



Derby City Council

PART 5

Financial Procedure Rules

November 2015

Derby City Council - Financial Procedure Rules

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Revisions to Previous Version

| Section | Changes Made March 2012 |
|---|--|
| General Changes | Revised job titles, renumbered. |
| A1: General | <p>Revised job titles, renumbered.</p> <p>New paragraphs A1.2, A1.5</p> <p>Revised paragraphs A1.12, A1.18</p> |
| B: Financial Management | Fully revised |
| C1: Revenue Budget - Preparing Budgets | <p>New paragraphs C1.2 to C1.7, C1.12 to C1.14, C1.17, C1.20, C1.21</p> <p>Revised paragraphs C1.8 to C1.10</p> |
| C2: Revenue Budgets – Managing & Controlling | <p>New paragraphs C2.1 to C2.8, C2.11, C2.15, C2.16, C2.20, C2.27</p> <p>Revised paragraphs C2.9, C2.12 to C2.14, C2.17 to C2.19</p> |
| C3: Capital Budgeting | <p>New paragraphs C3.3 to C3.5, C3.12, C3.14, C3.16, C3.17, C3.19, C3.28, C3.310, C3.36</p> <p>Revised paragraphs C3.6, C3.8, C3.9, C3.21, C3.23, C3.24, C3.27</p> |
| D1: Risk Management | <p>New paragraphs D1.1, D1.3, D1.12</p> <p>Revised paragraphs D1.2</p> |
| D2: Insurance | <p>New paragraphs D2.3, D2.24, D2.25</p> <p>Revised paragraphs D2.1, D2.17, D2.21</p> |
| D3: Internal Control | <p>New paragraphs D3.1, D3.4, D3.7, D3.8, D3.16</p> <p>Revised paragraphs D3.12 to D3.15</p> |

| Section | Changes Made March 2012 |
|--|---|
| D5: External Audit | New paragraphs D5.7 Revised paragraphs D5.1 to D5.3, D5.9 |
| D6: Preventing Fraud and Corruption | New paragraphs D6.1, D6.5, D6.12 Revised paragraphs D6.3, D6.4, D6.6, D6.18 |
| D7: Treasury Management and Related Items | New paragraphs D7.1 to D7.3, D7.5 to D7.7, D7.13 to D7.26, D7.29, D7.30, D7.33 to D7.40 Revised paragraphs D7.10, D7.43 |
| D8: Assets and Security | New paragraphs D8.2 to D8.7, D8.10 to D8.13, D8.29 to D8.51, D8.54, D8.551, D8.59, D8.60 Revised paragraphs D8.8, D8.9, D8.20, D8.25, D8.26, D8.52, D8.53, D8.57 |
| Section E | Section B from prior version (General Systems and Procedures) has been amalgamated into this section. |
| E1: General | New paragraphs: E1.3, E1.5, E1.20 Revised paragraphs: E1.4, |
| E2: Income | New paragraphs: E2.1, E2.8, E2.9, E2.10, E2.11, E2.12, E2.14, E2.16, E2.22, E2.29 Revised paragraphs: E2.2, E2.5, E2.6, E2.15, E2.20, E2.21 |
| E3: Ordering Paying for work, goods & services | New paragraphs: E3.6, E3.9, E3.10, E3.21, E3.35, E3.36, E3.39, E3.40 Revised paragraphs: E3.8, E3.16, E3.22, E3.26 |
| E4: Payments to Employees & Members | New paragraphs: E4.2, E4.6, E4.9, E4.10, E4.11 Revised paragraphs: E4.1, E4.4, E4.12, E4.13, E4.14. |
| E5: Taxation | New paragraphs: E5.2, E5.3, E5.6, E5.13, E5.14 |
| F1: Work for Third parties, | New paragraphs: F1.2, F1.5, F1.17 Revised paragraphs: F1.3, F1.4, F1.14, F1.16 |

| Section | Changes Made March 2012 |
|---|---|
| F2: Partnerships and Accountable Body Arrangements | <p>New paragraphs: F2.6, F2.11, F2.12, F2.14, F2.15, F2.25 to F2.28</p> <p>Revised paragraphs: F2.2, F2.23, F2.24</p> |
| F3: Pooled Budgets | <p>New paragraphs: F3.2.</p> <p>Revised paragraphs: F3.4, F3.10</p> |
| F4: External Funding | New section |
| App1: Financial Limits (other than set out in the Scheme of Virement) | <p>Use of Reserves, Corporate Contingency, Grants or Loans to Voluntary/External Bodies, Bids/Acceptance of External Funding and Special Allowances or Grants to Individuals limits added.</p> <p>Pooled Budgets, Work for Third Parties, Accountable Bodies and Capital Monitoring Control revised</p> |
| App2: Scheme of Virement - Revenue Budgets | <p>Virement rule (d) amended.</p> <p>Cross-directorate and cross-portfolio approval limits for Chief Officer and respective Cabinet Member(s) adjusted from £100,000 to £250,000</p> |
| App 3: Glossary of Terms | New section |

A. GENERAL

- A1.1 Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and employee of the Council and anyone acting on behalf of the Council.
- A1.2 The objective of the Financial Procedure Rules is to specify a number of rules and key control measures which ensure that public accountability and high standards of financial integrity are exercised in the use of public funds and to reduce risk.
- A1.3 The Rules also identify the responsibilities of the Strategic Director of Resources and of Chief Officers. Chief Officers should maintain a written record where these responsibilities have been delegated to employees, including employees seconded to other departments. Separate School Financial Regulations identify how these responsibilities are to be exercised in schools.
- A1.4 All employees have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for economy in the use of resources.
- A1.5 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the Strategic Director of Resources.

Responsibilities of Strategic Director of Resources

- A1.6 The Strategic Director of Resources is the responsible officer for the proper administration of the financial affairs of the Council under Section 151 of the Local Government Act 1972. Taken together with the Accounts and Audit Regulations, this means that all accounting procedures, systems and records of the Council and its Officers should be determined by the Strategic Director of Resources and should take account of proper professional practices. This statutory responsibility for the administration of the Council's financial affairs cannot be overridden by anything in a Scheme of Delegation or set of financial procedures.
- A1.7 The Strategic Director of Resources is also the responsible officer under Section 114 of the Local Government Finance Act 1988 for reporting to the Council if the authority:
- a. has made, or is about to make, a decision which involves incurring unlawful expenditure
 - b. 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 authority, or

- c. is about to create an entry in the Council's accounts that would be unlawful.
- A1.8 To make sure that any proposed changes to Financial Procedure Rules are approved by Council.
- A1.9 Where appropriate, to report breaches of Financial Procedure Rules to the Council Cabinet and/or to the Council.
- A1.10 To issue instructions and guidance notes, where necessary, to amplify Financial Procedure Rules.
- A1.11 To periodically review and recommend changes to the Financial Procedure Rules to ensure that they remain relevant and up to date.
- A1.12 To make changes to the School Financial Regulations to ensure that they remain relevant and consistent with the Financial Procedure Rules in the context of a school environment, ensuring that any changes:
- are agreed jointly with the Strategic Director for Children and Young People
 - are subject to consultation with the Schools Forum
 - remain reasonably consistent with the Financial Procedure Rules subject to being adapted to the context of a school
 - comply with the Scheme for Funding Schools as agreed by Full Council and any other statutory requirements.
- A1.13 To exercise the Responsibilities of a Chief Officer in so far as the Strategic Director of Resources is directly responsible for the operation of specific services of the Council.
- A1.14 To provide training and guidance to assist Chief Officers discharge their duty to ensure that responsibilities under Financial Procedure Rules are understood.

Responsibilities of Chief Officers

- A1.15 To make sure that:
- a. existing and new employees are informed of their responsibilities under Financial Procedure Rules and Contract Procedure Rules and are familiar with these documents
 - b. all financial regulations or contracts and award procedures are followed by everyone in their department
 - c. relevant records are maintained and retained.
- A1.16 To make sure that all reports including those seeking approval under delegated powers record their financial implications, and that these are agreed in advance by the Strategic Director of Resources. In particular, any report containing new proposals includes an independent financial

assessment by the Strategic Director of Resources.

- A1.17 To make sure that a written authorisation is provided by the Strategic Director of Resources in cases where authorisation is needed on financial implications but a report is not provided.
- A1.18 To consult the Strategic Director of Resources on any matter that may materially affect the finances of the Council.
- A1.19 To be responsible for securing value for money in relation to their activities and for achieving financial performance targets in accordance with Best Value principles.

B. FINANCIAL MANAGEMENT

B1. Financial Management Standards

Why is this important?

- B1.1 All staff and members have a duty to observe the highest standards of probity in dealing with financial issues. This is achieved by ensuring every one is clear about the standards to which they are working, and the controls which are in place to ensure that those standards are met.

General

- B1.2 The key controls for financial management standards are that:
- they are set in line with those approved and issued by the appropriate professional bodies, including the Accounting Standards Board (ASB) and the Chartered Institute of Public Finance & Accountancy (CIPFA)
 - they are promoted throughout the Council
 - a monitoring system is in place to review members' and officers' compliance with them
 - All staff with budgetary responsibility receive appropriate training.

Responsibilities of Strategic Director of Resources

- B1.3 To ensure the proper administration of the financial affairs of the Council.
- B1.4 To set the financial management standards, and to monitor compliance with them.
- B1.5 To ensure proper professional practices are adhered to, and to act as Head of Profession in relation to the standards, performance and development of all finance staff throughout the Council.
- B1.6 To advise on the key strategic controls necessary to secure sound financial management.
- B1.7 To ensure that financial information is available to Chief Officers to enable

them to secure sound financial management of their functions and to enable them to report information accurately and timely.

Responsibilities of Chief Officers

- B1.8 To implement and monitor adherence within their service areas to the financial management standards set by the Strategic Director of Resources.

B2. Accounting Records and Returns

Why is this important?

B2.1 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for the stewardship of public resources. These records form the basis on which the Council is able to satisfy its statutory responsibility to prepare and publish by the required date its annual statement of accounts. The statement must present fairly details of both its operations during the year and its position at the year end.

General

B2.2 The key controls for the maintenance of accounting records and returns are to ensure that procedures are in place to:

- monitor that all Cabinet Members, Chief Officers, finance staff and budget holders operate within the required accounting standards of the Council
- record completely, accurately and promptly all the Council's transactions, material commitments and contracts and other essential accounting information
- perform on a timely basis balancing and reconciliation procedures to ensure that transactions are recorded completely and accurately
- reconstitute accounting records in the event of loss or failure of the underlying computer or other systems.

Responsibilities of Strategic Director of Resources

B2.3 To determine the accounting procedures and format of the financial records for the Council, and to ensure that these are followed and maintained in service departments.

B2.4 To compile all accounts and maintain accounting records in a complete, accurate and timely manner, or to ensure that they are compiled to a similar standard.

B2.5 To ensure that all accounting records comply with statutory requirements and codes of practice, and setting standards in liaison with the City Council's external auditors for effective procedures concerning the closure of the final accounts.

B2.6 To ensure that adequate procedures are in place, and these are tested on a regular basis, to reconstitute accounting records in the event of failure of the computer system and to prepare a business continuity plan for financial systems accounting in the event of total system failure or unavailability, including failure of feeder systems.

B2.7 To compile all grant claims and external financial returns based on the accounts in a complete, accurate and timely manner, or to ensure that Chief Officers have processes in place to compile grant claims to a similar standard.

B2.8 To make proper arrangements for the audit of the Council's accounts in

accordance with the Accounts and Audit Regulations or other statutory requirements.

- B2.9 To determine, having regard to relevant statutory and other guidance, and to communicate, the policy for the proper retention of financial and related documents, and to ensure that it is followed.
- B2.10 To certify all financial returns, grant funding applications and claims and other periodic financial reports required of the Council
- B2.11 To provide guidance and advice on all accounting matters
- B2.12 To monitor accounting performance to ensure an adequate standard for all services

Responsibilities of Chief Officers

- B2.13 To comply with the following principles when allocating accounting duties within their department:
 - the separation of the duties of providing information about sums due to or from the Council and the calculating, checking and recording of these sums, from the duty of collecting or disbursing those sums
 - the separation of the duty of examining or checking the accounting entries for cash transactions from the duties shown immediately above.
- B2.14 To consult and obtain the approval of the Strategic Director of Resources before introducing any new or replacement processes or systems, or amending any currently approved processes or systems for the maintenance of financial records or records of assets.
- B2.15 To compile all accounts and maintain all accounting records under their control in a complete, accurate and timely manner, and to make them available for inspection by the Strategic Director of Resources, the External Auditor, the Internal Auditor or any of their representatives.
- B2.16 To maintain, or to ensure that staff maintain, adequate supporting records to provide a complete trail for all transactions leading from the source of income and/or expenditure item through to the entries in the centralised accounting records.
- B2.17 To complete, or to ensure that staff complete, all grant claims or external financial returns based on the accounts for their service area in an accurate and timely manner.
- B2.18 To supply, or to ensure that staff supply information in respect of their service area to the Strategic Director of Resources in accordance with policies, guidance or timetables issued to enable the Strategic Director of Resources to complete the Council's Statement of Accounts and any grant claim or other external financial return.
- B2.19 To provide, or to ensure that staff provide, information or explanations to the

External Auditor in a complete, accurate and timely manner to enable completion of the audit of the Council's statement of accounts in accordance with the External Auditor's timetable.

B2.20 To provide, or to ensure that staff provide, information or explanations to the Internal Auditor in a complete, accurate and timely manner to ensure that the Auditor is able to complete the audit in accordance with their timetable.

B2.21 To comply, or to ensure that staff comply, with the policy for the retention of financial, electronic and related documents (see Annex A).

B3. The Annual Statement of Accounts

Why is this important?

B3.1 The Council has a statutory duty to prepare its accounts to give a true and fair view of its operations during the year and its position at the year end.

B3.2 The annual accounts are subject to examination by external auditors. This arrangement provides assurance that the accounts are properly prepared in accordance with proper accounting practices and that satisfactory arrangements have been made for securing value for money in the use of the Council's resources.

B3.3 Accounting policies underpin the preparation of the statement of accounts and are consistent with the basic accounting concepts of materiality, going concern, matching, consistency, prudence and substance over form.

General

B3.4 CIPFA has prescribed the format and content of the accounts. This facilitates the comparison of costs on a consistent basis. Service expenditure areas are closely defined, as is the treatment of various items of expense and income. Detailed requirements are shown in the Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code') and in the Service Reporting Code of Practice (SeRCOP).

B3.5 The key controls for the preparation of the Statement of Accounts are that it:

- complies with all legal requirements
- complies with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom
- complies with the CIPFA Service Reporting Code of Practice
- is undertaken by the Strategic Director of Resources as part of the duties for the proper administration of the Council's financial affairs
- suitable accounting policies are determined, communicated and their consistent application monitored
- all judgements made, and estimates of outstanding liabilities and income prepared, are consistent with the determined policy, are documented, and can be shown to be reasonable and prudent
- statutory and other professional requirements are observed
- all reasonable steps are taken for the prevention and detection of fraud and other irregularities

- the draft statement is available for examination and report by the external auditors in accordance with a previously agreed timetable.

Responsibilities of Strategic Director of Resources

- B3.6 To comply with all statutory and other requirements for the completion of the annual statement of accounts; this to include the signing and dating of the statement of accounts to the effect that it gives a true and fair view of the position of the Council at the year end and of its income and expenditure for the year concerned.
- B3.7 To approve the draft Statement of Accounts before 30 June and to prepare and publish the audited accounts of the Council for each financial year by 30 September, in accordance with the statutory timetable
- B3.8 To prepare an annual Capital Determination for the Council, in accordance with the Local Government and Housing Act 1989 and Local Government Act 2003.
- B3.9 To determine the detailed timetable for the preparation and completion of the final accounts so as to meet the statutory deadlines, and to communicate their respective responsibilities to Chief Officers and to the External Auditors.
- B3.10 To select suitable accounting policies and to ensure that they are applied consistently.
- B3.11 To disclose the accounting policies in the annual statement of accounts to cover the basis, or nature, of such items as:
- including debtors and creditors in the accounts at the year end
 - maintaining provisions and reserves
 - recording fixed assets, investments and revenue expenditure funded from capital under statute (REFCUS) in the balance sheet
 - making provisions for depreciation and impairment of fixed assets
 - making capital charges to services for the use of assets in the provision of services
 - valuing work in progress, and stocks and stores in hand at the year end
 - accounting for value added tax
 - accounting for government grants
 - charging for leasing costs
 - charging for pensions costs
 - recharging for overheads.

Responsibilities of Chief Officers

- B3.12 To comply with the accounting guidance provided by the Strategic Director of Resources and to supply the Strategic Director of Resources with necessary information when required.
- B3.13 To adhere to the accounting policies determined by the Strategic Director of Resources.

C. FINANCIAL PLANNING

C1. Revenue Budgets - Preparing Budgets

Why is this important?

- C1.1 The Council is a complex organisation responsible for delivering a wide variety of services. Like other big organisations it needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies. Not least, it should demonstrate that the plans of the Council are affordable.
- C1.2 Medium term financial planning (MTFP), covering at least a rolling 3 year period, or such other period as the Council may determine, is an ongoing process and is subject to continuous review. As each year passes, the initial year of the Medium Term Financial Strategy (MTFS) becomes the basis of the annual revenue budget and another detailed future year is added to the plan.
- C1.3 Medium term financial planning encompasses the assessment of spending which is likely to emerge during the period to meet:
- Members' agreed political objectives and targets;
 - Central Government plans and targets;
 - services' current levels of outcomes and outputs;
 - new service developments or commitments
- and compares these with the resources likely to be available. The MTFS therefore ensures that the Council is always preparing for events in advance and as a result sets and monitors detailed annual revenue budgets tailored to meet service needs.
- C1.4 The revenue budget must be constructed so as to ensure that resource allocation to services properly reflects the spending plans and priorities of the Council. Budgets (spending plans), are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent to achieve individual service performance targets which meet the Council's approved desired outcomes or outputs
- C1.5 The Cabinet, in consultation with the Strategic Director of Resources, is responsible for issuing guidance to Chief Officers on service spend levels and the general content of the annual revenue budget as soon as possible following its approval by the Council.
- C1.6 The Council must determine the level of general reserves before it can set the level of Council tax. Reserves are maintained as a matter of prudence to provide working balances, to meet unforeseen items of

expenditure, and to meet specifically approved policy objectives of either a capital or revenue nature.

General

- C1.7 The key controls for medium term financial planning and annual budget preparation are to ensure that procedures are in place to ensure that:
- Members agree their desired outcomes and/or outputs for the period;
 - Members consider and prioritise these in the light of projected resources;
 - Members determine the allocation of resources to services;
 - Members set the annual revenue budget;
 - officers set service performance targets to reflect those agreed outputs / outcomes, as part of business planning;
 - budget managers accept, within the delegations set by the Council, accountability for their budgets and the level of service to be delivered;
 - a monitoring process is in place to review regularly the effectiveness and operation of the medium term financial planning and annual revenue budget setting process, so that any corrective action is taken.

Responsibilities of Strategic Director of Resources

- C1.8 To determine the detailed form of revenue estimates, consistent with the general directions of the Council Cabinet, and after consultation with Chief Officers, as part of the Medium Term Financial Plan.
- C1.9 To issue guidelines within which Chief Officers of the Council should prepare budgets and the Medium Term Financial Plan.
- C1.10 To prepare and submit reports on detailed annual revenue estimates of expenditure and income for the Council, including resource constraints set by the Government. Reports should take account of medium term prospects, where appropriate.
- C1.11 To prepare and submit reports on the aggregate spending plans of Council services and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied. Plans should be projected into the medium term and reports should identify the affordability of the plans.
- C1.12 To encourage best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness in the delivery of their services, and by encouraging

good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

- C1.13 To advise Council, directly if appropriate, on Cabinet proposals in accordance with responsibilities under Section 114 of the Local Government Finance Act 1988 if there is the likelihood of unlawful expenditure or the determination of an unbalanced budget.
- C1.14 To assess and report to Council on the adequacy of Council reserves and the robustness of estimates underlying the budget

Responsibilities of Chief Officers

- C1.15 To prepare estimates of income and expenditure, in consultation with the Strategic Director of Resources.
- C1.16 To prepare budget proposals that are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Strategic Director of Resources.
- C1.17 To ensure the estimated cost of any proposals submitted as part of the budget preparation process are as complete and accurate as possible and include provision for all running costs, salaries and wages and any other outgoings involved by or in connection with the proposal.
- C1.18 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- C1.19 To consult with other Chief Officers and the Strategic Director of Resources, where it appears that a budget proposal is likely to impact on the service activity or budget of another department.
- C1.20 To ensure that medium term financial plans reflect agreed business plans, service needs, and any proposals for change. Chief Officers must also provide information to Cabinet where, in their opinion, the service plan does not meet statutory or central government requirements.
- C1.21 To ensure that allocations from earmarked reserves are used only for the purposes for which they were intended, and to comply with any other conditions of the allocations.

C2. Revenue Budgets - Managing and Controlling Budgets

Why is this important?

- C2.1 Budget management ensures that resources allocated by members are used for their intended purposes and that these resources are properly accounted for, subject to changes in purpose under budget virement rules.
- C2.2 The Council itself approves, and operates within, an annual net budget limit to ensure that the Council does not overspend in total. Each Chief Officer is required to manage their own expenditure within the budget allocated to them. The definition of budgets is set out in the Scheme of Virement (Appendix 2).
- C2.3 Regular reporting of income and expenditure against approved budgets keeps the Council aware of, and highlights, situations where actions may be required to maintain spending within approved budget levels.
- C2.4 Budgetary control is a continual process enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism to call Chief Officers to account for their budget allocations. Chief Officers may delegate day to day responsibility for budgetary control to budget managers.
- C2.5 The Council considers on a regular basis variances against financial and performance targets and is therefore able to identify changes in trends and resource requirements at the earliest opportunity.
- C2.6 The scheme of virement at Appendix 2 is intended to enable the Cabinet, Chief Officers and their staff to manage budgets with a degree of flexibility within the overall budget framework, and therefore to optimise the use of resources.

General

- C2.7 The key controls for managing and controlling the revenue budget are that:
- all elements of budgeted expenditure and income are allocated to named budget holders
 - budget holders accept accountability for their budget allocations and the level of service to be delivered
 - budget holders adhere to the approved procedures for the ordering and certifying for payment the purchase of goods and services used in the provision of their service and for the collection of income
 - income and expenditure is completely, accurately and promptly

recorded and accounted for

- service delivery performance levels are monitored in conjunction with financial performance and that necessary action is taken to align service outputs and budget resources.

C2.8 Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring revenue expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets.

Responsibilities of Strategic Director of Resources

- C2.9 To establish an appropriate framework of budgetary management and control, based on the principles that:
- a. Chief Officers exercise budget management within their budget allocations unless the Council (in line with delegated authorities detailed in Appendices 1 and 2) agrees a subsequent variation
 - b. each Chief Officer has available timely information on receipts and payments on each budget head of approved estimates, to enable budget managers to fulfil their budgetary responsibilities
 - c. expenditure is committed only against an approved budget head including any budget heads amended as permitted under the Scheme of Virement (Appendix 2)
 - d. expenditure is within the law, in respect of Council policy, and in accordance with contract procedure rules where necessary
 - e. all officers responsible for committing expenditure or collecting income comply with relevant guidance, including Financial Procedure Rules
 - f. each budget head has a single named manager, determined by the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure or raises income.
 - g. Chief Officers ensure that appropriate budget monitoring reports are prepared that identify any significant variances from approved budgets. Chief Officers are responsible for taking appropriate action to contain spending within their allocations.

- h. reserves and balances are used for purposes approved in budget plans and any changes in those approved uses require the approval of Council Cabinet
- C2.10 To administer the Council's Scheme of Virement that regulates the virement of resources between budget heads and between financial years (see Appendix 2).
- C2.11 To administer the Council's arrangements for under and overspendings to be carried forward to the following financial year (see Appendix 2).
- C2.12 To submit reports to the Council Cabinet, in consultation with the Chief Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under their control and/or where approval is sought for a proposed virement which cannot be approved under delegated authority.
- C2.13 To prepare and submit reports on the Council's overall projected expenditure/ income position compared with the budget, and on the position of its reserves and balances.
- C2.14 To make sure that, where reserves and/or balances are used to support the budget, their use is consistent with the authorised purpose and level of use within budget plans, and is approved in line with the limits set out in Appendix 1.
- C2.15 To ensure that any transfers from contingency budgets to revenue budgets are approved in line with the limits in Appendix 1.

Responsibilities of Chief Officers

- C2.16 To ensure that levels of expenditure and performance are properly monitored and controlled throughout each financial year, that any practicable and necessary steps are taken to avoid exceeding an approved cash limit, and that value for money is achieved.
- C2.17 To maintain budgetary control within the department, in adherence to the principles in C2.9 and to ensure that all income and expenditure is completed accurately and promptly recorded and accounted for.
- C2.18 To make sure that a single accountable budget manager is identified for each budget head under the control of the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure or raises income.

- C2.19 To make sure that spending remains within the overall service budget, and that individual budget heads are not overspent, by monitoring the budget and, where it appears that areas of the budget are likely to be over or under spent, taking appropriate corrective action.
- C2.20 To ensure that a monitoring process is in place to review service delivery performance levels in conjunction with financial performance, and to take the necessary action to align service outputs with budget resources
- C2.21 To make sure that the use of departmental reserves to support the budget is consistent with the approved purpose and level of use within budget plans.
- C2.22 To prepare and submit to the Council Cabinet, reports on the department's financial position compared with its budget, and on the position of the department's earmarked reserves, in consultation with the Strategic Director of Resources.
- C2.23 To report in the first instance to the Council Cabinet and if necessary to Council on proposals which in the view of the Strategic Director of Resources:
- a. will create net financial commitments in current or future years, additional to those within approved budgets or
 - b. would potentially create additional net financial commitments in current or future years, if approved by a body outside of the Council, such as a project funded only in part by a bid for external funding, or
 - c. will create recurrent net financial commitments in future years, in cases where the recurrent funding of those commitments cannot be relied upon or
 - d. initiate new policy or cease existing policies or
 - e. materially extend or reduce the Council's services
- explaining clearly the full financial implications, after consultation with the Strategic Director of Resources. Unless the Council has agreed otherwise, Chief Officers must plan to contain the financial implications of such proposals within their cash limit in all years. A report to Council will be necessary where, in the opinion of the Strategic Director of Resources, the impact of the proposals is such that they would constitute a material change to the Budget and Policy Framework.
- C2.24 When reporting to the Council Cabinet and Council any proposal for income or expenditure not provided for in an approved budget, to identify

fully the proposed source of finance, after consultation with the Strategic Director of Resources.

- C2.25 To make sure of compliance with the Council's Scheme of Virement (see Appendix 2).
- C2.26 To ensure that where, in the view of the Strategic Director of Resources or any Chief Officer, a budget proposal including any virement proposal, will impact materially on another service or Chief Officer's service activity or budget, that proposal is either agreed to by the other relevant Chief Officer or is the subject of a report to Council Cabinet prior to its implementation.
- C2.27 To prepare, in conjunction with the Strategic Director of Resources, requests to Cabinet for approval for unspent budget provisions, receipts of donations, and fundraising activities, to be carried forward to the next financial year (by way of or earmarked reserves). These should generally be restricted to specific items of a 'one off' nature where monies will be spent for the same purpose in the following financial year.

C3. Capital Budgeting

Why is this important?

- C3.1 Capital expenditure involves acquiring or enhancing assets with a long-term value to the Council, such as land, buildings, and major items of plant and equipment or vehicles. This also includes the provision of grants for capital expenditure to other bodies.
- C3.2 Capital assets shape the way services are delivered for the long-term and create financial commitments for the future in the form of financing costs and revenue running costs. The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.
- C3.3 The Council has a substantial capital programme covering a 3 year period. The programme is based on a number of assumptions, including the level of resources that may be available in future years.
- C3.4 The capital programme is revised during the year as new schemes are approved and existing schemes are re-profiled to future years.

General

- C3.5 The key controls surrounding the capital programme are:
 - Governance of the capital programme is via the Strategic Asset

Management Board (SAMB).

- All schemes commenced must be fully financed
- No new borrowing may be incurred without consideration of revenue implications.
- Strict capital virement (see Annex A) limits exist.

- C3.6 All capital schemes must be included in the capital programme approved by Council. The approval by the Council of a programme of capital expenditure authorises the Chief Officer to:
- a. prepare such designs, detailed estimates and other professional reports necessary to allow schemes to commence, and to receive tenders or quotations as necessary in accordance with the Council's Contract Procedure Rules
 - b. commence spending on individual schemes up to the amount approved in the Capital Programme subject to the Chief Officer being satisfied that appropriate legal, technical and professional matters have been dealt with, that Contract Procedure Rules have been observed and that budgetary provision is in place after allowing for the tolerances for reporting variations set in Appendix 1
- C3.7 The approved capital programme approves a funded level of spending for the current financial year only. Spending on schemes within the programme should not be exceeded unless separately approved in accordance with the limits in Appendix 1.
- C3.8 Additional schemes added to the capital programme during the course of the year require approval of Full Council where the level of either planned total borrowing or unsupported borrowing will increase over the total level previously approved by the Council, either in the current year or in total within its medium term financial plans, once any other changes to the approved capital programme are also taken into account.
- C3.9 Approval of Council Cabinet is required where:
- the scheme is being funded from revenue or capital reserves which have not previously been earmarked for specific uses consistent with the purpose of the capital scheme.
 - Any new capital scheme(s) are being funded as a result of deleting existing capital scheme(s)
 - Schemes are added to the capital programme during the course of the year,
 - Scheme variations exceed the reporting tolerances set out in Appendix 1
 - The virement of funding to meet such programme variations also

requires Cabinet approval.

- C3.10 Rolling programmes included in the capital programme can commence once a costed schedule of works has been approved by the Chief Officer and relevant legal, technical and finance officers, and subject to compliance with the Council's Contract Procedure Rules.
- C3.11 Where a long-term development scheme is included in the approved capital programme, annual programming of works should be carried out as required for rolling programmes (see C3.10 above), subject to compliance with C3.6 above for the overall scheme.
- C3.12 Programme monitoring requires a strict regime of financial control. This should be in the form of regular meetings with Programme Managers, Heads of Service and Directors which ultimately report to specific Boards which are aligned to spending areas within the Capital Programme

Capital Budget Preparation

Responsibilities of Strategic Director of Resources

- C3.13 To prepare capital estimates jointly with Chief Officers and the Chief Executive and to report to the Council Cabinet for approval. The Council Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council.
- C3.14 To make recommendations to Cabinet and Council with regards to prudent levels of borrowing to support capital investment including both supported and unsupported borrowing
- C3.15 To make sure that the basis on which the capital programme is financed is consistent with the Council's approved revenue budget, the approved use of any revenue or capital reserves and the general capital strategy approved by Council.
- C3.16 To determine a process for the preparation, consideration and initial approval of proposals by members of the Strategic Asset Management Group. This process must include the requirement that each proposal is prioritised against the Council's policies and objectives prior to inclusion in a Capital Programme. The process must also specify that where the cost of a proposal exceeds a specified threshold, the Chief Officer prepares a detailed financial appraisal and risk assessment in conjunction, if appropriate, with the Head of Estates.
- C3.17 To issue guidance to Chief Officers on the definition of capital spending having regard to government regulations and accounting requirements,

the financial and operational information to be included in an appraisal, and the criteria for prioritisation of schemes.

Responsibilities of Chief Officers

- C3.18 To make sure that all bids for capital funding, which if successful would create additional net financial commitments in current or future years, or borrowing commitments, are approved by Council Cabinet. A report to Council will be necessary where, in the opinion of the Strategic Director of Resources the potential impact of the bid is such that they would constitute a material change to the Budget and Policy Framework. A bid is an action that is intended to solicit an offer of funding which the Council would then be expected to act on.
- C3.19 To identify, prior to submission of bids to Strategic Asset Management Board:
- how proposals for capital investment meet the Council's priorities, objectives and targets,
 - a financial appraisal
 - a risk assessment for the proposal
- C3.20 Consistent with revenue budget management, each capital scheme should have one nominated budget manager with responsibility for monitoring and reporting progress on the relevant scheme

Capital Monitoring and Reporting

Responsibilities of Strategic Director of Resources

- C3.21 To prepare and submit reports on:
- the Council's projected expenditure and resources compared with the approved estimates,
 - The progress of spending on approved schemes
 - Virements of a material value within the limits set
 - Virements in excess of those limits but which are to meet an overspending on an approved Capital programme scheme
 - that the programme satisfies the requirements of the Local Government Act 2003 in terms of satisfying medium term affordability and meeting other prudential indicators.
- C3.22 To issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Strategic Director of Resources, having regard to Government regulations and accounting requirements.

- C3.23 To obtain Council Cabinet authorisation for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the reporting tolerances set out in Appendix 1.
- C3.24 To monitor and report to Council Cabinet on capital expenditure compared to estimates, including all contracts where the final expenditure exceeds the approved estimate by more than the reporting threshold (see Appendix 1).
- C3.25 To monitor and report to Council Cabinet on the availability of capital income and financing compared to estimates.

Responsibilities of Chief Officers

- C3.26 To comply with guidance concerning capital schemes and controls issued by the Strategic Director of Resources.
- C3.27 To prepare regular reports reviewing the capital programme provisions for their services and to prepare a monthly return of estimated final cost of schemes in the approved capital programme for submission to the Strategic Director of Resources.
- C3.28 To monitor the progress on all approved schemes on a regular basis and to supply such information to the Strategic Asset Management Board as required to enable the Strategic Director of Resources to report to Cabinet.
- C3.29 To make sure that adequate contract records are maintained in respect of all capital contracts.
- C3.30 To proceed with projects only when there is adequate provision in the approved capital programme.
- C3.31 To ensure that adequate records are maintained in respect of all spending on capital projects
- C3.32 To prepare and submit reports, jointly with the Strategic Director of Resources, to the Council Cabinet of any variation in approved contract costs greater than the approved limits (see Appendix 1).
- C3.33 To prepare and submit reports, jointly with the Strategic Director of Resources, to the Council Cabinet on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount (see Appendix 1).
- C3.34 Make sure that they do not enter into credit arrangements, such as leasing agreements, without the prior approval of the Strategic

Director of Resources and, if applicable, approval of the scheme through the capital programme.

- C3.35 To consult with the Strategic Director of Resources and to seek Council Cabinet and Council approval where the Chief Officer proposes to bid for additional borrowing approvals to be issued by Government Departments to support expenditure which has not been included in the current year's capital programme.
- C3.36 Have delegated responsibility to reallocate funding between programme areas subject to relevant Board approval and subject to the approved limits (see Appendix 1).

D. CORPORATE GOVERNANCE, RISK MANAGEMENT, AND CONTROL OF RESOURCES

Why is this important?

The Strategic Director of Resources has a statutory responsibility for the overall financial administration of the Council's affairs and is responsible for maintaining an adequate and effective internal audit.

The Council's accounts are also scrutinised by external auditors, appointed by the Audit Board, who must be satisfied that expenditure and income are legal and that the accounts are prepared in accordance with proper accounting practices. The adequacy of arrangements made by the Council to manage risks is also subject to scrutiny by the Audit Board.

The Audit and Accounts Committee has since 2005 taken on the responsibility of overseeing all of these responsibilities, operating within the terms of reference set out elsewhere in the Constitution.

D1. Risk Management

Why is this important?

D1.1 The Council, in common with all other organisations, whether they are in the private or public sectors, faces risks to people, property and the continuity of providing its services.

D1.2 The effective management of the Council's risks helps to achieve the organisation's objectives. Risks occur in all of our activities and can be mitigated through a planned and systematic approach. Innovation and opportunity are fostered through well-informed risk taking and the benefits are clearly demonstrated through enhanced and cost effective service delivery. Most risks are commonly associated with hazard or uncertainty but this association does not necessarily have to be attached solely to threat and hazard but also to the balance of risk and reward.

D1.3 Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. It therefore seeks to facilitate the achievement of the Council's objectives by securing the Council's overall operational, financial, strategic, reputational and organisational well being as well as its assets. The process is concerned with evaluating the adequacy of the measures which are already in place to manage identified risks and to recommend appropriate action to improve further the identification of risk and to control or mitigate those risks effectively.

- D1.4 It is the responsibility of all employees, Members and partner organisations to give due regard to risk as part of their working practice. The risks we take may impact not only on an individual or group of people but they may cascade into other service areas, partnerships or the community. It is for this reason that transparency of the decisions we take is essential in the effective monitoring and tracking of risks.

Responsibilities of the Strategic Director of Resources

- D1.5 To develop and promote clearly stated coherent corporate risk policies, strategies and standards including a clear definition of the types and levels of risk considered unacceptable.
- D1.6 To establish a Risk Management culture across the organisation with the objective of self-identification, assessment, prevention or containment of risks, throughout the authority.
- D1.7 To establish an officer group to provide strategic direction on risk management.
- D1.8 To clearly define and assign to key staff the responsibility for accepting and managing risk.
- D1.9 To ensure, and promote through Service Directors and Heads of Service the development of Risk Management and supporting management procedures to minimise risk and exposure to losses.
- D1.10 To develop risk management controls/treatments in conjunction with other Chief Officers.

Responsibilities of Chief Officers

- D1.11 To champion the use of risk management in their own departments and be responsible and accountable for the risk management arrangements within their department, having regard to advice from the Head of Governance and Assurance and other specialist officers (e.g. risk management, internal audit, performance, procurement and health and safety).
- D1.12 To ensure that there are regular reviews of risk, and the potential for risk, within their service area, and that the outcome of those reviews, and the steps taken, are documented.
- D1.13 To maintain, update and review Risk Registers relative to their operational services and to provide evidence of reviews and actions taken to the Head of Governance and Assurance.

D1.14 To report on such risks in their operational department that may affect the Strategic objectives of the Council.

D1.15 To contribute fully in the support of the Risk Management process.

D2. Insurance

Why is this important?

D2.1 The Council effects insurance for specific risks, where it is economic to do so, in order to protect its tax payers against the impact on local charges, should a catastrophe occur.

D2.2 It is essential that departments advise the Risk and Insurance Section (Resources Directorate) of any change to their activities which could materially affect risk. Failure to do so might invalidate the insurance cover.

D2.3 Insurance has been the traditional means of protecting against loss but, by reducing, or even preventing, the incidence of losses (whether they result from accident or crime) the Council can benefit both from the reduced costs of providing insurance cover and from the continuity of service provision.

Responsibilities of the Strategic Director of Resources

D2.4 To affect a long-term strategy to meet the Council's insurance requirements.

D2.5 To affect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with relevant officers, where necessary.

D2.6 To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.

D2.7 To offer insurance cover to schools in accordance with Fair Funding arrangements.

D2.8 To undertake a review of requirements to support the annual renewal of insurance contracts.

D2.9 To ensure that insurance provisions are adequate to meet anticipated claims.

D2.10 To develop and maintain a claims and risk management database including the identification of claims trends and areas of risk.

D2.11 To continually monitor requirements and ensure that insurance covers are appropriate and cost effective.

Responsibilities of Chief Officers

D2.12 To maintain records of the current value of replacement cost of buildings and contents in their respective departments, and to advise the Strategic Director of Resources of such values on an annual basis.

D2.13 To take appropriate measures to minimise the risk of injury to individuals and loss, damage or theft of any insured property.

D2.14 To notify the Strategic Director of Resources of any new or significant change in their departments' risks.

D2.15 To provide information to the Strategic Director of Resources as required to complete any tendering exercise for insurance cover.

D2.16 To notify promptly to the Strategic Director of Resources any loss or damage or any event which is likely to lead to a claim against the authority. This notification must be supplied together with any information or explanation required by the Strategic Director of Resources or the authority's insurers. In the event of theft or malicious damage, the police should also be notified of the loss or damage.

D2.17 On the date of receipt all letters making claims against the Council, together with any attachments must be passed to the Insurance section.

D2.18 Where Chief Officers other than the Strategic Director of Resources are responsible for negotiating claims direct with the insurers, details of all claims shall be notified periodically to the Strategic Director of Resources. Chief Officers must consult the Strategic Director of Resources on all procedural matters.

D2.19 On the happening of any event, which might give rise to a claim by the Council, against a third party, promptly to notify the Director of Legal and Democratic Services to deal with the matter.

D2.20 To ensure that there are regular reviews of risk within their departments.

D2.21 To notify the Strategic Director of Resources promptly of all new risks, properties, vehicles or equipment that require insurance and of any alterations affecting existing insurances.

D2.22 To consult the Strategic Director of Resources and the Director of Legal and Democratic Services on the terms of any indemnity that the authority is requested to give.

D2.23 To ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

D2.24 To ensure that, before entering into any contract or agreement, the Strategic Director of Resources is provided with evidence of the contractor's, or other parties, public liability insurance cover, in accordance with the minimum limits of indemnity determined by the Council.

D2.25 To ensure that any employee using their private motor vehicle on Council business has adequate insurance that covers that vehicle for business use.

D3. Internal Control

Why is this important?

D3.1 Internal control is the system of control devised by management to help ensure the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

D3.2 The Council is a large and complex organisation that faces a wide range of financial, administrative and business risks from internal and external factors. It requires a system of internal control to manage those risks and monitor its progress towards delivering strategic objectives and complying with its statutory obligations.

D3.3 The system of internal control encompasses the whole of the Council's activities, known as the control environment. The control environment comprises the Council's policies, procedures and operations in place to:

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

General

D3.4 The key controls for a system of internal control are to ensure that:

- managerial control systems are in place which define policies, set

objectives and plans, monitor financial and other performance and provide for the appropriate anticipatory and remedial action to be taken; the key objective of these systems is to promote ownership of the control environment throughout the organisation by defining the roles and responsibilities of individual members of staff;

- financial and operational control systems and procedures are in place, which include provision for supervisory checks over the actions of staff, the physical safeguarding of assets, the segregation of duties, the determination of authorisation and approval procedures, and the availability of appropriate information systems;
- an adequate and effective internal audit function is provided;
- regular reviews of the internal control systems are carried out in order to ensure that they remain appropriate, and are revised as necessary;
- the Audit and Accounts Committee consider the Head of Audit's annual opinion on the effectiveness of the systems of internal control.

Responsibilities of the Strategic Director of Resources

- D3.5 Strategic Director of Resources is responsible for meeting the requirements of Section 151 of the Local Government Act 1972 that the Council must "make arrangements for the proper administration of their financial affairs...".

Regulation 4 of the Accounts and Audit (England) Regulations 2011 requires that "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

- D3.6 To meet the statutory requirement set out in Regulations 4(2) and 4(3) of the Accounts and Audit (England) Regulations 2011 authorities must "conduct a review at least once in a year of the effectiveness of its system of internal control." and "approve an annual governance statement, prepared in accordance with proper practices in relation to internal control". The Council publishes annually a Governance Statement incorporating the Statement on Internal Control in the Council's annual published statement of accounts. This document is signed by the Leader of the Council and the Chief Executive.
- D3.7 To advise the Council through the Audit and Accounts Committee of the need for, and to seek approval to, an appropriate control environment, effective internal controls and risk management procedures, which provide reasonable assurance of the effective and efficient delivery of

services, financial stewardship, probity, and compliance with statutory requirements and regulations.

Responsibilities of Chief Officers

- D3.8 To put in place appropriate measures to achieve effective internal financial controls. These may include:
- Provision of codes of practice & procedures
 - Adequate operation of budgetary control & accounting systems
 - Adequate supervision
 - Physical safeguarding of property and staff
 - Segregation of duties
 - Maintenance of local information systems
 - Adherence to authorisation and approval processes.
- D3.9 To promote an effective internal control system in their departments, and across departments where activities they are responsible for cross departmental boundaries.
- D3.10 To undertake a quarterly review and analysis of the risks relating to the delivery of the department's objectives and the range of controls to manage those risks. This will help ensure that the current risks are known and that appropriate, effective controls are in place.
- D3.11 To ensure that the controls are documented and are circulated to all relevant staff, who should be given appropriate instruction and training in their application. Also to check that the established controls are being adhered to.
- D3.12 To establish and implement new financial controls, in line with the measures outlined in D3.8, and remove financial controls that are unnecessary or not cost or risk effective, for example, because of duplication subject to the agreement of the Strategic Director of Resources,
- D3.13 To decide on the appropriate methods for promoting internal controls including compliance with Council policy, Financial Procedure Rules, Contract Procedure Rules, Codes of Conduct and any statutory requirements. Examples include the use of guidance notes, training, and procedures/manuals of operation.
- D3.14 To ensure staff have a clear understanding of the requirements of the internal control measures and the consequences of not applying them.
- D3.15 To promote high standards of integrity in all actions which directly or indirectly involve Council finances and assets; and promote accuracy, consistency, and timeliness in all transactions, in order to provide reliable

information to assist the development and monitoring of the Council's policies.

- D3.16 To advise the Strategic Director of Resources, of the need to consider the updating of existing controls in the light of changing circumstances whether arising from proposed changes to, or the introduction of new, operational systems, procedures or processes, and to implement, and publish, the resultant approved revised arrangements.

D4. Internal Audit

Why is this important?

- D4.1 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit (England) Regulations 2011 more specifically require that a "relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The guidance accompanying this legislation states that, for principal local authorities, proper internal audit practices are those contained within the CIPFA code of practice for internal audit in local government in the United Kingdom 2006.
- D4.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- D4.3 Inherently the work of internal audit is a service to management and for the benefit of the organisation as a whole.
- D4.4 Internal audit should have sufficient independence for it to be seen as such across the organisation, and to enable auditors to perform their duties in a manner which facilitates impartial and objective professional judgements and recommendations. To this end Internal Audit should be involved in the determination of its priorities and scope; internal auditors should have no operational responsibilities.
- D4.5 The Head of Governance and Assurance has direct access to, and freedom to report in their own name without fear or favour to, all officers and Members and particularly those charged with governance including the Chief Executive and the Audit and Accounts Committee.

Responsibilities of the Strategic Director of Resources

- D4.6 To ensure that the scope of Internal Audit encompasses the entire control environment of the Council. This extends to all of the controls and procedures (financial or otherwise) in operation in all services provided by Council Departments, all of the City's schools and the Council's significant partners.
- D4.7 To ensure that Internal Audit has the right of access to all assets, records, personnel and premises including those of Foundation and Voluntary Aided Schools, partners and third parties such as contractors, and any other establishment operated within the Council's financial accounts. This includes the authority to obtain information and explanations as it considers necessary to fulfil its responsibilities.
- D4.8 To ensure that Internal Audit is appropriately resourced to meet its objectives.
- D4.9 To ensure that audit plans prepared by the Head of Governance and Assurance, which take account of the characteristics and relative risks of the authority's activities, are submitted to the Audit and Accounts Committee for approval.
- D4.10 To ensure that Internal Audit staff maintain objectivity, and do not undertake operational tasks.
- D4.11 To ensure that Internal Audit provides a professional service that complies with the CIPFA code of practice for internal audit in local government in the United Kingdom 2006.
- D4.12 To ensure that the Head of Governance and Assurance is free to report directly to the Audit and Accounts Committee on all Internal Audit matters.
- D4.13 To ensure that the Head of Governance and Assurance provides an annual report to those charged with governance that gives an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.
- D4.14 To ensure that Internal Audit maintains a co-operative relationship with management and consults with management on audit work both at the annual planning stage and prior to commencing the assignment.

Responsibilities of Chief Officers

- D4.15 To establish and maintain a sound system of internal control. Internal Audit can offer advice and recommendations on control weaknesses and how they can be addressed, management retain responsibility and accountability for their operations and the related control arrangements.
- D4.16 To ensure that Internal Audit is given access at all reasonable times to premises, personnel, records and assets that the auditors consider necessary for the purposes of their work.
- D4.17 To ensure that auditors are provided with any such information and explanations that they seek in the course of their work.
- D4.18 To consider and respond promptly to findings and recommendations in audit reports.
- D4.19 To ensure that any agreed actions arising from audit recommendations are carried out timely, efficiently and effectively.
- D4.20 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Governance and Assurance prior to implementation.

D5. External Audit

Why is this important?

- D5.1 The Local Government Finance Act 1982 set up the Audit Board, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.
- D5.2 The basic duties of the external auditor are defined in the Audit Board Act 1998 and the Local Government Act 1999. In particular, Section 4 of the 1998 Act requires the Audit Board to prepare a Code of Audit Practice, which external auditors observe when carrying out their duties. The Code sets out the external auditor's objectives to review and report upon:
- a. the audited body's financial statements and its statement on internal control; and
 - b. whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- D5.3 The authority's accounts are scrutinised by external auditors, who must be satisfied that the Statement of Accounts give a 'true and fair' view of the financial position of the authority and its income and expenditure for the year in question and complies with legal requirements.

Responsibilities of the Strategic Director of Resources

- D5.4 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- D5.5 To ensure that there is effective liaison between external and internal audit.
- D5.6 To work with the external auditor and advise members, in line with the Scheme of Delegation, and Chief Officers on their responsibilities in relation to external audit.
- D5.7 To consider, in conjunction with Chief Officers when necessary, and respond as appropriate to, reports and management letters issued by the external auditors

Responsibilities of Chief Officers

- D5.8 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- D5.9 To ensure that all records and systems are up to date and available for inspection by the external auditors as and when required.

D6. Preventing Fraud and Corruption

Why is this important?

- D6.1 The Council as a local authority is accountable to the public for the actions of all its members, employees and others acting on its behalf, and needs to safeguard against the misuse of the assets and resources held on the public's behalf .
- D6.2 The Council will not tolerate fraud and corruption in the administration of its duties and responsibilities, whether from inside or from outside the authority.
- D6.3 The Council's expectation with regard to propriety and accountability is that members and staff at all levels undertake their duties with honesty and integrity and will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

D6.4 The Council also expects that individuals and organisations (e.g. suppliers, contractors, and service providers) with which it contracts will act towards the Council with similar honesty and integrity and without behaviour that constitutes fraud or corruption.

General

D6.5 The key controls regarding the prevention of fraud or financial irregularities are that:

- Policies and procedures are determined and operate effectively which set out the standards of conduct to be followed by Members, staff, partners and service providers
- An adequate & effective Internal Audit function is provided.
- Policies and procedures are communicated to, understood and applied by all Members, staff, partners and service providers.
- Procedures and practices are reviewed on a regular basis to identify any or suspected weaknesses, and that the procedures and practices are revised as necessary.
- A register of interests is maintained in which details of any hospitality or gifts offered to Members, partners or staff are recorded regardless of whether or not the offer was accepted.
- Identified or suspected frauds or financial irregularities are examined swiftly and offenders are dealt with firmly and appropriately.

Responsibilities of the Strategic Director of Resources

D6.6 To develop and maintain appropriate policies, strategies and procedures on anti-fraud and corruption measures, and to advise Members and Officers of their responsibilities under these policies and procedures.

D6.7 To ensure the Council maintains adequate and effective internal control arrangements.

D6.8 To ensure the Council participates in anti-fraud initiatives and develops and maintains policies and procedures on data matching exercises.

D6.9 In conjunction with the Council's Monitoring Officer to develop and maintain an appropriate and effective whistle-blowing policy and procedures.

D6.10 To ensure that all suspected financial irregularities are reported to the Head of Governance and Assurance and where there is evidence of perceived criminality, to notify the Chief Executive and Monitoring Officer, and where appropriate Members.

- D6.11 To seek to recover monies stolen from the Council by whichever means is appropriate. In respect of dismissed employees this will include making an application to recover money from their pension rights within the Local Government Pension Scheme.
- D6.12 Where the Strategic Director of Resources believes that reasonable grounds exist to suspect that a loss or deficiency has resulted from a fraudulent or illegal act, or in any circumstances where it appears right to do so, the Strategic Director of Resources may refer the relevant facts to the Police for further investigation.

Responsibilities of Chief Officers

- D6.13 To ensure compliance with all policies, strategies and procedures on anti-fraud and corruption measures and with the whistle-blowing policy and procedures.
- D6.14 To ensure that all suspected financial irregularities are reported to the Head of Governance and Assurance or the Strategic Director of Resources.
- D6.15 To ensure that prompt action is taken, following consultation with the Head of Governance and Assurance, to initiate investigation of any suspected financial irregularity.
- D6.16 To ensure that prior to the commencement of an investigation, assessment and consideration is given to the seriousness of the financial irregularity and appropriate advice and assistance is sought from the Head of Governance and Assurance
- D6.17 To ensure that appropriate action is taken during or at the conclusion of the investigation, which may include changes to internal controls to prevent repetition, steps to recover any losses incurred, disciplinary proceedings against individuals, or reporting suspected criminal offences to the police, or undertaking prosecution proceedings and respective Cabinet Member(s).
- D6.18 To maintain a register of the details of any gifts or hospitality offered to any member of staff regardless of whether or not the offer has been accepted; to monitor the reasonableness of the gifts received, the frequency and level of amounts received by an individual and, if deemed unreasonable, to take action to avoid a further recurrence; and to make the register of details available for public inspection at all reasonable hours.

D7. Treasury Management and Related Items

Why is this important?

- D7.1 Each year the Council processes a high volume of both high and low value cash transactions through its accounts. It is essential that the Council manages properly both the raising of loans by the most appropriate means so as to minimise the cost of borrowing; and also the investment of cash which is not immediately required to meet payments so as to balance risk of loss with the investment return to be gained. The Council is able to achieve an assurance that its cash is being managed efficiently by ensuring that national codes of practice are applied.
- D7.2 It is sometimes necessary for the Council to be responsible for private property belonging to a person under their guardianship, for example, to act as a trustee of assets on behalf of beneficiaries. In such cases the Council has a legal duty of care over the custody of assets and administration of funds and it is essential that adequate safeguards are in place.
- D7.3 This Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code). Accordingly the Council will create and maintain, as the cornerstones of effective treasury management:
- a treasury management policy strategy stating the policies and objectives of its treasury management activities.
 - suitable treasury management practices setting out the manner in which the Council will achieve these policies and objectives and prescribing how it will manage and control those activities.

Treasury Management

Responsibilities of Strategic Director of Resources

- D7.4 To arrange approval of treasury management strategies and policies in accordance with the CIPFA Code of Practice on Treasury Management and statutory requirements.
- D7.5 To prepare reports on its treasury management policies, practices and activities, including as a minimum, 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 treasury management practices.
- D7.6 To carry out the execution and administration of treasury management decisions, in accordance with the Council's policy statement and Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.

- D7.7 To identify, in conjunction with Chief Officers, the projected cash-flow position of the Council, and, in the light of this, to arrange the borrowings and investments for the Council in accordance with the approved Treasury Policy Statement so as to ensure that the borrowings and investments are valid, complete, accurate and properly accounted for and the Council remains in a liquid position with regards to paying creditors.
- D7.8 To arrange borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and statutory requirements.
- D7.9 To make sure that all investments of money are made in the name of the Council or in the name of nominees approved by the Council Cabinet.
- D7.10 To make sure that all securities which are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the Chief Executive.
- D7.11 To effect all borrowings in the name of the Council
- D7.12 To act as the Council's registrar of stocks, bonds, mortgages and to maintain records of all borrowing of money by the Council.
- D7.13 To support the Council's Cabinet in its role to carry out the implementation and monitoring of the Council's treasury management policies and practices
- D7.14 To support the Council's Audit & Accounts Committee in its role to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Responsibilities of Chief Officers

- D7.15 To adhere to the requirements of the approved Treasury Policy Statement and treasury management practices, and in particular neither to arrange for any borrowing, nor to make any investment or advance any loan to a third party without the prior approval of the Strategic Director of Resources, and approval by Cabinet for interests in companies, joint ventures or other enterprises.
- D7.16 To provide details of projected cash flow requirements to the Strategic Director of Resources to enable the Strategic Director of Resources to arrange appropriate borrowings or investments on behalf of the Council; including notification of anticipated grant payments and receipts or other large amounts.

Banking

Responsibilities of Strategic Director of Resources

- D7.17 To act as the Council's Officer with delegated responsibility for the opening and closing of all bank accounts as are necessary for the City Council and for other organisations that appoint the Strategic Director of Resources as Company Treasurer or Finance Director.
- D7.18 To determine, or approve, all arrangements for the operation of such receipt, collection and banking facilities for the Council (and for other organisations that appoint the Strategic Director of Resources as Company Treasurer or Finance Director), as the Strategic Director of Resources considers appropriate having regard to all statutory and corporate requirements
- D7.19 To ensure that all bank accounts are in the name of Derby City Council or such name as may be expressly approved by the Strategic Director of Resources.
- D7.20 To approve the opening and closing of all bank accounts holding Council monies and to assist and liaise with Chief Officers, where appropriate, when the management of monies not belonging to the Council is entrusted to Members and Officers of the Council (e.g. trust funds, receiverships, voluntary unofficial funds, school funds); and to maintain an up to date record of all accounts and the authorised signatories for each bank account opened.
- D7.21 To ensure Chief Officers are aware of, and comply fully with, their responsibilities for bank accounts operated under their control.

Responsibilities of Chief Officers

- D7.22 To comply with the arrangements determined by the Strategic Director of Resources for the operation of such banking facilities as the Strategic Director of Resources considers appropriate.
- D7.23 To liaise with the Strategic Director of Resources, where appropriate, when the management of monies not belonging to the Council is entrusted to members and officers of the Council e.g. trust funds, receiverships, school funds. Responsibilities include maintaining an up to date record of all such accounts and the authorised signatories for each bank account opened. Furthermore, to ensure that amendments to arrangements and authorised signatories are notified promptly to the Strategic Director of Resources.

- D7.24 To ensure that appropriate accounting and banking arrangements are in place for specific donations and fundraising income, with agreement of the Strategic Director of Resources.

Trust Funds and Funds held for Third Parties

Responsibility of Strategic Director of Resources

- D7.25 To liaise with, and provide advice and guidance as necessary to, Chief Officers with regard to financial aspects and risks associated with, trust funds and other funds/assets held on behalf of third parties.

Responsibilities of Chief Officers

- D7.26 To ensure that trust funds are operated in accordance with all statutory and corporate requirements, and the specific requirements for each trust.
- D7.27 To arrange that all trust funds are, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position will deposit securities relating to the trust with the Strategic Director of Resources unless the deed otherwise provides.
- D7.28 To arrange, where funds are held on behalf of third parties, for their secure administration and management, approved by the Strategic Director of Resources, and maintain written records of all transactions.
- D7.29 To ensure that all Officers involved with safeguarding assets belonging to third parties are aware of their financial, statutory and other responsibilities.
- D7.30 To determine, in consultation where appropriate, with the Strategic Director of Resources, appropriate arrangements, including the maintenance of up to date, complete and accurate records, for the safe custody of all securities and other assets relating to the trust.

Payments by Direct Debit

Responsibility of Strategic Director of Resources

- D7.31 To ensure that no payment is made by the Council via direct debit without the relevant direct debit mandate first having been authorised by the Strategic Director of Resources.

Responsibility of Chief Officers

- D7.32 To ensure that direct debit mandates are forwarded to the Strategic Director of Resources for authorisation, in line with procedures outlined by the Council's Banking Officer.

Credit Cards and Purchase Cards

Responsibility of Strategic Director of Resources

- D7.33 To provide credit cards and purchase cards to be used for agreed purposes and to be allocated to nominated members of staff
- D7.34 To ensure that anyone applying for a credit card or purchase card receives approval from the Strategic Director of Resources and follows procedures issued by the Strategic Director of Resources so that the Council's accounts are kept up-to-date and so that reclaimable VAT is properly accounted for.
- D7.35 To prescribe procedures for the use of credit cards and purchase cards and the accounting arrangements required to record and monitor expenditure incurred with such cards.
- D7.36 To ensure that credit cards and purchase are NOT used for personal purchases, and are returned to the Strategic Director of Resources for destroying immediately the card-holder changes job or leaves the Council.

Responsibility of Chief Officers

- D7.37 To operate the use of credit cards and purchase cards in accordance with the procedures issued by the Strategic Director of Resources, including the relevant authorised limits.

Imprest Accounts

Responsibilities of Strategic Director of Resources

- D7.38 To ensure that all instances where cash is required, in order to manage small purchases in a flexible way, are operated as imprest accounts, whereby the maximum cash value of the account is determined in advance and receipt-backed reimbursements up to this maximum are made regularly.
- D7.39 To provide establishments and offices of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Items of expenditure should not exceed the prescribed amount (see Appendix 1).

- D7.40 To determine, and periodically review, arrangements for the provision and operation of cash and / or bank imprest accounts, including:
- maintaining an up to date record of all accounts and the authorised signatories for each imprest account opened,
 - requirements for the recording of all advances made,
 - the security of cash holdings,
 - the regular reimbursement of payments made
 - the reconciliation of activity on the account.
- D7.41 To maintain a record of all imprest account reimbursements made and periodically review the arrangements for the control of these reimbursements.
- D7.42 To reimburse float holders as often as necessary to restore the floats but normally not more than monthly.

Responsibilities of Chief Officers

- D7.43 To operate, or to ensure that staff operate imprest accounts in accordance with the procedures and guidance notes issued by the Strategic Director of Resources and in conjunction with the Council's procurement arrangements; in particular:
- a. maintain an up to date record of all authorised signatories for each departmental imprest account and to ensure that amendments are notified promptly to the Strategic Director of Resources;
 - b. obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
 - c. make adequate arrangements in their office for the safe custody of the account
 - d. produce upon demand to the Strategic Director of Resources cash and all vouchers to the total value of the imprest amount or cash float balance held
 - e. record all transactions completely, accurately and promptly
 - f. reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder

- g. provide the Strategic Director of Resources with a certificate of the value of the account held at 31 March each year
- h. to operate the account only for the payment and reimbursement of minor expenditure (as determined by the Strategic Director of Resources) on behalf of the Council and, under no circumstances, to use the account to cash personal cheques or to make personal loans;
- i. to ensure that only the appropriate minor expenditure is paid via petty cash in accordance with the Strategic Director of Resources' guidance and instructions;

D8. Assets and Security

Why is this important?

- D8.1 The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets should be safeguarded and used efficiently in the delivery of services and that there should be arrangements for the security of both assets and service operations.
- D8.2 All assets should be safeguarded against loss, damage, misuse or any other unnecessary diminution in value so that they continue to be available to provide continuity of efficient service delivery. Similarly, information must also be safeguarded so that service delivery can continue.
- D8.3 In addition, for capital assets, up to date details are required for purposes of both fixed asset accounting and sound asset management
- D8.4 In some instances it may be more cost effective to lease assets, including property, vehicles and equipment, rather than to purchase them outright.
- D8.5 It is important to distinguish between operational leases and finance leases as both have differing accounting requirements and have a different impact on service revenue accounts.
- D8.6 It is not cost-effective for the Council to tie up cash resources or to incur maintenance or other costs by continuing to hold physical assets which are no longer required or fit for use in service delivery; thus, obsolete, non-repairable or surplus assets must be disposed of in a suitable manner at the appropriate time, and having regard to legal and other requirements so as to ensure that the maximum sale proceeds are obtained.

General

- D8.7 The key controls for the security of resources such as land, buildings, vehicles equipment, plant, machinery, and other assets are that procedures are in place to ensure that:
- The items are used only for the purposes of the Council and are properly accounted for.
 - The items are available for official use as and when required.
 - When the items are no longer of use, and have been approved for disposal by Chief Officers in conjunction with the Strategic Director of Resources, they are disposed of in an appropriate manner so as to maximise the sale proceeds, unless there has been prior Member approval to allow the item(s) to be donated to a charity, voluntary organisation or similar body.
 - Details of all items are recorded at the time of purchase in an asset register, or other appropriate record and that the details of the item's location, value and condition are maintained up to date.
 - A physical verification of assets is carried out on an annual basis
 - All staff are aware of their responsibilities with regard to the safeguarding of the Council's assets.

Security

Responsibilities of Strategic Director of Resources

- D8.8 To make sure a capital asset register is maintained in accordance with good practice for all fixed assets with a material value as determined by the Strategic Director of Resources.
- D8.9 To ensure that each Chief Officer maintains and provides all information relating to assets that is required for accounting, costing and financial records.
- D8.10 Proposals for the acquisition or disposal of land or buildings, whether freehold or leasehold, shall be referred to the Strategic Director of Resources and the Chief Executive.
- D8.11 The acquisition or disposal of land or buildings by Chief Officers should have been agreed by the Strategic Director of Resources and the Chief Executive after due consideration to the Council's Capital Strategy and be executed as part of their Revenue Budget or Capital Programme as appropriate.
- D8.12 Cabinet approval is required for the purchase or disposal of freehold or leasehold interests in land and buildings where the consideration is £250,000 or more. Where a single purchase is part of a wider scheme, the

total scheme purchases or disposals should be considered against this approval criterion.

- D8.13 To ensure that relevant assets are valued on a regular basis and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom

Responsibilities of Chief Officers

- D8.14 The Strategic Director of Resources will maintain a property database for all properties, plant and machinery and moveable assets currently owned or used by the Council. Where there is no contractual obligation, expenditure on rented property will be subject to consultation by the Chief Officer and the Strategic Director of Resources. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of the use.
- D8.15 To make sure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Strategic Director of Resources has been signed by the Strategic Director of Resources.
- D8.16 To make sure the proper security of all buildings and other assets under their control.
- D8.17 Where land or buildings are surplus to the requirements of a committee, a recommendation for the sale of land should be the subject of a report to the Strategic Director of Resources.
- D8.18 Where the use of buildings or land is subject to appropriation between services, to refer the appropriation for approval by the Council Cabinet and/or Council, taking into account the alternative possible uses of the land.
- D8.19 To pass title deeds to the Chief Executive who is responsible for custody of all title deeds.
- D8.20 To make sure that no Council asset is subject to personal use by an employee without proper authority and is in accordance with relevant Council policies and procedures.
- D8.21 To make sure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.

- D8.22 To make sure that the department maintains a register of moveable assets in accordance with arrangements defined by the Strategic Director of Resources.
- D8.23 To make sure assets are identified, their location recorded and that they are appropriately marked and insured.
- D8.24 To consult the Strategic Director of Resources in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- D8.25 To make sure cash holdings on premises are kept to a minimum in line with normal operational requirements.
- D8.26 To make sure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Strategic Director of Resources immediately.
- D8.27 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Strategic Director of Resources.
- D8.28 To make sure that all their employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value and its disclosure or loss could result in a cost to the Council in some way.

Leased Assets

Responsibilities of Strategic Director of Resources

- D8.29 To approve any new leases, or amendments to existing leases, which change the Council's financial commitment, before arrangements are contractually committed.
- D8.30 To determine and issue guidance on leasing proposals, having regard for value for money.
- D8.31 To ensure all leased assets are recorded on a register.

Responsibilities of Chief Officers

- D8.32 To ensure the Strategic Director of Resources is consulted on all proposals for leased assets.

- D8.33 To keep an inventory of all leased assets and to ensure assets are returned at the end of the lease period in accordance with the terms of the arrangement.

Disposal of Assets

Responsibilities of Strategic Director of Resources

- D8.34 To determine and issue to Chief Officers guidance for the disposal of assets.
- D8.35 To monitor Chief Officer's adherence to the guidance, including the recording and accounting for sale proceeds.

Responsibilities of Chief Officers

- D8.36 To follow, or to ensure that staff follow, the Strategic Director of Resources' instructions on the disposal of surplus or obsolete vehicles, plant, furniture, materials, stocks, stores or other equipment.
- D8.37 To ensure that surplus or obsolete assets are identified promptly.
- D8.38 To ensure that disposal is timely and by the appropriate means.
- D8.39 To make arrangements for the disposal of surplus goods, materials, vehicles and equipment in the manner most beneficial to the City Council, making every effort to dispose of surplus or obsolete assets by competitive tender or by public auction, and in all cases where the estimated value of the proceeds is at a level as determined by the Strategic Director of Resources and Chief Officers, in consultation, as appropriate, with the Cabinet.
- D8.40 To maintain a record of all disposals on inventories or within stock systems, including details of the quantity, items, proceeds and the purchasers.
- D8.41 To ensure that sale proceeds are banked and accounted for promptly, and that the Strategic Director of Resources is notified of the disposal of any capital assets.

Inventories

Responsibilities of Strategic Director of Resources

- D8.42 To determine and issue to Chief Officers guidance for the management and control of inventories.

- D8.43 To monitor Chief Officer's adherence to the guidance, including the recording and accounting for inventories.

Responsibilities of Chief Officers

- D8.44 To maintain up to date and accurate records of all items of equipment, plant, furniture, fittings, machinery and other items, in accordance with guidance specified on the Council's official inventory guidelines.
- D8.45 To ensure that all items of equipment, plant, furniture, fittings, machinery and other items, and in particular those which are attractive and portable, such as computers, mobile phones, cameras and video recorders, are identified with security markings as belonging to the Council.
- D8.46 To make sure that the Council's property is not removed except in accordance with the ordinary course of the Council's business
- D8.47 To ensure that equipment is used only in the course of the Council's business unless the Chief Officer has given permission otherwise, and subject to Council's policy on private use.
- D8.48 To ensure that appropriate records are maintained of those items of equipment, which are in the control of specific members of staff.
- D8.49 To carry out a check at least annually of the existence and continued suitability for use, of all items recorded in the inventory, and to take appropriate action in respect of any discrepancies or items no longer suitable for use, annotating the inventory accordingly.

Materials, Stocks and Stores

Responsibilities of Strategic Director of Resources

- D8.50 To determine and issue to Chief Officers guidance for the management and control of materials, stocks and stores.
- D8.51 To monitor Chief Officer's adherence to the guidance, including the recording and accounting for materials, stocks and stores.

Responsibilities of Chief Officers

- D8.52 To make arrangements for the care and custody of materials, stocks and stores in the Directorate.
- D8.53 To make sure that quantities of stocks are maintained at reasonable levels for normal operational requirements unless there are sound financial or other reasons for doing otherwise

- D8.54 To maintain accurate and reliable records of items in stores specified by, and in a form agreed with, the Strategic Director of Resources.
- D8.55 To ensure that for all stocks there is an independent comparison of physical stock against the records at least once in each financial year, to investigate any discrepancies arising, and to report them to the Strategic Director of Resources.
- D8.56 To write-off discrepancies or obtain Council Cabinet and/or Council approval if they are in excess of a predetermined limit (see Appendix 1).
- D8.57 To authorise the disposal or write-off of surplus/redundant stocks and equipment in accordance with D8.36
- D8.58 To seek Council Cabinet approval to the write-off of redundant stocks and equipment in excess of a predetermined sum (see Appendix 1).
- D8.59 To maintain a record of all disposals, including details of the proceeds and the purchasers.
- D8.60 To provide to the Strategic Director of Resources such information concerning materials, stores or other assets as is required for financial accounting purposes, or to allow the Strategic Director of Resources to report the level of write-offs to the Cabinet on a regular basis.

E. FINANCIAL SYSTEMS AND PROCEDURES

E1. General Systems and Procedures

Why is this important?

E1.1 Departments have many systems and procedures relating to the assets of the Council, including purchasing, costing and fleet management systems. Departments are largely reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to make sure that transactions are properly processed and errors detected promptly.

E1.2 The Strategic Director of Resources has a personal responsibility to make sure that the Council's financial systems are sound and should therefore be notified of any new developments, changes or operational issues.

General

E1.3 The key controls in the provision of financial systems and procedures are to ensure that:

- operating systems and procedures are secure;
- financial data is available on an accurate, complete and timely basis to support service managers in preparing for approval Council's objectives, targets, plans, budgets and statutory returns
- financial management information is provided in a timely manner to enable service managers to monitor performance against approvals and plans, and, where relevant, to take appropriate corrective action; and
- Financial Procedure Rules are reviewed on an ongoing basis to reflect approved changes in operating systems, procedures and legislation.

Responsibilities of Strategic Director of Resources

E1.4 To make arrangements for the proper administration of the Council's financial affairs, including to:

- issue advice, guidance and procedures to be followed by the Council's employees and others acting on its behalf

- determine the accounting systems, form of accounts and supporting financial records, banking services and procedures to be maintained or prepared
- provide Chief Officers with advice and guidance in applying the accounting systems, form of accounts, supporting financial records and procedures
- establish arrangements for audit of the Council's financial affairs
- approve any changes to be made to existing financial systems or new systems introduced to the Council
- review, on an ongoing basis and in consultation with Chief Officers, the Financial Procedure Rules to ensure that they remain appropriate and applicable; and, where this is not the case, seeking approval for their amendment.
- establish and keep up to date a Scheme of Delegation identifying officers authorised to act on the Director's behalf in respect of the responsibilities of the Strategic Director of Resources defined in the Financial Procedure Rules

Responsibilities of Chief Officers

- E1.5 To apply the requirements of the Strategic Director of Resources in the maintenance, preparation and operation of financial systems, form of accounts, supporting financial records and procedures.
- E1.6 To make sure that accounting records are properly maintained and held securely.
- E1.7 To make sure that vouchers and documents supporting financial transactions or decisions are not destroyed except in accordance with arrangements approved by the Strategic Director of Resources.
- E1.8 To make sure that a complete management trail, allowing financial transactions to be traced from the original document to the accounting records, and vice versa, is maintained.
- E1.9 To incorporate appropriate controls and checks to make sure that, where relevant:
- all input is genuine, complete, accurate, timely and not previously processed
 - all processing is carried out in an accurate, complete and timely manner
 - output from the system is complete, accurate and timely.
- E1.10 To make sure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise

- the risk of fraud or other malpractice.
- E1.11 To make sure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
 - E1.12 To make sure that systems, procedures and responsibilities are documented and employees trained in operations.
 - E1.13 To consult with the Strategic Director of Resources before changing any existing system or introducing new systems.
 - E1.14 To consult with the Strategic Director of Resources in situations where it is considered that the rigid application of Financial Procedure Rules will be likely to work against the best interests of the Council.
 - E1.15 To make sure that the approval of the Strategic Director of Resources is obtained to the financial implications of any decisions taken under the Council's procedure for urgent actions.
 - E1.16 To establish and keep up to date a Scheme of Delegation identifying officers authorised to act upon the Director's behalf in respect of exercising the responsibilities of Chief Officers under the Financial Procedure Rules, including delegations in respect of payments, income collection, placing order and variations, and showing the limits of their authority.
 - E1.17 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Strategic Director of Resources, together with any subsequent variations.
 - E1.18 To make sure that effective security arrangements, including back-up procedures, exist for computer systems. Wherever possible back-up information should be securely retained in a fireproof location, preferably off-site, or in an alternative location within the building.
 - E1.19 To make sure that, where appropriate, computer systems are registered in accordance with the Data Protection legislation and that employees are aware of their responsibilities under the legislation.
 - E1.20 To ensure that the Council complies with Payment Card Industry Data Security Standards (PCI DSS) to ensure the Council is authorised to process Visa and MasterCard transactions
 - E1.21 To make sure that relevant standards and guidelines for computer systems issued by the Strategic Director of Resources are observed.
 - E1.22 To make sure that computer equipment and software are protected from loss and damage through theft or vandalism.

E1.23 To comply with the copyright, designs and patents legislation and, in particular, to make sure that:

- only software legally acquired and installed by the Council is used on the Council's computers
- employees are aware of the provisions of the legislation
- in developing systems, due regard is given to the issue of intellectual property rights.

E2. Income

Why is this important?

- E2.1 Income is derived both from the provision of supplies and services to customers and from contributions, grants, taxes and other revenues to finance services generally.
- E2.2 Income can be a vulnerable asset and effective collection systems are necessary to make sure that all of the income due is identified and collections are receipted, banked and accounted for properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow and also avoids the time and cost of administering debts.

General

- E2.3 All money received by an employee on behalf of the Council must be paid without delay to the Strategic Director of Resources or to the Council's bank or national giro account, or an alternative bank account expressly agreed with the Strategic Director of Resources. The standard method for new regular debts should be direct debits.

Responsibilities of Strategic Director of Resources

- E2.4 To agree arrangements for the collection of all money due to the Council and approve the procedures, systems and documentation for the collection of all income.
- E2.5 To order and supply to directorates all receipt forms, books or tickets and similar items subject to satisfactory arrangements being in place for their safe custody and control.
- E2.6 To agree the write-off of bad debts up to the approved limit in each case and to refer larger sums to the Council Cabinet (see Appendix 1), once it is considered that all reasonable steps have been taken to recover the sums due.
- E2.7 To keep a record of all sums written off up to the approved limit

- E2.8 To ensure, in consultation with Chief Officers, that adequate provision is made for potential bad debts arising from uncollected income
- E2.9 To establish and initiate appropriate recovery procedures, in line with the Council's debt recovery policy, for debts or other amounts which are not paid within the defined timescales.
- E2.10 To ensure that money collected and banked is reconciled to the general ledger and bank account promptly.

Responsibilities of Chief Officers

- E2.11 To determine, with prior agreement from the Strategic Director of Resources, the arrangements for the prompt and complete collection of all income and other amounts due to the Council for services, and the procedures, systems and documentation for its collection.
- E2.12 To notify the Strategic Director of Resources of new sources of income and to obtain the Strategic Director of Resources' approval for proposed changes to established procedures or systems for the collection of this and other income prior to making the commitment for such changes
- E2.13 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and review it regularly, within corporate policies.
- E2.14 To ensure there is an annual review of fees and charges and that proposals for the level of fees and charges are approved by the relevant Cabinet Member where these vary from an inflationary increase as notified by the Strategic Director of Resources.
- E2.15 To segregate duties so as to ensure that different members of staff are involved in each stage of the processes for the identification of amounts due, the receipt of cash in settlement of the debt, the reconciliation of the amount due to that received, and the reconciliation of cash received and banked to the relevant bank account.
- E2.16 To make sure that invoices are raised within 28 days of completion of the work/job, including agreed phased completion.
- E2.17 To issue official receipts and maintain other documentation for income collection.
- E2.18 To make sure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.

- E2.19 To retain securely receipts, tickets and other records of income, for the appropriate period.
- E2.20 To receipt income on day of receipt and lock away all income to safeguard against loss or theft.
- E2.21 To make sure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying in slips to provide an adequate audit trail.

To safeguard against money laundering, payment in cash in excess of £5,000 for any single transaction will not be accepted from any source.

- E2.22 To keep a record of every transfer of money whenever it changes hands. The receiving officer must sign immediately for the transfer and the transferor must retain a copy.
- E2.23 To make sure income is not used to cash personal cheques or other payments.
- E2.24 To supply the Strategic Director of Resources with details relating to work done, goods supplied or services rendered or other amounts due, to enable the Strategic Director of Resources to record correctly the sums due to the Council and to make sure accounts are sent out promptly. Chief Officers have a responsibility to assist the Strategic Director of Resources to collect debts that they have originated by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- E2.25 To keep a record of every transfer of official money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- E2.26 To recommend to the Strategic Director of Resources all debts to be written off and keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- E2.27 To obtain the approval of the Strategic Director of Resources for writing off debts in excess of the approved limit and the approval of the Council Cabinet where required (see Appendix 1).

- E2.28 To notify the Strategic Director of Resources of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Strategic Director of Resources and not later than 30 April. This date will be subject to change in line with the Council's final accounts process.
- E2.29 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

E3. Ordering and Paying for Work, Goods and Services

Why is this important?

- E3.1 Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council's procedures should help to make sure that services can receive value for money in their purchasing arrangements. These Regulations should be read in conjunction with the Council's Contract Procedure Rules.

General

- E3.2 Every employee and member of the Council has a responsibility to declare any links or personal interests that they may have with providers of goods or services or suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council.
- E3.3 Official orders must be in a form approved by the Strategic Director of Resources. Official orders must be issued for all work, goods or services to be supplied to the Council except for supplies of utilities, periodical payments such as rent or rates, petty cash purchases or other exceptions specified by the Strategic Director of Resources.
- E3.4 Each order must conform to the directions of the Council's Contract Procedure Rules and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Strategic Director of Resources.
- E3.5 Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment of money due from the Council will be by BACS, cheques only in exceptional circumstances or other instrument drawn on the Council's bank account by the Strategic Director of Resources. The use of direct debit or standing orders will require the prior agreement of the Strategic Director of Resources.

- E3.6 The use of e-business, e-commerce, credit/debit or purchasing cards, or other electronic means of purchasing goods or services, must be authorised by the Strategic Director of Resources.
- E3.7 Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of Council contracts, unless specifically authorised in writing by the Strategic Director of Resources and appropriate accounting arrangements made.

Responsibilities of Strategic Director of Resources

- E3.8 To make sure that all of the Council's financial systems, processes and procedures for the ordering, purchasing and payment of suppliers for goods and services are sound, appropriately documented, properly authorised and well administered.
- E3.9 To make sure that a budgetary control system is established which enables commitments incurred from placing an order to be shown against the appropriate budget allocation so that it can be taken into account in budget monitoring reports.
- E3.10 To define the requirements for the checking and certification of invoices prior to payment and to confirm that the goods have been ordered and received, the invoice is in order and is certified for payment by an appropriate Officer.
- E3.11 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- E3.12 To approve the format of official orders, and associated terms and conditions.
- E3.13 To make payments from the Council's funds on the Chief Officer's authorisation that the expenditure has been duly certified in accordance with Financial Procedure Rules.
- E3.14 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- E3.15 To make payments to contractors on the certificate of the appropriate Chief Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- E3.16 To provide advice and encouragement on making payments by the most economical means and within statutory deadlines.

Responsibilities of Chief Officers

- E3.17 To make sure that official and uniquely numbered orders are used for all goods and services other than the exceptions specified in E3.3.
- E3.18 To make sure that where paper orders are submitted, only official pre-numbered order forms are used. These are controlled stationery and should be retained securely when not in use. These are only to be used in exceptional circumstances and where previously agreed with the Strategic Director of Resources.
- E3.19 To make sure that orders are only used for goods and services provided to the Council. Individuals must not use official orders to obtain goods or services for their private use.
- E3.20 To make sure that only those employees authorised to do so, electronically authorise or sign official orders. To maintain an up-to-date list of such authorised employees, including specimen signatures where appropriate, and identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision, that quotations or tenders have been obtained if necessary, and that the correct budget code has been used. Value for money should always be taken into consideration.
- E3.21 To provide for the separation of duties by ensuring that at least two members of staff are involved in the ordering, receiving and payment process, so that, where possible, a different officer from the person who authorised the order and in every case, a different officer from the person checking and certifying the invoice, authorises an invoice for payment.
- E3.22 To make sure that goods and services are checked on receipt to make sure they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be entered on the ordering system and relevant asset registers, inventories or stores records
- E3.23 To ensure payments are not to be made unless a proper invoice has been received, checked, coded and certified for payment and supporting documentation attached to confirm:
- a. Receipt of goods or services (payment should not be made in advance of goods being received unless specific prior approval is given)
 - b. That the invoice has not previously been paid
 - c. That expenditure has been properly incurred and is within budget provision

- d. That prices are correct and accord with quotations, tenders, contracts or catalogue prices
- e. That the invoice is arithmetically correct
- f. Correct accounting treatment of tax
- g. The invoice is correctly coded
- h. Discounts have been taken where available
- i. That appropriate entries will be made in accounting records

E3.24 In conjunction with the Strategic Director of Resources, to make sure that invoices are authorised, processed and paid promptly within agreed contractual terms and conditions or within 30 days of the invoice date in line with the regulations of the Late Payment of Commercial Debts (Interest) Act 1998. Checks should be made to make sure invoices are paid only once and are within budget provision and are coded correctly.

E3.25 To ensure, where an invoice exceeds the original order, that the additional amount is authorised by an employee authorised to do so, and that the authoriser is satisfied that the additional amount is correct and payable, that there is adequate budget provision and that the correct budget code has been used. Also, to make sure that a different officer from the person who authorised the order, and in every case a different officer from the person certifying the invoice, authorises the invoice.

E3.26 To ensure that the department maintains and reviews periodically a Scheme of Delegation which provides a list of employees approved to certify and authorise invoices. The Scheme of Delegation must include names of authorising officers together with specimen signatures if appropriate and details of the limits of their authority. This must be forwarded to the Strategic Director of Resources.

E3.27 To ensure payments are not made on a photocopied or faxed invoice, statement or other document other than the formal letter headed invoice or, where sanctioned, an e-invoice. Any instances of such payments rendered should be reported to the Head of Audit and Risk Management.

E3.28 To encourage suppliers of goods and services to receive payment by the most economical means for the Council. The Council's preferred method of payment is BACS. Payments should, however, not be made by direct debit unless essential and must have the prior approval of the Strategic Director of Resources.

E3.29 To make sure that the department obtains best value for money from purchases by taking appropriate steps to obtain competitive prices for

goods and services of the appropriate quality, and in accordance with the Council's contract procedure rules.

- E3.30 To observe the Council's contract procedure rules in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with Contract Standing Orders and will cover:
- authorised officers and the extent of their authority
 - advertisement for tenders
 - procedure for creating, maintaining and revising a standard list of contractors
 - selection of tenderers
 - compliance with UK and EC legislation and regulations
 - procedures for the submission, receipt, opening and recording of tenders
 - the circumstances where financial or technical evaluation is necessary
 - procedures for negotiation
 - acceptance of tenders
 - the form of contract documentation
 - cancellation clauses in the event of corruption or bribery
 - contract records.
- E3.31 To make sure that employees are aware of the National Code of Conduct for Local Government Officers, (copies available from the Human Resources Division).
- E3.32 To make sure that no loan, leasing or rental arrangements are entered into without prior agreement from the Strategic Director of Resources. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to make sure value for money is being obtained.
- E3.33 To notify the Strategic Director of Resources of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Strategic Director of Resources and, in any case, not later than 30 April. This date will be subject to change in line with the Council's final accounts process.
- E3.34 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Strategic Director of Resources, the systems and procedures to be adopted on financial aspects. This includes certification of interim and final payments, checking, recording and authorising payments, and the system for monitoring and controlling capital schemes and the procedures for validation of sub contractors' tax status.

- E3.35 To secure for contractual or legislative purposes, where relevant, a bond or deposit of a reasonable sum to reflect the level of risk the Council is exposed to in relation to the specific requirements of the agreement.
- E3.36 To maintain a record of any bonds or deposits held as assurances
- E3.37 To notify the Strategic Director of Resources immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- E3.38 Where revenue budgets are being used to carry out a wide range of programmed work, for example, building maintenance - highways maintenance Chief Officers should agree, in consultation with the relevant Council Cabinet Member, a schedule of the proposed work.
- E3.39 All appropriate payment records shall be retained and stored for the required period in accordance with Council policy
- E3.40 Employees should not make official purchases, excluding personal expenses, using personal credit cards for which they subsequently seek reimbursement from the Council as this circumvents the requirement for pre-authorisation by an independent party.
Similarly, personal store account cards/loyalty cards held in the name of private individuals should not be used in connection with Council purchases.

E4. Payments to Employees and Members

Why is this important?

- E4.1 Employee costs are the largest item of expenditure in most departments of the Council. It is therefore important that there should be controls in place to make sure that payments are made only where they are due for services to the Council and that payments accord with individual's conditions of employment. Provision should also be made to account for these transactions completely, accurately and promptly; and to comply with statutory and other corporate requirements.
- E4.2 The key controls for payments to current and former employees and Members are to ensure that procedures and processes are in place which ensures that:
- payments are made at the appropriate time under secure , sound and reliable arrangements
 - payment arrangements provide for the appropriate segregation of duties and authorisation procedures
 - payments are in accordance with all statutory requirements as

well as regulations and directions of the Council

- payments are accounted for completely, accurately and promptly
- payments are monitored regularly against approved budgets
- all appropriate payroll records and supporting documentation are retained for the appropriate period.

Responsibilities of Strategic Director of Resources

- E4.3 To make sure satisfactory arrangements and controls exist to provide secure and reliable payment of salaries, compensation or other payments to existing and former employees in accordance with procedures prescribed by the Strategic Director of Resources on the due date.
- E4.4 To record, control and pay completely, accurately and promptly all tax, pensions and other statutory and voluntary payroll deductions.
- E4.5 To ensure the secure and prompt payment of salaries by the most efficient means.
- E4.6 To make arrangements for emergency/hardship payments to staff where required, and for the subsequent repayment of these amounts.
- E4.7 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- E4.8 To make arrangements for paying Members' travel or other allowances upon receiving the prescribed form duly completed.
- E4.9 To ensure that arrangements are in place for returns of pension contributions and information to the administrators of the appropriate schemes, namely the Local Government Pension Scheme and Teachers' Pension Scheme.
- E4.10 To ensure that schemes of remuneration to current and former employees and members, and any subsequent changes, are approved by the Council Cabinet/appropriate sub Committee prior to their implementation.
- E4.11 To take prompt action to recover and account for any overpayments to current or former employees.

Responsibilities of Chief Officers

- E4.12 To make sure 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.

- E4.13 To notify the Strategic Director of Resources of all appointments, terminations, or variations that may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Strategic Director of Resources. Employees should have one unique employee reference number for each separate employment contract they have with the Council.
Only those employees authorised to do so may approve appointments, terminations and variations to pay or pensions. A list of names of authorised officers is maintained by HR Services.
- E4.14 To make sure that adequate and effective systems and procedures are operated for personnel and payroll aspects, so that:
- payments are only authorised to bona fide employees and former employees
 - payments are only made where there is a valid entitlement
 - conditions and contracts of employment are correctly applied
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness
 - there is an effective system of checking and certifying payroll forms.
- E4.15 To make sure that payroll transactions are processed only through the payroll system. Strategic Directors should give careful consideration 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 Strategic Director of Resources.
- E4.16 To certify travel and subsistence claims and other allowances, where certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred and allowances properly payable by the Council, making sure that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and the Strategic Director of Resources informed where appropriate.
- E4.17 To make sure that the details of any employee benefits in kind are notified to the Strategic Director of Resources to enable full and complete reporting within the Income Tax Self Assessment system.

Responsibilities of Members

- E4.18 To submit claims for Members' travel and subsistence allowances, which are compliant with Council policies and procedures, on a monthly basis and, in any event, within one month of the year-end.

E5. Taxation

Why is this important?

E5.1 Like all organisations, the Council is responsible for making sure it pays the right amount of tax at the right time - tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all Chief Officers to be aware of their responsibilities

General

E5.2 The key controls on taxation are that procedures are in place which ensure that:

- all taxable transactions are identified, the tax liability properly assessed, and accounted for within specified timescales
- all statutory and other returns are made to the appropriate authorities within the specified timescales
- all other statutory requirements are met

Responsibilities of Strategic Director of Resources

E5.3 To provide and maintain up to date guidance for staff on all taxation issues , including detailed processes to be followed and records to be maintained.

E5.4 To complete all HM Revenue and Customs statutory returns regarding PAYE, benefits in kind, VAT and Construction Industry Tax Deduction Scheme.

E5.5 To make sure that the impact on taxation of key decisions and strategies are anticipated and that the financial implications are set out in reports to Council Cabinet and Council.

E5.6 To investigate and engage relevant bodies regarding the opportunities to recover previously paid tax, including the determination of risk/reward arrangements

Responsibilities of Chief Officers

E5.6 To make sure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Revenue and Customs Regulations.

E5.7 To have procedures in place that can quickly identify VAT errors and where errors are discovered, to inform the Strategic Director of

Resources in a timely manner so they can be disclosed to HM Revenue and Customs.

- E5.8 To make sure that, where construction and maintenance works are undertaken, accurate and timely information is provided to enable the Strategic Director of Resources to pay the contractor in accordance with the requirements of the Construction Industry Tax Scheme.
- E5.9 To make sure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona-fide self employed or are employed by a recognised employee agency.
- E5.10 To make sure that records are kept of all benefits in kind provided to employees that are relevant for taxation purposes.
- E5.11 To determine the employment status (employee or self employed) of all individuals engaged to provide a service before proceeding with the engagement.
- E5.12 To keep and preserve for a period of at least 6 years, records and accounts in a manner that will enable HMRC to check easily that all taxes have been properly accounted for.
- E5.13 To ensure that interest payments made to individuals and non tax resident companies are identified and advised to the Strategic Director - Resources so they can be subject to tax at source
- E5.14 To consult with and seek advice from the Strategic Director of Resources on the potential tax implications of any new initiatives for the delivery of Council activity and services.

F. EXTERNAL ARRANGEMENTS

F1. Work for Third Parties

Why is this important?

F1.1 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable the unit to maintain economies of scale and existing expertise.

General

F1.2 The key controls for working with third parties are that:

- proposals are costed properly, in accordance with guidance provided by the Strategic Director of Resources
- no process is started that might lead to the Council agreeing to do work for an outside body, whether public sector or otherwise, without first seeking the advice of the Director of Legal and Democratic Services as to whether this is within the Council's legal powers
- no process is started that might lead to the Council agreeing to do work for an outside body, whether public sector or otherwise, without first establishing and recording that there is a clear case why doing the work is in the Council's best interests
- contracts are drawn up using guidance provided by the Director of Legal and Democratic Services and that the formal approvals process is adhered to
- guidance is issued with regard to the financial aspects of third party contracts and the maintenance of the contract register
- responsibility for approving the contractual arrangements for any work for third party or external bodies is allocated in line with Appendix 1
- that the Council has insurance cover for any potential liabilities that could arise to the recipient of the service and any third party, and that the cost of this has been included within overheads when calculating fees to be charged.

Responsibilities of Chief Officers

F1.3 To ensure that risks are identified, evaluated and appropriate arrangements made to manage those risks before any arrangements are concluded

F1.4 To make sure that relevant approval is obtained, in line with the limits set out in Appendix 1 before any negotiations are concluded to work for third parties.

- F1.5 To ensure that the Council does not enter into any agreement that is beyond its legal authority, in consultation with the Director of Legal and Democratic Services
- F1.6 To make sure that the approval of Council is obtained to the establishment of any company or incorporated body through which trading activities are to be undertaken.
- F1.7 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Strategic Director of Resources (see Appendix 1).
- F1.8 To make sure that appropriate insurance arrangements are made.
- F1.9 To make sure that the Council is not put at risk from any bad debts.
- F1.10 To make sure that no contract is subsidised by the Council.
- F1.11 To make sure that, wherever possible, payment is received in advance of the delivery of the service.
- F1.12 To make sure that the department has the appropriate expertise to undertake the contract.
- F1.13 To make sure that such contracts do not impact adversely upon the services provided for the Council.
- F1.14 To make sure that all contracts are properly documented, including exit arrangements.
- F1.15 To consult with the Strategic Director of Resources where a service wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they are capable of being terminated within the main contract period without penalty.
- F1.16 To observe all accounting requirements in relation to former DSOs trading accounts of other services or business units and work for third parties as directed by the Strategic Director of Resources. This includes an assessment on whether or not the service should be classed as DSO based on the relevant CIPFA guidelines.
- F1.17 In conjunction with A1.18 and C2.23, delegate the approval to promote and agree to undertake sold services on behalf of the Council in line with the limits shown in Appendix 1.

F2. Partnerships, Accountable Body Arrangements and Grants to Voluntary Bodies

Why is it important?

- F2.1 For the purposes of the financial procedure rules, a partnership means a group consisting of representatives from both external organisations and the Council which has responsibility for the management of funds for which the Council acts as Accountable Body. These funds may then be distributed to grant receiving organisations in the form of grant awards.
- F2.2 Partnerships are being increasingly used as a delivery mechanism for existing and new services and funding streams. In those cases where the Council acts as Accountable Body for large amounts of expenditure, this is managed by various partnership boards. As part of this role, the Council is responsible for the financial regularity, probity and value for money of the funding streams involved.
- F2.3 It is normal practice for the Council to enter into legal agreements on behalf of partnerships. It is important that appropriate procedures are put into place to protect the Council as far as is practicably possible.

Responsibilities of Strategic Director of Resources

- F2.4 To sign financial agreements on behalf of the partnership. These include:
- funding agreements with the funding organisation
 - agreements transferring duties to other partnership organisations
 - agreements to supply / board other services from partnerships
 - agreements with organisations receiving grant payments from the partnership.
- F2.5 To check and sign grant claims and statements of grant expenditure on behalf of the partnership.
- F2.6 To advise on effective controls which will ensure that resources are used effectively, efficiently and not wasted.
- F2.7 To ensure that appropriate internal and external audit requirements are in place.
- F2.8 To ensure that payments are made to partnership organisations in accordance with any agreements in place.
- F2.9 To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.

- F2.10 To ensure that the accounting arrangements to be adopted relating to partnerships are satisfactory.
- F2.11 To approve the Council acting as an accountable body, in line with the limits set out in Appendix 1.
- F2.12 To ensure appropriate exit arrangements are in place regarding accountable body arrangements, including the distribution of any assets and liabilities

Responsibilities of Chief Officers

- F2.13 To ensure a budget manager / accountable officer is identified.
- F2.14 To ensure that approval is sought before entering into any partnership agreements where the Council acts as Accountable Body in line with financial limits detailed in Appendix 1
- F2.15 To undertake or determine, as part of the preliminary considerations for the possible formation of a partnership:
- a financial appraisal of the viability of the proposed arrangement throughout its duration
 - a risk appraisal is prepared before entering into any agreement
 - the nature, level and timing of the Council's contribution and commitment
 - the responsibility for undertaking, and the detail of, the project's accounting and financial reporting arrangements
 - the arrangements for accommodating the inability of any of the proposed partners to meet their financial or other obligations under the arrangements
 - the arrangements for dealing with any remaining assets or liabilities at the end of the arrangement
 - the audit, security and other control arrangements which should all generally be in line with the requirements of the Council's Financial Procedure Rules
 - that the arrangements will not impact adversely on the services provided by the Council
- F2.16 To ensure that appropriate management procedures are in place to enable the Council to fulfil the requirements of any agreements entered into on behalf of the partnership.
- F2.17 To prepare any financial estimates relating to partnership arrangements and to agree these with the Strategic Director of Resources.

- F2.18 To ensure that appropriate budget approval is sought before entering into a partnership arrangement that commits Council funding.
- F2.19 To ensure that monitoring arrangements are in place for both financial and non-financial performance measures.
- F2.20 To ensure that the arrangements for financial monitoring and control operate to the satisfaction of the Strategic Director of Resources.
- F2.21 To ensure that accurate and appropriate Asset Registers are maintained in line with funding body requirements.
- F2.22 To ensure that an exit strategy is formally agreed, documented and signed by all partners, to include reference to any distribution of assets and liabilities.
- F2.23 To ensure compliance with the Council's Contract Procedure Rules (section 4.3) where the Council is the lead or accountable body of the partnership.
- F2.24 To ensure that appropriate agreements are in place with partnership or grant receiving organisations which must:
- require the identification of an accountable manager;
 - reflect the conditions in any funding agreement entered into by the Council with the funding organisation;
 - include a clear definition of duties and responsibilities;
 - include the requirement for a sound system of financial control for any funding allocated to the organisation;
 - include a clear process for payment arrangements;
 - include appropriate monitoring requirements;
 - include procedures for dealing with any financial and non-financial irregularities;
 - include clear procedures for recovery of any misappropriations or underspends of grant;
 - include identification of any ineligible expenditure;
 - include appropriate access for internal and external audit;
 - include appropriate access to information required under the Freedom of Information Act 2000;
 - compliance with EC procurement / boarding arrangements;
 - include a requirement that any transfer of duties to a third party are subject to the same conditions.
- F2.25 To ensure Cabinet approval is obtained for any decision involving the making of a grant or loan over £25,000 to any voluntary body, in accordance with the approval limits set out in Appendix 1. This includes any cash payments in advance made to voluntary bodies.

- F2.26 To ensure that arrangements are in place and conditions have been stipulated for the use of the grant or loan by the voluntary body and that appropriate steps have been taken to secure the interests of the Council
- F2.27 To ensure Cabinet approval is obtained for the making of a special allowance or grant over £25,000 to an individual, in accordance with the approval limits set out in Appendix 1
- F2.28 To ensure that arrangements are in place and conditions have been stipulated for the use of the grant or special allowance by the individual and that appropriate steps have been taken to secure the interests of the Council.

F3. Pooled Budget, Aligned Budgets and Joint Agreements

Why is it important?

- F3.1 With the increased focus on partnership delivery, some services are now being delivered jointly with other external organisations. In these cases budgets are often “pooled” whereby each organisation holds a ring-fenced amount for the specific use of the agreed purpose. Where this method of delivery is being undertaken it is important to ensure that advance arrangements are put into place to safeguard the Council.
- F3.2 A pooled budget (or fund) is an arrangement where two or more partners make financial contributions to a single fund to achieve specified and mutually agreed aims. It is a single budget, managed by a single host with a formal partnership or joint funding agreement that sets out aims, accountabilities and responsibilities.
- F3.3 Aligned budgets and Joint Agreements involve the grouping together of separate budgets to improve the joint planning and deployment of resources by local partners. Decisions are taken collectively, through joint management arrangements (which may include single managers), about the aligned budgets but the individual funds are still technically held within separate agency budgets to allow them to identify and account for their own contribution. Underspends /overspends are the responsibility of the separate agencies.

Responsibilities of Strategic Director of Resources

- F3.4 To agree financial procedure arrangements with the other parties.
- F3.5 To ensure that appropriate monitoring arrangements are in place for Council expenditure.
- F3.6 To agree virement procedures.

- F3.7 To agree the process for managing inflationary and other budgetary pressures.
- F3.8 To agree the process for dealing with over and under spending.
- F3.9 To ensure that appropriate internal and external audit requirements are in place.

Responsibilities of Chief Officers

- F3.10 To ensure that Cabinet approval is sought before entering onto pooled budget/ aligned budget or joint arrangements where the Council's financial commitment is in excess of the limits set in Appendix 1 in aggregate.
- F3.11 To ensure that governance and financial procedure arrangements are in place.
- F3.12 To prepare any financial estimates relating to partnership arrangements and to agree these with the Strategic Director of Resources.
- F3.13 To ensure that appropriate budget approval is sought before entering Council funding into pooled budget agreement.
- F3.14 To ensure that monitoring arrangements are in place for both financial and non-financial performance measures, including signed outturn statements by all parties concerned
- F3.15 To ensure that the arrangements for financial monitoring and control operate to the satisfaction of the Strategic Director of Resources.
- F3.16 To observe any specific conditions set by the Council.
- F3.17 To ensure that a written agreement is in place prior to commencement of the arrangement which clearly identifies:
- a lead organisation for the arrangement;
 - a clear definition of duties and responsibilities;
 - the aims, objectives and outcomes of the arrangement;
 - the level of contribution from each partner and procedures for any variation to this amount;
 - what the funding is to be used for and the processes for agreeing any future variations or virements;
 - a sound system of financial control of budgets;
 - the arrangements for payment between partnerships;
 - any agreed processes for deciding future years budgets;

- appropriate financial and non-financial monitoring and reporting requirements;
- access agreements for internal and external audit if appropriate;
- appropriate access to information required under the Freedom of Information Act 2000;
- an agreed dispute resolution process.

F4. External Funding

Why is it important?

- F4.1 External funding is a very important source of finance, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council.
- F4.2 Local Authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external sources provide additional resources to assist the Council to deliver services to the local community.

General

- F4.3 The key controls for the use of external funding are that:
- funds are accepted only if they meet the priorities that have been approved by the Council
 - any match-funding requirements are given due consideration prior to entering into long-term agreements and that revenue budgets reflect these requirements.
 - to ensure that key conditions of funding and any statutory requirements are complied with, and that the requirements of the Funding Body and any Council responsibilities as the Accountable Body are clearly understood.
 - Planned exit strategies are documented and maintained

Responsibilities of Strategic Director of Resources

- F4.4 To ensure that all funding notified by external bodies is received, controlled and properly recorded in the Council's accounts.
- F4.5 To ensure that procedures are in place so that all the financial implications, including long term issues, resulting from entering into external funding agreements are identified and where exceptions have been negotiated by partners these are documented
- F4.6 To maintain a record of expected grants in liaison with Chief Officers.

- F4.7 To investigate ways of maximising grant income.
- F4.8 To account for any non-specific Government Grants received and receivable and submitting any required returns in respect of these.
- F4.9 To provide guidelines and advice to Chief Officers as to minimum standards for recording and evidencing grant expenditure in order to meet grant conditions and external audit requirements.
- F4.10 To ensure that audit requirements are met.
- F4.11 To maintain the corporate grants register.
- F4.12 To produce guidelines for bidding and accepting external funding.

Responsibilities of Chief Officers

- F4.13 To ensure that funds are acquired only to meet the priorities that have been approved by the Council
- F4.14 To ensure that all claims for funds are made by the due date.
- F4.15 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue funds are able to meet these requirements.
- F4.16 To ensure that the impacts of any reducing external contributions or other liabilities are reflected at the appropriate time in the Council's medium term financial strategy.
- F4.17 To ensure that the arrangements for dealing with income from external funding agencies, together with the relevant general requirements of the Financial Procedure Rules, are communicated to, understood and applied by staff involved in the process.
- F4.18 To ensure that the project progresses in accordance with the agreed project plan, and that all expenditure is properly incurred and recorded.
- F4.19 To identify the cost of administration by the Council of the funding and where appropriate to recover these costs from the funding.
- F4.20 To ensure that necessary approvals are obtained before external funding agreements are concluded
- F4.21 To ensure that the conditions of external funding agreements and any statutory requirements are complied with.

- F4.22 To maintain a record of external funding agreements in place
- F4.23 To account for specific Government Grants received and receivable and submitting any required returns in respect of these.
- F4.24 To ensure any grant claims requiring signature of the Strategic Director of Resources are provided in a timely manner and accompanied by all relevant supporting documentation to enable the claim to be authorised by the required deadline.
- F4.25 To liaise with the External Auditor as required during audit certification.
- F4.26 To ensure the Strategic Director of Resources is notified of any grant bid, and final grant approvals, for incorporation into the Corporate Grants register

APPENDIX 1

FINANCIAL LIMITS (OTHER THAN AS SET OUT IN THE SCHEME OF VIREMENT)

Reference

USE OF EARMARKED RESERVES

Chief Officer Group may approve the use of earmarked reserves up to £100,000, in line with the original intended use.

C1 / C2

Any use of Council reserves over £100,000 or where reserves are to be used for an alternative purpose to their original intention must be approved by Council Cabinet

USE OF CORPORATE CONTINGENCY BUDGETS

Strategic Director of Resources may approve the reallocation from contingency budgets to revenue budgets in line with the original intended use,

C2

Reallocations where contingency budgets are to be used for an alternative purpose require Cabinet approval.

CAPITAL MONITORING CONTROL

Subject to funding being available, approval to vary the cost and phasing of capital schemes within the overall capital programme should be obtained from Council Cabinet where:

C3

- For schemes up to £5m:
 - the scheme has varied by over £250,000; or
 - the scheme has varied by 10% or £50,000, whichever is the greater, unless the varied amount can be contained within the capital programme area and has the approval of the relevant Cabinet portfolio holder.
- For schemes over £5m
 - the scheme has varied by over 5%

CHIEF OFFICER APPROVED WRITE-OFF LIMIT

A Chief Officer may, with the written agreement of the Strategic Director of Resources, write-off:

E2

- (a) individual bad debts or remit charges not exceeding £10,000 in any one case including current tenants' rent arrears and housing benefit or council tax benefit overpayments
- (b) council tax charges not exceeding £10,000 plus any associated court costs and distress fees of a chargepayer in respect of any financial year.

Sums over £10,000 require the approval of the Council Cabinet.

The Strategic Director of Resources may initiate such write-off or remission after consultation, if necessary, with appropriate Chief Officers. This Regulation will not apply to unpaid rates, council tax, commercial rents, or general debts written off by the Strategic Director of Resources under his or her delegated power.

WRITE-OFF OF STOCK DISCREPANCIES, REDUNDANT STOCK AND EQUIPMENT

Chief Officer's approval limit is up to a maximum of £10,000 in any financial year.

D8

All write-offs above the Chief Officer limit will be agreed by the Strategic Director of Resources.

IMPREST ACCOUNTS

Minor items of expenditure met from imprest accounts should not exceed £50, except in the following cases:

D7

- The limit for schools is £100.
- The limit for residential children's homes is defined as the appropriate Christmas or birthday allowance limit for any year
- The limit for foster care emergency equipment purchases is £400.

WORK FOR THIRD PARTIES

- Approval of the Strategic Director of Resources and the relevant Strategic Director for agreements up to £100,000.
- Approval of the Strategic Director of Resources, the relevant Strategic Director and the relevant Cabinet Member for agreements up to £250,000
- Approval of Cabinet for agreements over £250,000

F1

ACCOUNTABLE BODIES

- Approval of the Strategic Director of Resources and the relevant Strategic Director for agreements up to £100,000.
- Approval of the Strategic Director of Resources, the relevant Strategic Director and the relevant Cabinet Member for agreements up to £250,000
- Approval of Cabinet for agreements over £250,000

F2

GRANTS OR LOANS TO VOLUNTARY/EXTERNAL BODIES

F2

- Approval of the relevant Chief Officer for grants or loans up to £25,000
- Cabinet approval is obtained for any decision involving the making of a grant or loan over £25,000 to any voluntary/external body

SPECIAL ALLOWANCES OR GRANTS TO INDIVIDUALS

F2

- Approval of the relevant Chief Officer for allowances or grants up to £25,000
- Cabinet approval is obtained for any decision involving the making of a grant or special allowance over £25,000 to any individual

POOLED BUDGETS, ALIGNED BUDGETS AND JOINT AGREEMENTS

Cabinet approval is required for pooled/aligned / joint budget arrangements where the Council's commitment is above £250,000.

F3

BIDS FOR / ACCEPTANCE OF EXTERNAL FUNDING

F4

- Approval of the Strategic Director of Resources and the relevant Strategic Director for agreements up to £100,000.
- Approval of the Strategic Director of Resources, the relevant Strategic Director and the relevant Cabinet Member for agreements up to £250,000
- Approval of Cabinet for agreements over £250,000

APPENDIX 2

SCHEME OF VIREMENT – REVENUE BUDGETS Purpose of the Scheme

The Council's Scheme of Virement and Carry Forward is administered by the Strategic Director of Resources within guidelines set by the Council. Any variation from this scheme requires the approval of the Council.

Normally, detailed budget heads are approved by the Council and Chief Officers are authorised to incur expenditure in accordance with those estimates. The rules below cover virement, i.e. switching resources between heads of expenditure and income, and carry forward, i.e. arrangements for the transfer of resources between accounting years. For the purposes of this scheme a budget head is a line in the estimates report, or, as a minimum, at an equivalent level to the standard service sub-division as defined by CIPFA.

The scheme of virement is intended to enable Chief Officers and their accountable employees to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Council, so as to make optimum use of resources. Chief Officers are expected to exercise their

discretion in budget management responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets.

Definition of Budget Heads

All budget heads are subject to the rules set out in this scheme of virement except where stated below.

A budget head will normally be defined as the net controllable revenue budget for each defined service activity approved by Council in March prior to the financial year. Budget heads may be defined at a more detailed level if Chief Officers determine this and direct budget managers accordingly.

Although budgets heads are defined in terms of net not gross budgets, variations in controllable income budgets are subject to some additional provisions set out below.

Revenue budgets may be vired to support capital expenditure within the provisions of the Scheme of Virement. Other than this, capital budgets are outside the provisions of the scheme and the treatment of variations in capital scheme costs is as set out in Financial Procedure Rule D3 and Appendix 1.

Revenue reserves are not treated as revenue budget heads but their use and monitoring is subject to other requirements set out in the Financial Procedure Rules.

The treatment of carried forward balances and deficits within delegated schools budgets will be as generally determined by School Financial Regulations together with satisfying any specific conditions and limitations determined by the Council.

Virement

- (a) The financial limits on virements are that, subject to meeting other conditions:
- Chief Officers may exercise virement on budgets under their control for amounts up to £100,000 on any one estimate head during the year, following notification to and the documented agreement of the Strategic Director of Resources.
 - Amounts up to £250,000 additionally require the approval of the responsible Council Cabinet member
 - Amounts greater than £250,000 require approval of the Council

Cabinet.

The making permanent of virements would be addressed as part of the budgetary process for the following year or where urgent through the approval of the Council Cabinet and Council.

- (b) Any proposal which falls within the definitions set out within Financial Procedure Rule C2.23 does not constitute a virement and should be dealt with in accordance with that rule, unless the change is agreed in advance to be a technical virement by the Strategic Director of Resources.
- (c) Virement that is likely to impact on the level of service activity of another service area or Chief Officer should be implemented only with the agreement of the relevant Chief Officer or otherwise with the approval of Council Cabinet.
- (d) In addition, the prior approval of the Council Cabinet is required for any use of controllable income to support expenditure where:
 - the full Council net budget requirement would be affected
 - the source is an external grant over £250,000 that was not previously approved as part of the Council budget for that year
- (e) No budget virement relating to a specific financial year will be made after 31 March in that year.
- (f) Governing bodies of schools may transfer budget provision between heads of expenditure within delegated schools' budgets according to the provisions of the Schools' Financial Regulations.
- (g) Where an approved budget head is a lump sum budget or contingency intended for allocation during the year, or where a reserve is intended for allocation during the year, its allocation will not be treated as a virement, provided that:
 - the amount is used in accordance with the purposes for which it has been established
 - the Council Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated.
- (h) Cross directorate transfers up to £250,000 to be approved by Chief Officer(s) and respective Cabinet Member(s).
- (i) Cross portfolio transfers up to £250,000 to be approved by Chief Officer(s) and respective Cabinet Member(s).

Glossary of Financial Terms and Abbreviations contained within the Financial Procedure Rules

| Term | Description |
|---|--|
| Accounting Policies | Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented. Accounting policies do not include estimation techniques. |
| Accrual | An accrual is an adjustment made at the end of the year to account for income and expenditure in the correct year, for example where goods or services have been received in one year but the invoice will be paid in the following year due to timing differences. |
| Asset | An asset is anything that is owed by the Council that has a value. |
| Bad Debt | Money owed to the Council that is unlikely to be paid. |
| Best Practice | The term used to describe the methods used by local government to share procedures and practices in order to learn and improve from each other. |
| Service Reporting Code of Practice (SeRCOP) | Produced by CIPFA and required to be followed by local authorities. Preparing accounts in line with the SeRCOP ensures consistency and allows comparison between authorities. |
| Budget | Sum of money allocated for a particular purpose. |
| Budgetary Control | The process of ensuring actual expenditure and income does not exceed the budget available and taking corrective action where variances are identified. |
| Budget Monitoring | The process of reviewing actual expenditure or income against the sum allocated for the year enabling action to be taken to reallocate budgets to or from other budget lines in a timely manner where variances are found. |

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| Capital Expenditure | Money spent to either acquire or improve an asset owned by the Council which will be used over a period of years or money awarded to a third party towards an asset owned by them for example a grant to improve their property. |
| Term | Description |
| Capital Programme | The Council's capital expenditure plans for the next few years. The capital programme will show the anticipated cost, usually on a scheme by scheme basis, and how it intends to finance this. |
| Capital Receipts | Income received from the sale of Council land or other assets, the acquisition of which would meet the definition of capital expenditure. |
| CIPFA | The Chartered Institute of Public Finance and Accountancy. This body is responsible for interpreting accounting standards and recommending working practices to be followed by all local authorities. |
| Commitments | A commitment arises when an order is raised to purchase goods or services but the goods or services have not yet been received. |
| Cost Centre | An individual reference used within the Council's financial system to enable the allocation and monitoring of expenditure and income in a meaningful way. |
| Creditor | A person or organisation that delivers or supplies a service or product to the Council in exchange for cash. |
| Debtor | A person or organisation that receives a service or product from the Council in exchange for cash. |
| Earmarked Reserve | Money allocated for a specific purpose which will be spent in a future year. |
| Financial Procedure Rules | A written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial procedure rules set out rules on accounting, audit, administrative procedures and budgeting systems. |
| Financial Year | A Local Authority financial year runs from 1 April to 31 March. |
| Fixed Asset | An asset intended to be held for a period of more than one year, such as a machine or building. |

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| Forecast | A prediction of spend for future months/years. |
| General Ledger | The general ledger is the main accounting record of the Council. It is basically a library of financial transactions. |
| Grants | Income received by the Council to support the undertaking of Council services or to support the capital programme. Grants may have terms and conditions as to use attached. |
| Term | Description |
| Imprest Account | This is a separate bank account, with a cheque book facility, to which an advance is made to facilitate quick payment for small items. |
| Internal Control | The system of control devised by management to help ensure the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded. |
| Internal Recharge | A charge made by one council department to another for provision of a service. |
| Lease | An asset not owned by the Council but which the Council has an agreement to use in providing its day to day services in return for a regular cash payment. |
| Medium term Financial Plan/Strategy | A document outlining the Council's spending plans and forecast resources over the next three years. |
| Money Laundering | The term used where an individual uses legal payment routes to pass off income earned from illegal activities or to avoid the payment of Government taxes. In terms of the Council's activities this would include the payment of rents and council tax at the Council's payment counters with large cash payments. |
| Monitoring Officer | The Council is required to designate an officer as its monitoring officer. This Officer must possess a legal qualification and is responsible for promoting and maintaining high standards of overall conduct, for reporting any actual or potential breaches of the law, or instances of maladministration either to the Council directly or via the Cabinet. |
| Overspend | This is where the actual expenditure exceeds the budget for the same period. |

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| Petty Cash | A small amount of cash held by departments and available to purchase minor items of expenditure such as postage stamps. |
| Private Finance Initiative (PFI) | The contracting of a private sector provider to build a new, or refurbish an existing, Council asset and then provide services on behalf of the Council. Contracts under the PFI are for a specified period of time and under an agreed service standard specification. The Council makes regular payments to the provider from its revenue budget over the contracted period. At the end of the contract period the asset may revert to the Council ownership. |
| Term | Description |
| Provisions | An amount set aside by the Council to meet a known item of expenditure but for which the actual timing and amount of the payment is not known. |
| Reserve | Money set aside for future policy initiatives. |
| Revenue Expenditure | Expenditure incurred by the Council on a day to day basis in the provision of services to the public. |
| Risk Management | The planned and systematic approach to the identification, evaluation and control of risk. |
| Strategic Asset Management Board (SAMB) | A working group of senior officers set up to oversee the capital programme. The SAMB reviews new expenditure plans before they are recommended for inclusion onto the capital programme, and monitors both the capital expenditure and the financing resources on schemes in the capital programme ensuring timely action is taken for any variances identified. |
| Section 151 Officer | Under section 151 of the Local Government Act 1972 each Council is required to have a nominated Officer with responsibility to ensure the proper administration of the Council's financial affairs. In Derby this role is undertaken by the Strategic Director of Resources. This Officer must be a member of a professional accountancy body. |
| Statement of Accounts | Council's are required to produce an annual Statement of Accounts which show how the Council has spent its money and what resources and reserves it has available. The Statement of Accounts includes the Council's statutory income and expenditure account, its balance sheet and a cash flow statement. |

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| Support Service | The term used to describe those Council departments or services that do not provide a service direct to the public, but provide a back office function to support the staff directly working with the public. Support services include finance, IT, Human Resources, and legal services. |
| Treasury Management | The term used to describe the Council's management of its cash, investments and borrowing requirements. |
| Trust Fund | Money administered by the Council on behalf of another body, usually a charitable organisation, and usually arising from the donation of cash or assets. |
| Under-spend | A favourable variance. Actual expenditure including any commitments is less than the budget set for the same period. |
| Term | Description |
| Value Added Tax (VAT) | Tax levied on goods and services. |
| Variation | A variation is an increase or decrease in a budget after the budget has been approved at the start of the year. |
| Virement | A switch of resources between Cost Centres or budget lines within a Cost Centre. |