rules

## Introduction

- 1 These Financial Regulations (Regulations) provide the governance framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and to anyone acting on its behalf.

## Observing these regulations

- 2 These Regulations apply across all parts of the whole organisation, including all Member fora and Directorate services, as well as all arms length organisations, 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, officers must ensure that the accounting body has in place adequate Regulations and proper schemes of delegation. Schools are bound by these Regulations unless the School Standards and Framework Act 1988 (SSFA98) specifically exempts them from any particular provisions set out herein (e.g. financial thresholds, if the Framework provides differently).
- 3 All Council members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money (VFM) and achieves best value (notwithstanding the delegated authorities of any given committee or officer). 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.

## Maintaining these regulations

- 4 The Council operates a system of managerial and financial control whereby the Chief Finance Officer (CFO) has overall responsibility for the proper management of the finances of the Council as a whole but the responsibility for the day-to-day financial control and administration in each Directorate is devolved to the Director.
- 5 The overall responsibilities of the CFO in respect of these regulations are therefore to:

- a) maintain these Regulations and submit any additions or changes necessary to Full Council for approval in consultation with the Monitoring Officer (MO);
  - b) issue explanatory advice and guidance to underpin these Regulations as necessary. Where such advice and guidance is issued, members, officers and others acting on behalf of the Council are required to comply with it in accordance with the general provisions of these Regulations;
  - c) require any officer to take any action deemed necessary (as is proportionate and appropriate) to ensure proper compliance with these Regulations;
  - d) report, where appropriate, any breaches of these Regulations to Members;
- 6 These regulations have been drafted with a view to avoiding any uncertainty or ambiguity as to the principles, standards and procedures to be observed. Should any uncertainty or dispute arise pursuant to these Regulations, the matter must be referred to the CFO for interpretation and/or arbitration.

## Sanctions & remedies for non-compliance

- 7 Failure to comply with any part of these Regulations may constitute misconduct and lead to formal disciplinary action.

## Part A

# Financial Management Standards

## Introduction

- 1 This Part of the Regulations set out the overall framework of financial management responsibilities at the Council, including the accounting policies, standards, record keeping and financial statements the organisation is required to maintain in managing its finances and financial affairs.
2. All members and staff have a common duty to abide by the highest standards of probity and propriety when making decisions about the use of public monies. It is important for the way in which this is done to be transparent, properly accounted for in respect of the correct accounting year and reported in accordance with recognised accounting standards, conventions and policies

## Member roles & responsibilities

3. Member responsibilities for the overall management of the Council's financial affairs are exercised through:
  - **Full Council**, which is responsible for the Council's overall Policy Framework and for setting the Budget within which the Executive will operate (See Constitution Part 3).
  - **The Executive**, which is responsible for proposing policy and the Budget to the Full Council.
  - **The Audit & Governance Committee**, which is responsible for approving the statement of accounts.

## The Chief Finance Officer (CFO)

4. The functions and responsibilities of the CFO are directed in the first instance by legislation that imposes statutory duties on the CFO for the proper management, financial administration and stewardship of Council assets and the fiduciary interests of local tax payers. These statutory responsibilities cannot be overridden and arise from:
  - Section 151 of the Local Government Act 1972;
  - The Local Government Acts 2000 & 2003;
  - The Local Government Finance Act 1988;
  - The Local Government and Housing Act 1989;

- The Accounts and Audit Regulations 2003, as amended by the Accounts & Audit (Amendment) (England) Regulation 2006
5. These responsibilities include:
- a) the preparation of the Council's annual Statement of Accounts and the compilation and retention of all supporting accounting records and working papers, in accordance with the proper professional practices and set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice - the SORP (CIPFA/LASAAC). The financial year observed by the Council runs from 1 April to the following 31 March;
  - b) the proper administration of the Council's financial affairs, systems and procedures;
  - c) setting and monitoring compliance with financial management standards and controls;
  - d) ensuring proper professional practices are adhered to in acting as the Head of Profession in relation to the standards, performance and development of all finance staff across the organisation;
  - e) providing advice on the key strategic controls necessary to secure sound financial management (including the operation of an effective internal audit function);
  - f) ensuring that financial information is available to enable accurate and timely monitoring and reporting;
  - g) determining the contents of all financial procedure manuals and ensuring compliance with the requirements of the Financial Regulations
6. The CFO can choose to delegate his day-to-day responsibilities in respect of his/her functions and responsibilities as defined by these Regulations in accordance with the Council's Scheme of Delegation and any corresponding Directorate schemes of delegation. The CFO may delegate his/her responsibilities to an appropriate representative(s). Where this is the case the delegation and officer responsibilities must be clearly documented in the relevant Directorate scheme of delegation and be kept under regular review by the CFO further to these Regulations.

## The Chief Internal Auditor (CIA)

- 7 The CIA is designated by the CFO as part of his/her Directorate Scheme of Delegation further to Article 13 of this Constitution and plays a key role in providing assurance to the Members, the CFO, the Head of Paid Service and Corporate Management Team about the practical deployment and effectiveness of financial management arrangements across the organisation.
- 8 The CIA has rights of access to information and data held by officers or members of the Council at all reasonable times and is responsible for the overall management and deployment of internal audit resources at the Council. He/she also has the right to report on any relevant matter of concern to senior management and members of the Council outside normal line management arrangements should he/she deem this necessary in protecting the interests of the Council and/or local tax payers.

## Directors

- 9 Whilst the CFO has overall responsibility for the finances of the Council, Directors are responsible for the day-to-day management of their Directorate's finances. Their responsibilities in relation to financial management include:
  - a) maintaining a satisfactory financial management function within their Directorates with sufficient staff, accommodation and other resources (including legal advice where this is necessary) to carry out the duties specified by legislation or otherwise directed by these Regulations;
  - b) promoting and ensuring compliance with the financial management standards and practices set by the CFO in their Directorates;
  - c) consulting with the CFO on any matter which is liable to materially affect the resources of the Council. This must be done before any commitment is incurred, or a report made to an Executive Member or to a Committee for decision;
  - d) ensuring that Executive Members are advised of the financial implications of all proposals and that these have been agreed by the CFO or his/her nominated representative;
  - e) signing contracts on behalf of the Council in accordance with the contract procedure rules set out in Part D of these Regulations;



- f) reporting suspected fraud and irregularities to the CIA for investigation and referral to the Police as necessary;
- g) ensuring that the common officer delegations relating to financial management and administration as set out in the Council's Scheme of Delegation within their Directorates are exercised with due regard to the detailed requirements of these Regulations;
- h) implementing the management recommendations of the Internal Audit provider and external auditors agreed with the Director and/or the relevant Chief Officers and Heads of Service.

## Part B

### Financial planning & budgeting

#### Introduction

- 1 The purpose of financial planning is to set out and communicate the organisations objectives, resource allocations and related performance targets and to provide an agreed basis for subsequent management control, accountability and reporting.
- 2 The Council's Budget sets agreed parameters around the annual activities and functions of Directorates and their services. The Council's Medium Term Financial Plan represents a three year financial plan to address those issues which have medium to long term financial implications for the organisation.

#### Budget Planning

- 3 The revenue budget must be constructed so as to ensure that it properly reflects the priorities of the Council and Service Plan considerations. Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit.
- 4 The budget process must ensure that resources are:
  - required in accordance with the law and properly authorised;
  - used only for the purpose intended to achieve approved policies, objectives and service priorities;
  - held securely for use when required;
  - used with the minimum level of waste, inefficiency or loss.
- 5 The CFO in consultation with each Director is responsible for:
  - a) ensuring that an annual revenue budget is prepared in the context of a medium term three year financial plan for consideration by the Executive and its recommendation to Full Council.
  - b) maintaining a resource allocation process that properly reflects all due consideration of the Council's Policy Framework, ambitions and priorities;
  - c) advising the Executive on the format of the budget for approval by Full Council;

- d) allocating central budgets for example inflation and superannuation;
  - e) providing advice and guidance to the Executive further to its responsibility for issuing guidance on budget preparation to take all due account of:
    - legal requirements;
    - medium term planning prospects and known issues;
    - the Corporate Strategy;
    - available resources
    - spending pressures;
    - government initiatives and public policy requirements;
    - internal policy directives;
    - cross cutting issues and Council priorities.
  - f) determining the detailed form of revenue estimates consistent with the budget approved by Full Council after consultation with the Executive and Directors;
  - g) reporting to the Executive on the aggregate spending plans of Directorates and on the resources available to fund them, identifying any implications for Council Tax levies;
  - h) advising on the medium term implications of spending decisions and funding options;
  - i) encouraging the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness and by encouraging good practice in conducting financial appraisals of growth or savings and developing the financial aspects of effective Service Planning;
  - j) advising the Full Council on the Executive's budget proposals in accordance with his/her responsibilities under S151 of the Local Government Act.
- 6 Directors are responsible for ensuring:
- a) budget estimates of income and expenditure are a realistic reflection of agreed corporate and service priorities, and that they are submitted to the Executive as part of the overall budget setting process. These estimates must be consistent with any relevant cash limits, the annual budget cycle and prepared in line with guidance issued by the Executive on the advice of the CFO. In drawing up draft budget plans Directors must have regard to:
    - spending patterns and pressures revealed through the budget monitoring process;
    - legal requirements;

- policy requirements as defined by Full Council and set out in the Policy Framework;
  - initiatives already under way.
- b) effective budgetary control within their Directorates, establishing detailed budgets for each service area in advance of the financial year and requiring such budgets to be properly managed by responsible named budget holders;
- c) financial and budget plans are integrated into service planning.
- d) If Directors are unable to keep within their agreed budget limits they must consult with the CFO, who has a statutory duty to report any significant issues to Members.

## Budget monitoring and control

- 7 The Council Budget sets an annual cash limit. To ensure the Council does not exceed its budget, each service area is required to manage its own income and expenditure within the cash limited budgets allocated to them to be spent on agreed service activities and functions.
- 8 The CFO is responsible for establishing a robust framework of budgetary management and control that ensures that:
- a) budget management is exercised within annual cash limits;
  - b) appropriate and timely financial information is available to Directors and budget holders that enables budgets to be monitored and controlled effectively;
  - c) expenditure is committed only against approved budget heads and associated structure of detailed cost centres;
  - d) all officers responsible for committing expenditure comply with these Regulations;
  - e) each cost centre is delegated to a named budget holder to be determined by the relevant Chief Officer (budget responsibilities should be aligned as closely as possible with those making day to day decisions to commit expenditure);
  - f) significant variances from budget are investigated and reported by budget holders on a regular basis.
- 9 The CFO must monitor and control the level of income and expenditure against budget allocations overall. He/she must ensure that monitoring reports are provided through the Finance and Performance Monitoring Framework for Members to consider on a regular basis throughout the financial year (to be determined

and advised by the CFO) and a report after the year end setting out the revenue outturn. Budget monitoring reports must include:

- a) explanations of all variations to service budgets where deemed appropriate by the CFO;
  - b) explanations of financial implications and material considerations such as:
    - part and/or full year consequences of variances;
    - one off and/or recurring costs and income;
    - total scheme costs and sources of funding;
    - asset rental costs or leasing effects;
    - costs associated with staffing matters including the costs of redundancy and effects on the pension fund;
    - service plan implications and impact on service delivery (both within the service plan area and across other services or portfolios as appropriate).
- 10 Reports containing budget monitoring information must be reviewed by the CFO, or by his/her nominated representative(s) (where not otherwise prepared by his/her nominated representative in Directorates) at least 5 working days in advance of the relevant committee distribution date.
- 11 The CFO is also responsible for:
- a) reporting to the Executive and Full Council in consultation with the relevant Director if he/she is unable to balance expenditure and resources within their existing budgets and a supplementary estimate is required;
  - b) jointly preparing with the relevant Director(s) reports to the Executive regarding virements (Para13) which are in excess of £500,000 (either as individual items in-year or when taken in aggregate across the same category of budgeted income or expenditure in any one financial year);
  - c) reporting regularly to the Executive (as determined and advised by the CFO) on the overall revenue budget position and the Council's available contingencies, balances and reserves.
- 12 It is the responsibility of Directors to:
- a) ensure effective budgetary control arrangements exist and are observed within their own Directorates in accordance with these Regulations;
  - b) ensure spending remains within the relevant cash limits by controlling income and expenditure within their Directorate, monitoring performance and taking corrective action where significant variations from budget are forecast, taking account of any financial information and/or advice provided by the CFO or his/her nominated representative(s).

- c) regularly report performance and variances within their own areas and take action to avoid exceeding their budget allocation, alerting the CFO to any known or expected budget problems;
- d) report to the Executive and Full Council as necessary the financial implications of any new in-year proposal or amendment that will:
  - create financial commitments in future years;
  - change existing policies, initiate new policies or result in existing policies ceasing to operate;
  - materially extend or reduce the Council's services.

## Schemes of virement

- 13 The term virement refers to transfers of resources between or within approved cost centres for both revenue and capital purposes. A virement does not create additional budgetary liabilities. Instead the virement mechanism exists to enable the Executive, Chief Officers and their staff to manage their budgets with a degree of flexibility within the overall Policy Framework and Budget set by Full Council, thereby optimising the use of resources throughout the financial year. The virement schemes for revenue and capital do not exist as a means of remedying poor budgetary control or financial planning for known commitments and service priorities, or otherwise excuse Chief Officers and budget holders from the need to manage their budgets prudently and responsibly. Nor may virements be effected after the year end to retrospectively fund over or under spends unless approved in advance by the CFO.
- 14 It is important that the scheme is carefully controlled within guidelines established by Full Council and administered by the CFO. Any variation from those guidelines must be approved by Full Council. All virements must:
- not commit the Council to any on-going additional expenditure in future years unless virements are permanent redirections of resources;
  - be notified in writing to the CFO or his/her nominated representative;
  - be reported in budget monitoring reports to the Executive in accordance with the scheme of virement operated by the Council
  - be recorded in the Council's financial systems.
- 15 The scheme of revenue virement and agreed thresholds for delegated decision making purposes is set out below.

## Scheme of revenue virement delegations

<b>Decision maker</b>	<b>Delegated powers &amp; authority</b>	<b>Thresholds</b>
The Executive	To approve virements between Service Plans in excess of £500k (either individually or in aggregate for the financial year)	Over £500k up to the cash limits set by the Budget
	To approve allocations of resources from approved contingencies and reserves	As set by the annual Budget
	To make recommendations to Full Council for the release of budget resources in excess of the approved contingencies and reserves	As set by the annual Budget
	To approve virements from within existing Service Plans or between Service Plans into new or otherwise unplanned functions and activities if savings are available to be re-directed into the new activity	Over £500k
Directors	To approve virements within or between Service Plans within their Directorates in excess of £100k and up to £500k (either individually or in aggregate for the financial year) in consultation with the relevant Executive Member	Over £100k and up to £500k
	To approve virements from within existing Service Plans or between Service Plans within their Directorates into new or otherwise unplanned functions and activities if savings are available to vire into the new activity	Over £100K and Up to £500k in consultation with the relevant Executive Member
	To approve virements between directorates in consultation with the relevant directors	Up to and including £50K in consultation with the relevant Executive Member
Other Chief Officers	To approve virements within their Service Plans up to £100k (either individually or in aggregate for the financial year)	Up to £100k

## The Capital Programme

- 16 The Capital Programme is a plan that sets out the resource allocations to be made to capital schemes that have the approval of Full Council. Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the organisation, such as land, buildings, major items of plant, equipment or vehicles
- 17 The Regulations and standards relating to budgetary management and control of the revenue Budget apply equally to capital expenditure and any changes to revenue budgets arising out of changes to the Capital Programme must be dealt with accordingly. All capital expenditure is incurred or committed on a

scheme by scheme basis. Capital expenditure must be reported gross of any funding and controlled at that level.

- 18 No expenditure may be incurred on a project unless it has been approved as part of the Capital Programme. Equally, no scheme requiring Government sanction or funding either in full or in part may begin until the sanction and/or funding has been officially confirmed. All credit agreements must be referred to the CFO for approval prior to schemes being included in the Programme.
- 19 All capital expenditure must be incurred by 31 March of the financial year for which it is approved, although approvals can be slipped provided the position is reported to the Executive, unless there is an external requirement to spend within any given year. Where schemes are part of a rolling programme or span a number of years, approval is required for each year's expenditure when the scheme is approved for inclusion in the Programme.
- 20 As with the revenue Budget, it is possible to vire between schemes within the approved Capital Programme where known funding shortages and/or underspends have arisen. The same rules and principles set out in paragraphs 13 - 15 above for revenue virement apply to the Capital Programme. If shortfalls in funding or overspends cannot be met by transferring resources between schemes within the agreed Capital Programme, requests of additional funding from reserves must be prepared by the relevant Director in consultation with the CFO for approval by the Executive. The scheme of capital virement and thresholds for delegated decision making purposes is set out in the table below.

### Scheme of capital virement delegations

Decision maker	Delegated powers & authority	Thresholds
The Executive	To approve individual virements between schemes in excess of £500k	Over £500k
	To re-phase approved scheme expenditure between years in excess of £500k for each scheme	Over £500k
Directors	To approve individual virements between schemes in excess of £100K up to a maximum of £500k in consultation with the relevant Executive Member	Over £100K and Up to and including £500k
	To approve individual virements between schemes up to a maximum of £100k	Up to and including £100k

- 21 In relation to the Capital Programme the CFO is responsible for:



- a) ensuring that an annual capital programme is prepared for consideration by the Executive for recommendation to Full Council;
- b) reporting to the Executive on income, expenditure and resources compared with approved estimates;
- c) issuing guidance on capital schemes and controls and defining what will be regarded as capital having proper regard to Government regulations and accounting conventions;
- d) ensuring that all schemes relying on the use of prudential borrowing powers for funding purposes are properly appraised on the basis of a robust business case as part of the CRAM process. Detailed practitioner guidance on the nature and use of prudential borrowing and 'Prudential Scheme' are set out in *'The Guide to Prudential Borrowing'* issued by the Council's Corporate Accountancy team;
- e) directing the activities and functions of the Corporate Capital Monitoring Group (CAPMOG) and its responsibilities for monitoring the Capital Programme on an on-going basis and managing the CRAM process;
- f) maintaining a record of the current capital budget and expenditure on the Council's financial systems.

22 In relation to the Capital Programme Directors are responsible for:

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

## Medium term financial planning

- 23 Medium term financial planning allows the Council to think beyond the constraints of any given financial year and annual budget and prepare for future events. The Director of Resources is delegated as part of the final accounts process to make proper provision for known future commitments, which are consistent with agreed budgetary and/or policy framework. In doing so it is important that there is a mechanism for the carry forward of in-year budget under or overspends - in effect a virement of resources between accounting years. The ability to do this is central to effective medium term financial planning in a devolved financial management environment such as at the Council, serving to both:
- empower budget holders to think beyond immediate service needs and plan over longer time frames to achieve significant changes and improvements and make best use of resources;
  - hold budget holders to account for their budget management performance in so far as budget overspends will not be written off at the end of each financial year but will have to be carried forward.
- 24 The CFO is responsible for reporting a medium term financial strategy to the Executive for recommendation to Full Council. In doing so he/she is responsible for setting and reviewing parameters around the carry forward of over and underspends on Service Plan budgets within any given planning period and issuing advice and guidance on how these will be applied.
- 25 Any overspending on service estimates in total on budgets under the control of a Director must be reported by the CFO to the Executive. Where overspending is such that it appears the overall budget will be exceeded, and there is a need for an additional call on the council reserves the CFO must report the issue to full council.. Directorates will be allowed the facility to spread repayments over a maximum of three years however any overspending should be met, where possible, from any Directorate Reserves that are in existence. At the Discretion of the Executive, the requirement for overspending to be carried forward can be waived/reduced. This discretion may be applied in cases where the overspending arises from exceptional items, or where the implications of carrying forward the overspending would result in significant service implications. As a minimum Directorates will receive 25% of any underspending in year, to be carried forward into a general Directorate Reserve. At the Discretion of the Director of Resources, up to 50% of an in year underspend may be carried forward, subject to this not leading to any overall net overspending for the Council as a whole. The Director of Resources will determine the relevant maximum

percentage to be allowed to be carried forward, up to a value of 50% Directorates will be able to make further specific requests to the Executive for carry forward on particular schemes, however this will be informed by consideration of the level of Directorate Reserves, and the level of general carry forward (if any) that has already been granted. Where there is a major exceptional item, this may be taken into account in the calculation of any carry forwards.

- 26 All internal surpluses arising from in-house trading activities/business units shall be retained for the benefit of the Council subject to any provision to do otherwise set out in the Medium Term Financial Strategy.
- 27 Schools' balances will be available for carry forward to support the necessary expenditure of the school concerned. Where an unplanned deficit occurs, the governing body shall prepare a detailed financial recovery plan for consideration by the Chief Education Officer and the Executive Member concerned in consultation with the CFO.
- 28 Schools must prepare a plan to recover the deficit within a defined period. In exceptional circumstances schools may seek to incur expenditure to be financed by anticipating future year budgets. Any such arrangement must be approved by the relevant Executive Member and proposals to do so accompanied by a detailed plan setting out how the arrangement is to be accommodated as a first call on their future budget share.

## Reserves & balances

- 29 Financial reserves and balances are maintained as a matter of prudence against unforeseen events and future contingencies. The CFO is responsible for advising the Executive and Full Council on prudent levels of reserves and balances for the Council as part of the annual budget setting process based on a reasoned assessment of risk.
- 30 The Council must decide the level of its general reserves in determining the level of Council Tax. The purpose, usage and basis of transactions must be clearly set out in respect of each of the reserves and balances held by the Council. Expenditure from Council reserves and balances can only be made with the prior approval of the Council, unless delegated authority to do so has been conferred by the Executive to an Executive Member or Director.

## The Venture Fund

- 31 The Council maintains a Venture Fund as part of its reserves designed to provide some capacity to support one-off 'Invest to Save' type initiatives that might otherwise struggle to secure funding in the annual budget setting process.

- 32 Officers are able to bid for Venture Fund monies each year with a view to any advances from the Venture Fund being re-paid within a 7 year period at an internal borrowing rate fixed in relation to the councils Consolidated Rate of Interest to be determined by the CFO. All bids to the Venture Fund must be made in the form of a business case setting out the nature and purpose of the proposal, forecast income and expenditure and payback period.
- 33 The CFO is responsible for convening a panel of at least 3 suitably experienced officers to consider all bids to the Venture Fund. The Panel will meet to determine which bids to support based on the merits of the individual business case and the level of balances in the Fund available for investment over the course of the financial year. Where there are competing demands for resources the Panel will determine a scoring model based on an assessment of fit with corporate objectives, the strength of the financial business case, risk of return, impact, customer benefits and alternative funding opportunities including Prudential borrowing if budget is available.
- 34 All bids must be sponsored by the relevant Chief Officer and have been considered by the local Finance Manager before being submitted to the Venture Fund Panel for consideration. The CFO has delegated authority to approve bids up to £100,000 from either the Venture Fund or through Prudential borrowing. Delegated decisions will be advised to the Executive as part of the budget monitoring and reporting process. Bids in excess of £100,000 must be referred to the Executive for approval.

## Part C

### Audit & Risk Management

#### Audit & inspection

- 1 Audit is a key management tool that Members and Chief Officers should rely on to provide an independent and objective assessment of the probity, legality and value for money of Council arrangements. It examines, evaluates and reports on the adequacy of internal systems of control in the proper, economic, efficient and effective use of resources. Legislation requires that the Council provides for the function of both internal and external audit services.
- 2 The statutory requirement for the Council to maintain "*an adequate and effective system of internal audit*" is set out in Regulation 5 of the Accounts and Audit Regulations Act 2003, as amended by the Accounts & Audit (Amendment) (England) Regulation 2006 and further to S151 of the Local Government Act 1972.
- 3 In summary, the service exists to:
  - a) provide assurance to Members, Chief Officers and the general public on the effective operation of governance arrangements and the internal control environment operating at the Council;
  - b) objectively examine, evaluate and report on the probity, legality and VFM of Council arrangements for managing all items of income, expenditure and safe-guarding assets;
  - c) review arrangements for ensuring proper accounting controls, systems and administration are maintained and make recommendations for action and improvement;
  - d) help to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing;
  - e) act as a means of deterring all fraudulent activity, corruption and other wrongdoing, conducting investigations into any matter referred to it for investigation by management or officers and members of the public and reporting its findings to Directors and Members as appropriate for action;
  - f) undertake the prioritised investigation of all instances of alleged housing benefit fraud and prosecute those cases where fraud has been identified to protect the Council and fiduciary interests of the community and the public purse;
  - g) conduct investigations into suspected fraudulent activity and improper conduct as reported by Members, Governors

and employees referred to it further to the Council's Whistle-blowing policy;

- h) report all known breaches of these regulations and Council Standing Orders and any other action leading to expenditure incurred ultra vires, identifying any areas of poor financial probity and stewardship problems for action by Chief Officers and Members as appropriate;
  - i) advise the CFO and MO as to any necessary intervention in decision making if it is likely that any proposed action will lead to unbudgeted or unlawful expenditure or activity;
  - j) review the Council's arrangements for ensuring the income and expenditure of the organisation is properly and regularly monitored in line with the budget setting, monitoring and reporting requirements set out in these Regulations;
  - k) advise officers and members of value for money issues and/or the poor or inappropriate use of Council resources and make recommendations for improvement;
  - l) review the optimisation of income generation opportunities from grants and subsidies monies available from Government;
  - m) advise the CFO of any appropriate action necessary to safeguard the fiduciary interests of the Council and current and future Council Tax payers.
- 4 The internal Audit & Fraud provider and the external auditors must be allowed to act independently and objectively in their planning and operation without undue influence by either Directors or Members.
- 5 The CIA is designated by the CFO. He/she, or his/her nominated representative(s), has rights of direct access and reporting to the CFO, the Assistant Director of Resources (Customer Service & Governance) who is the client officer for the Audit & Fraud provider, all Directors and Members. His/her staff have rights of access to all Council buildings and properties, information and data at all reasonable times.
- 6 The Audit Commission is responsible for appointing external auditors to Councils. The duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998 and the Local Government Act 2000. These variously include rights of access and the right to report publicly on their findings and recommendations. The external auditors must comply with the provisions of a Code of Audit Practice in planning and conducting their work. This includes the audit of the Council's financial statements, the financial aspects of corporate governance and performance management. The work of the

District Auditor is reported to the Executive and Full Council in his/her annual management letter.

- 7 The Council may also be subject to audit, inspection or investigation by external bodies such as HM Revenues & Customs, and various other Inspectors of service at any time.

## Preventing fraud & corruption

- 8 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by Members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that Members and all staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the Constitution, the Council's Policy Framework and all relevant professional and other codes of practice. To that end the Council has adopted an anti-fraud and corruption strategy, fraud prosecution policy and whistle-blowing policy along with codes of conduct governing the behaviour of Members and officers.
- 9 All staff and Members of the Council must inform the CIA immediately if they suspect or know of any impropriety, financial irregularity, fraud or corrupt practice. The CIA is responsible for determining the nature of any investigation work required in respect of any allegation of wrong doing, and/or any other action required and may refer matters to the Police or other appropriate external body as he/she sees fit in consultation with the contract client officer (Assistant Director of Resources - Customer Service & Governance)
- 10 The internal Audit & Fraud providers are required to investigate all referrals of fraud at the direction of the CIA and client manager and in doing so have:
  - a) rights of access to all Council premises and property, all data, records, documents, and correspondence relating to any financial matter or any other activity of the Council;
  - b) the right to require any member of staff or Member to provide any information or explanation needed in the course of their investigations;
  - c) the right to prosecute cases of benefit related fraud in the courts;
  - d) the right to refer investigations to the Police in consultation with the relevant Director(s), client manager and CFO.

- 11 In addition, the CIA should to:
- a) refer cases directly to the Police if he/she believes that normal consultation practices would compromise the integrity of the investigation against the interests of the Council or the general public;
  - b) notify the District Auditor of any matter that they would rightly expect to be informed of in order to support the function of an effective and robust external audit service;
  - c) require any officer or member to:
    - make available such documents relating to the accounting and other records of the Council that are necessary for the purpose of the audit;
    - supply any information or explanation considered necessary for that purpose.

## Managing risk

- 12 Risk Management is inherent to good management practice and essentially; it is concerned with identifying potential events (risks), establishing what could go wrong (threats) and the potential for success (opportunities) with the aim of trying to achieve the right balance between the two. The outcome from proper risk consideration ensures that managed controls are in place and the effective prioritisation and allocation of potentially scarce resources to the most appropriate area (high risk), to ensure service continuity and performance improvement. Full details of the way that the Council manages its risks are set out in the Risk Management Policy and Strategy and form part of the supplementary guidance to these regulations



## Part D

### Systems & procedures

#### Introduction

- 1 Good systems and procedures are essential to the effective management and administration of the Council's financial affairs. This section covers:
  - Accounting systems
  - Income
  - Expenditure
  - Banking arrangements
  - Treasury management
  - Taxation
  - Stock & stores
  - Trading accounts

#### Accounting systems

- 2 The Council relies on a variety of different financial and accounting systems in controlling and administering the finances of the organisation. It is vital that these systems ensure information is recorded accurately, completely and in a timely manner and that all necessary controls are in place to ensure that all transactions are properly processed and any errors detected promptly and rectified.
- 3 The CFO is responsible for:
  - a) determining the Council's main accounting system for the preparation of the Council's accounts and for monitoring all income and expenditure. The main accounting and budgeting system used at the Council is known as the Financial Management System (FMS);
  - b) determining any other key financial systems which may sit outside the FMS;
  - c) ensuring that all financial systems are sound and properly integrated and interfaced;
  - d) issuing advice, guidance and procedure notes on the use and maintenance of FMS and related financial systems and for ensuring that all finance staff are trained and competent in the using financial systems.
- 4 Directors have devolved responsibility for the finances of their Directorates and must ensure that proper accounting and financial systems exist and incorporate adequate internal controls

to safeguard against waste, loss or fraud. They must also ensure that officers in their Directorates are aware of and have access to copies of these Regulations and any supplementary advice and guidance issued by the CFO.

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

## Income

- 6 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow in line with the Councils Income Policy that forms supplementary guidance to these regulations.
- 7 All cash received must be acknowledged by the issue of an official receipt and all monies then accounted for and paid over to central Cashiers or directly into an approved bank account.

Details of all cash received on a local basis must be forwarded to the CFO for allocation to the correct accounts.

- 8 Income must never be used to directly fund expenditure (ie all transactions must be shown separately in the ledger, both income and expenditure). Officers are directly responsible for the safe custody of any money received until it has been paid into the bank or handed over to another officer. Receipts should be given and retained in such circumstances.
9. Procedures for writing off debts shall be as follows:

<b>Decision maker</b>	<b>Delegated powers &amp; authority</b>	<b>Thresholds</b>
The Executive	Amounts exceeding £200,000 may only be written off on the authority of the Executive. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £200k
Executive Member	Amounts over £10,000 and not exceeding £200,000 on the authority of the Executive Member (Corporate Services) in consultation with the CFO. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery	Over £10k and up to and including £200K
CFO	Amounts over £5,000 and not exceeding £10,000 on the authority of the CFO in consultation with the Executive Member (Corporate Services). The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £5k and up to and including £10k
Chief Officers	Amounts not exceeding £5000 may be written off by any Chief Officer in consultation with the CFO, who shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £100 and up to and including £5k
Head of Financial Procedures	Amounts not exceeding £100 may be written off by the Head of Financial Procedures, who shall maintain a record of all such write-offs showing attempted recovery action where taken and the justification for non-recovery.	Up to and including £100

- 10 The CFO is responsible for making arrangements for the collection of all income due to the Council and approving the procedures, systems and documentation used in its collection. Preparing a corporate Debt Management Policy in consultation with other Directors for approval by the Executive. Regularly reviewing all fees and charges levied by services and ensuring they are set with due regard to comparable market rates, the

legal responsibilities of the organisation, the Income Policy and any relevant social or economic policy objectives set out in the Council's Policy Framework

- 11 Directors are responsible for:
- a) collecting income for which there is budget provision within the budgets for which they are responsible;
  - b) using the systems for the collection and recording of cash and credit income provided by the CFO unless they have the approval of the CFO to make alternative arrangements;
  - c) the proper separation of duties between staff raising accounts and those responsible for income collection;
  - d) collecting all income and initiating all appropriate recovery action for debts that are not paid promptly where local arrangements for doing so have been agreed with the CFO;
  - e) requiring at least two staff to be present when post is opened to ensure any money received in that way is properly identified, recorded and safeguarded;
  - f) issuing official receipts as necessary and maintaining all other documentation for income collection purposes and ensuring controlled stationery is securely stored;
  - g) keeping all income received in secure storage and ensuring cash holdings do not exceed insurance limits;
  - h) ensuring all income is paid fully and promptly into approved bank accounts in the form in which it is received and that all details are properly recorded on paying in slips which are retained for audit trail purposes. Money collected and deposited must be reconciled to the bank account on a regular basis;
  - i) ensuring income is not used to cash personal cheques or used to make other payments;
  - j) supplying the CFO with all details relating to works done, services supplied or other amounts due to be raised through the corporate invoicing system;
  - k) establishing charging policies for the supply of goods and services levied by their Directorate's services and ensuring all fees and charges are set with due regard to income policy, the legal responsibilities of the organisation and any relevant social or economic policy objectives set out in the Council's Policy Framework;
  - l) assisting in the collection of debts originating from their Directorates by providing information and taking any recovery action necessary on a local basis with the agreement of the CFO;

- m) recommending to the CFO all debts to be written off and maintaining records of all sums written off. Once raised on the accounting system, no bona fide debt can be cancelled except by full payment or by being formally written off in the accounts. Credit notes can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and must not be used for any other purpose;
  - n) notifying the CFO of any outstanding income due in relation to the previous financial year as soon as possible in line with the annual timetable for the closedown of the accounts determined by the CFO.
- 12 All officers are responsible for the safe custody of any money received until it has been paid into the bank or handed over to another officer.

## Expenditure

- 13 Expenditure may be incurred provided there is funding available through normal ordering and invoicing processes, entering into a contract arrangement, through the payment of salaries, wages and allowances or in exceptional circumstances through raising a cheque requisition. Directors, or their nominated representatives, are authorised to incur expenditure on works, goods and services where there is an approved budget for which they are responsible, provided such expenditure is legally incurred and within the Policy Framework. Expenditure must be shown separately to income and expenditure proposals that attract amounts of income must be shown gross in the accounts. The determination of any financial thresholds or bandings referred to by these Regulations must therefore be done with reference to the gross amount.

### Ordering works, goods and services

- 14 Directors must use the FMS system except in the case of emergencies or if approval has been given by the CFO to an alternative arrangement.
- 15 Official orders which including e-orders must be issued for all purchases except:
- payments made on the basis of a formal contract;
  - purchases made through petty cash
  - continuous charges for supply (ie periodic accounts for gas, electricity, water etc).

- 16 Official orders electronic or otherwise must be in an approved form as determined by the CFO. They may only be authorised by signatories up to the limits of their delegation as set out in the relevant Directorate schemes of delegation. This record must be accurate, complete and kept up to date. If it is necessary for an oral order to be placed for any good reason, it must be followed up by a official order as soon as it possible to do so. Orders must be clear and specific (ie they should state quantity, price, nature of the goods or service etc so that meaningful comparison between what was ordered and what has been received can be made and the invoice can be matched to the order). Official orders may not be raised for personal or private purchases. Schools have their own ordering procedures and must abide by the regulations set out in the Local Management of Schools scheme.

#### Payments for works, goods and services

- 17 Payments for works, goods and services must only be made:
- on receipt of an invoice or contract certificate which satisfies VAT regulations, or;
  - where the liability for payment is clearly established and evidenced;
  - in accordance with contractual commitments.
- 18 All Directors must use the FMS system unless they have the approval of the CFO to make alternative arrangements. Officers must ensure payments for works, goods and services are not made unless:
- they are supplied in accordance with an official order, or contract, and the invoice amount/contract certificate is correct;
  - payment is in respect of a periodic account or for a service regularly supplied and the amount invoiced is properly payable.
- 19 Payments in advance must be avoided except where this is the accepted practice for the type of expenditure involved (e.g. leasing payments, travel or conference facility fees). Advance payments in excess of £5,000 can only be made with the approval of the CFO all sums below this amount, which are not accepted practice can be approved by the relevant Director. Where interim or part payments form part of a contract, interim certificates or part invoices must be authorised for payment only after the value of the work done or goods or services received has been confirmed.
- 20 A proper separation of duties between staff responsible for creating contractual commitments (or otherwise ordering works, goods and services) and those authorising invoices for payment

which should in turn be kept separate from staff responsibilities for receiving and checking works, services and goods. Directors must agree alternative arrangements with the CFO if it is not practically possible to maintain an adequate separation of duties for any reason.

- 21 All invoices and receipts must be original documents which comply with VAT regulations (invoices and receipts scanned through the Councils EDRMS system are accepted as original documents). Invoice coding slips for use in exceptional circumstances must be properly completed detailing the correct VAT code, finance ledger codes, sufficient narrative description to allow invoices to be matched and properly described in the ledger and all necessary signatures electronic or otherwise for authorisation and payment.
- 22 Directors must ensure that payments are made in an appropriate timescale that will not unduly disadvantage the Council's cash flow, result in the Council incurring late payment penalties or prejudice the financial position of those to whom the payment is to be made. The performance standard for the payment of invoices is 30 days. This is a Local Performance Indicator that is monitored by CMT and reported to Executive.

#### Contracting for works, goods and services

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

#### Payments of salaries, wages & allowances

- 24 Staff costs form the largest item of expenditure made by the Council. It is important that payments are accurate, complete, timely and made in accordance with what is due consistent with the individual conditions of employment and/or the terms of any officer or Member allowance scheme and that such payments are fully recorded and accounted for in the accounting system.
- 25 The CFO is responsible for providing a corporate payroll system for recording all payroll data and generating payments to employees and Members. The system must allow for the proper calculation of all pay and allowances, National Insurance and pension contributions, Income Tax and all other deductions. Directors must use the corporate payroll system for all payments to employees. Directors are responsible for ensuring that all information relating to an employee's entitlement to pay and/or the payment of allowances are forwarded to the Payroll team within agreed timescales or otherwise properly and completely input on a local basis (if that arrangement has been agreed with the CFO). All supporting evidence of entitlement must be provided to payroll at the same time (i.e. signed timesheets,

appointment forms, changes in pay scales, approval for responsibility payments etc). Schools are permitted to make their own payroll arrangements but if they choose to do so they must provide the CFO with all necessary information to provide assurance to the auditors that any alternative system is well controlled, managed and resulting in the correct payments being made to the correct staff.

- 26 Directors must have the approval of the CFO if they wish to pay an individual a wage or salary outside the payroll system. Any such circumstance must be regarded as exceptional and Directors must give careful consideration to the employment status of the individual in doing so (ie self employed, consultant or sub-contractor) and the taxation implications of making alternative arrangements.

#### Petty cash and disbursements

- 27 The CFO will provide petty cash floats to a maximum amount agreed with Directors for the purpose of meeting minor expenses. Directors are responsible for ensuring all petty cash monies are securely stored and are only used for the purposes intended. VAT receipts must be provided with requests for reimbursements. All receipts and vouchers must be retained and regular reconciliations carried out and recorded by staff responsible for managing petty cash floats.

#### Banking arrangements

- 28 It is the responsibility of the Executive to approve the banking arrangements of the Council and for the CFO to manage the banking contract on a day to day basis. Council payments must be made by cheque, BACS or other instrument drawn on the Council's bank account by the CFO. Directors must have the prior approval of the CFO to operate local bank accounts and this will only be allowed in exceptional circumstances. Detailed advice on the use and operation of local bank accounts is given in the Council's Guide to Managing Financial Risks and the Local Management of Schools finance manual.
- 29 The CFO is responsible for ensuring regular reconciliations are carried out for all the main bank accounts to the financial records of the Council. Responsibility for the regular reconciliation of local bank accounts resides with the relevant Directors. All cheques on the main bank account are to be ordered and controlled by the CFO who will make arrangements for the safe custody of all blank cheques and the preparation, signing and dispatch of cheques. All withdrawals or transfers with an individual excess of £50,000 must be counter-signed by another authorised signatory to the bank account. Directors must make arrangements for the safe custody of all blank cheques and the preparation, signing and dispatch of cheques for all other local bank accounts.



## Treasury Management

- 30 The Council has adopted the recommendations set out in the CIPFA Code of Practice on Treasury Management (the Code) which have been observed in setting out the Council's Treasury Management Strategy and policy statements.
- 31 The CFO is responsible for:
- a) preparing a Treasury Management Strategy setting out the objectives, policies, working practices and controls to be observed in the Council's treasury management activities for approval by the Executive;
  - b) ensuring the implementation of the strategy and its periodic review, reporting progress and any necessary changes to meetings with the Executive Member for Corporate Services on a regular basis;
  - c) all investment, borrowing and credit agreements entered into on behalf of the Council, credit cards, hire purchase arrangements and finance leases will not be approved for use except in very special circumstances;
  - d) approving the set up of any company, joint companies, joint ventures, partnerships or investments;
  - e) the custody of all financial securities which are the property of the Council, or are held in its name;
  - f) the registration of all Council owned stocks, bonds, mortgages and loans;
  - g) effecting all loans in the Council's name to meet its needs on the most economic terms available.
- 32 Directors are responsible for:
- a) ensuring that loans or guarantees are not given to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of Full Council following consultation with the CFO;
  - b) arranging for all trust funds to be held in the name of the Council wherever possible and ensuring that trust funds operate within the law and the specific requirements for each trust. All officers acting as trustees by virtue of the position with the Council shall deposit securities relating to the trust to the custody of the CFO unless the deeds specifically require otherwise;
  - c) arranging the secure administration of funds held on behalf of third parties and partnerships ensuring that the systems and controls for administering such funds are approved by the CFO and subject to regular audit.

## Taxation

- 33 The CFO is responsible for ensuring:
- a) the completion of all Inland Revenue returns regarding PAYE;
  - b) the completion of a monthly return of VAT inputs and outputs to HM Revenues & Customs;
  - c) the provision of details to the Inland Revenue regarding the construction industry tax deduction scheme;
  - d) the provision and maintenance of up to date guidance for Council employees on taxation issues in relevant accounting and taxation manuals and through advice provided by the Corporate Accountancy team.
- 34 Directors are responsible for ensuring that:
- a) the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenues & Customs;
  - b) where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry scheme (CIS) deduction requirements;
  - c) all persons employed by the Council are added to the Council's payroll and tax deducted from any payments made to them (with approved exceptions agreed by the CFO where the individuals concerned are bona fide self-employed or are employed by a recognised agency);
  - d) all advice and guidance on taxation issued by the CFO is followed and adhered to by staff in their own Directorates.

## Stocks & stores

- 35 Directors may hold reasonable levels of stocks and stores of consumable items, materials, equipment and goods for resale. They are responsible for the receipt and custody of stock items and for writing off any items of stock. Directors must take VFM considerations into account in holding stocks and stores and ensure unnecessarily high levels of stocks are not allowed to accumulate. The value of stocks and stores held at the year end must be certified by and authorised officers and forwarded to the CFO.
- 36 Procedures for the disposal of redundant stocks and equipment are set out in the guide to the disposal of assets which forms supplementary guidance to these regulations.

## Inventories & asset management

- 37 The Council holds tangible assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It also makes use of other non-tangible assets such as intellectual property. It is essential to the financial health and well being of the Council that these assets are safeguarded and used efficiently and effectively in supporting the delivery of Council services. All staff are responsible for safeguarding the assets and information used in their day to day activities and must ensure they are aware of their responsibilities in respect of the Data Protection Act, software copyright legislation, and the security of the Council's information systems. These responsibilities are laid out fully in the IT Regulations and E-Communications Policy that form part of the Constitution.
- 38 The CFO is responsible for:
- a) ensuring that an asset register is maintained in accordance with good practice for all fixed assets valued in excess of £5,000 and that asset valuations are made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (the SORP);
  - b) arranging for all insurances and requiring Directors to ensure all assets are kept securely and used efficiently and effectively;
  - c) ensuring compliance with the rules in relation to contractual commitments for the acquisition and disposal of assets set out in these Regulations;
  - d) ensuring advice on the VAT implications of proposed land & building acquisitions and sales is sought at the planning stage;
  - e) ensuring that all asset acquisitions and disposals are properly recorded within asset records and comply with the disposal policy which forms supplementary guidance to these regulations.
- 39 The CFO has formally delegated some of his responsibilities and delegated decision making powers in relation asset management matters, to the Head of Property Services (Corporate Landlord) who acts on his behalf in managing the Council's property portfolio and day to day operations. The Corporate Landlord (CL) is responsible for the proper management of all corporate land and buildings owned by the Council including:
- a) maintaining up to date records of all land and buildings, including valuations in the form of a corporate asset register for the Council and these records must as a minimum be reviewed on an annual basis;

- b) ensuring all rents, charges, fees etc due in respect of properties and land are raised and all income is collected and accounted for in the Council's accounting systems;
  - c) ensuring that all land and buildings are maintained and insured so as to best protect and safeguard the Council's interests;
  - d) ensuring all lessees and other prospective occupiers of Council land and buildings are not allowed to take possession or enter the property until a lease or agreement in a form approved by the CFO has been made;
  - e) the disposal of surplus assets, land and buildings up to the value of £100,000 on behalf of the Council and its Directorates, in consultation with the CFO, the relevant Director(s) and Executive Member for Corporate Services, except where the disposal is not to the highest bidder or there is a significant discrepancy between the estimated sales value and the actual sales figure. All disposals must comply with the Contract Procedure Rules that form supplementary guidance to these regulations and the Rules in Relation to Contractual Commitments set out in the Guide to Managing Financial Risks. All disposals valued in excess of £100,000 must be referred to the Executive for decision;
  - f) the acquisition of all land and buildings on behalf of the Council and its Directorates in consultation with the CFO and having due regard to the provisions of the Asset Management Strategy, Capital Programme and Medium Term Financial Strategy. All acquisitions in excess of £100,000 must be reported to the Executive for approval;
  - g) to act as custodian for all title deeds for the Council;
  - h) arrange for the valuation of all land and buildings as necessary to meet the accounting requirements of the CFO;
  - i) the CFO may chose to resume his/her full responsibilities for asset management at anytime and without notice.
- 40 The Assistant Director of Resources (Transformation and Efficiency) is responsible for purchasing, recording and insuring items of Information Technology equipment (except equipment purchased from schools delegated budgets). Directors are responsible though for ensuring such equipment is kept securely, protected from loss, theft, damage etc.

41 In addition, Directors are responsible for:

- a) providing the CL with information and all relevant documentation regarding all assets owned or used in relation to services provided by the Directorate(s) for the purposes of maintaining an up to date and complete asset management register;
- b) ensuring the proper security and safe custody of all assets under their day to day operational control and consult with the CL in any case where security concerns exist or if it is considered that special security arrangements are required;
- c) to record all disposals or part exchange of non-land and building assets, in line with the disposal policy which forms supplementary guidance to these regulations ;
- d) to maintain local inventories recording adequate descriptions of all furniture, fittings, equipment, plant & machinery above £500 and record items of a lower value where the risk is considered to be significant;
- e) reporting all assets that are lost, stolen or destroyed to the Insurance Manager for recording purposes and where necessary the CIA in compliance with the asset disposal policy;
- f) making sure property is only used in the course of the Council's business, unless specific permission has been given by the Director to do otherwise.

## Trading accounts

- 42 The CFO is responsible for advising Directors and Members on the establishment of trading accounts and business units.
- 43 Directors are responsible for:
  - a) consulting the CFO where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general such contracts should not be entered into unless they can be terminated within the main contract period without penalty;
  - b) observing all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs are charged and to produce an annual report in support of the final accounts;
  - c) ensuring the same accounting principles are applied in relation to trading accounts as for other services or business units.

## Part E

### External arrangements

#### Introduction

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

#### Partnerships & joint working

- 2 The CFO must satisfy him/herself that the accounting arrangements for all partnerships and joint ventures are proper and appropriate, including all audit and inspection requirements. He/she must also consider overall corporate governance arrangements and any legal and taxation issues when partnerships are arranged with external bodies. He/she must ensure all known risks are appraised before entering into agreements with external bodies and seek to ensure VFM is obtained.
- 3 The CFO is also be responsible for advising on the funding and financing of a project including:
  - a) financial viability in current and future years;
  - b) risk appraisal and risk management arrangements;
  - c) resourcing and taxation;
  - d) audit, security and control requirements;
  - e) carry forward arrangements.
- 4 Directors are responsible for:
  - a) maintaining local registers of partnerships and entered into with external bodies in accordance with procedures specified by the CFO and providing information about those to the Head of Paid Service as required;
  - b) ensuring that a risk management assessment has been carried out before entering into agreements with external bodies;
  - c) ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Council;
  - d) ensuring that all agreements and arrangements are properly documented;

- e) providing appropriate information to the CFO to enable relevant entries to be made in the Council's Statement of Accounts concerning material items;
- f) ensuring that the appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

## External funding

- 5 External funding can prove a very important source of additional income to an authority, but funding conditions need to be carefully examined before entering into any agreement to ensure they are compatible with the aims and objectives of the Council. Councils are being encouraged to provide seamless service delivery by working closely with other agencies and service providers (both public and private). Funds from external agencies such as the National Lottery and the single regeneration budget can provide additional resources for services. However, whilst the scope for funding has increased, it is usually linked to increasingly tight specifications and may not be flexible enough to meet the aims and objectives of the Council ambitions and plans.
- 6 The CFO is responsible for:
  - a) ensuring that all external funding is received and properly recorded in the Council's accounts;
  - b) match funding requirements are considered prior to entering into any agreement and that future revenue budgets reflect these requirements;
  - c) ensuring all audit requirements are met.
  - d) Provision of standard application documentation for discretionary grants.
- 7 Directors are responsible for ensuring that:
  - a) all claims for funds are made by the due date;
  - b) the project progresses in accordance with the agreed project plan and all expenditure is properly incurred and recorded.

## Work for third parties

- 8 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements must be put in place to ensure that any risks associated with undertaking such work is minimised and that the work is done *intra vires*. All work should be properly costed in

accordance with the advice and guidance of the CFO and done on the basis of a proper contract according to the Contract Procedure Rules set out as supplementary guidance to these Regulations.

- 9 The relevant Executive Member(s) are responsible for approving the contractual arrangements for work undertaken on behalf of a third party or external bodies. The CFO is responsible for issuing guidance with regard to the financial aspects of any third party contracts and the maintenance of the contracts register. Directors are responsible for:
- a) ensuring that the approval of the Executive Member is obtained before any negotiations are concluded to work for third parties;
  - b) maintaining a register of all such contracts entered into with third parties in accordance with procedures specified by the CFO;
  - c) ensuring that appropriate insurance arrangements have been made;
  - d) ensuring that the Council is not put at risk from any bad debts;
  - e) ensuring that no contract will be subsidised by the Council;
  - f) ensuring that the service has the appropriate expertise to undertake the contract;
  - g) ensuring that such contracts do not impact adversely upon the services provided to the Council;
  - h) providing appropriate information to the CFO to allow entries to be made in the Council's final Statement of Accounts.
  - i) ensuring that there is no conflict of interest with any third party provider



## Summary of Delegation &amp; Reporting

## Revenue Virements

Decision maker	Delegated powers & authority	Thresholds
The Executive	To approve virements between Service Plans in excess of £500k (either individually or in aggregate for the financial year)	Over £500k up to the cash limits set by the Budget
	To approve allocations of resources from approved contingencies and reserves	As set by the annual Budget
	To make recommendations to Full Council for the release of budget resources in excess of the approved contingencies and reserves	As set by the annual Budget
	To approve virements from within existing Service Plans or between Service Plans into new or otherwise unplanned functions and activities if savings are available to be re-directed into the new activity	Over £500k
Directors	To approve virements within or between Service Plans within their Directorates in excess of £100k and up to £500k (either individually or in aggregate for the financial year) in consultation with the relevant Executive Member	Over £100k and up to £500k
	To approve virements from within existing Service Plans or between Service Plans within their Directorates into new or otherwise unplanned functions and activities if savings are available to vire into the new activity	Over £100K and Up to £500k in consultation with the relevant Executive Member
	To approve virements between directorates in consultation with the relevant directors	Up to and including £50K in consultation with the relevant Executive Member
Other Chief Officers	To approve virements within their Service Plans up to £100k (either individually or in aggregate for the financial year)	Up to £100k

**Capital Virements**

<b>Decision maker</b>	<b>Delegated powers &amp; authority</b>	<b>Thresholds</b>
The Executive	To approve individual virements between schemes in excess of £500k	Over £500k
	To re-phase approved scheme expenditure between years in excess of £500k for each scheme	Over £500k
Directors	To approve individual virements between schemes in excess of £100K up to a maximum of £500k in consultation with the relevant Executive Member	Over £100K and Up to and including £500k
	To approve individual virements between schemes up to a maximum of £100k	Up to and including £100k

**Venture Fund Bids**

Up to and including £50K Over £50K	CFO & Leader of Council Executive
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**Payment in Advance**

Up to and including £5K Over £5K	Relevant Director CFO
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**Disposal of Surplus Assets (Land & Buildings)**

Up to and including £100K Over £100K	Head of Property Services (CL) in Consultation with CFO (Para 39 Page 45) Executive
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**Acquisition of Assets (Land & Buildings)**

Up to and including £100K Over £100K	Head of Property Services (CL) in Consultation with CFO (Para 39 Page 45) Executive
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**Debt Write-Off**

<b>Decision maker</b>	<b>Delegated powers &amp; authority</b>	<b>Thresholds</b>
The Executive	Amounts exceeding £200,000 may only be written off on the authority of the Executive. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £200k
Executive Member	Amounts over £10,000 and not exceeding £200,000 on the authority of the Executive Member (Corporate Services) in consultation with the CFO. The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery	Over £10k and up to and including £200K
CFO	Amounts over £5,000 and not exceeding £10,000 on the authority of the CFO in consultation with the Executive Member (Corporate Services). The CFO shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £5k and up to and including £10k
Chief Officers	Amounts not exceeding £5000 may be written off by any Chief Officer in consultation with the CFO, who shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.	Over £100 and up to and including £5k
Head of Financial Procedures	Amounts not exceeding £100 may be written off by the Head of Financial Procedures , who shall maintain a record of all such write-offs showing attempted recovery action where taken and the justification for non-recovery.	Up to and including £100

## Glossary of terms

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### Common terms

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<b>Budget</b>	<i>A plan expressed in financial terms</i>
<b>Cost centre</b>	<i>A budgeting level which usually reflects a whole service area, or main sub-category of a service. It encompasses a number of standard 'subjective' coding areas such as those used for staffing related costs, supplies &amp; services, income etc</i>
<b>Capital</b>	<i>The organisation's total assets less its liabilities</i>
<b>Capital expenditure</b>	<i>Expenditure to acquire fixed assets that will be of use for more than the year in which they are acquired and which adds to the Council's tangible assets rather than simply maintaining existing ones</i>
<b>Revenue</b>	<i>Income or expenditure, arising from or spent on, day to day activities and short lived commodities or consumables</i>
<b>Service plan</b>	<i>A plan setting out the priorities and service ambitions</i>
<b>Virement</b>	<i>A transfer of resources between or within approved cost centres for both revenue and capital purposes</i>

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### Acronyms

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<b>CFO</b>	<i>The Chief Finance Officer</i>
<b>CIA</b>	<i>The Chief Internal Auditor</i>
<b>CL</b>	<i>Corporate Landlord</i>
<b>FMS</b>	<i>The principal budgeting and financial information management system used at the Council</i>
<b>ITT</b>	<i>Invitation to tender</i>
<b>MEAT</b>	<i>Most Economically Advantageous Tender</i>
<b>MO</b>	<i>The Monitoring Officer</i>
<b>NI(C)</b>	<i>National Insurance (contributions)</i>
<b>PAYE</b>	<i>Pay as you earn</i>
<b>VFM</b>	<i>Value for Money</i>
<b>VAT</b>	<i>Value Added Tax</i>

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## Organisations

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<b>CIPFA</b>	<i>The Chartered Institute of Public Finance Accountancy</i>
<b>SOLACE</b>	<i>Society of Local Authority Chief Executives</i>
<b>The Audit Commission</b>	<i>Quasi autonomous non-governmental body charged with the independent audit of public sector organisations in the Local Government and Health arena</i>
<b>The District Auditor</b>	<i>Independently appointed person responsible for the external audit of the Council. The District Auditor has various statutory powers and responsibilities for public reporting of the audit</i>

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