

*London Borough of
Hammersmith and
Fulham*

Financial Regulations

(Financial Procedure Rules)

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Introduction

To conduct its business efficiently a local authority needs to ensure that it has sound principles of financial management in place, and that they are adhered to. Part of this process is the establishment of Financial Regulations which set the framework and guiding principles for managing the authority's financial affairs. They apply to every officer and member and to anyone acting on the Council's behalf. A modern Council should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval procedures have been observed.

The Council's structure of governance is laid down in its Constitution, which sets out how the Council operates, how decisions are made and what procedures are followed. These Financial Regulations, which are part of that Constitution, provide clarity about the financial responsibilities of the full Council, the Executive, the Cabinet Members (as set out in the Scheme of Delegation), the Chief Executive, the Director of Finance and other chief officers. Their Principal Financial Responsibilities are set out in the first section with the detailed Financial Regulations contained in Sections A to E.

The delegation of financial responsibilities by the Council to Committees, Panels, and individual members or officers is contained within the Council's Scheme of Delegation. The Council has also established other internal regulatory documents which should all be viewed in the context of the Council's Constitution and these Financial Regulations.

Hammersmith and Fulham Council operates a devolved financial framework. This means that each major service department has its own accounting support, reporting to its Director and Departmental Management Team for operational purposes and to the Director of Finance for professional financial purposes. In the case of the central departments accounting support is provided from within the Finance and Corporate Services Department. In order to facilitate effective decision-making in matters relating to financial administration and control, there is a general expectation that budgets will be established, controlled and administered at the lowest effective service or policy level compatible with prudential financial control.

The Director of Finance is responsible for developing and maintaining a continuous review of Financial Regulations, as contained within this document, and for submitting any additions or changes necessary, to the full Council for approval. The Director of Finance is also responsible for reporting, where appropriate, any breaches of these Financial Regulations to the Council. Chief Officers are responsible in turn for promptly notifying the Director of Finance of any breach of these Financial Regulations or of the Contracts Code, which is also part of the Council's Constitution.

The Director of Finance is responsible for delivering all corporate and strategic financial support. This may be delegated to Assistant Directors of Resources and delivered by other staff within the Finance and Corporate Services Department. Issues of strategy or policy are generally managed in collaboration with colleagues from other departments. This is mainly effected through the Executive Management Team (EMT) and the Financial Strategy Board (FSB). In the rare case of a dispute, the Director of Finance, as the designated statutorily responsible financial officer, retains the right to make any such decisions as he/she deems to be in line with his/her statutory responsibilities.

Responsibility for managing financial planning, accounting and financial administration within departments is delegated to Chief Officers as set out in these Financial Regulations. Each Chief Officer should demonstrate, through a department-wide scheme of delegation, or similar, which post(s) carry responsibility for these functions. The appointment of the Senior Finance Managers should be made jointly by the Director of Finance and the relevant Chief Officer.

The FSB's purpose is to develop and agree cross-departmental financial practices and resolve financial issues common to all, or to a number of, departments. The Senior Finance Manager is required to attend meetings of FSB to represent the views of his/her department, to take responsibility for collective decisions or recommendations made and to undertake to deliver any actions arising.

Where decisions have been delegated or devolved to other responsible officers, including school governors, references to Chief Officer in these Financial Regulations should be read as referring to those officers. Chief Officers, however, retain the responsibilities placed on them by Financial Regulations even when the performance of financial activities has been delegated to staff within their departments. They should consider this when agreeing delegations of such responsibilities and should ensure these delegations of decision-making have been recorded. References to Chief Officers include the Chief Executive and the Director of Finance in relation to their respective departmental responsibilities.

All Chief Officers, members and staff should, where decision-making has been delegated or devolved to them, maintain a written record of all decisions.

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

Chief Officers are responsible for ensuring that all staff in their departments are aware of the existence and content of the authority's Financial Regulations, and other internal regulatory documents, and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their service areas or are accessible by means of other media.

GENERAL GUIDING PRINCIPLES FOR FINANCIAL ADMINISTRATION

It is not possible to draft regulations or rules that cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility, and accountability, as set out in these Financial Regulations, should be applied in all circumstances, even where any particular circumstance is not specifically referred to.

The following general principles should be complied with at all times:

- there should be clarity in roles and responsibilities in all financial administration,
- there must be adequate and understood separation of duties so as to maintain sufficient control over all financial transactions and operations,
- there should be a clear hierarchy of control,
- there should be adequate training and supervision of staff,
- there should be adequate management and audit trails,
- there must be effective monitoring by management,
- there must be adequate management of risks and, where there are high levels of risk, suitable additional management checks and monitoring should be undertaken,
- there should be clear and up to date documentation of operational financial procedures, and
- there must be adequate Business Continuity Plans in place to maintain effective administration of the Council's finances at all times.

Questions relating to the detailed Financial Regulations should be put initially to the officer indicated at each of the relevant Sections. General questions regarding the Regulations should be made to the Corporate Accountancy Services Manager (Tel: 1862) who has overall responsibility for maintaining this document.

Principal Financial Responsibilities

FULL COUNCIL

- 1.1** Full Council is responsible for agreeing the authority's policy framework and budget following appropriate consideration in accordance with the Scheme of Delegation. In terms of financial planning, the key elements are:
- the Corporate Plan assembled from departmental performance plans,
 - ⇒ • the [Revenue Budget](#), including Housing Rent and Council Tax setting, and
 - ⇒ • the [Capital Programme](#).
- 1.2** Full Council is responsible for adopting the authority's Constitution which sets out the authority's overall framework of accountability and control. Full Council is also responsible for monitoring compliance with that framework and with the agreed policy and related decisions as set out in the Scheme of Delegation.
- 1.3** Full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by, and decisions taken by, the Council, its Executive and its Committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution and Scheme of Delegation.

THE EXECUTIVE

- 1.4** The Executive is responsible for proposing the policy and budget framework to the full Council for approval.
- 1.5** The Executive is responsible subsequently for the operation, implementation, and monitoring of the policy and budget framework approved by the full Council.

OVERVIEW AND SCRUTINY COMMITTEES

- 1.6** There are six Scrutiny Committees which have the responsibility of applying the principles and process of overview and scrutiny to any aspect of the Council's policy formulation, corporate budget setting, best value and performance management.

CHIEF EXECUTIVE

- 1.7** The Chief Executive is responsible for the corporate and strategic management of the authority as a whole. This includes responsibility for establishing a framework for management direction, style, standards and for monitoring the performance of the authority as a whole

DIRECTOR OF FINANCE

- 1.8** As the nominated responsible financial officer under s.151 of the Local Government Act 1972 and s.114 of the Local Government Act 1988 the Director of Finance manages the Council's financial affairs. These statutory duties relating to the financial administration of the authority cannot be overridden
- 1.9** The Director of Finance is responsible for ensuring that the required financial strategy documents are presented to full Council (following prior consideration as required by the Scheme of Delegation in order to co-ordinate service and resource planning.
- 1.10** The Director of Finance is responsible for ensuring that a [revenue budget](#) is prepared on an annual basis reflecting budget guidelines agreed as required in accordance the Scheme of Delegation. The revenue budget will be considered by the Executive before submission to full Council. Full Council may amend the budget or ask for its reconsideration before approving it. The Director of Finance is also responsible for ensuring that a capital programme and statement of accounts is prepared and approved annually
- 1.11** The Director of Finance is responsible for maintaining a continuous review of Financial Regulations and submitting any additions or changes necessary to full Council for approval. The Director of Finance is also responsible for reporting, where appropriate, any breaches of the Financial Regulations as required by the Scheme of Delegation.
- 1.12** The Director of Finance is responsible for issuing advice and guidance to underpin the Financial Regulations that members, officers and others acting on behalf of the authority are required to follow.
- 1.13** The Director of Finance is responsible for reporting (in accordance with the Scheme of Delegation) to the full Council (or to the Executive in relation to an Executive function) and to the Council's external auditor if it is considered that any proposed decision, or course of action, will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency, or the Council is about to enter an item of account unlawfully, or the expenditure of the Council incurred (or proposed to be incurred) is likely to exceed the resources available to it to meet that expenditure.
- 1.14** The Director of Finance is responsible for proposing the Corporate Plan to members, in line with the Scheme of Delegation, for consideration before its submission to full Council for approval.
- 1.15** The Director of Finance has responsibilities for:
- promoting and maintaining high standards of financial conduct,
 - reporting any actual or potential breaches of the law or maladministration as required by the Scheme of Delegation and for ensuring that procedures for recording and reporting key decisions are operating effectively,
 - advising members and officers about who has authority to take a particular decision,
 - advising members, in line with the Scheme of Delegation, about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework, and
 - advising members, together with the Chief Executive and the Director of Finance, in line with the Scheme of Delegation, about whether a decision is likely to be considered contrary or not wholly in accordance with the policy and budget framework.

CHIEF OFFICERS

1.16 Chief Officers are responsible for:

- ⇒ ensuring that members are advised, in line with the Scheme of Delegation, of the financial implications of all proposals and that those financial implications have been agreed by the Director of Finance,
 - ⇒ managing service delivery within the agreed Corporate Plan, revenue and capital budgets and other relevant strategies and plans,
 - ⇒ developing performance, corporate and service targets and contributing to the Corporate Plan,
 - ⇒ contributing to the corporate development of budget forecasts and the preparation of detailed estimates in conformity with the agreed allocated totals.
 - ⇒ ensuring that budget estimates reflecting approved corporate guidelines for their preparation, and agreed service plans are submitted to members, in line with the Scheme of Delegation.
- ensuring that financial management arrangements and practices are agreed with the Director of Finance, and are legal and consistent with best practice and Council policy,
- ⇒ consulting with the Director of Finance and seeking approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

1.17 Chief Officers are responsible for ensuring that all staff in their departments are aware of the existence and content of the authority's Financial Regulations, and any related procedures and regulatory documents appertaining to, or amplifying them, and that they comply with them. They must also ensure that all of these documents are readily available for reference within their departments.

Financial Planning

BUSINESS & PERFORMANCE PLANNING

Key controls

- A.1.** The Council has a duty to report performance through to a number of government offices. It facilitates this through a number of means including, but not limited to, the loading of performance information into a national database, ‘the hub’ and through the publishing of performance information through a Corporate Plan.
- A.2.** Collation of performance information is managed through a number of internal systems and organisations plus the Borough Partnership which is one of the drivers for improving well-being throughout the borough. The Council is also part of a Local Area Agreement that involves the pooling of and management of certain funding streams disbursed through grant allocation and funding challenge.
- A.3** Performance information and target setting is driven through the Council’s business planning framework. Apart from the Corporate Plan a hierarchy of plans exist in the framework that include a requirement for all departments and divisions to submit business plans annually and to monitor them for appropriateness throughout the year by their management teams.
- A.4.** The authority’s Business and Performance planning framework is integrated with its Medium Term Financial Strategy and Workforce Planning requirements to ensure that efficiencies are delivered and resources are directed towards the Council’s priorities. As part of this process, departments set clear objectives with meaningful targets setting out how they link to Corporate Values and/or Objectives and Risks. There is an expectation that Targets are clearly aligned to the funding required.

The Key Controls for Business and Performance Plans are;

- (a) to ensure that all relevant plans produced adhere to the corporate guidance and are consistent with the Community Strategy,
- (b) plans are produced in accordance with any relevant statutory guidance,
- (c) to meet timetables set,
- (d) to ensure that all plans and performance information is accurate, complete, up to date and comply with the corporate or any set Data Quality requirements,
- (e) to provide improvement targets which are meaningful, realistic, challenging, and
- (f) to ensure that specific budgets are approved in relation to expenditure requirements
- (g) to ensure risks are associated with objectives and or targets

Responsibilities of the Director of Finance

- A.5.** To advise and assist departments in producing financial information that needs to be included in Business and Performance Plans in accordance with statutory requirements and agreed timetables.
- A.6.** To prepare corporate guidance on the development of cost indicator targets

- A.7 To contribute, in collaboration with other Chief Officers, to the development and monitoring of corporate and service objectives, targets and performance information.
- A.8 To work with members and the Executive Management Team to build priorities identified within performance plans into corporate and departmental budgets to enable them to delivered.

Responsibilities of the Director of Finance

- A.9 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- A.10 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of Chief Officers

- A.11 To contribute to the development of [performance plans](#) in line with statutory and Council requirements.
- A.12 To contribute to the development and monitoring of corporate and service objectives, targets and performance information.
- A.13 To ensure that directorate performance plans are clearly aligned with budgets, to enable the delivery of service priorities.
- A.14 To ensure that targets identified within performance plans are built into local work programmes for management and service delivery staff.

Contact: Frank Hansen Tel: 2580

CAPITAL STRATEGY

- A.15** The Council holds £1.9 billion worth of assets and invests significant resources each year in assets for the community. It is vital that these assets are created and controlled within the strategic framework
- A.16** In line with best practice there is a requirement for local authorities to produce a Capital Strategy, which covers all assets of the Council. It is a high level document that provides the framework for the development and monitoring of the [capital programme](#).

Key Controls

- A.17** To ensure that the Capital Strategy is produced in line with best practice.
- A.18** To ensure that the Capital Strategy is consistent with other key strategies and plans such as the Community Strategy, the Corporate Plan, the Housing Revenue Account Business Plan, Housing Strategy and the Asset Management Plan.
- A.19** To ensure that the financial data provided in the Capital Strategy is consistent with the Council's accounts

Responsibilities of the Director of Finance

- A.20** To revise annually, in consultation with Chief Officers, the corporate Capital Strategy within the timetable.
- A.21** To seek member approval, in line with the Scheme of Delegation for the annual Capital Strategy.

Responsibilities of Chief Officers

- A.22** To contribute to the development of the Capital Strategy within the statutory deadline and to ensure consistency with Chief Officers' other plans and strategies.

Contact: Leigh Whitehouse

Tel: 2501

TREASURY STRATEGY

- A.23** The Council is responsible for the turnover of many millions of pounds of public money every year. This takes a number of forms, including revenue income and expenditure, grants and other forms of external funding, capital expenditure, borrowing and investment. It is essential that the forecasting and use of these finances is properly planned and controlled to provide maximum benefit to the Council and the community whilst not exposing those finances to undue risk.

Key controls

A.24 The Council adopts a Treasury Strategy, updated annually, to forecast, agree and review treasury activities.

Responsibilities of the Director of Finance

A.25 To prepare and report to members, in line with the Scheme of Delegation, on a Treasury Strategy before 31 March of each year.

Contact: Pat Gough Tel: 2542

PENSIONS STRATEGY

A.26 The Council is responsible for some £420 million invested on behalf of employees, ex-employees and pensioners. It is essential that the forecasting and use of these finances is properly planned and controlled to provide maximum benefit to the Pension Fund whilst not exposing those finances to undue risk.

Key controls

A.27 That the Council adopts a Pensions Strategy, updated annually, to forecast, agree and review pensions activities.

Responsibilities of the Director of Finance

A.28 To prepare and report to members, in line with the Scheme of Delegation, on a Pensions Strategy before 31 March of each year.

Contact: Pat Gough Tel: 2542

ASSET MANAGEMENT PLAN

A.29 Under the Single Capital Pot process there is a requirement for local authorities to produce a corporate [Asset Management Plan](#) (AMP) as it is best practice. The AMP covers the whole of the Council's property portfolio. The Council has a large portfolio of operational and investment properties as well as being a major landlord. The sound management of these assets is a key objective of financial planning.

Key Controls

- A.30** To ensure that the [AMP](#) is produced in line with best practice
- A.31** To ensure that the AMP is consistent with other key strategies and plans such as the Community Strategy, the Capital Strategy, the Housing Revenue Account Business Plan, and Housing Strategy.

Responsibilities of the Director of Finance

- A.32** To produce in consultation with chief officers, the corporate [AMP](#) within the required timetable and in conformity with other plans and strategies.
- A.33** To seek member approval, in line with the Scheme of Delegation, for the annual AMP

Responsibilities of the Chief Officers

- A.34** To contribute to the development of the corporate [AMP](#) within the statutory deadline and to ensure consistency with other plans and strategies.

Contact: Nigel White Tel: 2849

CAPITAL PROGRAMME

- A.35** Capital expenditure involves the acquisition, construction, enhancement or replacement of land, buildings, roads, other structures, and major items of plant, machinery, vehicles and equipment. The creation of such assets has a long term value to the Council. They provide the infrastructure from which the authority delivers its services. Capital expenditure is financed by long term borrowing, the use of capital receipts, contributions from revenue accounts, and grants from the Government and other bodies. Financing capital expenditure has implications for the Council's medium term budget strategy (both in regard to the capital charges to revenue account and in respect of running expenses and staffing costs). A Capital Programme will normally be based on a minimum of three years forward projections.
- A.36** The Government places strict controls on the financing capacity of the authority. Capital expenditure competes with other financing demands and must be carefully prioritised in order to maximise the utilisation and benefit of these scarce resources.

Key controls

- A.37** The key controls for [capital programmes](#) are:
- ⇒ specific annual approval by full Council of the overall capital budget and associated funding and resources for the next 3 years,

- ⇒ detailed scheme by scheme approval of the capital programme by the Cabinet,
- ⇒ all [capital receipts](#), government borrowing allocations and prudential borrowing (known together as Main Programme Resources) are corporate resources administered by the Director of Finance,
- ⇒ all bids against the Main Programme Resources are evaluated in line with the Scheme of Delegation, according to the appraisal process determined by the Director of Finance, and agreed by members,
- ⇒ all [underspends](#) against allocated Main Programme Resources become corporate resources and are reallocated according to the agreed capital appraisal process,
- ⇒ all capital programme expenditure must satisfy the statutory definitions of capital and is subject to the approval of the Director of Finance,
- ⇒ all capital programme expenditure must be incurred in accordance with the procedures set out in the Contracts Code,
- ⇒ a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project or block of schemes at the point of tender approval, for approval by members, in line with the Scheme of Delegation,
- ⇒ proposals for improvements and alterations to buildings must be approved by the appropriate Chief Officer,
- ⇒ schedules for individual schemes within the overall budget approved by full Council must be submitted to the Cabinet, in line with the Scheme of Delegation, for approval,
- ⇒ the development and implementation of the Capital Strategy and [Asset Management Plans](#),
- ⇒ accountability for each proposal is accepted by a named project manager,
- ⇒ monitoring of progress and expenditure and comparison compared with approved timetable and budget.

Responsibilities of the Director of Finance

- A.38** To prepare, jointly with Chief Officers, the corporate three year overall capital budget and proposed funding arrangements for approval by full Council. Then to prepare, jointly with Chief Officers, the detailed capital programme on a scheme by scheme basis, along with the associated resources and financing arrangements for the approval of the Cabinet, in line with the Scheme of Delegation, on an annual basis.
- A.39** To set up procedures for, and to carry out monthly corporate monitoring of external sources of capital funding.
- A.40** To prepare and submit, in collaboration with relevant Chief Officers, corporate summary reports at least each quarter to members, in line with the Scheme of Delegation, on the projected [capital expenditure](#) and resources available compared to the total programme approved by the Council and on the performance of contracts (cost and timetable) compared to the programme.
- A.41** To issue corporate guidance on the capital programme management process, including bidding, appraisal, budgeting, [virement](#), [slippage](#), monitoring, and reporting.

- A.42 To obtain authorisation from members, for individual schemes where the estimated expenditure for the whole scheme exceeds the limits specified for tenders in the Scheme of Delegation. For the purposes of this Regulation a “scheme” is identical to a tender.
- A.43 To determine the definition of capital expenditure, having regard to government regulations and accounting guidance. The Director of Finance’s decision as whether or not expenditure meets the statutory definition of capital expenditure is final.
- A.44 To ensure resources are available from within approved capital and revenue budgets to finance all slipped schemes.

Responsibilities of Chief Officers

- A.45 To comply with the guidance and controls concerning capital schemes issued by the Director of Finance.
- A.46 To ensure that all capital proposals have undergone a project appraisal in accordance with the guidance issued by the Director of Finance.
- A.47 To prepare bids for Main Programme Resources according to the guidance issued by the Director of Finance.
- A.48 To prepare a monthly monitoring report of the schemes in the approved [capital programme](#) for submission to the Director of Finance in the format agreed with the Director of Finance and to the timescale specified by members.
- A.49 To ensure that adequate records are maintained for all contracts.
- A.50 To proceed with projects only when there is adequate provision in the capital programme.
- A.51 To obtain authorisation, in line with the Scheme of Delegation, for any increase to their total capital programme, a report should be prepared justifying the increase, explaining the additional expenditure required and why this cannot be contained this within existing approved budgets.
- A.52 To ensure each project in the approved capital programme has a named officer identified as the project manager for that project.
- A.53 To prepare and submit reports, jointly with the Director of Finance, to members, in line with the Scheme of Delegation, of any variations in contract costs. Such reports should be made in advance of the costs exceeding the approved limits (as set out in the Contracts Code), but where the timescale precludes this the additional costs may be incurred provided the Director of Finance is immediately informed and a report is made to members, in line with the Scheme of Delegation, at the earliest opportunity detailing the reasons for the exception.
- A.54 To prepare and submit reports to the Director of Finance on schemes completed during the year in the format and to the time scale specified by the Director of Finance, where the total costs have exceeded the variances permitted in the Contracts Code, for incorporation in the Monthly Capital Monitor. This is aimed at assisting in the development of future budgeting, project planning and performance of schemes, as well as providing accountability for project managers.
- A.55 To ensure that [credit arrangements](#), such as leasing agreements, are not entered into without the prior approval of the Director of Finance and, if applicable, to seek approval of such schemes through the capital programme planning process.

- A.56** To advise the Director of Finance and members, in line with the Scheme of Delegation, of bids for supplementary capital funding.
- A.57** To advise the Director of Finance and members, in line with the Scheme of Delegation, of bids for external funding and to maintain proper records thereof. Where corporate matching funding is required, to consult with the Director of Finance on the resources to be utilised.
- A.58** To prepare an outturn report at the end of every financial year in a format and to a timescale specified by the Director of Finance. This report should detail the expenditure on each scheme within the year and the funding of this, compared to the approved programme together with details of any slippage of expenditure and/or approved resources.
- A.59** To ensure that the costs of feasibility studies and design fees are not capitalised unless the relevant scheme is approved and is included in the capital programme. Any exceptions to this must be agreed with the Director of Finance.
- A.60** To ensure that adequate provision is made in the [revenue budget](#) for any ongoing revenue costs arising from capital schemes.

Contact: Leigh Whitehouse

Tel: 2501

REVENUE BUDGET PREPARATION AND APPROVAL

- A.61** Budgets are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.
- A.62** The Government periodically announces its own three-year spending plan, the “Comprehensive Spending Review”. ,and three year financial settlements for local authorities. These settlement figures are then confirmed on an annual basis.
- A.63** The annual grant settlement for the following financial year is confirmed in late November/early December and then adjusted by the Council’s declared tax base (i.e. the weighted average of chargeable Council Tax properties), which is formally agreed by full Council by 31st January. This provides the Council with firm information on the level of its Revenue Support Grant (RSG) and National Non Domestic Rate (NNDR) funding for the coming financial year.
- A.64** The Council must have a framework to enable it to make clear decisions with regard to the setting of a ‘legal’ or balanced budget. This involves detailed decisions on the level of Council Tax, savings to be achieved, increases in spending in priority areas, balances to be maintained and the allocation of cash limits to departments. The preparatory work which enables this to be done takes place throughout the financial year.
- A.65** In practice, by 11th March full Council must approve the Council’s budget for the coming financial year, taking account of the amounts to be raised on behalf of the Greater London Authority. Following this, Council Tax bills can be sent out to residents to raise the local income required.
- A.66** During the year, Chief Officers must plan to contain the financial implications of any additional expenditure within their [cash limit](#).

Key controls

A.67 The key controls for the revenue budget preparation and approval are:

the Executive proposes a policy and budget framework to full Council (with a copy sent to Overview and Scrutiny for their consideration),

Overview and Scrutiny decide whether or not to comment on the proposals of the Executive,

full Council either accepts or rejects the proposals of the Executive, in the case of rejection the Executive are required to re-consider their proposals and to re-submit them

- ⇒ agreement by Council of the Council Tax base by 31 January
- ⇒ preparation of the overall budget in accordance with the Local Government Finance Act 1992
- ⇒ formal agreement of the budget by full Council no later than 11 March
- ⇒ consultation with budget managers on the preparation of the budgets for which they will be held responsible and the acceptance of accountability within delegations their delegated areas of responsibilities, as set out in the Scheme of Delegation, for their budgets and the level of service to be delivered
- ⇒ maintenance of a monitoring process to review regularly the effectiveness and operation of budget preparation and to ensure that any necessary corrective action is taken.
- ⇒ inclusion of any implications for the [revenue budget](#) arising from the Capital Strategy, Treasury Strategy, Pensions Strategy and the Asset Management Plan.

Responsibilities of the Director of Finance

A.68 To provide guideline budget options to the Executive Management Team and to the Executive following the government announcement of the three year settlement.

A.69 To work within the political budget strategy approved by the Executive.

A.70 To manage, in liaison with service departments, a process to deliver a balanced budget.

A.71 To assess the budget 'gap' and monitor this throughout the budget process.

A.72 To collate the exemplifications of savings or growth from departments, as required by the budget strategy.

A.73 To advise and agree the levels of inflation that may be applied to specific areas of expenditure (e.g. salaries).

A.74 To prepare and submit reports to members, in line with the Scheme of Delegation, on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.

A.75 Through the above processes, to support the Executive to fulfil its responsibility to develop a policy and budget framework for recommendation to full Council in accordance with the Budget and Policy Framework Procedure Rules.

- A.76** To support the Overview and Scrutiny Committee to fulfil its responsibilities under the Budget and Policy Framework Rules to decide whether or not to respond to the Executive's initial budget and policy framework proposals.
- A.77** To request full Council approval for both the Council Tax base and the budget setting report each year within the statutory timetable.
- A.78** To advise full Council when it meets to approve the budget and to set the level of Council Tax as to the robustness of the budget estimates submitted to it and as to the adequacy of the Council's reserves.

Responsibilities of Chief Officers

- A.79** To take joint responsibility within the Executive Management Team for delivering the budget strategy.
- A.80** To assist in the development and delivery of the budget process.
- A.81** When drawing up draft budget requirements, to reflect:
- ⇒ spending patterns and pressures revealed through the budget monitoring process,
 - ⇒ legal requirements,
 - ⇒ policy requirements as defined by the full Council in the approved policy framework, and
 - ⇒ initiatives already under way.
- A.82** To work within budget cash limits and to utilise resources allocated, and further to allocate resources in the most efficient, effective and economic way.
- A.83** To provide any specific departmental information required to inform the budget setting process.
- A.84** To agree a departmental budget within the allocation provided in line with the Scheme of Delegation.
- A.85** To provide information on all income and expenditure within the departmental budget which is not funded, directly or indirectly, from the Revenue Support Grant (RSG), Council Tax, or fees and charges.
- A.86** To ensure prior approval by full Council, as required by the Scheme of Delegation for new proposals, of whatever amount, that:
- ⇒ create financial commitments in future years,
 - ⇒ change existing policies, initiate new policies or cease existing policies,
 - ⇒ materially extend or reduce the authority's services.
- A.87** To prepare estimates of income and expenditure, in consultation with the Director of Finance, to be submitted to members, in line with the Scheme of Delegation.
- A.88** To prepare budgets that are consistent with any relevant [cash limits](#), within the Council's annual budget cycle and within guidelines issued by the Executive, in line with the Scheme of Delegation. The format will be as prescribed by the Director of Finance and in accordance with full Council's general directions.

FORMAT OF THE BUDGET

A.89 The format of the budget determines the level of detail to which financial control and budget management will be exercised. The format shapes how the rules around [virement](#) operate, the operation of [cash limits](#) and sets the level at which funds may be reallocated within budgets.

Key controls

A.90 The key controls for the budget format are that:

- ⇒ it complies with all legal requirements,
- ⇒ it complies with current CIPFA guidance in the [Best Value Accounting Code of Practice \(BVACOP\)](#), and
- ⇒ it reflects accountabilities for service delivery.

Responsibilities of the Director of Finance

A.91 To advise members, in line with the Scheme of Delegation, on the format of the budget that is approved by the full Council in accordance with any statutory provisions, accounting standards, BVACOP and any other CIPFA guidance.

A.92 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by full Council, and after consultation with the Executive (in line with the Scheme of Delegation) and Chief Officers.

Responsibilities of Chief Officers

A.93 To comply with the accounting guidance agreed by the Director of Finance.

A.94 To provide budget information as required by the Director of Finance

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CONTINGENT LIABILITIES

A.95 The Council undertakes many activities, provides services and enters into agreements, any of which could result in [contingent liabilities](#) that could represent a charge to the authority at a future date.

- A.96** By definition, contingent liabilities are doubtful events, usually reliant on a string of circumstances to cause them to be incurred. However, it is vital that these are monitored because if the liability becomes “probable”, a charge to revenue must be made by setting up a provision as required by BVACOP and Financial Reporting Standard ([FRS](#)) 12. This represents a charge to the Council’s Revenue Account.
- A.97** There is also a requirement to disclose in a note to the Balance Sheet any material contingent liabilities. The note should disclose the nature and estimated value of the liability as well as the circumstances required to make it a charge on the authority.

Key Controls

- A.98** Procedures are in place across the authority to identify [contingent liabilities](#).
- A.99** There is regular monitoring and review of existing contingent liabilities.
- A.100** Procedures are in place to notify the Director of Finance of any contingent liabilities and of any change to existing contingent liabilities.

Responsibilities of the Director of Finance

- A.101** To review at least annually in consultation with Chief Officers existing [contingent liabilities](#) and to make a financial provision where necessary, in accordance with CIPFA guidance.
- A.102** To take steps wherever possible, in consultation with Chief Officers, to minimise the risk of contingent liabilities becoming a charge on the authority.

Responsibilities of Chief Officers

- A.103** To set up procedures and processes to minimise the risk of creating [contingent liabilities](#).
- A.104** To review at least annually their service area of responsibility for contingent liabilities.
- A.105** To inform the Director of Finance of any new contingent liabilities.
- A.106** To inform the Director of Finance of any changes in the circumstances of existing contingent liabilities.

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MAINTENANCE OF RESERVES

- A.107** The authority must decide the level of general [Reserves](#) to maintain as part of its financial planning before it can set the annual Council Tax. General Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur.

- A.108** The need for an authority to maintain an adequate level of general reserves has been reinforced by CIPFA's development of specific guidance on minimum levels, prudential guidelines, and the focus of the Comprehensive Area Assessment on high performing authority requiring a sufficient level of reserves. General Reserves enable the authority to provide for unexpected events and thereby avoid over spending, should such an event occur.
- A.109** Reserves for specific purposes may also be maintained, such as for the purchase or renewal of capital items. Accounting policies require such earmarked reserves to be differentiated from Provisions, which are used to meet future expenditure arising from a past event the timing of which is uncertain and cannot therefore be contained in the annual budget.

Key controls

- A.110** To maintain [Reserves](#) in accordance with the BVACOP and the SORP and agreed accounting policies.
- A.111** For each Reserve established, to identify clearly the purpose, usage and basis of any transactions using the Reserve.
- A.112** Authorisation of expenditure from Reserves by the appropriate Chief Officer only to take place in consultation with the Director of Finance.

Responsibilities of the Director of Finance

- A.113** To advise members, in line with the Scheme of Delegation, on prudent levels of General [Reserves](#) for the authority, taking account of the advice of the external auditor and the published guidance listed above. This advice should be contained within the annual budget setting report approved by full Council by 11th March.
- A.114** To ensure that [Provisions](#) and Reserves are correctly classified in the annual Statement of Accounts in accordance with BVACOP.

Responsibilities of Chief Officers

- A.115** To ensure that [Reserves](#) are used only for the purposes for which they were intended and are not diminished by utilisation for unapproved purposes.

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REPORTING KEY DECISIONS

- A.116** The Local Government Act 2000 requires authorities to publish a forward plan of key decisions due to be taken over the next four months. Key decisions are those that involve expenditure or savings of over £100,000, affect more than one ward, or have a major impact on one ward.

Key Controls

A.117 To publish a forward plan containing notification of key decisions at least four months in advance.

Responsibilities of the Director of Finance

A.118 To provide guidance and pro-formas' for the notification of key decisions to Chief Officers.

A.119 To maintain and publish the forward plan on a monthly basis.

Responsibilities of Chief Officers

A.120 To complete the forward plan pro-formas for all key decisions due in the next four months and forward them to the Director of Finance

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CAPITAL AND REVENUE BUDGET AMENDMENTS

A.121 It may be necessary to amend the capital or revenue budget, previously approved by full Council, during a financial year, because, for example:

- (a) additional grant funding or capital receipts become available, or
- (b) it may become necessary to utilise a contingency provision or reserve to address an urgent spending pressure.

Such amendments may create financial commitments in future years, involve policy changes, and extend the authority's services beyond the approved policy framework.

Key Controls

A.122 Arrangements for amendments to the capital or revenue budgets involve the following key controls:

- (a) amendments to the Council approved capital and revenue budgets are administered by the Director of Finance in accordance with the Scheme of Delegation, and
- (b) the overall budget and policy framework is approved by full Council, and Chief Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover amendments to those approved capital and revenue budgets which must be approved in accordance with the Scheme of Delegation.

Responsibilities of the Director of Finance

A.123 Arrangements for amendments to revenue budgets, when additional funding becomes available, are as follows:

- (a) to authorise amendments up to £50,000,
- (b) to comment on proposed amendments from £50,000 to £100,000 in any report to the relevant Cabinet Member(s) seeking approval to the additional expenditure,
- (c) to comment on proposed amendments from £100,000 up to £5,000,000 in any report to the Cabinet seeking approval to the additional expenditure, and
- (d) to comment on proposed amendments involving in excess of £5,000,000, or where changes to the approved policy framework are involved, in any report to full Council seeking approval to the additional expenditure.

A.124 Arrangements for amendments to capital budgets, where additional funding becomes available, are as follows:

- (a) to comment on proposed amendments up to £100,000 in any report to the relevant Cabinet Member(s) seeking approval to the additional expenditure,
- (b) to comment on proposed amendments from £100,000 up to £300,000 in any report to the Cabinet seeking approval to the additional expenditure, and
- (c) to comment on proposed amendments involving in excess of £5,000,000, or where changes to the approved policy framework are involved, in any report to full Council seeking approval to the additional expenditure.

Responsibilities of Chief Officers

A.125 To propose amendments to revenue budgets previously approved by full Council where additional funding has been made available as follows:

- (a) to propose amendments of up to £50,000 in writing for authorisation by the Director of Finance,
- (b) to prepare a report jointly with the Director of Finance in respect of proposed amendments from £50,000 up to £100,000 for the approval of the relevant Cabinet Member(s),
- (c) to prepare a report jointly with the Director of Finance in respect of proposed amendments from £100,000 up to £5,000,000 for the approval of the Cabinet, and
- (d) to prepare a report jointly with the Director of Finance in respect of proposed amendments in excess of £5,000,000, or where changes to the approved policy framework are involved, for the approval of full Council.

A.126 To propose amendments to capital budgets previously approved by full Council, where additional resources become available, as follows:

- (a) to prepare a report jointly with the Director of Finance in respect of proposed amendments up to £100,000 for the approval of the relevant Cabinet Member (s),
- (b) to prepare a report jointly with the Director of Finance in respect of proposed amendments from £100,000 up to £5,000,000 for the approval of the Cabinet, and
- (c) to prepare a report jointly with the Director of Finance in respect of proposed amendments in excess of £5,000,000, or where changes to the policy framework are involved, for the approval of full Council.

A.127 The above financial limits apply not only to individual amendments but also to the cumulative effects of amendments to the same cost centres or projects in any financial year.

A.128 Amendments to capital or revenue budgets which may impact on the level of service activity of another Chief Officer should be implemented only after agreement with the relevant Chief Officer.

A.129 For educational establishments operating under the Local Management Scheme, governing bodies shall follow the procedures laid out in the financial guidelines contained in that Scheme.

Financial Management and Reporting

FINANCIAL MANAGEMENT STANDARDS

B.1 All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues. This requires all members and staff to be clear about the standards to which they are working and the controls that are in place to ensure that these standards are achieved.

Key controls

B.2 The key controls and control objectives for financial management standards are:

- ⇒ their promotion throughout the authority, and
- ⇒ a monitoring system to review compliance with financial standards, and regular benchmarking of performance indicators and standards that are reported to members, in line with the Scheme of Delegation.

Responsibilities of the Director of Finance

B.3 To ensure the proper administration of the financial affairs of the authority.

B.4 To maintain and update Financial Regulations and to monitor compliance with them.

B.5 To ensure proper professional practices are adhered to and to act as Head of Profession in relation to the standards, performance and development of finance staff throughout the authority.

B.6 To advise on the key strategic controls necessary to secure sound financial management.

B.7 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons with national and local financial performance indicators.

B.8 To report, through the Revenue Monitor, monthly forecasts of net outturn, and to refer departmental action plans for containing net expenditure within the net Revenue Budget. .

B.9 To ensure that Internal Audit carry out the necessary probity and system checks required to verify that proper financial management standards are being maintained.

Responsibilities of Chief Officers

B.10 To promote Financial Regulations and other related standards and procedures in their departments and to monitor adherence to these, in consultation with the Director of Finance.

B.11 To promote sound financial practices in relation to the standards, performance and development of staff in their departments.

B.12 To manage their budgets in accordance with these Regulations and to report all forecast variations, to the Director of Finance. Such forecasts to include action plans for containing expenditure within the Revenue Budget..

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SCHEME OF VIREMENT

B.13 The scheme of [virement](#) is intended to enable Chief Officers and their staff to manage budgets with a degree of flexibility within the overall policy and budget framework determined by full Council, and therefore to optimise the use of resources. This scheme of virement applies to both revenue and capital budgets.

Key controls

B.14 Key controls for the scheme of [virement](#) are:

- (a) it is administered by the Director of Finance within guidelines set by full Council. Any variation from this scheme requires the approval of full Council,
- (b) the overall budget is agreed by members, in line with the Scheme of Delegation, and approved by full Council. Chief Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure,
- (c) virement does not affect overall budget totals. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, in using virement they should not support recurring expenditure from one-off sources of income, fortuitous savings or additional income, and should not create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their budget cash limits.

Responsibilities of the Director of Finance

B.15 For all [virements](#), whether within or between, departments:

- (a) To authorise virements up to £50,000 following written request from the responsible Chief Officer(s), and to comment if appropriate.
- (b) To comment in the “Financial Implications” paragraph of any report drafted by Chief Officer(s) to the relevant Cabinet Member(s) required in order to seek agreement to virements from £50,000 and up to £100,000 and to Cabinet to seek agreement to virements above £100,000.

- (c) To comment in the “Financial Implications” paragraph of any report drafted by Chief Officer(s) where the proposed virement represents a change to the approved budget and policy framework and therefore the approval of full Council is required.

B.16 To monitor and record virements agreed and report them quarterly to members within the Revenue Monitor.

Responsibilities of Chief Officers

B.17 To agree [virements](#) whether within or between their departments following notification to, and authorisation by, the Director of Finance.

- (a) To propose virements of up to £50,000 and to seek authorisation of them by the Director of Finance.
- (b) To prepare a report jointly with the Director of Finance for the relevant Cabinet Member(s) seeking agreement to virements from £50,000 to £100,000 and to Cabinet in respect of virements above £100,000.
- (c) To prepare a report jointly with the Director of Finance to the full Council where any proposed virement represents a change to the approved budget and policy framework of the Council.

B.18 The above financial limits apply not only to individual virements but also to the cumulative effect of virements between the same estimate heads in any one financial year.

B.19 Virement that is likely to impact on the level of service activity of another Chief Officer should be implemented only after agreement with the relevant Chief Officer.

B.20 For educational establishments operating under the Local Management Scheme, governing bodies shall follow the procedures laid out in the financial guidelines contained in that scheme.

B.21 Where an approved [budget](#) is a [lump-sum](#) budget the allocation of which could not be determined at the time of budget approval, but which is intended for allocation during the year, its subsequent allocation will not be treated as a virement, provided that:

- (a) the amount is used in accordance with the purposes for which it has been established,
- (b) members, in line with the Scheme of Delegation, have approved the basis and the terms, including any financial limits, on which it will be allocated. Individual allocations in excess of the agreed financial limits should be reported in line with the Scheme of Delegation.

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TREATMENT OF BUDGET OVER AND UNDER SPENDS

B.22 The rules below cover arrangements for the transfer of budget provision between accounting years, i.e. carry-forwards, together with any other implications of variations from the approved budget.

Key Controls

B.23 Appropriate accounting procedures are in operation to ensure that carried forward totals are correct

Responsibilities of the Director of Finance

B.24 To operate the arrangements for carry forward as follows and to report to Cabinet;

Overspending at the year end.

Net departmental overspending at the end of the financial year shall be carried forward as first call on the following year's Revenue Budget.

Underspending at the year end.

The Director of Finance shall ensure that proposals to carry forward underspendings are considered in the context of the Council's overall Budget Strategy.

Planned departmental underspendings , identified in the month 9 Revenue Monitor report shall be considered for carry forward.

The amount of the underspending carried forward shall not exceed the net total departmental underspending for the year or be carried forward whatsoever in the event of net departmental overspending at the year end.

Departments will be expected to carry forward all underspends on building maintenance budgets, where those underspends add up to less than the Department's net underspend for the year. If the net underspend is less than this, each individual maintenance budget underspend will be scaled accordingly.

Carry forward shall not be permitted on centrally held budgets.

B.25 To report all overspendings and underspendings on service estimates carried forward to members, in line with the Scheme of Delegation.

Responsibilities of Chief Officers

B.26 Net underspendings on service estimates under the control of the Chief Officer must be used in the first instance to offset any overspendings under their control. In exceptional cases, Chief Officers may make an application to the Director of Finance for the carry forward of underspendings.

B.27 All Chief Officers are authorised by the General Scheme of Delegation to make decisions to incur new expenditure (or a future commitment to incur new expenditure) up to £20,000, provided this contained within current approved budgets. Any such decisions in relation to sums in excess of £20,000 and subject to the same criteria must be processed as a deputy's decision.

- B.28** All internal business unit surpluses shall be applied as required by [BVACOP](#). A “de minimis” limit of £100,000 per trading unit will apply.
- B.29** Schools may carry-forward surplus balances from one financial year to the next. Schools may also carry forward deficit balances which will be deducted from the schools budget share in the following financial year at the discretion of the local authority. Schools budget plans must include provision to recover any deficit from the previous year.
- B.30** Schools may not plan for a budget deficit except in exceptional circumstances. A school that wishes to operate a licensed deficit will be required to obtain in advance the agreement of the Director of Education and the Director of Finance. The Director of Education and Director of Finance shall jointly have the authority to agree a licensed deficit of £50,000 or less. Deficits above this level require the prior approval of members, in line with the Scheme of Delegation. Proposals shall be accompanied by a detailed plan setting out how the arrangement is to be accommodated as the first call on the next year’s budget share.

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ACCOUNTING POLICIES

- B.31** The Director of Finance is responsible for the preparation of the authority’s Statement of Accounts, in accordance with proper accounting practices and in the format required by the *Best Value Accounting Code of Practice (BVACOP)* and the *Statement of Recommended Practice (SORP)*, for each financial year ending 31 March.

Key controls

- B.32** The key controls for accounting policies are:

- (a) systems of internal control to ensure that 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 authority and its expenditure and income.

Responsibilities of the Director of Finance

- B.33** To select suitable accounting policies in order to comply with [BVACOP](#) and to ensure that they are applied consistently. The accounting policies used are to be set out in the Statement of Accounts, which is prepared as at 31 March each year, covering the following accounting principles:

- (a) separate accounts for capital and revenue transactions,

- (b) [accruals](#) of debtors and creditors at the year end at actual or estimated amounts to provide accurate annual charges against budgets and valid comparisons between years. Accruals should only relate to amounts due to or from third parties and not for internal transactions,
- (c) substantial [provisions](#) and [reserves](#) should be reported separately and conform with the definitions set out in BVACOP,
- (d) fixed assets (including those acquired under finance leases or deferred purchase agreements) should be categorised appropriately and valued, as recommended by CIPFA, in accordance with the *Statement of Asset Valuation Principles* and the Guidance Notes issued by the Royal Institution of Chartered Surveyors,
- (e) depreciation is charged on a straight-line basis on all fixed assets based on a finite life (normally 40 years except for vehicles and movable plant) determined at valuation,
- (f) [capital charges](#) are made to revenue accounts in respect of assets utilised reflecting the use of those assets and in accordance with BVACOP,
- (g) work in progress should comprise only work performed on behalf of third parties which was completed before 31 March but unbilled, or partially completed and partially paid for but unbilled, and therefore not included as debtors,
- (h) stocks and stores are valued at the lower of cost or net realisable value,
- (i) deferred charges represent expenditure on capital items which are not tangible fixed assets. Where there has been no long-term benefit to the Council such charges are written off to revenue in the year in which they are incurred, with the remaining items written off to revenue over several years,
- (j) government grants should reflect amounts due in the year of account where conditions for receipt have been complied with and there is reasonable assurance of receipt. Any amounts received as adjustments for previous years should be included in the accounts in the year of receipt where these vary from the figures included in the previous year's accounts,
- (k) assets held or acquired under operational and finance leases should be identified and quantified,
- (l) pensions costs should be charged in accordance with statutory requirements, and
- (m) [contingent liabilities](#) are to be included as notes to the balance sheet when the sums are likely to be material but it has not been possible or appropriate to bring them into the accounts.

Responsibilities of Chief Officers

B.34 To adhere to the accounting policies and guidelines laid down by the Director of Finance.

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REVENUE BUDGET MONITORING

- B.35** Budget management ensures that once full Council has approved the [budget](#), the resources allocated are used for their intended purposes, are properly accounted for, and cash limits are adhered to.
- B.36** [Budgetary control](#) is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It provides the mechanism that calls to account managers responsible for defined elements of the budget. It also informs the preparation of future budgets.
- B.37** By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The authority operates within an annual [cash limit](#), approved when setting the overall budget. To ensure that the authority in total does not overspend, each department is required to manage its own expenditure within the cash-limited budget allocated to it.
- B.38** For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre.
- B.39** There is a monthly process whereby all Chief Officers report to the Director of Finance on all their budget variations, highlighting all variations in excess of £50,000.
- B.40** The Revenue Monitor is a strategic report that is produced monthly. It informs of the Council's overall projected expenditure against approved budgets. This information helps the Council to plan future action or forecast future spending patterns and project the balances that will be available for use in future years. Members are asked to approve the quarterly report and make decisions to ensure the continued adequacy of the financial standing of the authority.

Key controls

- B.41** The key controls for managing and controlling the revenue budget are:
- (a) there is a nominated budget manager consistent with managerial responsibilities for each cost centre,
 - (b) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities,
 - (c) budget managers follow an approved certification process for all expenditure,
 - (d) income and expenditure are properly recorded and accounted for,
 - (e) performance levels and levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget,
 - (f) the overall [revised budget](#) against which expenditure is measured is equal to that approved by full Council (including any approved adjustments),
 - (g) actual income and expenditure is equal to that recorded on the corporate financial system,
 - (h) [committed](#) income and expenditure is recorded within each department,

- (i) projected income and expenditure is based upon valid assumptions, recorded for future review,
- (j) internal recharges are agreed between departments with the client department accepting responsibility for volume changes and the provider accepting responsibility for unit cost changes, and
- (k) projected revenue income and expenditure contains the full impact of any likely change in [balance sheet codes](#).

Responsibilities of the Director of Finance

- B.42** To establish an appropriate framework of budgetary management and control that ensures that:
- (a) [budget](#) management is exercised within annual [cash limits](#) unless full Council agrees otherwise,
 - (b) each Chief Officer has available timely information on receipts and payments in respect of each budget which is sufficiently detailed to enable managers to fulfil their budgetary control responsibilities, and
 - (c) to operate a monthly process that requires budget managers to investigate and report on significant variances from approved budgets.
- B.43** To administer the authority's [scheme of virement](#) as set out in these Regulations.
- B.44** The Director of Finance will assist a Chief Officer to develop possible financial strategies for containing an overspend position. Alternatively, they may refer the underlying issue giving rise to the variance to the Executive Management Team and/or the Executive to consider possible corporate action, including the use of general or earmarked reserves. This process should be followed for all variations in excess of £50,000 at cost centre level.
- B.45** To provide a corporate financial system in order that actual net expenditure can be reviewed either on-line or through monthly printed reports.
- B.46** To assess overall corporate net expenditure against the agreed budget.
- B.47** To provide projected expenditure in respect of central finance budgets.
- B.48** To collate all departmental projections into a Revenue Monitor for review by the Executive Management Team
- B.49** To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a regular basis to an agreed timetable to members, in line with the Scheme of Delegation.
- B.50** To monitor the position regarding [contingent liabilities](#) and ensure budgetary provision is made where necessary.

Responsibilities of Chief Officers

- B.51** To maintain [budgetary control](#) within their departments, in adherence to the principles set out in these Regulations, and to ensure that all income and expenditure is properly recorded and accounted for.

- B.52** To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Officer (An accountable budget manager may be responsible for a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- B.53** To ensure that spending remains within the department's overall [cash limit](#), and that individual budget heads are not overspent, by monitoring budgets and taking appropriate corrective action where significant variations from the approved budgets are forecast.
- B.54** To ensure that expenditure is committed only against approved budget heads.
- B.55** To assess the risk of overspending on budgets under their control on a monthly basis.
- B.56** To take any appropriate management action to contain overspends within existing budgetary provision. This may be within the particular service area, or another service area managed by the Chief Officer.
- B.57** To ensure that a monitoring process is in place to review performance levels and levels of service in conjunction with budget monitoring and to assure themselves that the process is operating effectively.
- B.58** To prepare and submit to the Director of Finance for collation and onward transmission to EMT and members monthly, in line with the Scheme of Delegation, reports on the department's actual, committed and projected expenditure compared with its approved budget in accordance with the format and deadlines specified.
- B.59** To ensure all officers responsible for committing expenditure comply with relevant guidance and these Financial Regulations.
- B.60** To ensure compliance with the [scheme of virement](#) as set out in these Regulations.
- B.61** To consult with the relevant Chief Officer where it appears that a budget proposal, including a [virement](#) proposal, may impact materially on another department's responsibilities or Chief Officer's level of service activity.
- B.62** To review 'personal' and balance sheet codes every month to ensure that all revenue impacts are reported as promptly as possible.
- B.63** To advise the Director of Finance of potential [contingent liabilities](#) for inclusion in the Revenue Monitor and to review these on a regular basis.
- B.64** To discuss the Revenue Monitor with the relevant deputy monthly.

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CAPITAL MONITORING

- B.65** Capital budget monitoring ensures that, once the [capital programme](#) has been approved by full Council, the capital resources allocated are used for their intended purposes and are properly accounted for.
- B.66** [Budgetary control](#) provides the mechanism to review progress on capital schemes, by comparison with the approved capital programme. The principles of budgetary control and budget management as set in the Regulations dealing with Revenue Monitoring are equally applicable to Capital Monitoring.

B.67 The Corporate Capital Monitor is a strategic document that is produced at least every quarter. It informs of the Council's overall projected [capital expenditure](#) against approved budgets. This information helps the Council to plan future action and assess the capital resources that will be available for use in future years. Members are asked to approve the monthly report and make decisions to ensure the continued adequacy of the financial standing of the authority.

Key controls

B.68 The key controls for monitoring the capital budget are:

- (a) there is a nominated officer for each capital project,
- (b) budget managers accept accountability for their projects,
- (c) monitoring of progress and expenditure compared with the approved timetable and budget, and
- (d) all underspends against allocated Mainline Resources become corporate resources and are re-allocated according to the agreed capital appraisal process.

Responsibilities of the Director of Finance

B.69 To collate monthly all departmental projections into a Corporate Capital Monitor for review by the Executive Management Team..

B.70 To prepare and submit reports on the authority's projected expenditure and resources compared with the approved budget on a regular basis to members in accordance with agreed deadlines and in line with the Scheme of Delegation.

Responsibilities of Chief Officers

B.71 To prepare regular reports reviewing the [capital programme](#) provision for their departments. They should also prepare a monthly return of estimated final costs of schemes in the approved capital programme for submission to the Director of Finance for inclusion in the Corporate Capital Monitor.

B.72 To ensure that adequate records are maintained in respect of all capital contracts.

B.73 To prepare and submit reports, jointly with the Director of Finance, to members, in line with the Scheme of Delegation, on any variation in contract costs greater than the approved limits in the Contracts Code. Members can agree to meet cost increases by [virement](#) from savings elsewhere within the capital programme or approve their financing by alternative means. All reports having financial implications, whether directly or indirectly, shall contain comments by the Director of Finance who shall be given adequate time and information to do this.

B.74 To prepare and submit reports, jointly with the Director of Finance, to members, in line with the Scheme of Delegation, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the amount specified in the Contracts Code, as part of the monthly monitoring process.

THE ANNUAL STATEMENT OF ACCOUNTS

B.75 The authority has a statutory responsibility to prepare accounts which present fairly its operations during the year. Full Council is responsible for approving for submission to the external auditor the statutory annual Statement of Accounts before the deadline set in the Accounts and Audit Regulations.

Key controls

B.76 The key controls for the annual Statement of Accounts are:

- ⇒ the authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of these affairs. In this authority that officer is the Director of Finance
- ⇒ the authority's Statement of Accounts must be prepared in accordance with proper accounting practices as set out in the *Best Value Accounting Code of Practice (BVACOP)* and the related *Statement of Recommended Practice (SORP)*.

Responsibilities of the Director of Finance

- B.77** To select suitable accounting policies, consulting with departmental Heads of Finance where appropriate, and to apply those policies consistently.
- B.78** To make judgements and estimates that are reasonable and prudent.
- B.79** To comply with the BVACOP and advise departments on its application.
- B.80** To draw up the timetable for final accounts preparation in consultation with departmental Heads of Finance, to advise staff and external auditors accordingly, to provide appropriate guidance to assist officers in implementing the timetable, and to ensure that the statutory deadline for completion of the Statement of Accounts is achieved.
- B.81** To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the relevant year.
- B.82** To issue the statutorily required public advertisement notifying that the accounts are available for public inspection and the date when the external auditor will be available to hear any objections to any items of account.
- B.83** To prepare the foreword to the Statement of Accounts reviewing the key financial issues affecting both the year of account and the following year and to report in the Statement on the robustness of the Council's internal control systems and arrangements.
- B.84** To ensure completion of the Statement of Accounts in accordance with the timetable, liaising with departments as necessary, co-ordinating the provision of all required information and collating that information.

- B.85** To liaise with External Audit on the completion of the Statement of Accounts and the arrangements for the audit thereof.
- B.86** To ensure that adequate documentation is available to support the Statement of Accounts. This should include copies of grant claims, reconciliations with financial ledgers and other records, and other working papers to demonstrate the accuracy of the derivation of data used in the Statement.
- B.87** To make arrangements for the Statement of Accounts and supporting accounting and financial documentation to be made available for public inspection as advertised.

Responsibilities of Chief Officers

- B.88** To comply with accounting guidance agreed with the Director of Finance and to supply the Director of Finance with information in accordance with the agreed timetable.
- B.89** To comply with the final accounts timetable, advising the Director of Finance promptly of any potential risks of non-compliance at any stage of the process of accounts closure.
- B.90** To ensure that working papers contributing financial information to the Statement of Accounts are of a high standard and conform with the authority's responsibilities under the Accounts and Audit Regulations.
- B.91** To ensure that information is provided to other departments on recharges and other internal transactions as agreed during the year and at the year-end.
- B.92** To ensure that regular monitoring of revenue, capital and [personal accounts](#) and regular reconciliations of holding and suspense accounts are undertaken during the year.

Contact: Leigh Whitehouse

Tel: 2501

ACCOUNTING RECORDS AND RETURNS

- B.93** Maintaining proper accounting records is one of the ways in which the authority discharges its responsibility for the stewardship of public resources. The authority has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit to provide assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources.

Key controls

- B.94** The key controls for accounting records and returns are:

- (a) all members, finance staff and budget managers operate to the required accounting standards and timetables,
- (b) all the authority's transactions, material [commitments](#) and contracts and other essential accounting information are recorded completely, accurately and on a timely basis,

- (c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure,
- (d) reconciliation procedures are carried out to bank statements and other available records to ensure transactions are regularly, promptly, and correctly entered, and
- (e) prime documents are retained in accordance with legislative, audit, and other requirements.

Responsibilities of the Director of Finance

- B.95** To determine the accounting procedures and records for the authority. Where these are maintained outside the Finance department, this will be in consultation with the Chief Officer concerned.
- B.96** To arrange for the compilation of all accounts and accounting records whether within the Finance department or within other departments.
- B.97** To prepare and publish the audited accounts of the authority for each financial year, in accordance with the statutory timetable and to meet the requirement for full Council to approve the Statement of Accounts before the deadline specified in the Accounts and Audit Regulations.
- B.98** To administer the authority's arrangements for underspendings and overspendings to be carried forward to the following financial year as set out in these Regulations under the heading "Treatment of Budget Over and Under Spends".
- B.99** To make the required arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations.

Responsibilities of Chief Officers

- B.100** To consult with the Director of Finance on the accounting procedures and records to be utilised within their departments.
- B.101** To comply with the following principles when allocating accounting duties:
 - (a) separating the duties of providing information about sums due to or from the authority and calculating, checking and recording these sums from the duty of collecting or disbursing them, and
 - (b) ensuring that employees with the duty of examining or checking the accounts of cash transactions are not themselves engaged in these transactions.
- B.102** To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's [Document Retention Schedule](#).
- B.103** To ensure that all claims for funds including grants are made by the due date.
- B.104** To maintain adequate records so as to provide a management trail leading from the source of income or expenditure through to the accounting statements.
- B.105** To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by, and agreed with, the Director of Finance.

B.106 To provide information required for, or to ensure completion of, all statutory and other financial returns by the due dates.

Contact: Leigh Whitehouse

Tel: 2501

FINANCE COMMENTS FOR REPORTS

B.107 When reports are presented, the financial implications must be clearly presented. This is essential, both to assist decision making, and to facilitate the preparation of financial plans, both revenue and capital.

Key controls

B.108 The key controls for providing finance comments on reports are:

- (a) All reports presented to meetings of members, should have a section covering the financial implications. (It is acceptable for this to state “there are no financial implications” when appropriate).
- (b) Where the financial implications can be contained within existing resources then the responsibility for ensuring accurate and informative financial comment remains with the Chief Officer, subject to keeping the Director of Finance informed and giving opportunity for input from him/her.
- (c) Where the financial implications impact on another department or have corporate implications (especially if the allocation of additional corporate resources is required) then “comments of the Director of Finance” are required.
- (d) Where additional resources are identified, these must be included in the Council’s financial plans, after the appropriate approval has been granted.
- (e) The Financial Strategy Board will review the Forward Plan monthly and identify which items require financial input. FSB will establish who will provide financial support and liase with the report author.
- (f) Reports with no corporate implications will be notified to the Finance department by the departmental finance team one week before the first committee deadline for agreement of the departmental finance team’s analysis.
- (g) Where there are corporate financial implications, the Finance and service team will jointly consider the report at least two weeks before the first committee deadline.
- (h) For major policy changes with financial implications Finance department should be involved from the outset and at least a month prior to the first committee deadline.
- (i) Where there are no financial implications a copy of the report should be sent to Finance for information before the first committee deadline

Responsibilities of the Director of Finance

- B.109** To monitor the standards of the “finance comments” provided by Chief Officers.
- B.110** To provide “finance comments” in all cases where there are implications to more than one directorate or where there are corporate implications and especially when corporate resources (revenue or capital) are required.
- B.111** To identify and include any financial implications that impact on the financial plans for current or future years.

Responsibilities of Chief Officers

- B.112** “Finance comments” prepared within the departments should be prepared by or on behalf of the nominated responsible professional finance officer and approved by the Chief Officer.
- B.113** Where reports impact on other departments or require corporate resources then “finance comments” should be requested from the Director of Finance. The time requirements set out as “key controls” should be observed.
- B.114** To comply with the corporate requirements outlined for any virements required.

Contact Leigh Whitehouse

Tel 2501

Corporate Governance, Risk Management and Control of Resources

RISK MANAGEMENT

C.1The effective management of the Council's risks helps to achieve the organisation's objectives. Risks occur in all of our activities and can be contained through a planned and systematic approach. Innovation and opportunity are fostered through well-informed risk taking and the benefits are clearly demonstrated through enhanced and cost effective service delivery. Most risks are commonly associated with uncertainty and impact but this association does not necessarily have to be attached solely to threat and hazard but also to the balance of risk and reward.

C.2The risk management objective of this Council has been agreed as 'Managing Risk Effectively' and it is the responsibility of all employees, Members and partners to give due regard to risk as part of their working practice. The risks we take may impact not only on an individual or group of people but they may cascade into other service areas, partnerships or the community. It is for this reason that transparency of the decisions we take is essential in the effective monitoring and tracking of risks.

Key controls

C.3The key controls for risk management are that:

- (a) Managers are aware of their responsibility for the adequate management of their risks.
- (b) Members are actively involved in the Scrutiny of the Risk Management process and arrangements, in line with the Scheme of Delegation.
- (c) Members approve the authority's risk management policy and promote a culture of risk management awareness throughout the authority.
- (d) Corporate and departmental risk registers are produced, maintained and updated periodically.
- (e) Suitable and proportionate procedures are in place to identify, assess, prevent, contain or develop material known risks, and for these procedures to operate effectively throughout the authority,
- (f) A monitoring process is in place to review regularly the effectiveness of risk strategies and the control regime. The risk management process should be conducted on a continuing basis,
- (g) Suitable contingencies are made for risks that may be triggered resulting in financial or non financial losses or harm.

- (h) Acceptable levels of risk are determined and appropriate mechanisms put into place to mitigate the residual exposure where necessary.
- (i) The authority has prepared and tested formal business continuity plans for implementation in the event of a disaster that results in significant loss or damage to its assets, business, or resources.

Responsibilities of the Director of Finance

- C.4** To develop and promote clearly stated coherent corporate risk policies and standards including a clear definition of the types and levels of risk considered unacceptable.
- C.5** To establish a Risk Management Culture across the organisation with the objective of self-identification, assessment, prevention or containment of risks, throughout the authority.
- C.6** To clearly define and assign to key staff the responsibility for accepting and managing risk.
- C.7** To ensure, and promote through Heads of Service the development of Risk Management and supporting management procedures to minimise risk and exposure to losses.
- C.8** To develop risk management treatment in conjunction with other Chief Officers.

Responsibilities of Chief Officers

- C.9** To champion the use of risk management in their own departments and be responsible and accountable for the risk management arrangements within their department, having regard to advice from the Director Finance and other specialist officers (e.g. risk management, performance, procurement, crime prevention, fire prevention, health and safety).
- C.10** To maintain, update and review Risk Registers relative to their operational departments services.
- C.11** To report on such risks in their operational department that may affect the Strategic objectives of the Council to the Executive Management Team.
- C.12** To contribute fully in the support of the Risk Management process

Contact: Principal Consultant, Risk Management ext 2587

INSURANCE

- C.13** The Council effects insurance for high level risks, where it is economic to do so, in order to protect its tax payers against the impact on local charges, should a catastrophe occur.
- C.14** It is essential that departments advise the Finance department (Insurance Section) of any change to their activities which insurance underwriters might consider could materially affect risk. Failure to do so might vitiate the insurance cover.

Key Controls

- C.15** The key controls for insurance are to some extent linked to risk management, and they are that:
- (a) procedures are in place to identify, assess, prevent or minimise material known risks, and these procedures are operating effectively throughout the authority,
 - (b) monitoring and regular review of risk reduction strategies takes place,
 - (c) procedures are in place to identify and record all insurances and the property or risk covered,
 - (d) procedures are in place to notify and record the occurrence of any incident or loss that may give rise to a claim by the Council for recovery from insurance companies of the loss,
 - (e) procedures are in place to notify the Finance department (Insurance Section) of any claim against the Council, and
 - (f) procedures are in place to investigate claims within required timescales.

Responsibilities of the Director of Finance

- C.16** In consultation with Chief Officers, to effect a long-term strategy to meet the Council's insurance requirements.
- C.17** To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with relevant officers, where necessary.
- C.18** To include all appropriate employees of the authority in a suitable fidelity guarantee insurance.
- C.19** To offer insurance cover to schools in accordance with Fair Funding arrangements.
- C.20** To undertake a review of requirements to support the annual renewal of insurance contracts.
- C.21** To ensure that insurance [provisions](#) are adequate to meet anticipated claims.
- C.22** To develop and maintain a claims and risk management database including the identification of claims trends and areas of risk.
- C.23** To continually monitor requirements and ensure that insurance covers are appropriate and cost effective.

C.24 To maintain insurance cover, including Public Liability Insurance, as required in the Contracts Code.

Responsibilities of Chief Officers

- C.25** To maintain records of the current value of buildings and contents in their respective departments, and to advise the Director of Finance of such values on an annual basis.
- C.26** To take appropriate measures to minimise the risk of injury to individuals and loss, damage or theft of any insured property.
- C.27** To notify the Director of Finance of any new or significant change in their departments' risks, which may be material to underwriters.
- C.28** To notify promptly the Director of Finance of any loss, damage or liability or any event which is likely to lead to a claim against the authority. This notification should be supplied together with any information or explanation required by the Director of Finance or the authority's insurers. In the event of theft or wilful damage, the police should also be notified of the loss or damage.
- C.29** To pass to the Director of Finance original letters of claim unanswered, with any attachments, on the date of receipt.
- C.30** Where Chief Officers other than the Director of Finance are responsible for negotiating claims direct with the insurers, details of all claims shall be notified periodically to the Director of Finance. Chief Officers must consult the Director of Finance on all procedural matters.
- C.31** On the happening of any event, which might give rise to a claim by the Council, against a third party, promptly to notify the Head of Legal Services to deal with the matter.
- C.32** To ensure that there are regular reviews of risk within their departments.
- C.33** To notify the Director of Finance promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- C.34** To consult the Director of Finance and the Head of Legal Services on the terms of any indemnity that the authority is requested to give.
- C.35** To ensure that employees, or anyone covered by the authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

Contact: Leigh Whitehouse Tel: 2501

INTERNAL CONTROL

- C.36** The authority is a large and complex organisation that faces a wide range of financial, administrative and business risks from internal and external factors. It requires a system of internal control to manage those risks and monitor its progress towards delivering strategic objectives and complying with its statutory obligations.
- C.37** The system of internal control encompasses the whole of the Council's activities, known as the control environment. The control environment comprises the Council's policies, procedures and operations in place to:

- (a) establish and monitor the achievement of the Council's objectives;
- (b) identify, assess and manage the risks to achieving the Council's objectives;
- (c) facilitate policy and decision making;
- (d) ensure the economical, effective, and efficient use of resources;
- (e) ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws, and regulations;
- (f) safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption, and;
- (g) ensure the reliability and integrity of information, accounts, and data, including internal and external reporting and accountability processes.

Key controls

C.38 Key features of a sound system of internal control include:

- (a) an analysis of the risks relating to the delivery of the authority's objectives and the development of a range of controls to manage those risks. These are elements of Risk Management, which for part of the authority's planning and monitoring processes;
- (b) the regular review of the risks to the authority and of the internal control systems that manage them, to help ensure that the identified risks are kept up to date and that controls are appropriate and effective, and introduce improvements where necessary. These are also elements of Risk Management;
- (c) the range of controls available to form the system of internal control include up to date procedures, segregation of duties, authorisations and approvals, organisational structure including delegations, personnel arrangements and training, supervision, management monitoring and oversight (including management information and reporting), planning and organisation (including defining policies and procedures, setting objectives and establishing plans);
- (d) an effective Internal Audit function that is properly resourced. It should operate in accordance with the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom* 2003, and with statutory obligations and regulations (currently the Accounts & Audit Regulations 2003).

Responsibilities of the Director of Finance

C.39 The Director of Finance is responsible for meeting the requirements of Section 151 of the Local Government Act 1972 that the Council must "make arrangements for the proper administration of their financial affairs...".

C.40 Regulation 4 of the Accounts and Audit Regulations 2003 requires that "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

C.41 A further requirement of the Accounts and Audit Regulations 2003 is to publish a Statement on Internal Control in the Council's annual published statement of accounts. This document is signed by the Leader of the Council and the Chief Executive.

Responsibilities of Chief Officers

C.42 To promote an effective internal control system in their departments, and across departments where activities they are responsible for cross departmental boundaries.

C.43 To undertake a regular review and analysis of the risks relating to the delivery of the department's objectives and the range of controls to manage those risks. This will help ensure that the current risks are known and that appropriate, effective controls are in place.

C.44 To ensure that the controls, examples of which are listed at paragraph C.3(c), are documented and are circulated to all relevant staff, who should be given appropriate instruction and training in their application. Also to check that the established controls are being adhered to.

C.45 To establish and implement new financial controls subject to the agreement of the Director of Finance, and remove financial controls that are unnecessary or not cost or risk effective – for example, because of duplication – with the agreement of the Director of Finance.

C.46 To decide on the appropriate vehicles for promoting internal controls including compliance with Council policy, Standing Orders, Financial Regulations, Contracts Code, Codes of Conduct and any statutory requirements. Examples include the use of guidance notes, training, procedures/manuals of operation.

C.47 To ensure staff have a clear understanding of the consequences of lack of control, or ineffective controls.

C.48 To promote high standards of integrity in all actions or transactions which directly or indirectly involve Council finances and assets. Also to promote accuracy, consistency, and timeliness in all transactions, in order to provide reliable information to assist the development and monitoring of the Council's policies.

Contact: Geoff Drake, Chief Internal Auditor Tel: 2529

INTERNAL AUDIT

Why is this important?

C.49 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit Regulations 2003 more specifically require that a "relevant 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 the proper internal audit practices". The guidance accompanying this legislation states that, for principal local authorities, proper internal audit practices are those contained within the *CIPFA code of practice for internal audit in local government in the United Kingdom 2003*.

- C.50** Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- C.51** Inherently the work of internal audit is a service to management and for the benefit of the organisation as a whole.

Key controls

- C.52** Internal audit should have sufficient independence for it to be seen as such across the organisation, and to enable auditors to perform their duties in a manner which facilitates impartial and objective professional judgements and recommendations. To this end Internal Audit should be involved in the determination of its priorities and scope; internal auditors should have no operational responsibilities.
- C.53** The Chief Internal Auditor has direct access to, and freedom to report in their own name without fear or favour to, all officers and members and particularly those charged with governance including the Chief Executive and the chair of the Audit Committee.
- C.54** Internal Audit should comply with the *CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2003*

Responsibilities of the Director of Finance

- C.55** To ensure that Internal Audit has the right of access to all assets, records, personnel and premises including those of partners and third parties such as contractors, and it has authority to obtain information and explanations as it considers necessary to fulfil its responsibilities.
- C.56** To ensure that Internal Audit is adequately resourced.
- C.57** To ensure that the scope of Internal Audit encompasses the control environment of the Council including its operations, resources, services, and its responsibilities in relation to other organisations.
- C.58** To ensure that strategic and annual audit plans prepared by the Chief Internal Auditor, which take account of the characteristics and relative risks of the authority's activities, are submitted to the Audit Committee for approval.
- C.59** To ensure that Internal Audit staff maintain objectivity, and do not undertake operational tasks.
- C.60** To ensure that Internal Audit provides a professional service that complies with the *CIPFA code of practice for internal audit in local government in the United Kingdom 2003*.
- C.61** To ensure that there are adequate arrangements for Internal Audit to report regularly to senior officers and members, which are complied with. This should include an annual Head of Internal Audit Assurance Report incorporating an opinion on the adequacy and effectiveness of the authority's system of internal control.

Responsibilities of Chief Officers

- C.62** To establish and maintain a sound system of internal control. Internal Audit can offer advice and recommendations on control weaknesses and how they can be addressed, management retain responsibility and accountability for their operations and the related control arrangements.

- C.63** To ensure that Internal Audit is given access at all reasonable times to premises, personnel, records and assets that the auditors consider necessary for the purposes of their work.
- C.64** To ensure that auditors are provided with any such information and explanations that they seek in the course of their work.
- C.65** To consider and respond promptly to findings and recommendations in audit reports.
- C.66** To ensure that any agreed actions arising from audit recommendations are carried out timely, efficiently and effectively.
- C.67** To notify the Chief Internal Auditor and/or corporate fraud manager immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- C.68** 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 prior to implementation.

Contact: Geoff Drake, Chief Internal Auditor. Tel: 2529

EXTERNAL AUDIT

- C.69** The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.
- C.70** The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, Section 4 of the 1998 Act requires the Audit Commission to prepare a Code of Audit Practice, which external auditors observe when carrying out their duties. The Code sets out the external auditor's objectives to review and report upon:
- (a) the audited body's financial statements and its statement on internal control; and
 - (b) whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- C.71** The authority's accounts are scrutinised by external auditors, who must be satisfied that the Statement of Accounts 'presents fairly' the financial position of the authority and that its income and expenditure for the year in question and complies with legal requirements.

Key controls

- C.72** External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission publishes a Code of Audit Practice, which external auditors observe when carrying out their audits.

Responsibilities of the Director of Finance

- C.73** To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- C.74** To ensure that there is effective liaison between external and internal audit.
- C.75** To work with the external auditor and advise members, in line with the Scheme of Delegation, and Chief Officers on their responsibilities in relation to external audit.

Responsibilities of Chief Officers

- C.76** To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- C.77** To ensure that all records and systems are up to date and available for inspection.

Contact: Geoff Drake, Chief Internal Auditor Tel: 2529

PREVENTING FRAUD AND CORRUPTION

- C.78** The authority will not tolerate fraud and corruption in the administration of its duties and responsibilities, whether from inside or from outside the authority.
- C.79** The authority's expectation with regard to propriety and accountability is that members and staff at all levels will adhere to legal requirements, rules, procedures and practices and lead by example.
- C.80** The authority also expects that individuals and organisations (e.g. suppliers, contractors, and service providers) with which it contracts will act towards the authority with integrity and without behaviour that constitutes fraud or corruption.

Key controls

- C.81** The key controls regarding the prevention of financial irregularities are that:
- (a) the authority has a published, effective Anti Fraud and Corruption Strategy consistent with the Constitution and maintains a culture that will not tolerate fraud or corruption,
 - (b) all members and staff act with integrity and lead by example,
 - (c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt,
 - (d) high standards of conduct are promoted amongst members,
 - (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded,
 - (f) whistle blowing procedures are in place and operate effectively, and

(g) whistle blowing legislation, including the Public Interest Disclosure Act 1998, is adhered to.

Responsibilities of the Director of Finance

C.82 [Blank]

C.83 To develop and maintain an Anti Fraud and Corruption Strategy.

C.84 To maintain adequate and effective internal control arrangements.

C.85 To develop and maintain an appropriate and effective whistle-blowing policy and procedures.

C.86 To ensure that all suspected irregularities are reported to the Chief Internal Auditor, the Chief Executive, and members where appropriate, in line with the Scheme of Delegation.

Responsibilities of Chief Officers

C.87 To ensure compliance with the Anti Fraud and Corruption Strategy and with the whistle-blowing procedures contained therein.

C.88 To ensure that all suspected irregularities are reported to the Corporate Fraud Manager, Chief Internal Auditor or Director of Finance.

C.89 To ensure that prompt action is taken, following consultation with the Corporate Fraud Manager, to initiate investigation of any suspected irregularity.

C.90 To ensure that prior to the commencement of an investigation, assessment and consideration is given to the seriousness of the irregularity and appropriate advice and assistance is sought from the Corporate Fraud Manager or the Chief Internal Auditor.

C.91 To ensure that appropriate action is taken during or at the conclusion of the investigation, which may include changes to internal controls to prevent repetition, steps to recover any losses incurred, disciplinary proceedings against individuals, or reporting suspected criminal offences to the police, or undertaking prosecution proceedings

Contact: Geoff Drake, Chief Internal Auditor Tel: 2529

ASSETS

SECURITY OF ASSETS

C.92 The authority holds assets in the form of property, vehicles, equipment, furniture and other items worth some £1.9 billion pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date Asset Register is a prerequisite for proper fixed asset accounting and sound asset management. (A corporate property database is required in addition to support land and property management, and a terrier to identify all the land and property holdings of the Council and their geographic locations, and inventories to record all items of furniture, equipment etc – the following section deals with inventories).

C.93 Furthermore, given the fact that the authority owns many valuable items of property and has a large number of visitors to its premises, it is essential that access to buildings and property is regulated and restricted as appropriate to ensure the safety of all personnel and the security of property.

Key controls

C.94 The key controls for the security of resources such as land, buildings, fixed plant, machinery, equipment, software and information are that:

- (a) resources are used only for the purposes of the authority and are properly accounted for,
- (b) resources are available for use when required for service provision,
- (c) resources no longer required are disposed of in accordance with the law and with the Financial Regulations of the authority so as to maximise benefits,
- (d) records, as set out above, are maintained for the authority, to ensure that assets are recorded when they are acquired by the authority and that this record is updated as changes occur with respect to the location and condition of the asset,
- (e) all staff are aware of their responsibilities with regard to safeguarding the authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation, and
- (f) all staff are aware of their responsibilities with regard to safeguarding the security of the authority's computer systems, including maintaining restricted access to the information held on them and compliance with the authority's computer and internet security policies.

Responsibilities of the Director of Finance

C.95 To ensure that an Asset Register, a corporate property database, and terrier are maintained in accordance with good practice for all fixed assets. The function of these records is to provide the authority with information about fixed assets so that they are:

- (a) safeguarded,
- (b) used efficiently and effectively,
- (c) adequately maintained, and
- (d) properly accounted for.

C.96 To receive information required for accounting, costing and financial records from each Chief Officer to enable the Asset Register to be updated, and to make appropriate charges to revenue accounts to reflect departments' use of assets.

C.97 To record all disposals or part exchanges of assets, which should normally be by competitive tender or public auction, unless, in consultation with the Director of Finance, members, in line with the Scheme of Delegation, agree otherwise.

C.98 To ensure that assets in the Asset Register are valued – and regularly re-valued - in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP)*.

Responsibilities of Chief Officers

- C.99** To establish and maintain appropriate levels of security for all employees, buildings, property, vehicles and plant, equipment and information within their control. This applies to property belonging to the Council, employees or other persons, for example that belonging to clients entrusted to the Council's care.
- C.100** To minimise risks of injury to employees and the public and to minimise risks of loss, damage or waste to any asset within their control.
- C.101** To provide information in a form approved by the Director of Finance to enable the recording of all properties, plant and machinery and moveable assets currently owned or used by the authority within their control, and treated as a capital asset. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying the terms, responsibilities and duration of use.
- C.102** To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Chief Officer in consultation with the Heads of Valuation and Property Services and Legal Services, has been established as appropriate.
- C.103** To ensure, by nominating those employees who shall be responsible, the proper security and safe custody of all buildings, vehicles, equipment, furniture, stock, stores, safes and other property belonging to the authority and under their control. Individuals must be informed of their responsibility in this respect and, where appropriate, the emergency services should be informed of official key holders.
- C.104** To identify land or buildings surplus to requirements, and to produce a joint report with the Director of Finance with recommendations on their disposal.
- C.105** To pass title deeds to the Director of Finance who is responsible for custody of all title deeds. Copies of these should be retained for twelve years following disposal of the asset.
- C.106** To ensure that no authority asset is subject to personal use by an employee without proper authority.
- C.107** To consult the Director of Finance in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- C.108** To ensure cash holdings on premises are kept to a minimum and within insurance limits.
- C.109** To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Director of Finance as soon as possible.
- C.110** To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the authority in some way.

Contact: Leigh Whitehouse

Tel: 2501

INVENTORIES

C.111 It is important that the authority protects its assets. Inventories help to ensure that effective protection of assets takes place, and is also required for insurance and financial (management of assets) reasons. The process of compiling an inventory is an important aspect of managing risk to the authority's property. The authority needs to be able to identify its assets and their relative value and importance. Based on this information the authority can then provide commensurate levels of protection.

Key Controls

C.112 Transfer, sale and disposal of all relevant items should be recorded in the inventory, with appropriate supporting evidence available to demonstrate that all acquisitions, sales and disposals have been approved by officers with the delegated authorisation to do so.

C.113 Regular checks, at least annually, should be undertaken by an independent officer to ensure that the physical items agree to the items listed in the inventory. The inventory should be signed and dated to confirm agreement and counter-signed by the relevant Chief Officer. Any discrepancies arising from these checks should be reported immediately to the relevant Chief Officer.

Responsibilities of Director of Finance

C.114 To ensure responsibilities and procedures for the implementation and maintenance of inventories are specified in Financial Regulations.

Responsibilities of Chief Officers

C.115 To maintain complete and accurate inventories of Council property including furniture, equipment, plant and machinery above £1000 in value. In most cases assets associated with information systems (ie computer and communications equipment and software assets) will be included in the inventories of ITSD, through whom all IT and communications equipment must be purchased unless special dispensation has been provided by the Director of Finance. Where a department has special dispensation they should include this equipment in their inventory records.

C.116 To ensure that for each item in the inventory and for any new acquisition the following is recorded promptly:

- 1) Identifying features of the item, eg description, make, model, colour, etc
- 2) date received
- 3) serial number or security mark
- 4) approximate value of the item (this should be the purchase value, or if not known then the replacement cost), and
- 5) details of any sale, transfer or disposal.

- C.117** To ensure that, where appropriate, items are security marked. Attractive and portable items such as computers, cameras and video-recorders should always be identified with security markings as belonging to the authority.
- C.118** To ensure each inventory is maintained by a specified officer who has no responsibility for authorising purchases or sales/disposals.
- C.119** To ensure each inventory is kept securely, with access restricted to authorised staff, and is available for inspection by the Chief Officer and by internal audit at all times.
- C.120** To ensure that as a minimum an annual check is undertaken of all items in the inventories in order to verify for each entry its existence, location, and condition. This process should also identify redundant items as well as any surpluses or deficiencies of equipment, which should be reported at the same time as the results of the inventory check. To ensure that the results of each inventory check are reported to the Chief Officer for consideration.
- C.121** To ensure procedures are in place whereby any discrepancies in any inventory are reported immediately to the relevant Chief Officer.
- C.122** To ensure that property is only used in the course of the authority's business, unless the Chief Officer concerned has given permission otherwise.

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STOCKS AND STORES

Responsibilities of Chief Officers

- C.123** To make arrangements for the care and custody of stocks and stores in their departments.
- C.124** To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- C.125** To investigate and remove from the authority's records (i.e. write off) discrepancies as necessary, or to obtain member approval, in line with the Scheme of Delegation, if they are in excess of £3,000.
- C.126** To authorise the disposal or write off of redundant stocks and stores. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless there is appropriate authorisation, in line with the Scheme of Delegation, where this is not economic.

Contact: Leigh Whitehouse Tel: 2501

INTELLECTUAL PROPERTY

- C.127** Intellectual property is a generic term that includes inventions and writing. If it is created by an employee during the course of employment, then, as a general rule, it belongs to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.

C.128 Certain activities undertaken within the authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key controls

C.129 In the event that the authority decides to become involved in the commercial exploitation of inventions, to ensure that the copyright and any patents associated with any piece of work, created during the course of the Council's business, remains with the Council.

Responsibilities of Chief Officers

C.130 To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware that anything they create during the course of their employment, whether written or otherwise, belongs to the Council.

C.131 To comply with the copyright, designs and patent legislation and, in particular, to ensure that:

- (a) only software legally acquired and installed by the authority is used on its computers,
- (b) staff are aware of legislative provisions, and
- (c) in developing systems, due regard is given to the issue of intellectual property rights.

Contact: Leigh Whitehouse

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ASSET DISPOSAL

C.132 It is uneconomic and inefficient for the costs of assets to outweigh their benefits. Items that are obsolete, non-repairable or are no longer needed for service provision should be disposed of in accordance with the law and the Financial Regulations of the authority, including the European Union's Waste Electrical and Electronic Equipment directive.

Key controls

C.132 Assets for disposal should be identified as part of the inventory checks. Any disposals should occur at the most appropriate time when it is in the best interests of the authority and, for sale items, when the best price can be obtained. For items of significant value, disposal should be by competitive tender or public auction. Disposal action must take into account any relevant Council policies (eg the policy on security of information for IT equipment), as well as legal requirements and environmental considerations.

C.133 Establishing and maintaining formal, written procedures helps to protect staff involved in disposals from accusations of impropriety.

Responsibilities of the Director of Finance

C.134 To issue guidelines representing best practice for the disposal of assets.

- C.135** To ensure appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds in the Council's accounts.
- C.136** To maintain a schedule of high value property for disposal and estimated disposal dates in order to monitor the potential availability of receipts to contribute to the funding of the capital programme – see Financial Planning: Capital Programme.

Responsibilities of Chief Officers

- C.137** To consult with the Director of Finance on proposals for the disposal of any asset with a value in excess of £3,000; disposals of assets of less than £3,000 should be agreed with departmental Senior Finance Managers.
- C.138** To comply with the following procedure in respect of all such disposals:
- (a) A designated senior officer, authorised by the Chief Officer, shall authorise in writing any proposed disposal of individual assets with a value below £250. The Chief Officer shall authorise in writing any proposed disposal of individual assets with a value of £250 up to £3,000.
 - (b) If the item is also recorded in the Asset register then its depreciated net book value is deemed to be its value. If it is not recorded there or if the item has an estimated re-value of over £250, an independent valuation of the asset must be obtained from a person professionally qualified to do so.
 - (c) For all individual assets with a re-sale value over £500 (pre-estimate or valuation), then best endeavours to obtain three written quotations or tenders is required (it is recognised that this is not always possible or practical). In addition, where the value exceeds £3,000 approval of the Director of Finance to the disposal is required.
 - (d) In no circumstances shall any disposal under this procedure be to a current or former member of staff or to an external organisation which receives monies from the Council by any means, without the specific approval of the Director of Finance, or a senior manager of the Finance department to whom such responsibility has been delegated.
 - (e) Any potential disposals to current or former members of staff or external organisation must be publicised to staff generally.
- C.139** To ensure documentary evidence is obtained to support all sales and disposals. A receipt must be issued for all income in respect of sales of equipment, which should be inspected before the asset is given to the purchaser. Details of sales must be held on file (including all sealed bids where appropriate) together with details of to whom the item was sold or transferred. Any disposal of items should be evidenced by a minimum of two officers who should sign a statement to that effect.
- C.140** To ensure that such disposals are recorded in the relevant inventory and notified to the Director of Finance as appropriate to enable corporate records to be updated. All records of such disposals, including income received, must be retained for at least three years.
- C.141** To ensure that income received from the disposal of an asset is properly and promptly banked and accounted for.

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TREASURY MANAGEMENT

Why is this important?

C.144 Many hundreds of millions of pounds pass through the authority's books each year. This has led to the establishment of a Code of Practice which aims to provide assurance that the authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the authority's invested cash.

Key controls

C.145 That the authority's borrowings, investments and associated procedures comply with the CIPFA *Code of Practice on Treasury Management* and with the authority's Treasury Management Policy Statement.

Responsibilities of Director of Finance – Treasury Management

C.146 To arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the authority's Treasury Management Policy Statement and Treasury Management Strategy.

C.147 To produce a Treasury Management Policy Statement and Treasury Management Practices, detailing the mechanisms operated in order to comply with the CIPFA *Code of Practice on Treasury Management* and statutory requirements.

C.148 To report twice a year on treasury management activities to members, in line with the Treasury Management Practices. The first report to be produced before 31 March each year is to cover Treasury Management setting out the overall arrangements and strategy for the ensuing financial year.

C.149 To report, secondly, by 30 September summarising to members the Treasury Management activities of the previous financial year.

Responsibilities of Director of Finance – Investments and Borrowing

C.150 To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by full Council.

C.151 To ensure that all securities which are the property of the authority or its nominees and the title deeds of all property in the authority's ownership are held in the custody of the Head of Legal Services

C.152 To effect all borrowings in the name of the authority.

Responsibilities of Chief Officers – Investments and Borrowing

C.154 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the full Council, following consultation with the Director of Finance.

Responsibilities of Chief Officers – Trust Funds and Funds held for Third Parties

- C.155** To arrange for all Trust Funds to be held, wherever possible, in the name of the authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Director of Finance, unless the deed otherwise provides.
- C.156** To arrange, where Funds are held on behalf of third parties, for their secure administration, approved by the Director of Finance, and to maintain written records of all transactions.
- C.157** To ensure that Trust Funds are operated within any relevant legislation and the specific requirements for each Trust.
- C.158** To ensure Trust Fund accounts are produced by 30 June each year, or earlier if required for incorporation into the Council's Statement of Accounts, or as may otherwise be specified in the final accounts close down timetable.

BANK AND IMPREST ACCOUNTS

Responsibilities of the Director of Finance

- C.159** To operate such bank accounts as are considered necessary to the efficient operation of the Council's activities. The opening or closing of any bank account shall require the approval of the Director of Finance.
- C.160** To provide employees of the authority with bank or cash imprest accounts, as appropriate, to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- C.161** To ensure that each bank account is operated within the terms agreed with the Council's bankers.
- C.162** To ensure that each bank account is reconciled to payments made and income received on a monthly basis and that the reconciliation is certified by the responsible officer. Bank statements and paid cheques should be retained for six years.
- C.163** To monitor the financial and service performance of the bank in relation to its contract on a regular basis.
- C.164** To review contractual arrangements for banking every five years.
- C.165** To determine petty cash imprest limits and to maintain a record of all transactions and petty cash advances made, and, periodically, to review the arrangements for the safe custody and control of these advances.
- C.166** To reimburse imprest holders as often as necessary to restore the imprests, but not normally more than monthly.

Responsibilities of Chief Officers

- C.167** To operate bank accounts only with the approval of the Director of Finance, to delegate responsibility for those accounts to nominated officers and to advise the Director of Finance of those nominated to be responsible.
- C.168** To ensure that each bank account is operated within the terms agreed with the Council's bankers and instructions issued by the Director of Finance.
- C.169** To ensure that each bank account is reconciled to payments made and income received on a monthly basis. Bank statements and paid cheques should be retained for six years.

- C.170** To obtain and retain vouchers to support each payment from the accounts. Where appropriate, an official receipted VAT invoice must be obtained.
- C.171** To ensure that the bank accounts are never used to cash personal cheques or to make personal loans.
- C.172** To provide to the Director of Finance a reconciliation of each account as at 31 March each year certified by the nominated responsible officer.
- C.173** On leaving the authority's employment or otherwise ceasing to be responsible for the operation of a bank account, an employee shall account to the Director of Finance for the up to date balance on that account.
- C.174** To ensure that employees operating a petty cash imprest account:
- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained,
 - (b) make adequate arrangements for the safe custody of the account,
 - (c) produce upon demand by the Director of Finance cash and all vouchers to the total value of the imprest amount,
 - (d) record transactions promptly,
 - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder,
 - (f) provide the Director of Finance with a certificate of the value of the account held at 31 March each year,
 - (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made, and
 - (h) ensure that, when an imprest holder leaves the authority's employment or otherwise ceases to be entitled to hold an imprest advance, the employee shall account to the Director of Finance for the amount advanced to him or her.
- C.175** To ensure that, where a bank or imprest account is operated by an external party the above rules are fully applied.

Contact: Pat Gough Tel: 2542

STAFFING

- C.176** In order to provide the highest level of service, it is crucial that the authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

Key controls

- C.177** The key controls for staffing are that:

- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocations are matched,
- (b) procedures are in place for forecasting staffing requirements and cost,
- (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the authority, and
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Director of Finance

C.178 To act as an advisor to Chief Officers on areas such as national insurance and pension contributions, as appropriate

Responsibilities of Chief Officers

C.179 To ensure that budget provision exists for all existing and new employees by producing an annual staffing budget.

C.180 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

C.181 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

C.182 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

C.183 To ensure that recruitment procedures verify that new staff are appropriately qualified, experienced and trustworthy by checking claimed qualifications and obtaining suitable references from past employers and other relevant sources.

Contact: Leigh Whitehouse

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Financial Administration

SYSTEMS

- D.1** Departments have many systems and procedures relating to the control of the authority's assets, including purchasing, costing and management systems. Departments are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- D.2** The Director of Finance has a professional responsibility to ensure that the authority's financial systems are sound and should therefore approve any new developments or changes.

Key controls

D.3 The key controls for systems and procedures are that:

- (a) basic data exists to enable the authority's objectives, targets, budgets and plans to be formulated,
- (b) actual performance is communicated to the appropriate managers on an accurate, complete and timely basis,
- (c) early warning is provided of deviations from targets, plans and budgets that require management attention, and
- (d) operating systems and procedures are secure.

Responsibilities of the Director of Finance

D.4 To make arrangements for the proper administration of the authority's financial affairs, including to:

- (a) issue advice, guidance and procedures for officers and others acting on the authority's behalf,
- (b) determine the accounting systems, the form of accounts and supporting financial records,
- (c) establish arrangements for audit of the authority's financial affairs,
- (d) approve any new financial systems to be introduced,
- (e) approve any changes to be made to existing financial systems,
- (f) establish arrangements for access control and general security of the authority's corporate financial systems, and

- (g) compile, in consultation with Chief Officers, a Disaster Recovery Plan to provide for as normal a continuation of financial services as possible in the event of any incident affecting those services.

Responsibilities of Chief Officers

- D.5** To ensure that accounting records are maintained properly and held securely.
- D.6** To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements agreed with the Director of Finance.
- D.7** To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- D.8** To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed,
 - (b) all processing is carried out in a complete, accurate and timely manner, and
 - (c) output from the system is complete, accurate and timely.
- D.9** To ensure that the organisational structure provides an appropriate segregation of duties to facilitate adequate internal controls and to minimise the risk of fraud or other malpractice.
- D.10** To ensure, jointly with the Director of Finance, that there is a documented and tested Disaster Recovery Plan to allow information system processing to resume quickly in the event of an interruption.
- D.11** To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- D.12** To ensure that systems are documented and staff trained in the operation of them.
- D.13** To seek the approval of the Director of Finance before changing any existing system or introducing new systems.
- D.14** To supply the Director of Finance with an authorised user request form with appropriate authorisation limits for staff requiring access to the authority's corporate financial systems.
- D.15** To establish within a Scheme of Delegation, or similar, the identification of officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- D.16** To supply lists of authorised officers, with specimen signatures and delegated limits, to the Director of Finance, together with any subsequent variations.
- D.17** To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that their staff are aware of their responsibilities under the legislation.
- D.18** To ensure that relevant standards and guidelines for computer systems issued by the Chief Officer are observed.
- D.19** To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.

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INCOME

D.20 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 authority's cashflow and also avoids the time and cost of administering debts.

Key controls

D.21 The key controls for income are that:

- (a) all income due to the authority is identified and charged correctly, in accordance with an approved Income Management Policy, which is regularly reviewed,
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery,
- (c) all money received by an employee on behalf of the authority is paid without delay into the Council's bank account, and properly recorded. The responsibility for cash collection should be separated from that:
 - i of identifying the amount due, and
 - ii of reconciling the amount due to the amount received,
- (d) effective action is taken to pursue non-payment in accordance with the Income Management Policy guidelines,
- (e) formal approval for debt write off is obtained in accordance with the Council's Scheme of Delegation,
- (f) appropriate write off action is taken within defined timescales,
- (g) appropriate accounting adjustments are made following write off action,
- (h) all appropriate income documents are retained and stored for the prescribed period in accordance with the Document Retention Schedule, and
- (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

Responsibilities of the Director of Finance

D.22 To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.

D.23 To approve all receipt forms, books or tickets and similar items, to be satisfied that proper arrangements exist for their control, and to ensure they bear sufficient information for audit and VAT purposes.

D.24 To examine and action requests for write offs submitted by Chief Officers.

D.25 To agree the write off of bad debts in accordance with the detailed procedures contained within the Council's Income Management Policy.

- D.26** To agree the write-off in consultation with Chief Officers of all debts up to a value of £100,000 per individual debt, with write-offs over £50,000 being subsequently reported to the Leader, in line with the Scheme of Delegation.
- D.27** To seek member approval to the write-off of any single debt in excess of £100,000.
- D.28** To keep a record of all sums written off and to adhere to the requirements of the Accounts and Audit Regulations.
- D.29** To ensure that appropriate accounting adjustments are made following write off action.
- D.30** To establish a charging policy for the supply of goods and services, including the appropriate charging of VAT, and to review this regularly in line with corporate policies.
- D.31** To advise Chief Officers on a monthly basis of the position regarding debts raised by or on behalf of their departments.
- D.32** To ensure, in consultation with Chief Officers, that adequate provision is made for potential bad debts arising from uncollected income. The level of provision should be reviewed twice annually as part of the closure of accounts process and as part of the preparation of the medium term strategy.

Responsibilities of Chief Officers

- D.33** To ensure that the agreed charging policy is implemented and consistently applied in respect of each relevant activity and service. Charging policies should be reviewed regularly and take account of VAT.
- D.34** To ensure that before a service is delivered the service provider has ascertained that the customer is in a position to pay for the service within the settlement period.
- D.35** To ensure that terms of business exist for all income earning activities, where the customer is an external body or individual. Terms of business should include at least:
 - (a) the nature, scope and standard of the service,
 - (b) the timing and location of the service,
 - (c) the pricing and payment terms for the service, including the maximum settlement period,
 - (d) the complaints procedure, and
 - (e) the disputes procedure.
- D.36** To separate, as far as is practicable, the responsibility for identifying amounts due and the responsibility for collection.
- D.37** To ensure that debt recovery procedures are in place, including legal action where necessary, for debts that are not paid promptly.
- D.38** To ensure official receipts are issued and to maintain any other documentation for income collection purposes.
- D.39** To ensure that at least two employees are present when post is opened and that money received by post is properly identified and recorded.
- D.40** To hold securely receipts, tickets and other records of income for the year of account and the previous six years.
- D.41** To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

- D.42** To ensure that income is paid fully, promptly, and directly into the correct authority bank account in the form in which it is received. Appropriate details should be recorded on the paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- D.43** To ensure income is not used to cash personal cheques or to make other payments.
- D.44** To supply the Director of Finance with details relating to work done, goods supplied, services rendered or other amounts due, to enable the proper recording of sums due to the authority and to ensure accounts are processed promptly.
- D.45** To use information on debt recovery provided by the Director of Finance to monitor recovery of income and flag up areas of concern. Chief Officers have a responsibility to assist the Director of Finance in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the authority's behalf.
- D.46** To ensure that levels of cash held on Council premises are within agreed insurance limits.
- D.47** To ensure that every transfer of money between employees of the authority is recorded. The receiving officer must sign for the transfer and the transferor must retain a copy.
- D.48** To recommend to the Director of Finance all debts to be written off. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal write off. Any debt raised in error may be cancelled. A credit note to replace or amend a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- D.49** To ensure that the write off procedures set out in the Income Management Policy are fully complied with.
- D.50** To notify the Director of Finance of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director of Finance.

Contact: Leigh Whitehouse

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ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

- D.51** Public money should be spent with demonstrable probity and in accordance with the authority's policies. Authorities have a statutory duty to achieve Best Value through economy and efficiency. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the authority's Contracts Code.

General Procurement Requirements

- D.52** Every officer and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with the authority's Contracts Code.

- D.53** Official orders must be in a form approved by the Director of Finance. Official orders must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions agreed with the Director of Finance.
- D.54** Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment by the authority shall be BACS or other instrument or approved method, drawn on the authority's bank account or National Giro account by the Director of Finance. The use of direct debit shall require the prior agreement of the Director of Finance.
- D.55** As best practice, official orders should be raised or order information recorded on the Council's corporate procurement management system.
- D.56** Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.
- D.57** Purchasing of specialist or technical items shall be undertaken by those departments which possess the necessary relevant expertise providing proper co-ordination is exercised by the Best Value Unit.

Key controls

- D.58** The key controls for ordering and paying for work, goods and services are that:
- (a) all goods and services are ordered only by appropriate persons and are correctly recorded,
 - (b) all goods and services shall be ordered in accordance with the Contracts Code,
 - (c) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order,
 - (d) invoices should be addressed to the Council (for the attention of individual officers where appropriate) not to individual officers alone,
 - (e) payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards,
 - (f) all payments are made to the correct person or organisation, for the correct amount and are properly recorded, regardless of the payment method,
 - (g) all appropriate evidence of transactions and payment documents are retained and stored for the year of account and the previous six years,
 - (h) all expenditure, including VAT, is accurately recorded against the appropriate budget and any exceptions are corrected, and
 - (i) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of the Director of Finance

- D.59** To ensure that all the authority's financial systems and procedures are sound and properly administered.

- D.60** To approve, in consultation with Chief Officers where appropriate, any changes to existing financial systems and to approve any new systems before they are introduced.
- D.61** To agree the form of official orders and associated terms and conditions.
- D.62** To make payments from the authority's funds on a Chief Officer's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations.
- D.63** To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a Court Order.
- D.64** To make payments to contractors on the certificate of the appropriate Chief Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- D.65** To authorise the release of payments in excess of £50,000.
- D.66** To provide advice and encouragement on making payments by the most economical means.
- D.67** To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

Responsibilities of Chief Officers

- D.68** To ensure that unique pre-numbered official orders are used for all goods and services, other than the exceptions specified in D51 (payments of utilities' bills and for courses and conferences etc).
- D.69** To ensure that verbal orders for works, goods or services are only placed exceptionally and are confirmed with an official written order.
- D.70** To ensure that orders are only used for goods and services provided to their departments. Individuals must not use official orders to obtain goods or services for their private use.
- D.71** To ensure that only those staff authorised by the Chief Officer sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of any order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best Value principles should underpin the authority's approach to procurement. Value for money should always be achieved.
- D.72** To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different person from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- D.73** To ensure that the Council's corporate financial systems are used for the procurement of, and payment for, works, goods and services except for works orders where specialist systems are used in agreement with the Director of Finance.
- D.74** To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
 - (a) receipt of goods or services,
 - (b) that the invoice has not previously been paid,

- (c) that expenditure has been properly incurred, is legal and is within budget provision,
- (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices,
- (e) that any tax has received the correct accounting treatment,
- (f) that the invoice is correctly coded,
- (g) that discounts have been taken where available, and
- (h) that appropriate entries have been made in accounting records.

- D.75** To ensure that at least two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice for payment. Compliance with the Local Government Act 2000 requires that two authorised officers must sign all purchase orders and contracts, other than contracts under seal, both of whom must be satisfied that the other provisions of this section are complied with.
- D.76** To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Director of Finance.
- D.77** To ensure that payments are not made on a photocopied or faxed invoice, statement or any other document other than the formal invoice. Any instances of apparently false invoices being rendered should be reported to the Chief Internal Auditor. Where invoices are lost and copies obtained, any copy invoices processed for payment should be endorsed “copy invoice not previously paid” with that statement certified.
- D.78** To ensure that invoices in excess of £50,000 are reported to the Director of Finance for the release of payments.
- D.79** To ensure that payments are not made in advance of goods being supplied, work done or services rendered to the Council except when approved in accordance with the Scheme of Delegation. (See D51).
- D.80** To maintain a register of goods which have been approved for payment in advance. The list should include financial limits.
- D.81** To encourage suppliers of goods and services to receive payment by the most economical means for the authority. It is essential, however, that payments made by direct debit have the prior approval of the Director of Finance.
- D.82** To ensure that all undisputed invoices are settled within agreed terms or 30 days from receipt of the invoice in accordance with the Prompt Payment of Invoices Performance Indicator.
- D.83** To ensure that the department obtains Best Value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with Best Value principles as contained in the authority’s Contracts Code.
- D.84** To utilise the purchasing procedures outlined in the authority’s Contracts Code in putting purchases, where appropriate, out to competitive quotation or tender, covering:

- (a) authorised officers and the extent of their authority,
- (b) advertisement for tenders,
- (c) procedures for creating, maintaining and revising a standard list of contractors,
- (d) selection of tenderers,
- (e) compliance with UK and EC legislation and regulations,
- (f) procedures for the submission, receipt, opening and recording of tenders,
- (g) the circumstances where financial or technical evaluation is necessary,
- (h) procedures for negotiation,
- (i) acceptance of tenders,
- (j) the form of contract documentation,
- (k) cancellation clauses in the event of corruption or bribery, and
- (l) contract records.

- D.85** To ensure that employees are aware of the National Code of Conduct for Local Government Employees (summarised in the Personnel Procedures).
- D.86** To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Director of Finance. This is because of the potential impact on the authority's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- D.87** To notify the Director of Finance of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director of Finance.
- D.88** With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Director of Finance the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- D.89** To notify the Director of Finance immediately of any expenditure to be incurred as a result of statute or court order where there is no budgetary provision.
- D.90** To ensure that all appropriate payment records are retained and stored for the year of account and the previous six years. Contract documentation should be retained for twelve years after completion of the contract.

Contact: Leigh Whitehouse

Tel: 2501

PAYMENTS TO EMPLOYEES AND MEMBERS

- D.91** Staff costs are the largest item of expenditure for most authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the authority and that payments accord with individuals' contractual and/or pension status as appropriate.
- D.92** It is important that all payments are accurately and completely recorded and accounted for through a proper audit trail. It is also important that Members' Allowances are authorised in accordance with the Scheme adopted by the Council, and that payments to the self-employed are treated correctly for the purposes of statutory deductions such as income tax.

Key controls

- D.93** The key controls for payments to employees, members, the self-employed and pensioners are that:
- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to the timely production of data relating to:
 - i starters,
 - ii leavers, and
 - iii permanent and temporary variations and enhancements to pay, including the production of timesheets or claims for staff with varying work patterns,
 - (b) frequent reconciliations are undertaken of:
 - i total payroll expenditure against an approved budget
 - ii net payroll expenditure against approved bank account (s)
 - iii payments of statutory and non-statutory deductions to third parties (e.g. pension contributions), and
 - iv annual year end statutory deductions compared to amounts paid to the Paymaster General,
 - (c) all appropriate payroll and pension documents are retained and stored for the defined period in accordance with the Document Retention Schedule, and in any case no less than a minimum of the previous six financial years plus the current financial year,
 - (d) that all statutory and local regulations are complied with in terms of payments and deductions made through the payroll system (e.g. regulations prescribed by the Inland Revenue, the National Insurance Contributions Office, the Local Government Pension Scheme, etc) .

Responsibilities of the Director of Finance

- D.94** To arrange and control the secure and reliable payment of salaries, pensions, compensation payments or other emoluments to existing and former employees, in accordance with prescribed procedures on the due date.
- D.95** To ensure that payments are made only upon receipt of duly completed and authorised data.
- D.96** To make arrangements for payment of all travel and subsistence claims, financial loss allowances and all other types of payroll-related allowances to employees and members.
- D.97** To ensure that sufficient separation of responsibilities exists within the Finance department to enable payments to be made securely through the payroll system.
- D.98** To ensure that all payments accord with the duly authorised national and local rates and that retrospective pay awards are implemented in a timely manner following receipt of revised pay scales.
- D.99** To record and make arrangements for the accurate and timely payment of PAYE, Income Tax, National Insurance, pension and all other statutory and non-statutory payroll deductions.
- D.100** To provide advice and encouragement to secure payment of salaries, pensions and all other related payroll payments by the most economical means.
- D.101** To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.
- D.102** To ensure the accurate and timely production of statutory returns to the Inland Revenue, particularly in respect of the financial year-end information and the declaration of employee taxable benefits.
- D.103** To provide such advice as may be necessary to ensure that statutory regulations are followed relating to the taxable treatment of benefits-in-kind.

Responsibilities of Chief Officers

- D.104** To ensure that all appointments are made in accordance with the Council's regulations and approved establishments, grades and scales of pay.
- D.105** To ensure that adequate budget provision exists for:
 - (a) all employee appointments,
 - (b) all permanent and temporary variations relating to employee appointments, and
 - (c) all engagements of self-employed persons.
- D.106** To notify the Director of Finance of all appointments, terminations or variations that may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Director of Finance. In any event this data should be provided no later than one month after its authorisation.
- D.107** To ensure that all actions affecting the retirement benefits of employees (e.g. early retirement due to ill health) comply with the requirements of the Council's pension scheme and other appropriate national/local regulations.
- D.108** To ensure that adequate and effective systems and procedures are operated, so that:
 - (a) payments are only authorised to bona fide employees and other payees,

- (b) payments are only made where there is a justifiable entitlement,
- (c) conditions of service and contracts of employment are correctly applied and updated where appropriate, and
- (d) employees' names and pay-related data listed on the personnel/payroll system are checked at regular intervals to verify accuracy and completeness.

D.109 To maintain an up-to-date list of the names of officers authorised to sign records affecting pay, together with two specimen signatures for each authorised officer. The Director of Finance must be given an original copy of the list containing the specimen signatures.

D.110 To ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed, consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Director of Finance.

D.111 To certify travel and subsistence claims and other allowances. Certification is taken to mean:

- (a) for travel expenses, that journeys were authorised and expenses properly and necessarily incurred,
- (b) for travel expenses, that allowances were properly payable by the authority and that cost-effective use of travel arrangements has been achieved,
- (c) the employee was properly engaged on Council business and that claims reflect the actual number of hours/days worked, and
- (d) due consideration has been given to tax implications and the Director of Finance has been consulted where appropriate.

D.112 To ensure that the Director of Finance is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

D.113 To ensure that all appropriate payroll documents and supporting documentary evidence relating to payment requests are retained and stored for the year of account and the previous six years.

Responsibilities of Members

D.114 To submit claims for Members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the financial year-end.

D.115 To ensure that claims for Members' travel and subsistence are properly incurred on Council business and that claims are made in accordance with the scheme adopted by the Council.

Contact: Leigh Whitehouser

Tel: 2501

TAXATION

D.116 Like all organisations, the authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

Key controls

D.117 The key controls for taxation are that:

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

Responsibilities of the Director of Finance

D.118 To complete all Inland Revenue returns regarding PAYE.

D.119 To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.

D.120 To complete an annual VAT partial exemption calculation in respect of the Council's de minimis limit of 5%.

D.121 To provide details to the Inland Revenue regarding the Construction Industry Tax Deduction Scheme.

D.122 To maintain up-to-date guidance for authority employees on taxation issues.

Responsibilities of Chief Officers

D.123 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise Regulations.

D.124 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax Deduction requirements.

D.125 To ensure that all persons employed by the authority are added to the authority's payroll and that tax is deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised Staff Agency.

D.126 To follow the guidance on taxation issued by the Director of Finance.

Contact Pat Gough

Tel: 2542 for VAT issues

Contact: Debbie Morris

Tel: 3068 for payroll-related issues

Trading accounts

D.127 Trading accounts have become more important as local authorities have developed a more commercial culture. Under Best Value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

D.128 BVACOP requires disclosure of significant trading operations. Where a trading account has sustained a deficit, disclosure requirements must include reporting the remedial actions and the results of any such actions.

Responsibilities of the Director of Finance

D.129 To advise on the establishment and operation of trading accounts.

Responsibilities of Chief Officers

D.130 To consult with the Director of Finance where an individual trading account 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 authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.

D.131 To observe all statutory requirements in relation to trading services, including the maintenance of a separate revenue trading account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, in accordance with the [BVACOP](#) requirements.

D.132 To ensure that the same accounting principles are applied in relation to trading accounts as for other services.

D.133 To ensure that each trading service prepares an annual business plan.

Contact: Leigh Whitehouse Tel: 2501

INTERNAL RECHARGES

D.134 Much of the flow of money across the Council originates from services provided by one department to another. This, in the majority of cases, stems from internal trading account services and support services.

D.135 To facilitate proper controls and the management of the Council's budgets, transactions need to be processed in an efficient and effective manner. This should ensure that client services (or purchasers) are charged promptly and pay within a commercially acceptable timescale, and that trading services (or providers) bill their customers in the knowledge that payment will be received within that stated timescale.

D.136 This process follows similar principles to the ordering of and payment for goods and services.

D.137 To ensure that the process is operating in accordance with that process, regular departmental monitoring of incoming and outgoing recharges needs to be carried out. The Director of Finance also undertakes overall monitoring of the recharges system.

D.138 The process involves provision for the resolution of disputes that cannot be settled between purchasers and providers. This is to ensure that all disputes are resolved within a stated timescale and will not adversely affect financial monitoring.

D.139 The process also seeks to ensure that purchasers and providers consult on budget provision to achieve the proper alignment of their respective budgets. These should then be reflected in the business plans of trading account services.

D.140 The recharging of the costs of support services is carried out in accordance with the 'total cost of services' principle required by the BVACOP, and the more detailed statement of requirements set out in the CIPFA guidance "Accounting for Support Service

Key Controls

D.141 The key controls for trading services' internal recharges are that:

- (a) recharges can only be raised by the provider,
- (b) recharges can only be accepted by the purchaser,
- (c) only the provider can make amendments to or cancel recharges,
- (d) disputes can be raised by the purchaser,
- (e) disputes can be referred for arbitration by either the purchaser or the provider,
- (f) set timescales apply to raising, accepting and disputing recharges, and
- (g) recharges or disputes not responded to within the set timescales will be processed by the Director of Finance.

Responsibilities of the Director of Finance

- D.142** To provide standard templates for both journal and recharge entries on the corporate financial system.
- D.143** To maintain the delegated list of inputters and authorisers, as agreed by Chief Officers, on the corporate financial system.
- D.144** To establish a framework or system for monitoring the carrying out of recharges.
- D.145** To accept or cancel recharges that are not dealt with in accordance with the timescales laid down in the framework.
- D.146** To arbitrate on disputed recharges where these cannot be satisfactorily resolved between departments.
- D.147** To carry out recharges for support services in accordance with proper accounting practices for both budget and final accounts purposes and to encourage the development of service level agreements.

Responsibilities of Chief Officers

- D.148** To provide the Director of Finance with updated lists of officers delegated to input and authorise recharges.
- D.149** To ensure that there is a separation of duties between inputters and authorisers of entries.
- D.150** To raise and/or process recharges in accordance with the timescales laid down.
- D.151** To notify and/or respond to disputed recharges in accordance with the timescales laid down.
- D.152** To monitor the processing of recharges on a monthly basis.
- D.153** To ensure that budgets for the purchase and provision of internal services are agreed between purchaser and provider and properly reflected in annual budgets and business plans and budget monitoring statements.

Contact : Leigh Whitehouse Tel: 2501

GRANTS

- D.154** There is an increasing trend for the Council to receive funding both from central government and other bodies through specific grants. This may be for on-going services, such as Housing Subsidy, as well as one-off funding for specific projects, such as lottery funding, or New Deal for Communities (NDC).
- D.155** Given the increasing number of grants available, the Council needs to monitor and co-ordinate its response. Equally it needs to analyse what is being received corporately to help target effort in maximising grant income.
- D.156** Keeping information centrally is also helpful for managing income efficiently. This includes making sure the income is coded correctly as soon as possible on receipt to ensure effective monitoring within departments. Advance notice of expected income also assists treasury management officers to invest money to best possible effect.
- D.157** Managing and correctly coding the expenditure associated with grant income is also vitally important to maximise income and minimise the risk of claims being qualified by the external auditor.
- D.158** Bidding into the many Government established grant regimes needs to have regard to the overall objectives of the authority. Bids for capital grants are agreed by the Cabinet, whilst bids for revenue grants need to be fed into the medium term strategy.

Key controls

D.159 The key controls for controlling grant income are the:

- a) development and maintenance of a corporate list of expected grant income showing amounts expected, when these are expected, where it should be coded to and the responsible officer,
- b) monthly review of expected income compared with the amounts received,
- c) up to date recording of associated expenditure compared with grant income received and claimed,
- d) reconciliation of actual expenditure to that recorded in the corporate financial systems before claims or returns are agreed, and
- e) incorporation of gross grant income and expenditure within appropriate annual budgets.

Responsibilities of the Director of Finance

- D.160** To maintain a corporate list of expected grants and amounts expected each year in liaison with Chief Officers.
- D.161** To credit income received through the corporate bank accounts to the pre-agreed accounting codes within three working days.
- D.162** To invest the money received to best advantage.
- D.163** To investigate ways of maximising grant income.
- D.164** To build in any agreed financial implications (e.g. matched funding) into the budget strategy.
- D.165** To verify and sign all government grant claims for the authority and for bodies for whom the Council is the accounting body.

Responsibilities of Chief Officers

- D.166** To maintain an up to date departmental list of expected grant income and to supply a copy to the Director of Finance in sufficient time for it to be checked and reported to the external auditor for audit planning purposes.
- D.167** To ensure that income and expenditure associated with each grant is separately recorded on the corporate financial system.
- D.168** To ensure that all claims and returns associated with each grant are fully supported by comprehensive working papers.
- D.169** To ensure that any other expenditure associated with the grant (eg matching funding) is contained within the approved departmental budget.
- D.170** To ensure that all claims for funds and the returns required by funding bodies are made by the specified dates and that claims are received in the Finance department at least three days in advance of the specified dates.
- D.171** To minimise the costs of auditing grant claims by ensuring a high standard of working papers on grant files and by dealing with audit enquiries promptly.

Contact: Leigh Whitehouse

Tel: 2501

JOURNALS

- D.172** Journals are used to correct the coding of income and expenditure or to carry out balance sheet transactions. Amounts should be coded according to their classification, in line with accounting best practice. This allows the ‘total cost’ of services to be analysed correctly, as required by the BVACOP.
- D.173** A large number of journal entries on particular codes may indicate that transactions are not being coded correctly at source and can therefore be an indicator of quality (or lack of it) in the accounting.

Key controls

D.174 The key controls for generating journals are that:

- (a) journals can only be generated within agreed levels of delegation and security,
- (b) only authorised inputters and authorisers can generate journal entries,
- (c) an authorised list of inputters and authorisers is maintained by the Director of Finance on the corporate finance system to verify compliance,
- (d) there is a separation of duties between inputters and authorisers of journals, and
- (e) the corporate financial system will only allow ‘balanced’ journals to be accepted.

Responsibilities of the Director of Finance

- D.175** To provide a template for journal entries on the corporate financial system.
- D.176** To maintain the list of delegated inputters and authorisers, as agreed by Chief Officers, on the corporate financial system.
- D.177** To approve any journals that impact on more than one department.

Responsibilities of Chief Officers

D.178 To provide the Director of Finance with updated lists of officers delegated to input and authorise journals.

D.179 To ensure there is separation of duties between inputters and authorisers of entries.

D.180 To seek approval from the Director of Finance prior to any journal affecting another department.

Contact: Leigh Whitehouse

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External Arrangements

PARTNERSHIPS

- E.1** Partnerships play a key role in delivering community strategies and in helping to improve the well-being of the area and its citizens. For the purpose of these Financial Regulations a partnership is defined as “A co-operative fellowship between two or more independent parties (one of which is the Council) which is designed to secure some shared or mutual operational benefits” (CIPFA Best Value Accounting Code of Practice). This definition excludes client/contractor relationships and employer/employee relationships which are dealt with in section D of this document and in the Contracts Code and Personnel Code respectively.
- E.2** Examples of partnerships include arrangements entered into under the Local Strategic Partnership, Sure Start, and the use of Health Act 2000 Section 31 flexibilities, including pooled budgets.

General

- E.3** The main reasons for entering into a partnership are:
- (a) the desire to find new ways to share risk,
 - (b) the ability to access new resources,
 - (c) to provide new and better ways of delivering services,
 - (d) to forge new relationships, and
 - (e) to provide a more “joined up” service to the community.
- E.4** A partner is defined as either:
- (a) an organisation or undertaking (private or public), part funding, or providing resources in kind (e.g. premises, IT systems), or staff, or participating as a beneficiary in a project, or
 - (b) a body whose nature or status give it a right or obligation to support the project.
- E.5** Partners participate in projects by:
- (a) acting as a project deliverer or sponsor, solely or in concert with others,
 - (b) acting as a project funder or part funder,

- (c) providing non-cash resources e.g. use of premises, staffing expertise, administrative support or IT systems. It is important that a value is placed on contributions in kind in order to determine whether the partnership represents Best Value, and
- (d) being the beneficiary group of the activity undertaken in a project.

E.6 Partners have common responsibilities as follows:

- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation,
- (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives,
- (c) to be open about any conflict of interests that might arise,
- (d) to encourage joint working and to promote the sharing of information, resources and skills between public, private and community sectors,
- (e) to hold confidentially any information received, as a result of partnership activities or duties, that is of a confidential or commercially sensitive nature, and
- (f) to act wherever possible as ambassadors for the project.

Key controls

E.7 The key controls for the local authority are that:

- (a) all new partnerships should be reported as required by the Scheme of Delegation, as if they were a contract. The value of the partnership for this purpose is the sum of the Council's contribution over the life of the partnership (whether capital or revenue) and the value of any contributions in kind e.g. premises, staffing, IT systems etc.,
- (b) all partnerships should have a written agreement between the partners covering the following points (the obligations and potential liabilities of the Council should be clear in each case):
 - i) the purpose of the partnership and the benefits that are expected to be derived from it for the individual partners and for the local community,
 - ii) the names of the partner organisations,
 - iii) the governance arrangements for the partnership – i.e. who can make decisions on behalf of the partnership, under what authority, and with what terms of reference,
 - iv) a named partner organisation to be responsible for managing the finances and keeping the accounts of the partnership,
 - v) the Financial Regulations that will apply (usually those of the organisation that will manage the finances and keep the accounts),

- vi) a clear statement of the purpose of the partnership, including the target client group, the services to be provided to the client group and who is to provide those services,
- vii) agreed service targets and responsibilities consistent with the Council's performance framework and statutory duties,
- viii) a scheme of delegation,
- ix) the responsibility of each partner for providing information to the partnership (including financial and accounting information) and the format and frequency with which the information will be provided. This should include both regular financial monitoring, financial planning and budgeting, financial reporting and an annual statement of accounts,
- x) the contribution that each partner will make both in cash and in kind,
- xi) arrangements for dealing with financial surpluses or deficits and how they will be divided between the partners,
- xii) arrangements for any carry forward of a surplus or deficit between financial years,
- xiii) arrangements for varying the level of contribution both in cash and in kind. These should include an annual review of the effect of inflation on contributions,
- xiv) identification of risks, financial or otherwise, related to the partnership and how they will be allocated between partners,
- xv) insurance arrangements,
- xvi) a statement on the treatment of VAT and any other tax implications of the partnership,
- xvii) responsibility for internal audit, and the appointment of an external auditor,
- xviii) the process for reviewing the performance of the partnership and evaluating it against agreed objectives,
- xix) the duration of the partnership and the agreed end date or review date,
- xx) the implications of any partner terminating their involvement before the agreed end or review date,
- xxi) arrangements for the dissolving of the partnership. These should cover financial liabilities and compensation, ownership of assets and liabilities, ownership of intellectual property and interim arrangements during the winding down of the partnership, and
- xxii) where income is being raised by charges there should be a charges policy which should be consistent with the authority's fees and charges strategy and statutory duties.

Responsibilities of the Director of Finance

E.8 To advise on effective controls that will ensure that resources are not wasted.

E.9 To advise on the key elements of funding a partnership. They include:

- (a) a financial appraisal to establish viability in both the current and future years,
- (b) risk appraisal and management,

- (c) resourcing, including taxation issues,
- (d) audit, security and control requirements,
- (e) carry-forward arrangements,
- (f) the partnership arrangements generally, and
- (g) the governance arrangements.

E.10 To ensure that the accounting arrangements are satisfactory.

E.11 To comment on all proposed partnership arrangements prior to approval in line with the Scheme of Delegation.

Responsibilities of Chief Officers

E.12 To maintain a register of all partnerships entered into with external bodies.

E.13 To ensure that, before entering into agreements with external bodies, a report is prepared in consultation with the Director of Finance under the Scheme of Delegation covering all the points set out in E9 above.

E.14 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority.

E.15 To ensure that all agreements and arrangements are properly documented and that advice is sought from the Head of Legal Services where appropriate.

E.16 To ensure that financial monitoring information on the whole partnership is available in the format and at the frequency specified by the Director of Finance – including any financial risks to the Council arising from the actions or spending of other members of the partnership.

E.17 To provide appropriate information to the Director of Finance to enable a note to be entered into the authority's Statement of Accounts concerning material items and to comply with the CIPFA Best Value Code of Accounting Practice on accounting for partnership arrangements

E.18 To agree accounting procedures and practices with the Director of Finance.

Contact: Leigh Whitehouse

Tel: 2501

GRANTS TO OUTSIDE BODIES

E.19 Grants to voluntary bodies and community organisations can be a cost effective means of facilitating and achieving corporate and service objectives. Voluntary bodies and community organisations, in some circumstances, may be better able or may be better placed to provide certain services, Much of the rationale for, and benefits of, engaging in partnerships, as set out at the beginning of the previous section, applies to grants to outside bodies.

Key Controls

E.20 Decisions to approve assistance to an outside body by grant or other assistance in kind should be based on assurance that the following requirements have been met or will be met to ensure the Council's interests are protected before any grant or assistance is actually made – this is primarily a framework for good practice. More detail is found in the Council's Funding Agreement (for longer term arrangements) and Conditions for Grant Aid, available from the Assistant Chief Executive (O&D):-

- i). the receiving body has been properly identified, has suitable lead parties, a defined work area or purpose, and suitable trust documents or constitution,
- ii) any conflicts of interest have been declared and properly managed,
- iii) any risks to such agreements and to the Council's interests are being adequately and appropriately managed,
- iv) it will be possible to confirm proper use of the Council's assistance,
- v) the assistance contributes to the delivery of the Council's services or to the achievement of the Council's corporate objectives,
- vi) the extent and purpose of the assistance have been properly identified,
- vii) arrangements for the repayment of any loan have been made,
- viii) arrangements to gain repayment or recovery for the value of the assistance are in place in the event of default by the recipient,
- ix) any specific conditions relating to the assistance have been identified,
- x) monitoring arrangements have been put in place to ensure the assistance is used for the purpose approved,
- xi) the recipient will provide evidence to the Council demonstrating proper accounting for, and use of, the assistance, including, access to the accounts of the body for the Director of Finance, or designated representative, and to supporting information, documents and evidence,
- xii) a legally binding agreement is in place between the Council and the body covering the above conditions relating to the use of grant or other assistance,
- xiii) full records will be maintained of all grants and related applications for assistance, which should identify which staff are involved in the processing of applications and grants, and record the date of approval of any grant or other assistance, and by whom, and any other relevant transaction information,
- xiv) members will approve all grants and assistance to external bodies, except where such annual assistance in total is less than £20,000 in value to any one body, and there is budgetary provision for such assistance, and it does not form a commitment of future years' budgets. Where the total value per annum is below £20,000 the relevant Chief Officer may approve such assistance in accordance with the Scheme of Delegation and subject to the requirements of these Financial Regulations, and
- xv) Members may approve a framework for the administration of any specified class of grant and assistance over the value of £10,000 by the relevant Chief Officer for the efficient conduct of business, subject to such assistance meeting the other requirements of these Financial Regulations.

Responsibilities of the Director of Finance

- E.21** To advise on effective controls
- E.22** To advise on any funding implications of grants or assistance
- E.23** To ensure the accounting arrangements are satisfactory.

Responsibilities of Chief Officers

- E.24** To ensure that the key controls set out above are implemented in respect of all grants made and assistance provided.
- E.25** To undertake any research, eg by making enquiries of the Charity Commissioners, into the financial standing of proposed grant receiving bodies.
- E.26** To ensure the use of any corporate standard agreements drawn up by the Director of Finance (as updated from time to time), with any specific conditions incorporated therein.

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Glossary and Abbreviations

Accrual – procedure for accounting in one financial year for expenditure actually made or income actually received in the following year although due or chargeable in the year of account - entries made in the year of account are reversed in the following year.

AMP (Asset Management Plan) - corporate and departmental plans outlining how the Council plans to manage its assets.

Balances – amounts carried forward from one financial year to another - also used more specifically to refer to non-earmarked General Fund balances.

Balance Sheet Codes – cost centres used for expenditure and income not directly chargeable to revenue or capital – they contain all balances carried forward at the year end.

Best Value Accounting Code of Practice (BVACOP) – sets out the accounting policies to be adopted in the implementation of Best Value.

Budget or Approved Budget – the Council's spending plans for a financial year. The revenue budget, when approved by full Council and after deduction of Revenue Support Grant and redistributed Business Rates, determines the Council Tax for the year. The capital budget represents the approved amount of capital expenditure for a year together with how it will be funded. (Budget can refer to the total budget or to a service or part of a service).

Budgetary Control – comparison of actual expenditure and income against approved budgets during the year and the taking of action to resolve any variations which arise.

Budget Head – the lowest level of expenditure or income at which budgets are monitored - generally this will be a line in the budget book although for directorate purposes these budgets will be broken down on the financial accounting system (CEDAR) and monitoring undertaken at that lower level.

Capital Charges – charges in respect of depreciation and interest made to revenue accounts in respect of their utilisation of assets.

Capital Expenditure – expenditure, generally on assets, which benefits the Council for a period exceeding a single year.

Capital Programme – sets out the Council's capital expenditure plans for the current and several future years.

Capital Receipts – the net proceeds arising from the sale of land, buildings and other fixed assets owned by the Council and any other income deemed by statute to be of capital nature.

Capital Resources – amounts available to finance capital expenditure - including borrowing, capital receipts, capital grants and revenue.

Cash Limit – budget set at a fixed level with no scope for subsequent increase.

Charges – income raised from the users of services (external or internal) which may be statutory (set by central government) or discretionary (set by the authority).

CLG – the Department for Communities and Local Government

Commitment – agreement to incur expenditure, for example the placing of an order or the signing of an agreement.

Contingency – amount set aside within an approved budget but not assigned for a specific purpose which may cover, for example, inflation increases or sums retained centrally for allocation during the year.

Contingent Liability - defined in the SORP, following the publication of FRS12 “Provisions, Contingent Liabilities and Contingent Assets” as:

- “A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation’s control
- A present obligation that arises from past events but is not recognised because:
 - a) It is not probable that a transfer of economic benefits will be required to settle the obligation; or
 - b) The amount of the obligation cannot be measured with sufficient reliability.”

Corporate Plan – a document which establishes and explains overall priorities and objectives, current performance, and proposals for further improvement

Credit Arrangement – notional capital expenditure which is required by statute to be financed in the same way as normal capital expenditure.

Deferred Charge – capital expenditure which does not give rise to a tangible asset.

De Minimis – level below which the relevant rule or regulation does not apply.

DMT (Directorate Management Team) – comprises, for each directorate, the Chief Officer and senior managers who meet as a team to consider issues affecting their directorate.

Document Retention Schedule – details the time, dictated by statute or good practice, for which prime records for various areas of Council activity should be retained for possible examination.

EMT (Executive Management Team) – the group comprising all Chief Officers which determines authority-wide policies and practices, discusses corporate issues and makes recommendations to Members where appropriate.

Estimate – anticipated expenditure or income - generally synonymous with “budget”.

FRS (Financial Reporting Standard) – published by the Accounting Standards Board.

Finance Strategy Board (FSB) – a group which comprises senior finance representatives of each directorate and which develops and agrees cross-directorate financial practices and considers and resolves financial issues common to all or a number of directorates.

Income – monies received by the Council other than from borrowing.

Lump Sum Budget – amount approved for a specific purpose but which cannot be allocated to particular Budget Heads at the time of approval of the overall budget by the Council.

Main Programme Resources – capital funding available from capital receipts, government borrowing allocations and prudential borrowing.

Original Estimate – budget approved at the time of fixing the Council Tax each year.

Overspending – the excess of actual expenditure at the end of a year or contract which is greater than the approved budget, or actual income which is less than the approved budget.

Provision – the setting aside of financial resources to meet the potential cost of a past occurrence likely to lead to a future obligation of which the timing or amount cannot be precisely quantified.

Reserves – amounts set aside for specific purposes to meet future expenditure which do not qualify as provisions (also called earmarked reserves).

Revenue Budget – approved amount of revenue expenditure.

Revenue Expenditure – expenditure met from the Consolidated Revenue Account, including capital charges and any capital expenditure not met from capital resources.

Revised Estimate – the approved amendment of an Original Estimate during the financial year.

Scheme of Delegation - the handing down of statutory (where allowed) and other responsibilities by the Council to the Cabinet, Cabinet Members, Committees, Panels and Officers. There are both general and specific Schemes of Delegation in the Council's Constitution.

Service – a separate function undertaken by the Council. Normally the first summary level in the Budget Book.

Slippage – expenditure on a capital scheme delayed from one financial year into the next but which does not affect the total cost of the scheme.

Statement of Recommended Practice (SORP) — advises on the detailed application of BVACOP, ie, on the accounting conventions to be used in the production of the Council's Statement of Accounts.

Supplementary Estimate – approved addition to a previously agreed budget.

Trading Accounts - under the BVACOP Councils may choose to maintain trading accounts for services as follows:

- a). Trading with Third Parties (e.g. catering undertakings, trade refuse and industrial units),
- b). External Trading Organisations that have contracts with other public bodies (e.g. Under the Local Authorities (Goods and Services) Act, 1970,
- c). Former contracts entered into under Compulsory Tendering legislation that are still running,
- d). Internal Trading Organisations arising from voluntary competitive tendering exercises,
- e). Support Services provided in a free internal market, where client departments can opt out and buy in services, and
- f). Support Services provided in a controlled internal market, where client departments can determine the quantity and type of work but can not opt out.

Underspending – the amount of actual expenditure at the end of a year or contract which is less than the approved budget or actual income which is above the approved budget. This represents amounts that will not be incurred or received and should be distinguished from Slippage (see above).

Virement – the approved transfer of budget from one head of account to another .

FURTHER REGULATORY AND PROCEDURAL DOCUMENTS

Members' Code of Conduct (Constitution)
Officers' Code of Conduct (Constitution)
Member/ Officer Protocol (Constitution)
General Scheme of Delegation (Constitution)
Specific Schemes of Delegation to Directors, especially the Director of Finance (Constitution)
Budget and Policy Framework Procedural Rules (Constitution)
Contracts Procedural Rules (Contracts Code) (Constitution)
Officer Employment Procedure Rules (Constitution)
Capital Process Guidance
Schools Local Management Scheme, including financial procedures
Document Retention Schedule
Business Continuity Plans/Disaster Recovery Plans
Register of Interests, Gifts and Hospitality
Whistle-Blowing Procedures
Inventories
Computer and Internet Security Policies
Treasury Management Strategy and Policy Statements
Standards and Guidelines for Computer Systems
Income Management Policy
Prompt Payment of Invoices Procedures
Members' Allowances Scheme
Guidance on Taxation
Grants Procedure Note
Access to Information Procedure Rules (Constitution)