

## FINANCIAL PROCEDURE RULES

### A – INTRODUCTION

#### 1.1 What are the Financial Procedure Rules?

1.1.1 This section sets out the Council's Financial Procedure Rules (or 'Financial Regulations'), which are the financial policies and procedures of the Council.

1.1.2 These policies and procedures are designed to enable the Council to deliver good financial governance so that its strategic aims and objectives can be achieved in a manner that complies with applicable legislation and guidance.

1.1.3 This section of the Constitution sets out the rules with which anyone who makes financial decisions on behalf of the Council (including Members, Officers and others, where relevant) should comply. It also sets out the consequences of any failure to comply with the Financial Regulations.

#### 1.2 To whom do the Financial Regulations apply?

1.2.1 The Financial Regulations apply to the Mayor, every Member and Officer and any other person who acts on the Council's behalf. They have a duty to uphold the highest standards of financial governance and transparency for the Council.

1.2.2 **Compliance with these Financial Regulations is mandatory.** Those who are required to comply with these Financial Regulations are required to maintain ongoing knowledge and awareness of their content to ensure compliance.

1.2.3 All Council staff have a general responsibility to take reasonable action to ensure the security of the Council assets under their control, and for ensuring that the use of Council resources is legal, properly authorised, provides Value for Money and achieves Best Value.

1.2.4 It will be the responsibility of Officers (including those with line management responsibility) to address non-compliance swiftly and in the most appropriate way in the circumstances. Concerns can also be reported anonymously under the Council's [Whistleblowing Policy and Procedure](#).

1.2.5 Failure to comply with these Financial Regulations may constitute a disciplinary matter that would be pursued under the Council's disciplinary policy.

1.2.6 It is the responsibility of Chief Officers to ensure that their staff are appropriately trained on the proper application of these Financial Regulations to their role. Any such training must be approved by the Chief Finance Officer.

#### 1.3 How are the Financial Regulations organised?

The Financial Regulations are organised into the following sections:

A – Introduction

B – Defined Terms

C – Roles and Responsibilities

D – Financial Planning and Budgetary Controls

E – Financial Management

F – Financial Systems, Processes and Procedures

G – Employee and Personnel Matters

H – External Arrangements

#### **1.4 How and when are these Financial Regulations reviewed?**

1.4.1 The Chief Finance Officer is responsible for keeping these Financial Regulations under review and for submitting updates to them, as necessary, for approval by Full Council.

1.4.2 The Chief Finance Officer may make technical amendments to these Financial Regulations from time to time (with the approval of the Leadership Management Team) to ensure that they are consistent with legal requirements, changes in Council structure and personnel, and best practice.

#### **1.5 How does schools funding relate to these Financial Regulations?**

These Financial Regulations apply to all Council Services. However, local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain<sup>1</sup>. The Financial Regulations of a school should not be contrary to these Financial Regulations and any exceptions should be reported to the Chief Finance Officer.

#### **1.6 Where can I find more information about the Council's financial processes and procedures?**

1.6.1 The Council has a range of policy and procedural documentation that supports its financial governance arrangements.

1.6.2 These Financial Regulations should be read in conjunction with the Constitution as a whole, including in particular the Contract Procedure Rules and the Scheme of Delegation. They should also be read in the context of supporting process and procedure documents held outside the Constitution.

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<sup>1</sup> [School Standards and Framework Act 1998](#)

## B – DEFINED TERMS

Where capitalised terms are used in this section 18, they will have the meanings set out below. For the avoidance of doubt, terms defined in section 2 of this Constitution also apply to this section 18.

“Budget Holder”	an Officer who has delegated responsibility for an allocated budget, at either directorate, sub-division of service, or cost centre level in line with the Council’s chart of accounts;
“Capital Programme”	Identifies agreed capital projects and their cost over time; linked to the Capital Strategy;
“Capital Strategy”	strategy required by CIPFA’s Prudential Code to demonstrate how the Council’s capital expenditure, capital financing and treasury management activity contribute to the provision of desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability;
“CIPFA”	the Chartered Institute of Public Finance and Accounting;
“Corporate Landlord”	the Officer designated to act as the Council’s landlord and fulfil its property management functions in relation to Council-owned land and buildings as set out in section 18.42;
“External Audit”	Independent evaluation of the Council’s financial statements and Value for Money arrangements by a third party “External Auditor”;
“Financial Limits Annex”	the Annex setting out certain limits that apply to financial decision-making by the Council and which applies to these Financial Regulations;
“Fixed Asset Register”	the register of fixed assets maintained by the Council in accordance with section 18.42.2 and which forms the basis of the Council’s accounting for capital purposes;
“Internal Audit”	independent assurance in relation to the Council’s risk management, governance and internal controls; provided by the “Internal Audit Service”;
“Key Decision Threshold”	as defined in the Financial Limits Annex;
“Medium Term Financial Plan” or “MTFP”	a rolling 3 to 5-year plan, which considers the financial climate at both the local and national level together with available resources and budgetary pressures to set a medium-term financial strategy; the MTFP focuses on both revenue expenditure and capital expenditure, as well as setting out the Council’s overall financial strategy;

“Minimum Revenue Position” or “MRP”	The minimum annual revenue charge the Council must set aside to repay the principal of the debt;
“Prudential Indicators”	mandatory indicators that local authorities are required to take into account when making capital expenditure plans, including for example, capital financing requirement and total external debt;
“Revenue Budget”	the Council’s budget for revenue spending in any financial year;
“Directorate Budget”	the budget of a particular Directorate (i.e., the area of responsibility of a Chief Officer), which forms part of the Revenue Budget and Capital Programme, and may comprise one or more sub divisions of service and cost centres;
“Statement of Accounts”	an annual statement of the Council’s accounts setting out its financial position for the financial year;
“Treasury Management Strategy”	sets out how the Council manages its money and any financial risks to ensure that the Council has sufficient money available to manage its day-to-day business; it also supports the development of the Council’s longer-term financial strategies.

Unless the context provides otherwise, where reference is made in these Financial Regulations to a Statutory Officer or a Chief Officer, that will include their deputies, representatives and/or other nominees.

## C – ROLES AND RESPONSIBILITIES

This section sets out the roles and responsibilities of Council bodies, Members and individual Officers. This section should be read in conjunction with the Constitution as a whole for full details of these roles and responsibilities.

Statutory Officers, in particular the Chief Finance Officer, and Chief Officers may nominate deputies to act on their behalf and/or delegate some of their responsibilities (in accordance with the Constitution). However, notwithstanding any such nomination or delegation, the relevant Officer remains ultimate responsible for the matters set out in these Financial Regulations.

### COUNCIL BODIES

The table below sets out the roles and responsibilities of Council bodies, including Full Council, the Executive and Committees.

<p><b>Full Council</b> (section 4 of the Constitution)</p>	<ul style="list-style-type: none"> <li>• Adopting the Council Constitution and Member Code of Conduct</li> <li>• Adopting the Budget and Policy Framework</li> <li>• Approving and monitoring the Council’s compliance with the overall framework of accountability and control as set out in the Constitution</li> <li>• Monitoring compliance with agreed Council policy and related decisions</li> <li>• Approving procedures for recording and reporting decisions taken by or on behalf of the Council (including Key Decisions that have been delegated, and decisions made by Full Council and its Committees)</li> </ul>
<p><b>Executive</b> (section 6 of the Constitution)</p>	<ul style="list-style-type: none"> <li>• Proposing the Budget and Policy Framework to Full Council</li> <li>• Discharging Executive Functions in accordance with the Budget and Policy Framework</li> <li>• Approving delegations of Executive decision-making to individual Executive Members, Officers and/or Joint Arrangements</li> <li>• Recommending protocols to ensure that individual Executive Members consult with relevant Officers (including in relation to legal and financial liabilities and risk management issues that may arise in relation to the decision) before making a decision within their delegated authority</li> </ul>
<p><b>Overview and Scrutiny Committee / Scrutiny Panels (as applicable)</b> (section 7 of the Constitution)</p>	<ul style="list-style-type: none"> <li>• Scrutiny of Executive decisions before or after implementation (including via the Call-in procedure)</li> <li>• Holding the Executive to account</li> <li>• Recommending future policy options</li> <li>• Reviewing the Council’s general policy and service delivery</li> <li>• Reporting to Full Council on its findings</li> </ul>

<p><b>Standards Committee</b> (section 8 of the Constitution)</p>	<ul style="list-style-type: none"> <li>• Promoting and maintaining high standards of conduct among Members</li> <li>• Advising the Council on the adoption and revision of the Member Code of Conduct and monitoring its operation</li> <li>• Conducting investigations into complaints against Members</li> </ul>
<p><b>Audit Committee</b> (section 9 of the Constitution)</p>	<ul style="list-style-type: none"> <li>• Fulfilling the Council's statutory audit function</li> <li>• Delegated responsibility for monitoring and overseeing:                             <ul style="list-style-type: none"> <li>○ External Audit;</li> <li>○ Internal Audit;</li> <li>○ risk management and business continuity; and</li> <li>○ corporate governance</li> </ul> </li> <li>• Consideration of the Statement of Accounts, including the Annual Governance Statement</li> <li>• Reporting to Full Council on the above</li> </ul>
<p><b>Other Regulatory Committees</b> (section 9 of the Constitution)</p>	<ul style="list-style-type: none"> <li>• Responsibility for planning, conservation and licensing matters under powers delegated by Full Council</li> </ul>

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## STATUTORY OFFICERS

The table below sets out the roles and responsibilities of Statutory Officers in relation to financial matters. A full role profile for each Statutory Officer can be found in Appendix 3 to the Constitution.

<b>Head of Paid Service</b>	<ul style="list-style-type: none"> <li>• Responsibility for corporate and overall strategic management of the Council as a whole</li> <li>• Reporting to and providing information to the Executive, Full Council, the Overview and Scrutiny Board / Scrutiny Panels and other Committees</li> <li>• Establishing a framework for management direction, style and standards</li> <li>• Monitoring the performance of the Council</li> <li>• Responsibility, with the Monitoring Officer, for record keeping in relation to decisions made by Full Council</li> </ul>
<b>Monitoring Officer</b>	<ul style="list-style-type: none"> <li>• Promoting and maintaining high standards of conduct among Officers and Members</li> <li>• Providing support to the Standards Committee</li> <li>• Reporting any actual or potential breaches of the law or maladministration to Full Council and/or the Executive</li> <li>• Ensuring that procedures for recording and reporting Key Decisions are operating effectively</li> <li>• Ensuring that decisions and the reasons for them are published, as appropriate</li> <li>• Ensuring that Members are aware of decisions made by the Executive, individual Executive Members and Officers under delegated authority</li> <li>• Advising Members and Officers about who has authority to make a particular decision</li> <li>• Advising the Executive or Full Council whether a decision is likely to be considered to be contrary to or not wholly in accordance with the Budget and Policy Framework</li> </ul>
<b>Chief Finance Officer</b>	<ul style="list-style-type: none"> <li>• Acting as the Council's Officer appointed under section 151 of the Local Government Act 1972 and making such decisions as are necessary for the proper administration of the Council's financial affairs<sup>2</sup></li> <li>• Responsibility for: <ul style="list-style-type: none"> <li>○ the proper administration of the Council's financial affairs;</li> <li>○ setting and monitoring compliance with financial monitoring standards;</li> <li>○ advising on the corporate financial position and on the key financial controls necessary to secure sound financial management of the Council;</li> <li>○ providing financial information to Members, Officers and third parties;</li> </ul> </li> </ul>

<sup>2</sup> [Local Government Act 1972, section 151](#)

	<ul style="list-style-type: none"><li>○ preparing the Revenue Budget and Capital Programme;</li><li>○ preparing the Council's annual Statement of Accounts;</li><li>○ treasury management, pension and trust funds; and</li><li>○ providing advice on the safeguarding of assets including risk management and insurance</li><li>● providing financial advice and information relating to the financial implications of decisions being taken as part of the Council's governance and formal decision-making arrangements</li><li>● Setting and monitoring standards (which involves links with professional staff throughout the Council but does not interfere with normal line management arrangements)</li><li>● Involvement (at their discretion) in the appointment of all staff employed in posts designated as requiring a qualified accountant or auditor, wherever located within the Council</li><li>● Maintaining and reviewing these Financial Regulations and submitting any necessary additions or changes to the Executive and for approval by Full Council</li><li>● Reporting, where appropriate, breaches of these Financial Regulations to the Council and/or the Executive</li><li>● Issuing advice and guidance to underpin these Financial Regulations and to be followed by Members, Officers and others acting on behalf of the Council, including determining what constitutes a material effect on the Council's finances</li><li>● Approving all financial procedures, records, systems and accounts operated throughout the Council, including approving any changes that are proposed</li><li>● Advising on effective systems of internal control, which should ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice, and that public funds are properly safeguarded and used economically, efficiently and in accordance with the statutory and other authorities that govern their use</li><li>● Making technical amendments to these Financial Regulations from time to time (with the approval of the Leadership Management Team) to ensure that they are consistent with legal requirements, changes in Council structure and personnel, and best practice</li><li>● In compliance with section 114 of the Local Government Finance Act 1998, reporting to Full Council, Executive and the External Auditor if the Council or one of its Officers:<ul style="list-style-type: none"><li>○ has made, or is about to make, a decision which involves, or would involve, the Council in incurring expenditure which is unlawful;</li></ul></li></ul>
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	<ul style="list-style-type: none"> <li>○ has taken, or is about to take, a course of action which, if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency on the part of the Council; or</li> <li>○ is about to enter an item of account, the entry of which is unlawful<sup>3</sup></li> <li>○ Making a report if it appears that the Council's proposed expenditure in a financial year is likely to exceed the resources available to meet that expenditure<sup>4</sup></li> </ul> <ul style="list-style-type: none"> <li>● Nominating a properly qualified member of staff to deputise should they be unable to perform their duties personally<sup>5</sup></li> <li>● Ensuring that Internal Audit is appropriately resourced to enable it to review the adequacy and compliance of internal controls</li> </ul> <p>The Council is required to provide the Chief Finance Officer with sufficient staff, accommodation, and other resources (including legal advice, where necessary), to carry out their duties under section 114 of the Local Government Act 1972.</p> <p>In order to comply with all statutory duties and with the requirements and instructions of the Council, the Chief Finance Officer shall be given access to any information that is necessary.</p>
<p><b>Chief Officers</b></p>	<ul style="list-style-type: none"> <li>● Ensuring all members of staff within their Directorate are aware of the existence and content of these Financial Regulations and any other internal regulatory document, and that they comply with them</li> <li>● Consulting the Chief Finance Officer before introducing, amending or discontinuing any arrangements, guidelines and procedures for the proper administration of the financial affairs of their Directorate</li> <li>● Ensuring that the Chief Finance Officer and/or their representative is engaged in the consideration and reporting of the financial implications of all formal decisions taken within the Council's governance arrangements and that any such financial implications are agreed with the Chief Finance Officer before a report is submitted to the Executive and/or Full Council</li> <li>● Consulting the Chief Finance Officer on any matter within their responsibility which is liable materially to affect the finances of the Council before any commitment is made and before submitting policy options or recommendations</li> <li>● Consulting with and obtaining the agreement of the Chief Finance Officer or their representative before submitting an application for a grant which would</li> </ul>

<sup>3</sup> [Local Government and Finance Act 1988, section 114](#)

<sup>4</sup> [Local Government and Finance Act 1988, section 114](#)

<sup>5</sup> [Local Government and Finance Act 1988, section 114](#)

	<p>require the Council to commit its own resources in the current or subsequent years</p> <ul style="list-style-type: none"><li>• With regard to any report or information for members of the public which relates to budget planning and / or monitoring or upon which policy decisions or consultation are to be based, consulting the Chief Finance Officer about any information to be included concerning the finances of the Council, its Services and activities, giving adequate time for the Chief Finance Officer to comment in advance of the agenda / deadline date.</li><li>• Bringing to the attention of the Chief Finance Officer and the Monitoring Officer any uncertainty as to the legality of proposed, or already incurred, expenditure as soon as reasonably practicable after such uncertainty becomes apparent.</li></ul> <p>If a Chief Officer, having regard to the Chief Finance Officer's views, does not wish to amend their report, the Chief Finance Officer may require inclusion of their comments within the report before it is finalised.</p> <p>Reports shall only be submitted jointly by a Chief Officer and the Chief Finance Officer if the Chief Officer has validated and agreed the financial aspects of the report with the Chief Finance Officer. The onus is on the Chief Officer to obtain the agreement of the Chief Finance Officer.</p>
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The Head of Paid Service and all Chief Officers should maintain a written record of all decision-making powers that have been delegated to other members of staff (including seconded staff). All such delegations will be recorded as part of the Council's Budget monitoring and closure processes.

Where a decision has been delegated by the Head of Paid Service, a Statutory Officer, or another Chief Officer, references in these Financial Regulations to such Officer will be read as referring to the Officer to whom the delegation has been made.

**OTHER COUNCIL FUNCTIONS**

<p><b>Internal Audit</b></p>	<ul style="list-style-type: none"> <li>• Reviewing, appraising and reporting on the Council’s control framework, including risk management, internal controls and governance arrangements</li> <li>• Reviewing and reporting on:             <ul style="list-style-type: none"> <li>○ the extent of compliance with, and effectiveness of, relevant financial policies, plans and procedures;</li> <li>○ the adequacy and application of financial and other related management controls;</li> <li>○ the suitability of financial and other related management data; and</li> <li>○ the extent to which Council assets and interests are accounted for and safeguarded against loss of any kind from:                 <ul style="list-style-type: none"> <li>▪ fraud and other offences;</li> <li>▪ waste, extravagance and inefficient administration;</li> <li>▪ inefficient Value for Money or other causes</li> </ul> </li> </ul> </li> </ul>
<p><b>External Audit</b></p>	<ul style="list-style-type: none"> <li>• Reviewing and reporting on the financial aspects of the Council’s corporate governance arrangements</li> <li>• Reviewing and reporting on the Council’s financial statements</li> <li>• Issuing an opinion on the Council’s Statement of Accounts to confirm that the External Auditor is satisfied that it gives a “true and fair view” of the Council’s financial position and its income and expenditure for the relevant year and complies with the legal requirements.</li> <li>• Issuing an opinion in relation to whether the Council has achieved Value for Money from its use of resources</li> </ul>

## **C – FINANCIAL PLANNING AND BUDGETARY CONTROLS**

The Council is required to set a balanced Revenue Budget each year, which sets out how its financial resources are to be allocated and utilised. The Revenue Budget sets out the Council's financial plan for the coming year in relation to the delivery of statutory services, and its local aims and objectives.

The Council sets an overall Revenue Budget (which covers the costs of day-to-day running of the Council) and Capital Programme (which covers the Council's long-term investment in infrastructure and assets that enable service delivery) each year. Individual Directorate Budgets, set by Chief Officers with the support of the Chief Finance Officer, form part of the Council's annual Revenue Budget and Capital Programme.

### **1.7 What are the key elements of financial planning for local authorities?**

The key elements of financial planning are:

- (a) Medium Term Financial Plan;
- (b) Annual Revenue Budget;
- (c) Capital Strategy and Capital Programme;
- (d) Treasury Management Strategy and Prudential Indicators;
- (e) Flexible Use of Capital Receipts Strategy (as applicable);
- (f) Minimum Revenue Provision policy;
- (g) Reserves Policy; and
- (h) Charging Policy and associated fees and charges.

## **BUDGET SETTING PROCESS**

### **1.8 How is the Budget and Policy Framework developed?**

The detailed procedure for how the Council develops its Budget and Policy Framework is set out in section 17 of the Constitution.

## **RESPONSIBILITIES IN RELATION TO BUDGETS**

### **1.9 What are Full Council's responsibilities in relation to financial planning?**

Full Council is responsible for:

- (a) agreeing the Council's Budget and Policy Framework, which will be proposed by the Executive;
- (b) setting the procedures for agreeing in-year variations to approved budgets, plans and strategies;

- (c) determining when a decision will be deemed to be contrary to the Budget or Policy Framework in accordance with sections 17.3.2 and 17.4.1 of the Constitution; any such decision should be referred to Full Council by the Monitoring Officer;
- (d) setting the level at which the Executive may reallocate Budget funds from one Directorate to another.

**1.10 What are the Executive's responsibilities in relation to financial planning?**

- 1.10.1 The Executive will propose a Budget and Policy Framework for approval by Full Council in accordance with section 17 of the Constitution.
- 1.10.2 The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the Budget and Policy Framework within the financial limits set by the Council.
- 1.10.3 Each year, the Chief Finance Officer shall report to the Executive on the general financial situation of the Council and on future financial scenarios in relation to the coming year's Budget prospects and long-term trends to inform the Budget process. Having regard to the Chief Finance Officer's reports and advice, the Executive shall recommend the general Budget strategy to be adopted with regard to preparation by Directorates of their annual Directorate Budget submissions.

**1.11 What are the Chief Finance Officer's responsibilities in relation to financial planning?**

- 1.11.1 The Chief Finance Officer must report to Full Council<sup>6</sup> that the spending plans identified in the Budget and the Council Tax calculation for the Budget year and comment on the robustness of estimates that:
  - (a) direct resources towards Council priorities in an achievable way;
  - (b) reflect the best estimates of pay and price increases available at the time;
  - (c) consider and recognise the major financial risks facing the Council; and
  - (d) contain proposals for increased income or reduced expenditure that are achievable.
- 1.11.2 The Chief Finance Officer must also comment on the adequacy of the level of Council reserves and their sufficiency to meet the known financial risks facing the Council over the medium term.
- 1.11.3 The Chief Finance Officer will ensure that Chief Officers are provided with guidance to support them in preparing their draft Directorate Budgets. This guidance will cover:
  - (a) legal requirements;

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<sup>6</sup> [Local Government Act 2003](#)

- (b) medium-term planning prospects;
- (c) available resources;
- (d) spending pressures;
- (e) Best Value and other relevant government guidelines;
- (f) other internal policy documents; and
- (g) cross-cutting issues (where relevant).

#### **1.12 What are Chief Officers' responsibilities in relation to financial planning?**

Chief Officers must prepare detailed draft revenue and capital budgets for their Directorate, in consultation with the Chief Finance Officer, and in accordance with the guidance and timetable set by the Chief Finance Officer, for consideration by the Executive. This shall include budget proposals for investment, demand growth and savings, and income growth to achieve improved economy, efficiency and effectiveness of services.

### **REVENUE BUDGET PREPARATION**

#### **1.13 How is the Revenue Budget prepared?**

- 1.13.1 The Council operates within an annual cash limit, approved when the Budget is set each year. The Chief Finance Officers is responsible for ensuring that a Revenue Budget is prepare on an annual basis for consideration by the Executive, before submission to Full Council. The draft Revenue Budget should include allocations to different services and projects, proposed taxation levels and contingency funds.
- 1.13.2 Full Council may amend the Budget, or ask the Executive to reconsider it, before approving it. The process for this is set out in section 17 of the Constitution.

#### **1.14 How is the Medium Term Financial Plan prepared?**

- 1.14.1 The Medium Term Financial Plan brings together the key assumptions about financing resources (including Council Tax, non-domestic rates and general government grants) and spending pressures over the medium to longer term. The Medium Term Financial Plan covers a period of three (3) to five (5) years.
- 1.14.2 This enables the Council to plan for financial risks and monitor and control the way resources are allocated and spent to meet the Council's objectives and to secure value for money and informs the setting of Directorate financial targets for the annual revenue budget and capital payments guidelines that gives authority to Budget Holders to incur expenditure to meet service standards and targets.
- 1.14.3 It is the responsibility of the Chief Finance Officer to ensure that reports are presented to Council, as part of the annual budget setting process, on the medium-term budget prospects and the resource constraints set by the Government.

- 1.14.4 Detailed processes for the preparation of the Medium Term Financial Plan (including Directorate Medium Term Financial plans), Revenue Budgets and the Capital Programme shall be issued by the Chief Finance Officer. These will take into account:
- (a) the need for Directorates to demonstrate value for money, efficiency and effectiveness in current services and proposals for change;
  - (b) the service impact on national and local policy priorities, including statutory requirements;
  - (c) policy choices available to the Council, including the implementation of statutory requirements;
  - (d) the risks and opportunities in implementing changes;
  - (e) the impact of proposals in the medium term; and
  - (f) exit strategies related to one-off or time limited funding.

## **CAPITAL BUDGET PREPARATION**

### **1.15 When will the Council prepare the Capital Programme?**

- 1.15.1 A Capital Programme is prepared by the Council each year, setting out the capital projects the Council has agreed. Save as set out in section 18.19, capital projects will only be added to the Capital Programme as part of the annual Budget setting process.
- 1.15.2 The Capital Programme covers a period of three (3) to five (5) years in line with the Medium Term Financial Plan period. Approval of the Capital Programme includes approval of the financing of the capital spend associated with each of the projects within the Capital Programme.

### **1.16 What is the process for preparing the Capital Programme?**

- 1.16.1 The Chief Finance Officer is responsible for ensuring that the Capital Programme is prepared each year for consideration by the Executive before submission to Full Council. They will also ensure that the financial implications of the Capital Programme are reflected in the Revenue Budget.
- 1.16.2 The Executive will recommend the policy guidelines within which a forward Capital Programme should be prepared each year through the Council's Capital Strategy report. This will define affordability, sustainability and prudence in the context of the Council's MTFP.
- 1.16.3 The Chief Finance Officer will report to the Executive on the current and planned Capital Programme each quarter. New capital projects recommended for Executive approval will be subject to a capital project appraisal, the format of which is to be agreed by the Executive.

## 1.17 **How is capital expenditure authorised?**

- 1.17.1 Capital expenditure involves the creation, acquisition or enhancement of assets (for example, buildings and highways) to provide a long-term benefit to the Council in the delivery of services. Capital assets are integral to how services are delivered and create long-term financial revenue commitments in the form of life cycle costs and financing costs (if funded by borrowing).
- 1.17.2 The definition of capital expenditure will be determined by the Council in accordance with relevant statutory provisions, the local authority accounting code of practice issued annually by CIPFA and the advice of the Chief Finance Officer.
- 1.17.3 The Chief Finance Officer and Directors have a responsibility to provide a framework to ensure that Council resources are applied effectively to meet the priorities and objectives of the Council and that the delivery of new capital projects, and significant changes to existing capital projects are reported appropriately.
- 1.17.4 A business case should be prepared for each capital project and this should be submitted to the Chief Finance Officer for review before approval by the Executive. Business cases should comply with the principles of HM Treasury's Green Book and Business Case Guidance and the guidance provided by the Chief Finance Officer. Where a capital project is expected to change significantly (as defined above), either in cost or outcome, a revised business case must be submitted to the relevant Chief Officer before any such change is agreed. Where the change is likely to be material (as determined by guidance set out by the Chief Finance Officer), the Chief Officer should seek approval from the Executive.
- 1.17.5 Every capital project should have a designated project manager and project owner who is responsible for overseeing progress of that project, ensuring that project milestones are met, and that the project complies with the Council's project governance procedures.
- 1.17.6 Capital projects may only be approved if they are included in the Capital Programme.
- 1.17.7 Finance functions delegated to Officers, including spending limits in respect of capital expenditure, are set out in the Scheme of Delegation.

## 1.18 **What happens if a capital project is being funded by external funding?**

Where capital expenditure is to be met in part or whole by a grant, contribution from another party (e.g., a government department) or from Council-wide resources (external borrowing or capital receipts), no expenditure shall be incurred until all necessary approvals have been obtained, including from the Executive.

## 1.19 **When may a capital project be added to the Capital Programme in-year?**

Capital projects may be added to the Capital Programme in-year where they are wholly funded from external sources, and they are in accordance with the Budget and Policy Framework. The approval of the Executive is required for any such addition, and the Executive will consider such additions on a quarterly basis.



## RESERVES

### 1.20 What are the requirements on the Council to maintain reserves?

1.20.1 The Council is required to maintain a reserve balance so that it can cope with unpredictable financial pressures and plan its future spending commitments.

1.20.2 A general strategic reserve is maintained to cover unforeseen strategic, operational and financial risks, and earmarked reserves are held for identified spending commitments. The Chief Finance Officer will ensure that there are clear protocols for the establishment and use of reserves.

### 1.21 When may reserves be used?

1.21.1 The creation of, or addition to, any reserve will be subject to the approval of the Executive on the recommendation of the Chief Finance Officer and shall be in accordance with the purpose for which the reserve was established. For each reserve established, the purpose, usage (including the timeframe for usage) and basis of transactions will be clearly articulated.

1.21.2 The withdrawal of funds from a reserve will require the approval of the Chief Finance Officer and shall be applied for the purpose that the reserve was established. In the case of balances held by schools, the relevant Board of Governors is responsible for giving authorisation.

### 1.22 How are reserve requirements set?

The level of reserves will be reviewed twice annually by the Chief Finance Officer at budget setting and in closing the accounts. The Chief Finance officer will advise on prudent levels of reserves and balances for the Council. In developing a reserve strategy, the Chief Finance Officer will ensure that the level of reserves:

- (a) is sufficient to ensure that the Council can comply with its statutory financial duties of setting a balanced Revenue Budget;
- (b) takes into account the known risks over the life of the Medium-Term Financial Plan; and
- (c) is capable of covering the estimated financial risk of the Council, including contingent liabilities and insurance exposure risks.

### 1.23 When must the Chief Finance Officer report on the level of reserves?

1.23.1 The Chief Finance Officer must report to the Council if there is, or is likely to be, unlawful expenditure or an unbalanced Budget. This would include situations where reserves have become seriously depleted and it is forecast that the Council will not have the resources to meet its expenditure in a particular financial year<sup>7</sup>.

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<sup>7</sup> [Local Government Finance Act 1988, section 114](#)

- 1.23.2 The Chief Finance Officer must also assess and report on of the robustness of the Budget and adequacy of reserves under Section 25 of the Local Governance Finance Act 2003<sup>8</sup>.

## **FEES AND CHARGES**

### **1.24 How are fees and charges increased each year?**

- 1.24.1 Fees and charges will normally be reviewed and revised as part of the annual Budget setting process and will normally apply with effect from 1 April each year.
- 1.24.2 The Chief Finance Officer will include in the Medium-Term Financial Plan the relevant assumptions and requirements applicable to setting fees and charges.
- 1.24.3 The Chief Finance Officer will keep fees and charges under periodic review and will refer any in-year revisions to the Executive for approval, as required.

## **EXTERNAL FUNDING**

The Council may receive external funding in the form of grants or other financial support from the government or other funding bodies. Funding conditions should be considered carefully to ensure that they are compatible with the Council's strategic aims and objectives and available resources.

### **1.25 When may the Council seek external funding?**

The Chief Officers may only seek external funding to meet the priorities approved in the Policy Framework. Chief Officers must ensure that:

- (a) the key conditions of any external funding are understood and can be complied with, including the ability to provide match funding, as required;
- (b) any statutory requirements relating to external funding are complied with;
- (c) the Council's responsibilities are fully understood and deliverable;
- (d) there is a feasible exit strategy aligned to the expiry of the period of grant funding with respect to ongoing resource requirements and any long-term financial obligations on the Council to maintain service levels and/or assets;
- (e) the impact on the Revenue Budget and the Capital Programme is fully considered and reflected; and
- (f) the Chief Finance Officer is consulted and has agreed to a bid before it is submitted.

### **1.26 What are the Chief Finance Officer's responsibilities in relation to external funding?**

The Chief Finance Officer will ensure that:

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<sup>8</sup> [Local Government Finance Act 2003, section 25](#)

- (a) all funding notified to external bodies is received and properly recorded in the Council's accounts;
- (b) appropriate arrangements are made to ensure that the Council complies with external funding conditions in order to avoid the grant paying body having cause to clawback all or part of the original funding amount received;
- (c) the match-funding requirements are considered before entering into any external funding agreements and that future Revenue Budgets and the Capital Programme reflect these requirements;
- (d) details of new funding streams are routinely reported to the Executive as part of quarterly budget monitoring reports;
- (e) any funding application for an amount above the limit set out in the Financial Limits Annex is approved by the Executive; and
- (f) audit requirements are met in relation to external funding.

For the avoidance of doubt, applications for external funding up to the limit set out in the Financial Limits Annex will be subject to the approval of the Chief Finance Officer.

**1.27 What are Chief Officer's responsibilities in relation to external funding?**

Chief Officers will ensure that:

- (a) the Chief Finance Officer is informed of, and has agreed to, all external funding arrangements;
- (b) all claims for funding are approved by the Chief Finance Officer or an Officer nominated by them;
- (c) all claims for funds are made by the due date;
- (d) the match-funding requirements are considered before entering into the funding agreements and are approved by the Chief Finance Officer;
- (e) the project for which external funding has been sought progresses in accordance with the agreed project plan and funding conditions and that all expenditure is properly incurred and completely and accurately recorded;
- (f) if the funding is to support capital investment, the appropriate approval process is followed as set out in section 18.17;
- (g) notification of a successful application for external funding is obtained in writing stating the amount and conditions relating to its receipt; and
- (h) subject to 18.26(e) above, the Executive is made aware of any application, and any successful bid, for funding from an external body;

**1.28 What information should be included in a bid for external funding?**

- 1.28.1 All bids for external funding should include a full financial appraisal with the appropriate level of support from Finance staff. Directors shall submit to the Directorate Finance Business Partner bids for external funding and claims for validation and certification prior to submission. All grant claims should be completed in conjunction with the relevant Finance Business Partner.
- 1.28.2 Directors should ensure that any bid for external funding meets the requirements set out in the application form. Where a bid is made for discretionary external funding, particular attention should be paid to the criteria on which a funding award will be based and the bid should be appropriately focused.

**1.29 Who may approve a bid for external funding?**

- 1.29.1 A bid for external funding should be approved in accordance with the financial thresholds set out in the Scheme of Delegation.
- 1.29.2 All grant bids with a value up to the Key Decision Threshold should be submitted to the Chief Finance Officer's nominated deputy for approval and should be signed by that deputy and the relevant Director.
- 1.29.3 Grant bids above the Key Decision Threshold should be submitted to the Leadership Management Team for consideration and should be approved and signed by the Chief Finance Officer.

**1.30 What happens if a bid for external funding needs to be submitted urgently?**

Where the timeframe to submit a bid for external funding is urgent or does not allow for the process set out above to be followed in full, Directors may submit the bid without following the process in full, provided that they:

- (a) gain approval from the Chief Finance Officer or an Officer nominated by them before submitting the bid;
- (b) if submission of the bid is a Key Decision, ensure that this is brought to the Executive (or the person with relevant delegated authority) at the earliest opportunity for noting;
- (c) take all reasonable steps to consider the matters set out in section 18.25 above before submission;
- (d) complete any necessary documentation as soon as reasonably practicable after the submission is made.

## **D – FINANCIAL MANAGEMENT**

### **BUDGET MONITORING**

Budget monitoring ensures that, once Full Council has approved the Budget, the resources allocated under that Budget are used for their intended purpose and are properly accounted for. Budget monitoring allows the Council to oversee its Budgets throughout the financial year, ensure that all relevant controls are being used effectively, and make adjustments to respond to in-year changes. It also enables the Council to hold Budget Holders and Directorates to account for their management of the budgets allocated to them.

#### **1.31 What are Officers authorised to spend?**

Approval by Full Council of the Budget constitutes authority for the Council to incur the agreed expenditure, save to the extent that a reservation has been placed on the Revenue Budget or Capital Programme.

#### **1.32 What are the Executive's responsibilities in relation to Budget monitoring?**

The Executive is responsible for keeping under review the financial performance of each Directorate and the Council as a whole during the financial year.

#### **1.33 What are the Chief Finance Officer's responsibilities in relation to Budget monitoring?**

1.33.1 The Chief Finance Officer will establish an appropriate framework of budgetary monitoring and control which ensures that:

- (a) budgetary management is exercised within the limits set in the Budget unless agreed otherwise by Full Council;
- (b) each Chief Officer and Budget Holder has access to timely, relevant and accurate information on receipts and payments on each budget, which is sufficiently detailed to enable Budget Holders to fulfil their budgetary responsibilities;
- (c) expenditure is only committed against an approved budget head in line with the chart of accounts;
- (d) all Officers responsible for committing expenditure comply with relevant guidance and these Financial Regulations;
- (e) each cost centre has a single named Budget Holder, determined by the relevant Chief Officer; as a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure; and
- (f) variances from approved budgets are investigated and reported by Budget Holders in accordance with guidance set annually by the Chief Finance Officer.

1.33.2 The Chief Finance Officer will make arrangements to ensure that effective monitoring and control of expenditure against Budget allocations takes place and will report to the Executive on the overall position of the Council's finances as a minimum on a quarterly basis.

**1.34 What are Chief Officers' responsibilities in relation to Budget monitoring?**

1.34.1 It is the responsibility of Chief Officers to control income and expenditure within their Directorate and to monitor performance, taking account of financial information provided by the Chief Finance Officer and/or their own systems.

1.34.2 It is the responsibility of each Chief Officer to identify Budget Holders under their direct control and to ensure that Directorate Budgets are not overspent. They should also take any action necessary to avoid exceeding their Directorate Budget allocation and alert the Chief Finance Officer to any problems at the earliest opportunity.

1.34.3 Each Chief Officer shall work with the Chief Finance Officer to report to the Leadership Management Team on a monthly basis. They will be required to present:

- (a) actual performance and variances against Directorate Budgets;
- (b) all significant variances (as defined in the Financial Limits Annex) substantiated with justifiable explanations and management actions being taken to address them;
- (c) progress of delivery of savings against any applicable savings plan;
- (d) a forecast of projected outturn performance and variance, including details of budget pressures, risks and issues.; and
- (e) a financial recovery plan to address adverse variances to bring the net expenditure within the approved budget.

**1.35 What are Budget Holders' responsibilities in relation to Budget monitoring?**

1.35.1 Chief Officers should ensure that there is a designated Budget Holder for each cost centre heading who is responsible for income and expenditure within their influence and control. They should ensure that all financial transactions are properly recorded and accounted for.

1.35.2 Budget Holders should be held accountable for their budgets and the level of service to be delivered and should understand their financial responsibilities. They will report on a monthly basis to their Directorate Management Team to enable the relevant Chief Officer to report to the Leadership Management Team as set out in section 18.34.3 above. Budget Holders must monitor the performance levels and take necessary action to align service outputs with their approved budget.

1.35.3 Budget Holders are responsible for:

- (a) reporting actual performance and variance against to their profiled budget on a monthly basis;

- (b) providing a justifiable explanation for any significant variance to their budget and management actions being taken to bring expenditure within the approved budget and
- (c) complying with guidance set out annually by the Chief Finance Officer on tolerance of variances.

**1.35.4 All Officers will take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer as soon as practicable if this cannot be achieved.**

## **REVENUE BUDGET OVER / UNDER SPENDING**

**1.36 Who is responsible for ensuring that spending does not exceed the Budget?**

Chief Officers shall ensure that capital and revenue spending are each contained within their approved Budget.

**1.37 What happens if a Directorate Budget is overspent?**

1.37.1 If any line at the level of a Directorate Budget agreed by the Council becomes, or is expected to become, overspent the appropriate Director must take action to correct the position.

1.37.2 In some circumstances, it will be permissible to transfer a budget either between directorates or between Directorates, or between budget headings within a directorate, subject to approved service plans and Council priorities. Any such transfer is known as a 'virement'. The rules contained in section 18.37.3 below (and section 17.5 of the Constitution) will apply to any virement.

1.37.3 Virement between one line in the Revenue Budget and another is allowed in accordance with the rules and limits currently prescribed by the Council, as follows:

- (a) all proposed virements must be reported to the Chief Finance Officer or an Officer nominated by them;
- (b) any virement involving a change in policy that, in the opinion of the Monitoring Officer and the Chief Finance Officer is contrary to or not wholly in accordance with the Budget and Policy Framework, will be subject to Executive approval;
- (c) any virement proposing a permanent change in staffing establishments requires the approval of the Leadership Management Team;
- (d) no proposed virement shall be used to justify additional resource allocation in following years;
- (e) once a proposed virement has been agreed / approved, the Chief Finance Officer shall ensure that the appropriate changes are made to the Council's computerised accountancy system at the earliest opportunity;

- (f) Executive approval is required for any virement where it is proposed to vire between service level budgets agreed by Council in setting the annual Revenue Budget;
- (g) Chief Officers may vire within the overall Directorate Budget allocated to them by the Council in the annual Budget setting report, within the virement rules below;
- (h) each Chief Officer will keep a record of any virement made within their allocated budget and the Chief Finance Officer will keep a central record of all virements made across the Council; and
- (i) virements will be reported in accordance with guidance provided by the Chief Finance Officer.

1.37.4 The financial limits applicable to virements are as set out in the Financial Limits Annex.

1.37.5 For the avoidance of doubt, where section 18.37.3(b) of the Financial Regulations applies, Executive approval will be required, regardless of the value of the virement.

#### 1.38 **When may a Chief Officer carry forward an underspend to their Directorate Budget?**

1.38.1 Directorates shall not be permitted to carry forward underspends against revenue budgets unless there are exceptional circumstances specifically agreed by the Chief Finance Officer who shall provide guidance as part of the annual accounts closure process.

1.38.2 Unless otherwise approved by the Chief Finance Officer or their nominated deputy, carry forward of underspend against revenue budgets shall only be permitted where:

- (a) that expenditure is directly linked and dependent on a specific grant which can also be carried forward to meet the expenditure incurred; or
- (b) there is a contractual commitment for goods, works and/or services that exists before the year end and, due to exceptional circumstances, the Council has been unable to obtain receipt or delivery before 31 March.

### **MANAGING CAPITAL EXPENDITURE**

#### 1.39 **How is capital expenditure managed?**

1.39.1 The Capital Programme is a multi-year programme to which resources are allocated to fund agreed capital projects. Not all capital projects will progress in line with their planned project timeline and delays of and acceleration to capital projects against their original plan are likely to occur across the period of the Capital Programme. This provides the Council with flexibility to manage capital projects over the medium term and ensure that desired outcomes are achieved in the most efficient and cost-effective way.



1.39.2 The Executive is able to agree in-year changes to the profile of capital spending and to either delay a capital project to a future year or bring a capital project forward to the current year, in order to meet this objective.

**1.40 What happens if a capital project exceeds its budgetary provision?**

1.40.1 Where the actual or estimated cost of a capital scheme is forecast to exceed its original budgetary provision, the relevant Chief Officers shall, where required by guidance provided by the Chief Finance Officer, prepare a report for the Executive outlining the proposed management actions to address the overspend. The Executive will consider and approve management actions this may include the use of virement powers contained in section 18.40.2 below or the reduction of overall expenditure within the Capital Programme.

1.40.2 Virement between one capital project and another is allowed in accordance with the rules and limits prescribed by the Council, as follows:

- (a) virements between capital projects are subject to approval by the Executive;
- (b) all necessary approvals must be obtained from external funding bodies, where necessary;
- (c) the virement must not increase the need for Council financial resources above the level approved in the Capital Programme; and
- (d) the diversion of expenditure should not increase the Council's eventual revenue costs.

1.40.3 The relevant Chief Officer will keep a record of any virement made within a project for which they are responsible, and the Chief Finance Officer will keep a central record of all virements made across the Council.

1.40.4 The Chief Finance Officer will maintain a contingency within the Capital Programme to be applied to virements between capital projects. Any such application of this contingency for virements up to the Key Decision Threshold will be subject to the approval of the Chief Finance Officer and the virement will be reported to the next meeting of the Executive. Any application of the contingency for a virement above the Key Decision Threshold will be subject to Executive approval.

**1.41 What happens if there are changes to a capital project?**

1.41.1 Any proposal to add, delete, substitute or substantially amend any capital project shall be subject to approval by the Executive.

1.41.2 Any in-year underspend on a capital project, whether resulting from slippage or cost savings, shall be reported to the Executive and shall not be used by services to fund additional capital expenditure unless agreed by the Executive.

## **ASSETS, SECURITY AND RISK MANAGEMENT**

The Council's assets represent a significant resource, which must be protected against loss or misuse. The need for effective measures to reduce losses has led the Council to adopt a positive strategy towards the management of risk.

### **1.42 What is the role of the corporate landlord?**

1.42.1 The Head of Paid Service will nominate an Officer to act as Corporate Landlord on its behalf. The Corporate Landlord will:

- (a) hold the title deeds for all Council properties;
- (b) oversee and co-ordinate central records of Council assets and will liaise with the Chief Financial Officer to ensure an up to date Fixed Asset Register for accounting and valuation purposes;
- (c) ensure the proper security and maintenance of all premises occupied and/or owned by the Council;
- (d) develop an asset management strategy to include plans for the acquisition, disposal and maintenance of Council assets to secure Best Value over the course of the Medium Term Financial Plan;
- (e) arrange for the valuation of land and building assets for accounting purposes in accordance with the Local Government Act 1989 and associated professional codes of practice; and
- (f) maintain the Council's property asset management systems.

1.42.2 The Chief Finance Officer will maintain a Fixed Asset Register of all of the Council's assets, which will identify each Director's responsibilities in relation to assets that sit within their Directorate.

1.42.3 To support the Corporate Landlord in executing their duties, Chief Officers will:

- (a) advise the Corporate Landlord of any situation where the security of Council premises is thought to be defective or where it is considered that special security arrangements may be needed;
- (b) ensure that no Council asset is subject to personal use by an employee without proper authority;
- (c) ensure the safe custody of vehicles, equipment, furniture, inventory, stores and other property belonging to the Council;
- (d) ensure that cash holdings on Council premises are kept to a minimum; and
- (e) ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; .

**1.43 What are Chief Officers' responsibilities in relation to inventory of Council assets?**

- 1.43.1 All Chief Officers shall maintain an inventory for each establishment within their control, recording an adequate description of readily portable items of furniture, fittings, equipment, tools, plant and machinery in a form approved by the Chief Finance Officer.
- 1.43.2 All Chief Officers shall arrange for regular physical checks (at least annually) to be carried out of equipment, stores etc. against the relevant records. Any surplus, deficiency or deterioration revealed as a result of such checks shall be identified, investigated, pursued to a satisfactory conclusion and the inventory updated accordingly. All changes shall be reported to the Chief Finance Officer in accordance with the annual accounts closure process, for which guidance is issued annually.
- 1.43.3 The Council's property shall not be removed other than in accordance with the ordinary course of business, or used other than for the Council's purposes, except where the relevant Director has given specific written directions.
- 1.43.4 Assets owned by the Council shall, as far as possible, be effectively marked as Council property.

**1.44 When may surplus / obsolete stock be disposed of?**

- 1.44.1 Before Chief Officers take any action on the disposal of surplus or obsolete stock, they should consult other Chief Officers to determine if there is a continuing need for the item(s) within the Council. Where there is no internal need for the item(s), Directors shall arrange for the items to be offered for sale by competitive tender or public auction, except as agreed otherwise by the Chief Finance Officer and in accordance with the Contract Procedure Rules.
- 1.44.2 The Chief Finance Officer shall be notified of the intention to dispose of any item which might be regarded as a capital asset, or which was originally obtained via a leasing agreement.

**1.45 What are the competition requirements for disposals made by the Council?**

- 1.45.1 Assets for disposal must be sent to public auction except where better value for money is likely to be obtained by inviting Quotations and Tenders.
- 1.45.2 Where Quotations or Tenders are used, the method of disposal of surplus or obsolete stocks / stores or assets other than land must be determined as follows:
- 1.45.3 The financial thresholds applicable to disposals made by the Council and the disposal methods to be adopted are set out in the Financial Limits Annex.
- 1.45.4 The Council's Asset Acquisition and Disposal Policy applies to disposals of land assets.

**1.46 Who must approve leasehold interests?**

Any acquisition, extension or variation by the Council of a leasehold interest in land or buildings must be approved by the Chief Finance Officer. Such arrangements must represent Value for Money and be accounted for appropriately.

**1.47 How are leased assets managed?**

1.47.1 All leased assets shall be identified and recorded separately in any inventory (section 18.43).

1.47.2 No leased asset shall be disposed of without the written agreement of the Chief Finance Officer.

1.47.3 Assets leased by the Council must be maintained in full working order in accordance with the terms of the lease and shall not be adapted for any alternative use without the prior written agreement of the Chief Finance Officer.

**1.48 What are the Council's arrangements for asset security?**

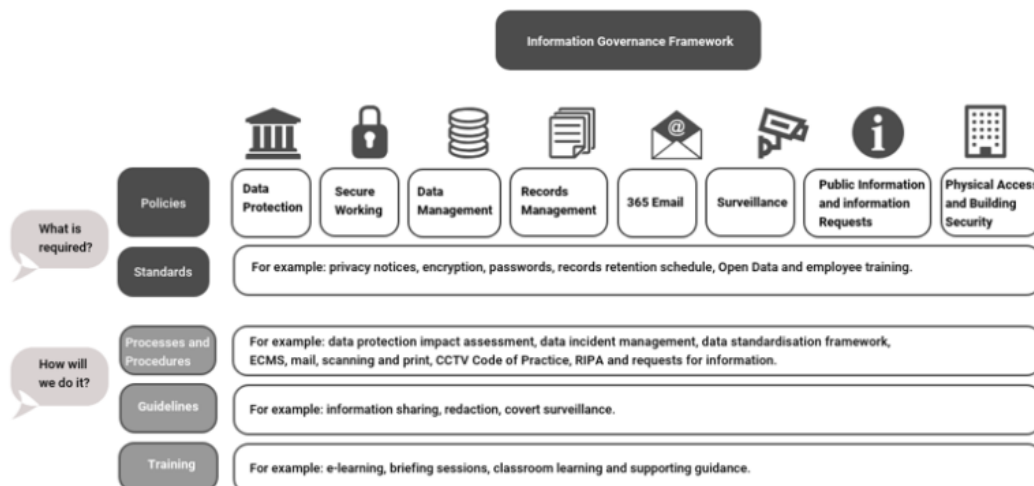
1.48.1 All Directors shall be responsible for introducing and maintaining adequate arrangements for all aspects of security of assets under their control, including personnel, stores, equipment, cash, data, and confidential information. The Chief Finance Officer shall be consulted in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

1.48.2 The Chief Finance Officer shall be responsible for ensuring that secure arrangements are made for the preparation and holding of pre-signed cheques, stock certificates, bonds and other financial documents.

1.48.3 All Directors should ensure that contingency plans are in place for the security of assets and continuity of service in the event of disaster or system failure.

**1.49 What are the Council's arrangements for information governance?**

1.49.1 All employees of the Council have a personal responsibility to protect and maintain the confidentiality of information, whether held in paper-based or computerised records. Information may be classified as sensitive, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way. Officers should ensure that operational activity complies with the policies that comprise the Information Governance Framework.



1.49.2 All Chief Officers shall ensure their staff have an awareness of safety and security issues in relation to information, and an appreciation of the individual responsibilities of staff under the Health and Safety at Work Act 1974 and otherwise to ensure the safety of individuals and the security of the Council's assets.

1.49.3 The Council has adopted a Computer Security Code of Practice. All Chief Officers should ensure that their staff are familiar with this document, and that effective controls and security routines are operated to protect data against the hazards listed (e.g., computer viruses; unauthorised access; loss of data etc.).

1.49.4 It is the responsibility of Chief Officers to ensure that all computerised systems within their responsibility are properly registered and operated in accordance with requirements of applicable data protection legislation.

**1.50 What are the Council's arrangements in respect of insurance?**

1.50.1 The Chief Finance Officer shall ensure that adequate insurance protection is maintained for the Council's assets and operations where it is considered to be cost-effective and appropriate. Such protection may, on advice, be arranged by way of external insurance cover, or by way of an internal 'Insurance Fund' established for that purpose, or a combination of such measures.

1.50.2 The Chief Finance Officer shall be responsible for the negotiation of all the Council's insurance contracts, and Chief Officers shall provide all such information and assistance as is required to facilitate such negotiations. No insurance contracts may be entered into by Chief Officers other than through the Chief Finance Officer.

1.50.3 Each Chief Officer shall give prompt notification to the Chief Finance Officer of all new insurable risks and all changes in operations, responsibilities, contractual arrangements, indemnities, or ownership or occupation of properties in which the Council has an interest whenever such changes may have a bearing on any of the Council's insurance arrangements.

1.50.4 Each Chief Officer shall be responsible for providing prompt notification to the Chief Finance Officer of all incidents likely to give rise to an insurance claim by or against

the Council. In the case of accidents involving death or serious injury to any party, such notification shall in the first instance be by way of an immediate oral report.

- 1.50.5 Each Chief Officer shall ensure full and prompt co-operation of their Service and individual staff in the investigation, defence and negotiation of claims.
- 1.50.6 Chief Officers may arrange with the Chief Finance Officer for the provision of insurance cover additional to those arranged generally for the Council when they judge such additional cover to be appropriate based on the risk involved.
- 1.50.7 Fortuitous accidents and losses, which arise in a wide variety of ways, may have a very significant impact both in humanitarian terms, and in terms of financial cost to the Council. It is the responsibility of every Chief Officer to manage the operations of their Directorate in such a way as to reduce, as much as reasonably practicable, both the humanitarian and financial costs of risks. To this end, all Chief Officers must consider the risk and insurance implications of all existing and new operations undertaken, and contracts and indemnities entered into; where appropriate consulting with specialist Health and Safety, Risk Management, Insurance, Legal or other technical staff within the Council in order to minimise the attendant risks.

**1.51 What are the Council's arrangements for risk management?**

- 1.51.1 The Chief Finance Officer is responsible for risk management.
- 1.51.2 The Council has a [Risk and Opportunity Management Policy](#), agreed by the Executive, which articulates the Council's risk appetite and how it manages risks and opportunities.
- 1.51.3 The Head of Policy, Governance and Information shall, in consultation with the Chief Finance Officer, provide advice on risk management and the risks facing the Council in relation to the development and operation of the Council's Risk and Opportunity Management Policy. Each Chief Officer has a responsibility to support these initiatives with the aim of improving risk management throughout the organisation.

**INTERNAL AUDIT**

**1.52 What is Internal Audit?**

- 1.52.1 Internal Audit systematically monitors the Council's objectives and, through an examination of system and management controls, attempts to ensure that those objectives are being met in the most efficient, economic and effective manner.
- 1.52.2 Every local authority is required to maintain adequate and effective Internal Audit<sup>9</sup>. The Council has delegated this statutory responsibility to the Chief Finance Officer.

**1.53 What is the scope of the Internal Audit Service's role?**

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<sup>9</sup> [Accounts and Audit Regulations 1996](#)

1.53.1 As a service to management, the Internal Audit Service shall provide an independent appraisal of all the Council's activities, reporting on the adequacy and effectiveness of the systems of internal control, including management controls and arrangements.

1.53.2 The Internal Audit Section's appraisal has the following objectives:

- (a) to review the soundness, adequacy and application of accounting, financial and other internal controls;
- (b) to ascertain the extent to which systems of control ensure compliance with established policies and procedures;
- (c) to ascertain the extent to which assets and interests entrusted to or funded by the Council are properly controlled and safeguarded from losses of all kinds;
- (d) to ascertain that accounting and other information is reliable as a basis for the production of accounts and other returns;
- (e) to ascertain the integrity and reliability of financial and other information provided to management, including that used in decision making; and
- (f) to ascertain that systems of control are laid down and operate to promote the most economic, efficient and effective use of resources.

1.53.3 The Chief Finance Officer shall ensure that Internal Audit is adequately resourced to perform its role effectively.

1.54 **What is the Chief Finance Officer authorised to do in connection with Internal Audit?**

1.54.1 For the purposes of Internal Audit, the Chief Finance Officer or their authorised representative(s) shall have authority on production of identification to:

- (a) enter any Council property or land at all reasonable times;
- (b) have access to all assets, staff, records, computer files, documents and correspondence relating to any financial and other transactions;
- (c) require and receive such explanations as are necessary concerning any matter under examination;
- (d) require any employee holding or controlling cash, stores or any other Council property to produce such items;
- (e) access records belonging to third parties, such as contractors and partners, when required; and
- (f) have direct access to the Head of Paid Service and the Executive.

1.54.2 In relation to these rights of access, the Internal Audit Service is regarded as having a personal responsibility to observe the highest standards of confidentiality and personal integrity.

**1.55 What happens if there is irregularity or suspected irregularity?**

1.55.1 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council or any suspected irregularity in the exercise of the functions of the Council, the Chief Officer concerned shall immediately notify the Chief Finance Officer or Internal Audit (as appropriate), who shall investigate and report as necessary. Pending any investigation and reporting, the appropriate Chief Officer should take all necessary steps to prevent further loss and secure records and documentation against removal or alteration.

1.55.2 Individuals may also report any matter of concern under the [Whistleblowing Policy and Procedure](#).

1.55.3 Chief Officers shall ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

**1.56 What is the role of the Audit Committee in relation to Internal Audit?**

The role of the Audit Committee in relation to Internal Audit is set out in section 9.6.3 of the Constitution.

**TAXATION**

1.56.1 The Chief Finance Officer is responsible for ensuring compliance with all relevant taxation regulations and guidance that affects the Council either directly, as a consequence of its own activities, or indirectly, as a result of service delivery through external partners.

1.56.2 To enable the Chief Finance Officer to fulfil the requirements of this role, Chief Officers will:

- (a) Ensure that the Chief Finance Officer is consulted on all proposals that may alter or affect the Council's tax liability.
- (b) Ensure that the VAT guidance issued by the Chief Finance Officer is complied with (i.e., to ensure that the correct liability is attached to all income due and that all amounts recoverable on purchases can be claimed).
- (c) Ensure that, where construction and maintenance works are undertaken, the sub-contractor fulfils the necessary construction industry tax scheme requirements (as advised by the Chief Finance Officer).
- (d) Ensure that the Head of Strategic Commissioning & Procurement's guidance on fee payments to consultants, individuals or partners is complied with.

1.56.3 The Chief Finance Officer will maintain the Council's tax records, make all tax payments, receive tax credits and submit tax returns by their due date, as appropriate.



## **PREVENTING FRAUD AND CORRUPTION**

### **1.57 What are the Council's Anti-Money Laundering Policy and Procedures?**

- 1.57.1 The Council has an effective Anti-Money Laundering Policy and Procedures and maintains a culture that will not tolerate fraud or corruption. It is the responsibility of the Chief Finance Officer to maintain the Council's Anti-Money Laundering Policy and Procedures.
- 1.57.2 Chief Officers must ensure that this policy and associated procedures that sit behind it are adhered to and that all appropriate action is taken to prevent money laundering. This includes reporting all suspected irregularities to the Chief Internal Auditor (see section 18.55).

### **1.58 When must Officers declare an interest?**

To avoid giving rise to suspicion about the honesty and integrity of the Council or its employees, or giving the impression of corruption or improper behaviour, all interests of a personal and/or financial nature with external bodies or persons who have dealings with the Council, or any other interests which could conflict with an officer's duties, must be declared in accordance with the Officer Code of Conduct.

### **1.59 When may gifts and hospitality be accepted?**

- 1.59.1 Officers must be cautious regarding offers of gifts and hospitality as acceptance can easily give the impression of improper behaviour or favour.
- 1.59.2 The Council's Gifts and Hospitality Policy explains how offers of gifts and hospitality are to be dealt with, including what can be accepted, what cannot be accepted, and what must be declared.

### **1.60 How does the Council deal with its anti-money laundering obligations?**

- 1.60.1 Money laundering is defined as:
- (a) Concealing, disguising, converting, transferring or removing criminal property from the Country.
  - (b) Being concerned in an arrangement which a person knows of, suspects or facilitates the acquisition, retention, use or control of criminal property.
- 1.60.2 In accordance with the Council's Anti Money Laundering Policy, all suspected attempts to use the Council to launder money must be reported to the Chief Internal Auditor who is the Council's Money Laundering Reporting Officer.
- 1.60.3 Chief Officers must ensure that their staff understand what money laundering is and their obligations under the anti-money laundering legislation, so that they can recognise situations that might lead to suspicions of money laundering.
- 1.60.4 When a person knows or suspects that money laundering activity is taking place (or has taken place) or becomes concerned that their involvement in a matter may

amount to a prohibited act under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2011, they must disclose this as soon as practicable or risk prosecution.

1.60.5 To mitigate the risks of the Council being used to launder money:

- (a) cash receipts exceeding £1,000 will not be accepted other than with the prior approval of the Section 151 Officer; and
- (b) receipts and payments unrelated to the Council's own activities will not be paid into or from a Council bank account without the prior approval of the Section 151 Officer.

1.61 **How does the Council deal with its anti-bribery obligations?**

1.61.1 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. The Bribery Act has been enacted to enable robust action against such activity.

1.61.2 In accordance with the Council's Anti-bribery Policy, the detection, prevention and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control.

## **E – FINANCIAL PROCESSES**

Sound financial systems and procedures are essential to providing an effective framework of accountability and control for the Council's financial governance.

The main accounting system should provide data that is accurate and adequate for the published final accounts and management in the conduct of their business. Secure and reliable systems are essential to ensure that individual transactions are processed and recorded accurately.

### **FINANCIAL SYSTEMS**

#### **1.62 What are the Chief Finance Officer's responsibilities in relation to financial systems?**

1.62.1 The Chief Finance Officer is responsible for the provision of a corporate system for the preparation of the Council's accounts and for recording managing and reporting expenditure and income. This is currently provided by means of the Council's financial system.

1.62.2 The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Chief Officers to existing financial systems, or the establishment of new systems, must be approved by the Chief Finance Officer. Any changes to agreed financial procedures by Chief Officers to meet their own specific Directorate needs should be approved by the Chief Finance Officer.

#### **1.63 What are Chief Officers' responsibilities in relation to financial systems?**

1.63.1 Chief Officers are responsible for the proper operation of financial processes in their own directorates.

1.63.2 Chief Officers are responsible for ensuring that the financial system accurately records the financial transactions of their functions, and for complying with guidance issued by the Chief Finance Officer on the uses of such systems and the information to be recorded.

1.63.3 Chief Officers shall ensure that all income and expenditure, regardless of its source, is processed through the financial system and that all transactions are recorded in a manner that complies with proper accounting practices, enables returns to be made to taxation authorities, and complies with other legal requirements. The Chief Finance Officer shall give guidance and training as necessary to enable Chief Officers to fulfil this obligation.

1.63.4 Chief Officers shall use the financial system as the main method of monitoring expenditure and income in their Directorates and for comparing spending against Directorate Budget. Chief Officers shall keep such subsidiary information and records as are necessary to monitor effectively expenditure, income and commitments, and to support any required returns.

1.63.5 Chief Officers shall provide all relevant information deemed necessary to compile the Council's annual accounts in accordance with guidance issued by the Chief Finance Officer.

**1.64 When should Chief Officers discuss changes to systems and procedures with Internal Audit?**

Chief Officers shall ensure that new systems and procedures for maintaining financial and non-financial records or records of assets, or changes to such arrangements, are discussed with the Head of Internal Audit prior to implementation.

## **FINANCIAL PROCEDURES**

**1.65 What are Chief Officers' responsibilities in relation to financial procedures?**

Chief Officers are responsible for promoting the financial management standards set by the Chief Finance Officer in their service areas and monitoring adherence to the standards and practices, liaising as necessary with the Chief Finance Officer. All Chief Officers shall promote sound financial practices in relation to the standards, performance and development of staff in their Directorates.

**1.66 What are the Chief Finance Officer's responsibilities in relation to financial administration?**

1.66.1 The Chief Finance Officer shall be responsible for keeping the principal accounting records for all Directorates of the Council.

1.66.2 The Chief Finance Officer shall ensure that the accounts and accompanying reconciliations are properly prepared and presented for audit in accordance with relevant guidelines and statutes.

1.66.3 All accounts, financial records, including computerised records and financial administration procedures shall be kept in a form approved by the Chief Finance Officer.

1.66.4 After conferring with relevant Chief Officers, the Chief Finance Officer shall issue instructions as are deemed necessary to carry out the day-to-day financial work of the Council.

1.66.5 Prior to introducing, amending or discontinuing any record or procedure relating to financial transactions or accounting in their Directorate, Chief Officers shall consult the Chief Finance Officer.

**1.67 What are Officers' responsibilities in relation to financial administration?**

Chief Officers and Budget Holders shall comply with accounting guidance provided by the Chief Finance Officer and will supply them with information when required to support proper financial administration.

## **UNOFFICIAL (TRUST) FUNDS**

**1.68 What is an 'unofficial fund'?**

An 'unofficial fund' is any fund where the income and expenditure does not form part of the Council's accounts, but which is controlled wholly or in part by an Officer due to their employment by the Council or by, for instance, the Governors of a school or other semi-autonomous body.

**1.69 How are unofficial funds managed?**

1.69.1 Relevant Chief Officers shall be responsible for the immediate control of unofficial funds within or relating to their Directorate.

1.69.2 The Chief Finance Officer shall be informed of the existence of all unofficial funds and shall issue and update accounting instructions for them where necessary.

**BANKING, INCOME AND TREASURY MANAGEMENT**

Proper administration of bank accounts is fundamental for financial control. All income collection systems must provide for prompt recording of both cash and credit and the prompt banking of all receipts. Income is vulnerable if not adequately and effectively controlled.

**BANKING**

**1.70 What are the Council's banking arrangements?**

1.70.1 All arrangements concerning the opening, closing and operation of the Council's bank accounts shall be notified to the Chief Finance Officer. All bank Mandates shall be signed by the Chief Finance Officer or their nominated representative.

1.70.2 All banking arrangements, including automatic debiting or payments, and additional banking services (for example, credit/debit cards) will be under the control of the Chief Finance Officer and their Directorate.

1.70.3 Each bank account operated by the Council shall bear an official title and in no circumstances shall an account be opened in the name of an individual except in respect of an account in the name of the Returning Officer for the Middlesbrough Constituency.

**TREASURY MANAGEMENT**

Treasury management involves the management of the Council's cash flows, borrowings and treasury investments, and the effective control of the risks associated with those activities.

**1.71 What are the treasury management requirements for the Council?**

1.71.1 The Council is required to have regard to CIPFA's Treasury Management Code ('TM Code'). Accordingly:

- (a) The Council will create and maintain, as the cornerstones for effective treasury and investment management:

- (i) a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities;
- (ii) suitable treasury management practices (TMPs) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;
- (iii) investment management practices (IMPs) for investments that are not for treasury management purposes.

The content of the policy statement, TMPs and IMPs will follow the recommendations contained in sections 6, 7 and 8 of the TM Code, subject only to amendment where necessary to reflect the Council's particular circumstances. Such amendments will not result in the Council materially deviating from the TM Code's key principles.

- (b) The Executive and the Audit Committee will receive reports on the Council's treasury and investment management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in the TMPs and IMPs.
- (c) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement, TMPs and IMPs, and if they are a CIPFA member, CIPFA's Standard of Professional Practice on treasury management.
- (d) The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. Audit Committee will review and comment on the Council's Treasury Management Strategy before it is submitted to Full Council for approval.

1.71.2 All money received by the Council shall be aggregated for the purpose of treasury management and shall be under the control of the Chief Finance Officer.

**1.72 In what name are the Council's borrowings to be effected?**

All borrowings and investments shall be effected in the name of Middlesbrough Borough Council.

**1.73 Who is the registrar for stocks, bonds and mortgages?**

The Chief Finance Officer shall be the registrar for all stocks, bonds and mortgages of the Council and shall maintain records of all transactions relating thereto, and of all borrowings of money by the Council.

## **INCOME**

### **1.74 What are the Council's arrangements for income collection?**

- 1.74.1 Notwithstanding that income may be collected by another Officer, all arrangements for the collection of income due to the Council shall be agreed with the Chief Finance Officer. Chief Officers shall maintain records of all income transactions in a form agreed by the Chief Finance Officer.
- 1.74.2 The Chief Finance Officer shall set out the arrangements necessary to ensure that all monies due to, and received by, the Council are banked promptly.
- 1.74.3 The Chief Finance Officer will set the requirement for all receipt forms, books, tickets and other such items, with which Officers must comply. Every issue of any such document shall be acknowledged by the signature of the Officer to whom the issue is made. No Officer shall give a receipt for any money received on behalf of the Council on any form other than an official receipt form or ticket.
- 1.74.4 All sums received by Officers shall be paid over promptly to the Chief Finance Officer, or by arrangement, to the Council's bankers. No deduction should be made from such money, unless specifically authorised by the Chief Finance Officer. Personal cheques must not be cashed out of collections.
- 1.74.5 The Chief Finance Officer shall be notified as early as possible of all money due to the Council under contracts, or any other arrangements which would involve the receipt of money by the Council and shall have access to the original documents or relevant particulars.

## **DEBT MANAGEMENT**

### **1.75 What is the Council's process for managing debts?**

- 1.75.1 Where the Council is delivering works, goods or services, Chief Officers should, in the first instance, seek payment in advance or at the point of delivery. Only where this is not possible should an invoice be raised.
- 1.75.2 Where income is due to the Council in respect of work done, goods supplied, or services rendered but not paid for in advance or at the point of service provision, Chief Officers must ensure that invoices are issued promptly and accurately in respect of any amount due. Chief Officers should ensure that full details of the debtor and the work, goods or services are recorded accurately.
- 1.75.3 The Chief Finance Officer will establish performance management systems to monitor the recovery of income and flag instances of delayed or non-recovery.
- 1.75.4 Evidence of any debt shall be retained by Chief Officers for an appropriate period in accordance with the Council's document retention policies.
- 1.75.5 All Chief Officers have a responsibility to collect debts which they have originated by providing any further information requested by the debtor, and pursuing the debt on the Council's behalf.

1.75.6 Where Chief Officers are unable to collect debts as set out above, the Chief Finance Officer and the Monitoring Officer shall take all reasonable steps to obtain recovery of debts (involving debt collection agencies and / or Court proceedings as appropriate).

**1.76 When will bad debts be written off?**

If, in the course of collecting debt, it becomes apparent that:

- (a) full payment or repayment is unlikely to be made;
- (b) continued recovery action is ineffective or not economic; and/or
- (c) any possible arrangement will not lead to the debt being settled within a realistic and reasonable timeframe,

the Council will write off the debt to reflect income prudently within its accounts. This does not necessarily mean that the Council will stop pursuing the debt. In the event that a written off debt is subsequently recovered, it will be written back as income into the Council's accounts upon receipt.

**1.77 Who has authority to write off a debt?**

1.77.1 The Chief Finance Officer (or their nominated deputy) has the authority to approve write offs of unpaid debts up to the limit set out in the Financial Limits Annex per individual debt subject to agreement from the relevant Budget Manager, Legal Services and the relevant Finance Business Partner that:

- (a) there is no realistic chance of recovering the debt; or
- (b) it is considered uneconomical to attempt debt recovery.

The Chief Finance Officer has the overriding authority to approve or reject write offs if agreement cannot be reached between the various parties.

1.77.2 Any individual debts over the limit set out in the Financial Limits Annex must be approved by the Executive, subject to the recommendation of the Chief Finance Officer.

**1.78 Where are bad debts allocated?**

Write off of irrecoverable debts will be charged to the relevant budget code where the debt was first raised, unless otherwise agreed by the Chief Finance Officer or their delegated representatives.

**1.79 What happens if a debt is not recovered within three (3) years?**

Credit balances, which are over three (3) years old, and which cannot be substantiated or justified, will be released to the relevant fund after the closure of accounts of each year, subject to formal approval by the Chief Finance Officer.



**1.80 How are bad debts accounted for?**

- 1.80.1 The Chief Finance Officer will determine the criteria for calculating how much to provide for outstanding debts in relation to their age and type in consultation with the relevant Budget Holders and Legal Services, and in line with relevant accounting standards.
- 1.80.2 Bad debt provisions will be recalculated based on the latest debt levels and types on at least a quarterly basis. The impact of increases or decreases required to the general bad debt provision will be charged to the General Fund.
- 1.80.3 Each year, consideration will be given as to whether any budget provision should be made to account for the potential impact of bad debt on the Council's Revenue Budget in the coming year. This will be approved as part of the annual Budget setting process. Any savings realised against this budget provision will be transferred to reserves.

**1.81 How are bad debts reported?**

The year-end financial outturn report will provide a summary of all irrecoverable debt written off during the year.

**CLOSING OF ACCOUNTS**

**1.82 What is the process for closing the Council's accounts?**

- 1.82.1 The Chief Finance Officer shall be responsible for the production and publication of the Council's year-end accounts and financial statements in the form, and according to the timetable, required by applicable legislation and guidance.
- 1.82.2 The Chief Finance Officer shall provide all relevant Officers with guidance on the production of year-end accounts and financial statements. This guidance shall detail the timetable for production of the final accounts, the information and action required from each Directorate and any other details necessary to ensure that Officers are able to discharge their responsibilities under this section 18.82.
- 1.82.3 The Chief Finance Officer shall present the Statement of Accounts for the year in question to the Audit Committee and the Council's External Auditors as early as possible.
- 1.82.4 Chief Officers and Budget Holders must comply with accounting guidance provided by the Chief Finance Officer and supply information when required in relation to the closing of accounts.
- 1.82.5 The Chief Finance Officer shall retain, in safe custody, copies of the audited Statement of Accounts including the External Auditor's signed certificate and opinion. The Statement of Accounts will be published as soon as possible on the Council's website, following certification by the Chief Finance Officer, and then made available for public inspection in line with applicable legislation.

## **CONTRACTS AND PURCHASING**

Officers authorised to commit the Council to current or future expenditure are expected to act responsibly and demonstrate that the arrangements and procedures followed comply with the Council's instructions.

### **1.83 What are the rules that apply to contracts and purchasing?**

- 1.83.1 All contracts, agreements and purchases are subject to the requirements of the Contract Procedure Rules in section 19 of the Constitution, and the procedures and financial limits which they prescribe.
- 1.83.2 Before entering into purchasing commitments, Chief Officers and Budget Holders shall ensure that the estimated cost is covered by financial provision in the budget to which it relates.
- 1.83.3 Official orders and official purchasing/procurement cards must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

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

### **1.84 What form should orders for work, goods and services take?**

Official orders shall be in a form approved by the Chief Finance Officer and released only by Officers authorised by the appropriate Chief Officer. All official orders issued by a Directorate shall be the responsibility of that Chief Officer. An up to date list of authorised Officers shall be maintained by Chief Officers and a copy sent to the Chief Finance Officer. Any changes to the list of authorised officers shall be notified to the Chief Finance Officer immediately.

### **1.85 When are official orders required?**

- 1.85.1 Official orders shall be issued for all goods, work and services except where the Council enters into a formal contract with a supplier made for supplies of utility services, periodic payments such as rents or rates, for petty cash purchases or such other exceptions as the Chief Finance Officer may approve.
- 1.85.2 All goods, equipment etc. ordered on official order forms should be for the Council's own use.

### **1.86 How may official orders be amended?**

Any subsequent variations or amendments to official orders shall be approved by an authorised Officer, linked to the original record.

## **CONTRACTS**

These regulations with regard to contracts shall be read in conjunction with the Contract Procedure Rules in section 19 of the Constitution.

All Chief Officers should ensure that adequate and effective systems and procedures are operated for arranging and managing contracts and agreements having regard to advice and

guidance from the Chief Finance Officer on financial aspects. This includes the financial vetting of contracts where appropriate.

**1.87 What specific issues relate to contracts for the provision of social care by independent providers?**

Contractual agreements for the provision of social care between the Council and independent sector providers shall take into account the following specific issues:

- (a) the need to reflect a high degree of client, carer and client's family's involvement in contracting arrangements;
- (b) The need for a long term service relationship avoiding regular changes in service provider, particularly in the case of long term residential care; and
- (c) the involvement of potential providers, such as small charities or voluntary organisations, who may have limited experience and resources to cope with complex contracting and tendering arrangements.

**1.88 What are the requirements for contracts in relation to borrowing, leasing and property etc.?**

1.88.1 Any contract or agreement involving a charge upon assets or property must be forwarded to the Monitoring Officer for signature on behalf of the Council.

1.88.2 Except on the instruction of the Chief Finance Officer, no other Officer shall enter into any agreement or contract involving the borrowing of funds, leasing of equipment, credit arrangement, hire purchase agreement, insurance contract, or the investment of Council monies; nor the authorising of any direct debit to be charged against the Council's bank accounts (except as agreed and authorised by the Chief Finance Officer).

1.88.3 Except as agreed by the Executive, no officer may raise money by securing any legal charge or claim upon the buildings, property or any other asset or interest of the Council.

**1.89 What form should contracts take?**

The content and form of contracts and agreements are to be agreed by the Monitoring Officer before finalising by any Director on behalf of the Council.

**1.90 What are the insurance and risk management requirements for contracts?**

Prior to entering into any contract, Directors will fully consider all Insurance and risk management implications, and where necessary seek appropriate advice from the Chief Finance Officer.

**PAYMENT OF ACCOUNTS**

**1.91 Who is authorised to make payments on account?**

- 1.91.1 The Chief Finance Officer has authority to pay all amounts to which the Council is legally committed out of the Council's bank account, after authorisation of invoices for payment by the appropriate Budget Holder in accordance with these Financial Regulations.
- 1.91.2 Payments on account to contractors shall be made only on a certificate issued by the appropriate Chief Officer (or private architect, engineer or consultant where they are engaged by the Council) or other Officer nominated in writing for the purpose.
- 1.91.3 Before the appropriate Chief Officer or duly authorised person issues a final certificate of payment under a contract, the Chief Finance Officer shall be notified and have the right to examine the contractor's final account, together with other such documents as the Chief Finance Officer may consider necessary. The appropriate Chief Officer shall notify the Chief Finance Officer in writing on the satisfactory completion of the maintenance period under a contract so that any performance bonds may be released.

**1.92 Who should authorise invoices?**

Unless alternative arrangements have been agreed and approved by the Chief Finance Officer, the appropriate Chief Officer responsible for issuing an order, or an Officer nominated by them, shall authorise all invoices.

**1.93 When may the Council make payments in advance?**

- 1.93.1 As a general rule, the Council will not make payment in advance of works, goods or services being delivered and/or received. The only circumstances where payment in advance may be appropriate are as follows:
- (a) for software licenses or IT arrangements;
  - (b) for bonds or rent payable in advance;
  - (c) where specifically advised by Legal Services or Strategic Commissioning & Procurement as part of the contractual arrangements.
- 1.93.2 If there is any uncertainty as to whether a payment may be made in advance, the advice of the Chief Finance Officer must be sought. If payments in advance cover multiple financial years, then a financial appraisal of the relevant supplier should be undertaken and kept under periodic review as part of contract management arrangements.

**PURCHASE CARDS**

**1.94 How and when are purchase cards used by the Council?**

- 1.94.1 Purchase cards allow goods and services to be purchased and charges made to the Council electronically. These must be minor in nature. Any purchase of over £100 should be made via the normal purchasing route in accordance with the Contract

Procedure Rules, unless there is a pre-determined reason otherwise which has been agreed with the Chief Finance Officer or their nominated representatives.

- 1.94.2 Purchase cards are for business use only and must not be used by staff for personal purchases. Officers and Members must arrange the use of a purchase card with Strategic Commissioning & Procurement and must comply with the Purchase Cards Scheme, as determined by Chief Finance Officer, in relation to its use.
- 1.94.3 All purchases made with a Council purchase card must demonstrate Value for Money and should be supported by a VAT receipt, where relevant. If there is any doubt about whether a VAT receipt is required, clarification should be sought from the Council's VAT Officer.
- 1.94.4 Any purchases made using a purchase card will be reviewed by relevant Finance Business Partners and any items purchased with a purchase card that do not comply with the Purchase Cards Scheme, will be raised with the appropriate Budget Holder.

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## **EMPLOYEE AND PERSONNEL ASPECTS**

The largest element of Council expenditure is the cost of staff. Reliable and timely information is required to ensure that only genuine employees are paid in accordance with their proper entitlement. Failure to apply taxation and national insurance regulations correctly to all payments could incur significant financial penalties.

### **1.95 Who is responsible for making arrangements for paying employees?**

- 1.95.1 The payment of salaries, wages, pensions, compensation and other emoluments to all employees or former employees of the Council and allowances to Members shall be made by the Chief Finance Officer or under arrangements approved and controlled by the Chief Finance Officer.
- 1.95.2 For the avoidance of doubt, the Chief Officer with responsibility for HR is responsible for operational matters in relation to employees, and is responsible for the Council's payroll function.

### **1.96 What are Chief Officers' responsibilities in relation to employees?**

- 1.96.1 All Chief Officers shall ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 1.96.2 All Chief Officers shall ensure that salaries, wages, pensions etc. are processed only through the payroll system. Careful consideration should be given to the employment status of individuals employed on a self-employed, consultant or sub-contract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Chief Officer with responsibility for HR and the Chief Finance Officer.
- 1.96.3 All timesheets and other pay documents shall be submitted through the Council's e HR team and will be approved by the relevant Chief Officer, or their representative Budget Holder.
- 1.96.4 All Chief Officers shall determine which Officers from within their Directorate are authorised to certify salaries and wages documents. These will be in line with the Council's budget management arrangements and will be verified by the HR team..
- 1.96.5 All relevant records and other pay documents shall be submitted to HR in accordance with timetables and deadlines determined by the Council.

### **1.97 What is the process for approving expenses and allowances?**

- 1.97.1 The Chief Finance Officer shall be responsible for making arrangements for the administration and regulation of claims for expenses and allowances to employees and members of the Council and its committees and other approved bodies. The Monitoring Officer shall be responsible for monitoring the budget for Member's expenses.

- 1.97.2 Certification of Officers' travel and subsistence claims, by or on behalf of a Directorate, shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, expenses properly incurred and that the allowances are payable by the Council.

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## **EXTERNAL ARRANGEMENTS**

### **PARTNERSHIPS AND EXTERNAL BODIES**

Partnerships and other external bodies are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. The Council works in partnership with others: public agencies, private companies, community groups and voluntary organisations. It still deliver some services, but its distinctive leadership role is to bring together the contributions of the various stakeholders.

#### **1.98 How are Council functions delegated to external bodies?**

1.98.1 The Executive is responsible for approving delegations of Executive Functions, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

1.98.2 The Executive can delegate functions, including those relating to partnerships, to Officers. These delegations are set out in the Scheme of Delegation. Where functions are delegated, the Executive remains accountable for them to Full Council.

#### **1.99 Who represents the Council on external bodies?**

Save as otherwise set out in this Constitution, the Head of Paid Service represents the Council on partnership and external bodies, in accordance with the Scheme of Delegation.

#### **1.100 What are the financial governance arrangements for external bodies?**

1.100.1 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.

1.100.2 The Chief Finance Officer must ensure that the accounting arrangements to be adopted for partnerships and joint ventures are satisfactory. They must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. The Chief Finance Officer must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

1.100.3 Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### **COUNCIL-OWNED COMPANIES**

The Council recognises that a mix of different service delivery and business models are necessary to improve services and maximise value for money. Different service delivery models are available to the Council including the establishment of trading companies.

Further information in relation to Council-owned companies is contained in section 20 of the Constitution.

#### **1.101 When may the Council establish a Council-owned company?**



1.101.1 The Council will not establish a Council-owned company without the approval of the Executive. Any proposal to the Executive in support of establishing a Council-owned company must set out:

- (a) the short- and long-term financial implications of setting up the company;
- (b) a comprehensive risk assessment;
- (c) an explanation of how setting up the company contributes to the Council's strategic aims and objectives;
- (d) the legal basis for establishing the company;
- (e) the proposed governance arrangements for the company, including how the Council will manage the client-side arrangements;
- (f) a business plan for the company; and
- (g) the exit strategy for the arrangement.

1.101.2 Regard must always be had in relation to such proposals to any State Aid implications that might arise as a result of the provision of such benefits.

#### 1.102 **What are the financial arrangements for Council-owned companies?**

1.102.1 The Chief Finance Officer is ultimately responsible for the financial management of all Council-owned companies, and will set the financial governance and accounting procedures for Council-owned companies.

1.102.2 Where the Council owns shares, or in some cases the share, in an external entity a shareholder representative will ordinarily be appointed. Currently the power to appoint the shareholder representative rests with the Mayor.

1.102.3 Council Officers, **with the exception of the Chief Finance Officer, the Monitoring Officer, and their deputies**, may serve as directors on the board, or as company secretary of a Council-owned company.

1.102.4 The principal responsibility for the financial management of Council owned and controlled entities is of the finance director, board of directors and other staff and officers of the entities. However, given the requirement for the Council to prepare and publish consolidated accounts referencing such entities and the responsibilities of the Chief Finance Officer as to proper accounting practices and protection of the Council's financial position, the Chief Finance Officer is authorised to exercise such control as is appropriate and lawful in relation to the proper financial management of such entities. This includes recommending to such entities the embedding of and compliance with appropriate accounting arrangements and the adoption

1.102.5 of appropriate Financial Regulations.

1.102.6 No grant, loan, credit or other form of assistance, financial or otherwise, shall be provided to any owned or controlled entities outside the approved business plan other than with the prior agreement of the Chief Finance Officer and, where the transaction represents a key decision, Executive approval.

1.102.7 The Council will comply with all applicable legislation and guidance in relation to any Council-owned company, including the CIPFA local authority owned companies good practice guide.

## **PENSION FUND**

### **What is the Pension Fund?**

The Local Government Pension Fund is the pension scheme for local government employees. It is administered locally by 86 local pension funds in England and Wales. The Council is an 'Administering Authority' for the Pension Fund.

As an Administering Authority, the Council is responsible for managing and administering the Pension Fund in relation to those people for whom it is the Administering Authority.

### **What are the Chief Finance Officer's delegated powers in relation to the Pension Fund?**

The Chief Finance Officer is authorised to manage the Pension Fund on a day-to-day basis, including the exercise of the Council's functions as Administering Authority, the power to seek advice from professional advisers, and to devolve the handing of the Pension Fund's investment to appropriate fund managers.

### **What is the role of the Teesside Pension Fund Committee?**

The role of the Teesside Pension Fund Committee is set out in section 23 of the Constitution.

## FINANCIAL LIMITS ANNEX

This Financial Limits Annex sets out the limits that apply to certain financial decisions made by the Council. The financial limits set out in this Annex apply to the Financial Regulations as if they were written out into those Regulations.

If there is any doubt as to the application of the financial limits in this Annex, advice should be sought from the Chief Finance Officer or their nominated representatives. Note that the financial limits set out in this Financial Limits Annex may change over time and advice should be sought from Finance on the current applicable financial limits.

### KEY DECISION THRESHOLD

The financial threshold for Key Decisions is £250,000.

For the avoidance of doubt, any decision that will have a financial impact in terms of expenditure or savings in excess of £250,000 will be a Key Decision.

Provisions relating to Key Decisions are set out in section 13 of the Constitution.

### SIGNIFICANT FINANCIAL IMPACT

Where the Financial Regulations refer to a decision or other action having a “significant” impact on a capital project or otherwise, this means that the financial impact is:

- in excess of £250,000; or
- 10% or more of the total project budget / relevant financial amount; and/or
- would represent a change in the anticipated outcomes.

### EXTERNAL FUNDING

The following financial limits apply to approval of external funding applications:

Value of external funding	Approval
Up to £250,000	Chief Finance Officer
Above £250,000	Executive

### VIREMENTS

The following financial limits apply to virements under section 18.37.4 of the Financial Regulations.

Virement category	Below £250,000	£250,000 or more
Virement or reallocation of budgets between Directorates	Relevant Chief Officer  <b>OR</b>  If the virement crosses Portfolios, the Chief Finance Officer in consultation with relevant Portfolio Holders	Executive

Virements or reallocation of budgets within Directorates	Relevant Chief Officer in consultation with the Chief Finance Officer's nominated deputy	Executive
Virements or reallocation of budgets within a Division of service	Head of Service in consultation with the Chief Finance Officer's nominated deputy	Executive
Virement or reallocation of capital budgets from one capital project to another (including underpends)	Relevant Chief Officers in consultation with the Chief Finance Officer	Executive

### DEBT WRITE OFF

For the purposes of section 18.77 of the Financial Regulations, the following thresholds apply to the writing off of bad debts:

Value of debt to be written off	Approval
Up to £10,000	Chief Finance Officer, with the agreement of Legal Services, the relevant Budget Holder and the relevant Finance Business Partner  Chief Finance Officer has ultimate say if agreement cannot be reached
Above £10,000	Executive, on the recommendation of the Chief Finance Officer

### DISPOSAL OF ASSETS

The following thresholds apply to the disposal of assets by the Council for the purposes of section 18.45.3 of the Financial Regulations:

Total value or stocks / stores or assets	Disposal procedure
Up to £1,000	Two (2) written Quotations or public auction
Above £1,000 and up to £100,000	At least three (3) written Quotations or public auction
Above £100,000	Invitation to Tender to at least four (4) Bidders or public auction with a reserve price

### BONDS

For the purposes of section 19.81(a) of the Contract Procedure Rules, a bond will be required where the Total Value of a contract exceeds £250,000. For the avoidance of doubt, the Total Value is inclusive of VAT.

**PARENT COMPANY GUARANTEE**

For the purposes of section 19.82(a) of the Contract Procedure Rules, a bond will be required where the Total Value of a contract exceeds £250,000. For the avoidance of doubt, the Total Value is inclusive of VAT.

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