



## Review of the Council's Financial Procedure Rules

### RECOMMENDATION

- 1.1 To request comments and changes from members of the Committee on the proposed updated Council's Financial Procedure Rules.
- 1.2 To submit the revised Financial Procedure Rules, after any agreed changes by the Committee, for approval by Full Council on 18 November 2009.

### SUPPORTING INFORMATION

- 2.1 The Council's Financial Procedure Rules were previously reviewed in 2006. Given the significant changes to the Council's systems, processes and personnel since then, we have reviewed, updated and refreshed the Council's Financial Procedure Rules. Material changes to the previous Financial Procedure Rules are summarised in the contents table, and are shaded in the updated version of the Financial Procedure Rules.
- 2.2 The revised Financial Procedure Rules include changes to most sections and are now presented in line with Chartered Institute of Public Financial Accountant (CIPFA) good practice.
- 2.3 Officers have reviewed delegated limits for Chief Officers, regarding revenue virement limits, and capital commencement authorisation limits. Suggested changes are reflected in Appendix 2.

**For more information contact:** Zulf Darr, Assistant Director (Corporate Finance)

**Background papers:**

None

**List of appendices:**

Appendix 1 – Implications

Appendix 2 – Revised Financial Procedure Rules

Appendix 3 – Unrevised Financial Procedure Rules

<b>IMPLICATIONS</b>
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**Financial**

1. Included within the revised Financial Procedure Rules.

**Legal**

2. None directly arising.

**Personnel**

3. None directly arising.

**Equalities impact**

4. None directly arising.

**Corporate objectives and priorities for change**

5. None directly arising.



<b>Contents</b>		<b>Revisions</b>
		G3 - No change section Q from previous FPR
APPENDIX 1	Financial Limits (other than set out in the Scheme Of Virement)	No change
APPENDIX 2	Scheme of Virement - Revenue Budgets	New amendments items (h) and (i) Deleted Carry Forward section in previous FPR
		J9 from previous FPR deleted  K8 from previous FPR revised in F4.8.

**A. GENERAL**

- A1 Financial Procedure Rules provide the framework for managing the authority's financial affairs. They apply to every Member and employee of the Council and anyone acting on behalf of the Council.
- A2 The Rules also identify the responsibilities of the Corporate 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.
- A3 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.

**Responsibilities of Corporate Director of Resources**

- A4 The Corporate 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 Corporate 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.
- A5 The Corporate 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.
- A6 To make sure that any proposed changes to Financial Procedure Rules are approved by Council.
- A7 Where appropriate, to report breaches of Financial Procedure Rules to the Council Cabinet and/or to the Council.

- A8 To issue instructions and guidance notes, where necessary, to amplify Financial Procedure Rules.
- A9 To periodically review and recommend changes to the Financial Procedure Rules to ensure that they remain relevant and up to date.
- A9A 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 Corporate 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 the Government and any other statutory requirements.
- A9B To exercise the Responsibilities of a Chief Officer in so far as the Corporate Director of Resources is directly responsible for the operation of specific services of the Council.
- A9C 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**

- A10 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.
- A11 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 Corporate Director of Resources. In particular, any report containing new proposals includes an independent financial assessment by the Corporate Director of Resources.
- A11A To make sure that a written authorisation is provided by the Corporate Director of Resources in cases where authorisation is needed to financial implications but a report is not provided.

- A12 To consult the Corporate Director of Resources on any matter that is liable materially to affect the finances of the Council, before any commitment is incurred or a bid for external funding is made.
- A13 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. SYSTEMS AND PROCEDURES**

Why is this important?

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

The Corporate 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.

### **Responsibilities of Corporate Director of Resources**

- B1 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
  - 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
  - to 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 Corporate Director of Resources defined in the Financial Procedure Rules

### **Responsibilities of Chief Officers**

- B2 To make sure that accounting records are properly maintained and held securely.
- B3 To make sure that vouchers and documents supporting financial transactions or decisions are not destroyed except in accordance with arrangements approved by the Corporate Director of Resources and the Corporate Director of Corporate and Adult Services.

- B4 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.
- B5 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.
- B6 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.
- B7 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.
- B8 To make sure that systems, procedures and responsibilities are documented and employees trained in operations.
- B9 To consult with the Corporate Director of Resources before changing any existing system or introducing new systems.
- B10 To consult with the Corporate Director of Resources and the Corporate Director of Corporate and Adult Services 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.
- B10A To make sure that the approval of the Corporate Director of Resources is obtained to the financial implications of any decisions taken under the Council's procedure for urgent actions.
- B11 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.
- B12 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Corporate Director of Resources, together with any subsequent variations.
- B13 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.

- B14 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.
- B15 To make sure that relevant standards and guidelines for computer systems issued by the Chief Executive are observed.
- B16 To make sure that computer equipment and software are protected from loss and damage through theft, vandalism etc.
- B17 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.

## **C. FINANCIAL MANAGEMENT**

### **C1. Accounting**

Why is this important?

Proper accounting records are one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This provides assurance that expenditure is legal, the accounts are properly prepared and proper accounting practices have been followed.

#### **Responsibilities of Corporate Director of Resources**

- C1.1 To determine the accounting procedures and records of the Council. Where these are maintained outside the Finance Department, the Corporate Director of Resources should consult the Chief Officer concerned.
- C1.2 To compile all accounts and accounting records or make sure they are compiled under the Director's direction.
- C1.3 To comply with the following principles when allocating accounting duties:
  - separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them
  - employees with the duty of examining or checking the accounts of cash transactions will not themselves be engaged in these transactions.
- C1.4 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations.
- C1.5 To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable, and with the requirement for the Council to approve the Statement of Accounts before 30 June.
- C1.6 To administer the Council's arrangements for under and overspendings to be carried forward to the following financial year (see Appendix 2).

## **Responsibilities of Chief Officers**

- C1.7 To consult and obtain the approval of the Corporate Director of Resources before making any changes to accounting records and procedures.
- C1.8 To comply with the principles outlined at paragraph F3 when allocating accounting duties.
- C1.9 To maintain adequate records to provide an audit trail for leading from income/expenditure source through to the accounting statements.
- C1.10 To supply information required to enable the Statement of Accounts to be completed, in accordance with guidelines issued by the Corporate Director of Resources.

## **D. FINANCIAL PLANNING**

### **D1. Revenue Budgets - Preparing Budgets**

Why is this important?

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.

#### **Responsibilities of Corporate Director of Resources**

- D1.1 To determine the detailed form of revenue estimates, consistent with the general directions of the Council Cabinet, and after consultation with Chief Officers.
- D1.2 To issue guidelines within which Chief Officers of the Council should prepare budgets.
- D1.3 To prepare and submit reports on budget prospects for the Council, including resource constraints set by the Government. Reports should take account of medium term prospects, where appropriate.
- D1.4 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.
- D1.5 To encourage best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

#### **Responsibilities of Chief Officers**

- D1.6 To prepare estimates of income and expenditure, in consultation with the Corporate Director of Resources.
- D1.7 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 Corporate Director of Resources, consistent with the general directions of the Council Cabinet.

- D1.8 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- D1.9 To consult with other Chief Officers and the Corporate Director of Resources, where it appears that a budget proposal is likely to impact on the service activity or budget of another department.

## **D2. Revenue Budgets - Managing and Controlling Budgets**

Why is this important?

Budgetary control is a continual process enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget. By identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved in setting the overall budget. To make sure that the Council in total does not overspend, each service is required to manage its own spending within the cash limited budget allocated to it. The definition of budgets is set out in the Scheme of Virement (Appendix 2).

### **Responsibilities of Corporate Director of Resources**

- D2.1 To establish an appropriate framework of budgetary management and control, based on the principles that:
- a. budget management is exercised within annual cash limits unless the Council agrees otherwise
  - 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. all officers responsible for committing expenditure comply with relevant guidance, including Financial Procedure Rules
  - e. 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.
  - f. significant variances from approved budgets are investigated and reported by managers regularly

- g. reserves and balances are used for purposes approved in budget plans and any changes in those approved uses require the approval of Council Cabinet
- D2.2 To administer the Council's Scheme of Virement that regulates the virement of resources between budget heads and between financial years (see Appendix 2).
  - D2.3 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.
  - D2.4 To prepare and submit reports on the Council's projected position compared with the budget, and on the position of its reserves and balances.
  - D2.5 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.

### **Responsibilities of Chief Officers**

- D2.6 To maintain budgetary control within the department, in adherence to the principles in D2.1
- D2.7 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.
- D2.8 To make sure that spending remains within the service overall cash limit, 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.
- D2.8A 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.
- D2.9 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 Corporate Director of Resources.
- D2.10 To report in the first instance to the Council Cabinet and if necessary to Council on proposals which in the view of the Corporate 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 Corporate 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 Corporate Director of Resources and the Corporate Director of Corporate and Adult Services, the impact of the proposals is such that they would constitute a material change to the Budget and Policy Framework.

D2.11 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 Corporate Director of Resources.

D2.12 To make sure of compliance with the Council's Scheme of Virement (see Appendix 2).

D2.13 To ensure that where, in the view of the Corporate 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.

### **D3. Capital Budgeting**

Why is this important?

Capital expenditure involves acquiring or enhancing assets with a long-term value to the authority, 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. 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.

#### **General**

- D3.1 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 limit set in Appendix 1 subject to the Chief Officer being satisfied that appropriate legal, technical and professional matters have been dealt with, and 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
  - c. for other schemes to seek approval by the Council Cabinet of a Scheme Commencement Report prepared by the respective Chief Officer in consultation with the respective technical, legal and finance officers
- D3.2 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.
- D3.3 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 or

- 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).

In all other cases schemes added to the capital programme during the course of the year or variations that exceed the reporting tolerances set out in Appendix 1 require the approval of Council Cabinet, and virement of funding to meet such programme variations also requires Cabinet approval.

D3.4 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.

D3.5 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 D3.4 above), subject to compliance with D3.1 above for the overall scheme.

D3.5A A Scheme Commencement Report should confirm that budgetary provision is in place, update the capital programme based on the latest scheme cost estimates, demonstrate how technical and legal requirements have been met, set out when the scheme will be operational and clarify the improvements in service outputs or financial savings expected.

### **Responsibilities of Corporate Director of Resources**

D3.6 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.

D3.6A 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.

D3.7 To prepare and submit reports on the Council's projected expenditure and resources compared with the approved estimates, and to demonstrate that the programme satisfies the requirements of the Local Government Act 2003 in terms of satisfying medium term affordability and meeting other prudential indicators.

- D3.8 To issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Corporate Director of Resources, having regard to Government regulations and accounting requirements.
- D3.9 To obtain Council Cabinet authorisation for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the specified amount (see Appendix 1).
- D3.10 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 prescribed amount (see Appendix 1).
- D3.10A To monitor and report to Council Cabinet on the availability of capital income and financing compared to estimates.

### **Responsibilities of Chief Officers**

- D3.11 To comply with guidance concerning capital schemes and controls issued by the Corporate Director of Resources.
- D3.12 To prepare regular reports reviewing the capital programme provisions for their services and to prepare a quarterly return of estimated final cost of schemes in the approved capital programme for submission to the Corporate Director of Resources.
- D3.12A 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 Corporate Director of Resources and the Corporate Director of Corporate and Adult Services, 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.
- D3.13 To make sure that adequate contract records are maintained in respect of all capital contracts.
- D3.14 To proceed with projects only when there is adequate provision in the approved capital programme.
- D3.15 To prepare and submit reports, jointly with the Corporate Director of Resources, to the Council Cabinet of any variation in approved contract costs greater than the approved limits (see Appendix 1).
- D3.16 To prepare and submit reports, jointly with the Corporate 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).

- D3.17 Make sure that they do not enter into credit arrangements, such as leasing agreements, without the prior approval of the Corporate Director of Resources and, if applicable, approval of the scheme through the capital programme.
- D3.18 To consult with the Corporate 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.
- D3.19 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.

## **E. CORPORATE GOVERNANCE, RISK MANAGEMENT, AND CONTROL OF RESOURCES**

Why is this important?

The Corporate 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 Commission, 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 are also subject to scrutiny by the Audit Commission.

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.

### **E1. Risk Management**

Why is this important?

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 contained through a planned and systematic approach. Innovation and opportunity are fostered through well-informed risk taking and the benefits are clearly demonstrated through enhanced and cost effective service delivery. Most risks are commonly associated with uncertainty and impact but this association does not necessarily have to be attached solely to threat and hazard but also to the balance of risk and reward.

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 Corporate Director of Resources**

- E1.1. 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.
- E1.2. To establish a Risk Management culture across the organisation with the objective of self-identification, assessment, prevention or containment of risks, throughout the authority.
- E1.3. To establish an officer group to provide strategic direction on risk management.
- E1.4. To clearly define and assign to key staff the responsibility for accepting and managing risk.
- E1.5. To ensure, and promote through Assistant Directors and Heads of Service the development of Risk Management and supporting management procedures to minimise risk and exposure to losses.
- E1.6. To develop risk management controls/treatments in conjunction with other Chief Officers.

## **Responsibilities of Chief Officers**

- E1.7. 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 Corporate Director of Resources and other specialist officers (e.g. risk management, internal audit, performance, procurement and health and safety).
- E1.8. To maintain, update and review Risk Registers relative to their operational services.
- E1.9. To report on such risks in their operational department that may affect the Strategic objectives of the Council to the Corporate Director of Resources.
- E1.10. To contribute fully in the support of the Risk Management process including nominating a representative on the Strategic Risk Group.

## **E2. Insurance**

Why is this important?

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

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

### **Responsibilities of the Corporate Director of Resources**

- E2.1 To effect a long-term strategy to meet the Council's insurance requirements.
- E2.2 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with relevant officers, where necessary.
- E2.3 To include all appropriate employees of the authority in a suitable fidelity guarantee insurance.
- E2.4 To offer insurance cover to schools in accordance with Fair Funding arrangements.
- E2.5 To undertake a review of requirements to support the annual renewal of insurance contracts.
- E2.6 To ensure that insurance provisions are adequate to meet anticipated claims.
- E2.7 To develop and maintain a claims and risk management database including the identification of claims trends and areas of risk.
- E2.8 To continually monitor requirements and ensure that insurance covers are appropriate and cost effective.

### **Responsibilities of Chief Officers**

- E2.9 To maintain records of the current value of replacement cost of buildings and contents in their respective departments, and to advise the Corporate Director of Resources of such values on an annual basis.
- E2.10 To take appropriate measures to minimise the risk of injury to individuals and loss, damage or theft of any insured property.
- E2.11 To notify the Corporate Director of Resources of any new or significant change in their departments' risks.
- E2.12 To provide information to the Corporate Director of Resources as required to complete any tendering exercise for insurance cover.
- E2.13 To notify promptly to the Corporate 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 Corporate Director of Resources or the authority's insurers. In the event of theft or wilful damage, the police should also be notified of the loss or damage.

- E2.14 On the date of receipt all letters making claims against the Council, together with any attachments must be passed to the Corporate Director of Resources.
- E2.15 Where Chief Officers other than the Corporate Director of Resources are responsible for negotiating claims direct with the insurers, details of all claims shall be notified periodically to the Corporate Director of Resources. Chief Officers must consult the Corporate Director of Resources on all procedural matters.
- E2.16 On the happening of any event, which might give rise to a claim by the Council, against a third party, promptly to notify the Chief Legal Officer to deal with the matter.
- E2.17 To ensure that there are regular reviews of risk within their departments.
- E2.18 To notify the Corporate Director of Resources promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- E2.19 To consult the Corporate Director of Resources and the Chief Legal Officer on the terms of any indemnity that the authority is requested to give.
- E2.20 To ensure that employees, or anyone covered by the authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

### **E3. Internal Control**

Why is this important?

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

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.

### **Responsibilities of the Corporate Director of Resources**

- E3.1 Corporate 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 Regulations 2003 as amended by the Accounts and Audit (England) (Amendment) Regulations 2006 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."*

- E3.2 To meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 authorities must "prepare a statement of internal control in accordance with proper practices". 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.

### **Responsibilities of Chief Officers**

- E3.3 To promote an effective internal control system in their departments, and across departments where activities they are responsible for cross departmental boundaries.
- E3.4 To undertake a regular review and analysis of the risks relating to the delivery of the department's objectives and the range of controls to manage those risks. This will help ensure that the current risks are known and that appropriate, effective controls are in place.

- E3.5 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.
- E3.6 To establish and implement new financial controls subject to the agreement of the Corporate Director of Resources, and remove financial controls that are unnecessary or not cost or risk effective – for example, because of duplication – with the agreement of the Corporate Director of Resources.
- E3.7 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, procedures/manuals of operation.
- E3.8 To ensure staff have a clear understanding of the consequences of lack of control, or ineffective controls.
- E3.9 To promote high standards of integrity in all actions or transactions which directly or indirectly involve Council finances and assets. Also to promote accuracy, consistency, and timeliness in all transactions, in order to provide reliable information to assist the development and monitoring of the Council's policies.

#### **E4. Internal Audit**

Why is this important?

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003 more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”. The guidance accompanying this legislation states that, for principal local authorities, proper internal audit practices are those contained within the CIPFA code of practice for internal audit in local government in the United Kingdom 2006.

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.

Inherently the work of internal audit is a service to management and for the benefit of the organisation as a whole.

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.

The Head of Audit and Risk Management has direct access to, and freedom to report in their own name without fear or favour to, all officers and members and particularly those charged with governance including the Chief Executive and the chair of the Audit and Accounts Committee.

### **Responsibilities of the Corporate Director of Resources**

E4.1 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.

E4.2 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.

E4.3 To ensure that Internal Audit is appropriately resourced to meet its objectives.

E4.4 To ensure that audit plans prepared by the Head of Audit and Risk Management, which take account of the characteristics and relative risks of the authority's activities, are submitted to the Audit and Accounts Committee for approval.

E4.5 To ensure that Internal Audit staff maintain objectivity, and do not undertake operational tasks.

E4.6 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*.

E4.7 To ensure that the Head of Audit and Risk Management is free to report directly to the Audit and Accounts Committee on all Internal Audit matters.

E4.8 To ensure that the Head of Audit and Risk Management 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.

E4.9 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**

E4.10 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.

E4.11 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.

E4.12 To ensure that auditors are provided with any such information and explanations that they seek in the course of their work.

E4.13 To consider and respond promptly to findings and recommendations in audit reports.

E4.14 To ensure that any agreed actions arising from audit recommendations are carried out timely, efficiently and effectively.

E4.15 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed and agreed by the Head of Audit and Risk Management prior to implementation.

## **E5. External Audit**

Why is this important?

The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.

The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, Section 4 of the 1998 Act requires the Audit Commission to prepare a Code of Audit Practice, which external auditors observe when carrying out their duties. The Code sets out the external auditor's objectives to review and report upon:

- a. the audited body's financial statements and its statement on internal control; and
- b. whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The authority's accounts are scrutinised by external auditors, who must be satisfied that the Statement of Accounts 'presents fairly' the financial position of the authority and that its income and expenditure for the year in question and complies with legal requirements.

### **Responsibilities of the Corporate Director of Resources**

E5.1 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.

E5.2 To ensure that there is effective liaison between external and internal audit.

E5.3 To work with the external auditor and advise members, in line with the Scheme of Delegation, and Chief Officers on their responsibilities in relation to external audit.

### **Responsibilities of Chief Officers**

E5.4 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.

E5.5 To ensure that all records and systems are up to date and available for inspection.

## **E6. Preventing Fraud and Corruption**

Why is this important?

The authority will not tolerate fraud and corruption in the administration of its duties and responsibilities, whether from inside or from outside the authority.

The authority's expectation with regard to propriety and accountability is that members and staff at all levels will adhere to legal requirements, rules, procedures and practices and lead by example.

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

### **Responsibilities of the Corporate Director of Resources**

- E6.1 To develop and maintain appropriate policies, strategies and procedures on anti-fraud and corruption measures.
- E6.2 To ensure the Council maintains adequate and effective internal control arrangements.
- E6.3 To ensure the Council participates in anti-fraud initiatives and develops and maintains policies and procedures on data matching exercises.
- E6.4 In conjunction with the Council's Monitoring Officer to develop and maintain an appropriate and effective whistle-blowing policy and procedures.
- E6.5 To ensure that all suspected financial irregularities are reported to the Head of Audit and Risk Management and where there is evidence of perceived criminality, to notify the Chief Executive and Monitoring Officer, and where appropriate Members.
- E6.6 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.

### **Responsibilities of Chief Officers**

- E6.7 To ensure compliance with all policies, strategies and procedures on anti-fraud and corruption measures and with the whistle-blowing policy and procedures.
- E6.8 To ensure that all suspected financial irregularities are reported to the Head of Audit and Risk Management or the Corporate Director of Resources.
- E6.9 To ensure that prompt action is taken, following consultation with the Head of Audit and Risk Management, to initiate investigation of any suspected financial irregularity.
- E6.10 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 Audit and Risk Management
- E6.11 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

## **E7. Treasury Management (Investments and Loans), Banking and Trust Funds**

Why is this important?

Many millions of pounds pass through the Council's books each year. A very few Councils have suffered high profile losses through inappropriate treasury management procedures and this has led to the establishment of Codes of Practice. These aim to provide assurances that the Council's money is properly managed in a way which balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

### **Treasury Management**

#### **Responsibilities of Corporate Director of Resources**

- E7.1A To arrange approval of treasury management strategies and policies in accordance with the CIPFA Code of Practice on Treasury Management and statutory requirements and to report at least twice a year to the Council Cabinet on Treasury Management activities.
- E7.1B 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.
- E7.1C 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.
- E7.2 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 Corporate Director of Corporate and Adult Services.
- E7.3 To effect all borrowings in the name of the Council,
- E7.3A To operate bank accounts as are considered necessary within the terms of the banking arrangement. Opening or closing any bank account requires the approval of the Corporate Director of Resources.
- E7.4 To act as the Council's registrar of stocks, bonds, mortgages and to maintain records of all borrowing of money by the Council.

#### **Responsibilities of Chief Officers**

- E7.5 To make sure that no loans are made to third parties and no interests are acquired in companies, joint ventures, or other enterprises without the approval of the Council Cabinet, following consultation with the Corporate Director of Resources and the Corporate Director of Corporate and Adult Services.

## **Trust Funds and Funds held for Third Parties**

### **Responsibilities of Chief Officers**

- E7.6 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 etc relating to the trust with the Corporate Director of Corporate and Adult Services unless the deed otherwise provides.
- E7.7 To arrange, where funds are held on behalf of third parties, for their secure administration and management, approved by the Corporate Director of Resources, and maintain written records of all transactions.

### **Payments by Direct Debit**

#### **Responsibility of Corporate Director of Resources**

- E7.8 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 Corporate Director of Resources.

#### **Responsibility of Chief Officers**

- E7.9 To ensure that direct debit mandates are forwarded to the Corporate Director of Resources for authorisation, in line with procedures outlined by the Council's Banking Officer.

### **Imprest Accounts**

#### **Responsibilities of Corporate Director of Resources**

- E7.10 To ensure that all instances wherein 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.
- E7.11 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).
- E7.12 To maintain a record of all imprest account reimbursements made and periodically review the arrangements for the control of these reimbursements.
- E7.13 To reimburse float holders as often as necessary to restore the floats but normally not more than monthly.

## **Responsibilities of Chief Officers**

E7.14 To make sure that employees operating an imprest account:

- a. obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
- b. make adequate arrangements in their office for the safe custody of the account
- c. produce upon demand to the Corporate Director of Resources cash and all vouchers to the total value of the imprest amount
- d. record transactions promptly
- e. reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
- f. provide the Corporate Director of Resources with a certificate of the value of the account held at 31 March each year
- g. to make sure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- h. on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee will account to the Corporate Director of Resources for the amount advanced to them.

## **E8. Assets and Security**

Why is this important?

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.

### **Security**

#### **Responsibilities of Corporate Director of Resources**

- E8.1 To make sure an Asset Register is maintained in accordance with good practice.
- E8.2 To receive information from each Chief Officer required for accounting, costing and financial records.

## **Responsibilities of Chief Officers**

- E8.3 The Corporate Director of Corporate and Adult Services will maintain a property database, in a form approved by the Corporate Director of Resources, 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, the Corporate Director of Resources and Corporate Director of Corporate and Adult Services. 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.
- E8.4 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 Corporate Director of Corporate and Adult Services, in consultation with the Corporate Director of Resources as appropriate, has been signed by the Corporate Director of Corporate and Adult Services.
- E8.5 To make sure the proper security of all buildings and other assets under their control.
- E8.6 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 joint report with the Corporate Director of Corporate and Adult Services, after informing the Corporate Director of Resources .
- E8.7 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.
- E8.8 To pass title deeds to the Corporate Director of Corporate and Adult Services who is responsible for custody of all title deeds.
- E8.9 To make sure that no Council asset is subject to personal use by an employee without proper authority.
- E8.10 To make sure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- E8.11 To make sure that the department maintains a register of moveable assets in accordance with arrangements defined by the Corporate Director of Resources.
- E8.12 To make sure assets are identified, their location recorded and that they are appropriately marked and insured.

- E8.13 To consult the Corporate 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.
- E8.14 To make sure cash holdings on premises are kept to a minimum.
- E8.15 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 Corporate Director of Resources as soon as possible.
- E8.16 To record all disposal of assets that should normally be by competitive tender or public auction, following consultation with the Corporate Director of Resources and the Corporate Director of Corporate and Adult Services.
- E8.17 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Corporate Director of Resources.
- E8.18 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.

### **Inventories**

#### **Responsibilities of Chief Officers**

- E8.26 To maintain inventories and record an adequate description of furniture, fittings and equipment, plant and machinery and to carry out an annual check of all items on the inventory in order to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should prudently be identified with security markings as belonging to the Council.
- E8.27 To make sure that the Council's property is not removed except in accordance with the ordinary course of the Council's business and it is not used except for the Council's purposes unless the Chief Officer concerned has issued specific directions.

### **Stocks and Stores**

#### **Responsibilities of Chief Officers**

- E8.28 To make arrangements for the care and custody of stocks and stores in the department.

- E8.29 To make sure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- E8.30 To write-off discrepancies or obtain Council Cabinet and/or Council approval if they are in excess of a predetermined limit (see Appendix 1).
- E8.31 To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, following consultation with the Corporate Director of Resources and Corporate Director of Corporate and Adult Services.
- E8.32 To seek Council Cabinet approval to the write-off of redundant stocks and equipment in excess of a predetermined sum (see Appendix 1).

## **F. FINANCIAL SYSTEMS AND PROCEDURES**

### **F1. Income**

Why is this important?

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 and banked 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**

- F1.1 All money received by an employee on behalf of the Council must be paid without delay to the Corporate Director of Resources or to the Council's bank or national giro account, or an alternative bank account expressly agreed with the Corporate Director of Resources. The standard method for new regular debts should be direct debits.

#### **Responsibilities of Corporate Director of Resources**

- F1.2 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.
- F1.3 To order and supply to departments all receipt forms, books or tickets and similar items subject to satisfactory arrangements being in place for their control.
- F1.4 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.
- F1.5 To approve all debts to be written off and keep a record of all sums written off up to the approved limit (see Appendix 1).
- F1.6 To obtain the approval of the Corporate Director of Corporate and Adult Services for writing off debts in excess of the approved limit and the approval of the Council Cabinet where required. (see Appendix 1).

#### **Responsibilities of Chief Officers**

- F1.7 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.
- F1.8 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.

- F1.9 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- F1.10 To issue official receipts or maintain other documentation for income collection.
- F1.11 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.
- F1.12 To hold securely receipts, tickets and other records of income, for the appropriate period.
- F1.13 To lock away all income to safeguard against loss or theft.
- F1.14 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.
- F1.15 To make sure income is not used to cash personal cheques or other payments.
- F1.16 To supply the Corporate Director of Resources with details relating to work done, goods supplied or services rendered or other amounts due, to enable the Corporate 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 Corporate Director of Resources and the Corporate Director of Corporate and Adult Services 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.
- F1.17 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.
- F1.18 To recommend to the Corporate 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.
- F1.19 To obtain the approval of the Corporate Director of Resources and the Corporate Director of Corporate and Adult Services for writing off debts in excess of the approved limit and the approval of the Council Cabinet where required (see Appendix 1).

- F1.20 To notify the Corporate 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 Corporate 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.
- F1.21 To make sure that invoices are raised within 28 days of completion of the work/job, including agreed phased completion.

## **F2. Ordering and Paying for Work, Goods and Services**

Why is this important?

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**

- F2.1 Every employee and member of the authority 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.
- F2.2 Official orders must be in a form approved by the Corporate Director of Resources and Director of Corporate and Adult Services. 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 Director of Resources.
- F2.3 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 Director of Resources and Director of Corporate and Adult Services.
- F2.4 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 Corporate Director of Resources. The use of direct debit or standing orders will require the prior agreement of the Director of Resources.

F2.5 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 by the Director of Corporate Services in writing and appropriate accounting arrangements made.

### **Responsibilities of Corporate Director of Resources**

F2.6 To make sure that all of the Council's financial systems and procedures are sound and well administered.

F2.7 To approve any changes to existing financial systems and to approve any new systems before they are introduced.

F2.8 To approve the form of official orders, and associated terms and conditions, in consultation with the Director of Corporate and Adult Services.

F2.9 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 Regulations.

F2.10 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.

F2.11 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.

F2.12 To provide advice and encouragement on making payments by the most economical means.

### **Responsibilities of Chief Officers**

F2.13 To make sure that official and uniquely numbered orders are used for all goods and services other than the exceptions specified in F2.2.

F2.14 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 Director of Resources.

F2.15 To make sure that orders are only used for goods and services provided to the department. Individuals must not use official orders to obtain goods or services for their private use.

F2.16 To make sure that only those employees authorised by them electronically authorise or sign 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 right budget code has been used. Value for money should always be taken into consideration.

F2.17 To make sure that a budgetary control system is established which enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that it can be taken into account in budget monitoring reports.

F2.18 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.

F2.19 In conjunction with the 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.

F2.20 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 right 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.

F2.21 To make sure that the department maintains and reviews periodically a list of employees approved to certify and authorise invoices. Names of authorising officers together with specimen signatures if appropriate and details of the limits of their authority must be forwarded to the Corporate Director of Resources.

F2.22 Payment should not be made on a photocopied or faxed invoice, statement or other document other than the formal letterheaded invoice or, where sanctioned, an e-invoice. Any instances of such payments rendered should be reported to the Head of Audit and Risk Management.

F2.23 To encourage suppliers of goods and services to receive payment by the most economical means for the Council. The Councils 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 Corporate Director of Resources.

- F2.24 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.
- F2.25 To observe the Councils 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.
- F2.26 To make sure that employees are aware of the National Code of Conduct for Local Government Officers, (copies available from the Human Resources Division).
- F2.27 To make sure that no loan, leasing or rental arrangements are entered into without prior agreement from the Corporate Director of Resources. This is because of the potential impact on the Council's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to make sure value for money is being obtained.
- F2.28 To notify the 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 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.
- F2.29 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Corporate Director of Resources and Director of Corporate and Adult Services, 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.

F2.30 To notify the Corporate Director of Resources immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

F2.31 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.

### **F3. Payments to Employees and Members**

Why is this important?

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.

#### **Responsibilities of Corporate Director of Resources**

F3.1 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 Corporate Director of Resources on the due date.

F3.2 To record and control tax, pensions and other deductions.

F3.3 To make arrangements for payment of all travel and subsistence claims or financial loss allowance, jointly with the Corporate Director of Corporate and Adult Services.

F3.4 To make arrangements for paying Members' travel or other allowances upon receiving the prescribed form duly completed, jointly with the Corporate Director of Corporate and Adult Services.

F3.5 To ensure the secure and prompt payment of salaries by the most efficient means.

#### **Responsibilities of Chief Officers**

F3.6 To make sure appointments are made in accordance with the regulations of the Council and approved establishments, grades, and scale of pay.

- F3.7 To notify the Corporate 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 Corporate Director of Resources. Employees should have one unique employee reference number for each separate employment contract they have with the Council.
- F3.8 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
  - 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.
- F3.9 To make sure that payroll transactions are processed only through the payroll system. Corporate 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 Corporate Director of Resources.
- F3.10 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 Corporate Director of Resources informed where appropriate.
- F3.11 To make sure that the details of any employee benefits in kind are notified to the Corporate Director of Resources to enable full and complete reporting within the Income Tax Self Assessment system.

### **Responsibilities of Members**

- F3.12 To submit claims for Members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the year-end.

## **F4. Taxation**

Why is this important?

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

## **Responsibilities of Corporate Director of Resources**

- F4.1 To complete all HM Revenue and Customs statutory returns regarding PAYE, benefits in kind, VAT and Construction Industry Tax Deduction Scheme.
- F4.2 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.

## **Responsibilities of Chief Officers**

- F4.3 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.
- F4.4 To have procedures in place that can quickly identify TAX errors and where errors are discovered, to inform the Corporate Director of Resources in a timely manner so they can be disclosed to HM Revenue and Customs.
- F4.5 To make sure that, where construction and maintenance works are undertaken, accurate and timely information is provided to enable the Director of Corporate Resources to pay the contractor in accordance with the requirements of the Construction Industry Tax Scheme.
- F4.6 To make sure that all persons employed by the Council are added to the authority'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.
- F4.7 To make sure that records are kept of all benefits in kind provided to employees that are relevant for taxation purposes.
- F4.8 To determine the employment status (employee or self employed) of all individuals engaged to provide a service before proceeding with the engagement.
- F4.9 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.

## **G. EXTERNAL ARRANGEMENTS**

### **G1. Work for Third Parties, Trading Activities and Activity by Former Direct Service Organisations**

Why is this important?

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. Arrangements should be in place to make sure that any risks associated with this work is minimised.

Compulsory competitive tendering led to the establishment of statutory DSOs within the Council, the internal trading activities of which have continued since the repeal of CCT legislation in January 2000.

#### **Responsibilities of Chief Officers**

- G1.1 To make sure that the approval of the Council Cabinet is obtained before any negotiations are concluded to work for third parties, subject to the limits set out in the Council's Contract Procedure Rules.
- G1.1A 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.
- G1.2 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Corporate Director of Corporate and Adult Services (see Appendix 1).
- G1.3 To make sure that appropriate insurance arrangements are made.
- G1.4 To make sure that the Council is not put at risk from any bad debts.
- G1.5 To make sure that no contract is subsidised by the Council.
- G1.6 To make sure that, wherever possible, payment is received in advance of the delivery of the service.
- G1.7 To make sure that the department has the appropriate expertise to undertake the contract.
- G1.8 To make sure that such contracts do not impact adversely upon the services provided for the Council.
- G1.9 To make sure that all contracts are properly documented.
- G1.10 To consult with the Corporate Director of Corporate and Adult Services and Corporate Director of Resources where a former direct service organisation 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.

G1.11 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 Corporate Director of Resources.

G1.12 To make sure that each former DSO and trading Business Unit prepares an annual business plan.

## **G2. Partnerships and Accountable Body Arrangements**

Why is it important?

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.

Partnerships are being increasingly used as a delivery mechanism for existing and new services and funding streams. The Council acts as Accountable Body for large amounts of expenditure which 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. Examples of boards include Supporting People, New Deal for Communities, Derby City Partnership and the Community Safety Partnership. These types of arrangements are set to increase with the implementation of the Local Area Agreements.

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 Corporate Director of Resources**

G2.1 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 / commission other services from partnerships
- agreements with organisations receiving grant payments from the partnership.

G2.2 To check and sign grant claims and statements of grant expenditure on behalf of the partnership.

- G2.3 To ensure that appropriate internal and external audit requirements are in place.
- G2.4 To ensure that payments are made to partnership organisations in accordance with any agreements in place.
- G2.5 To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.
- G2.6 To ensure that the accounting arrangements to be adopted relating to partnerships are satisfactory.

### **Responsibilities of Chief Officers**

- G2.7 To ensure a budget manager / accountable officer is identified.
- G2.8 To ensure that Cabinet approval is sought before entering into any partnership agreements where the Council acts as Accountable Body.
- G2.9 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.
- G2.10 To prepare any financial estimates relating to partnership arrangements and to agree these with the Corporate Director of Resources.
- G2.11 To ensure that appropriate budget approval is sought before entering into a partnership arrangement that commits Council funding.
- G2.12 To ensure that monitoring arrangements are in place for both financial and non - financial performance measures.
- G2.13 To ensure that the arrangements for financial monitoring and control operate to the satisfaction of the Corporate Director of Resources.
- G2.14 To ensure that accurate and appropriate Asset Registers are maintained in line with funding body requirements.
- G2.15 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 / commissioning arrangements;
- include a requirement that any transfer of duties to a third party are subject to the same conditions.

### **G3. POOLED BUDGETS**

Why is it important?

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.

#### **Responsibilities of Corporate Director of Resources**

- G3.1 To agree financial procedure arrangements.
- G3.2 To ensure that appropriate monitoring arrangements are in place for Council expenditure.
- G3.3 To agree virement procedures.
- G3.4 To agree the process for managing inflationary and other budgetary pressures.
- G3.5 To agree the process for dealing with over and under spending.
- G3.6 To ensure that appropriate internal and external audit requirements are in place.

#### **Responsibilities of Chief Officers**

- G3.7 To ensure that Cabinet approval is sought before entering onto any pooled budget arrangements where the Council’s financial commitment is in excess of the limits set in Appendix 1 in aggregate.

- G3.8 To ensure that governance and financial procedure arrangements are in place.
- G3.9 To prepare any financial estimates relating to partnership arrangements and to agree these with the Corporate Director of Resources.
- G3.10 To ensure that appropriate budget approval is sought before entering Council funding into pooled budget agreement.
- G3.11 To ensure that monitoring arrangements are in place for both financial and non - financial performance measures, including signed outturn statements by all parties concerned
- G3.12 To ensure that the arrangements for financial monitoring and control operate to the satisfaction of the Corporate Director of Resources.
- G3.13 To observe any specific conditions set by the Council.
- G3.14 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.

## APPENDIX 1

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

	Reference
<b>CAPITAL SCHEMES CONTROL</b>	
Chief Officer may approve commencement of capital schemes up to £100,000 total cost and subject to meeting other specific conditions	D3.1
<b>VARIATION IN CONTRACT COST APPROVED LIMITS</b>	
If, either at the commencement of a scheme or at any time during a scheme, variations to the total scheme cost should be reported to the Council Cabinet where the scheme cost has increased by 10% or £10,000, whichever is the greater.	D3.9 D3.10 D3.15 D3.16
<b>CHIEF OFFICER APPROVED WRITE-OFF LIMIT</b>	
A Chief Officer and, where an account has been referred to him for collection, the Corporate Director of Corporate and Adult Services, may, with the written agreement of the Corporate Director of Resources:	F1.5 F1.6 F1.9
(a) 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 and community 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 Corporate Director of Resources may initiate such write-off or remission after consultation, if necessary, with appropriate Chief Officers and the Corporate Director of Corporate and Adult Services. This Regulation will not apply to unpaid rates, council tax, commercial rents, or general debts written off by the Corporate Director of Resources under his or her delegated power.	

## **WRITE-OFF OF STOCK DISCREPANCIES, REDUNDANT STOCK AND EQUIPMENT**

Chief Officer's approval limit:

E8.30/E8.32

Up to a maximum of £10,000 in any financial year, where the stock value is shown as an asset in the Council's accounts.

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

## **IMPREST ACCOUNTS**

Minor items of expenditure met from imprest accounts should not exceed £50, except in the case of schools where the limit is £100.

E7.11

The imprest limit for residential children's homes is £100.

## **WORK FOR THIRD PARTIES**

Referral to the Corporate Director of Corporate and Adult Services:  
Contracts above £10,000.

G1.2

## **POOLED BUDGETS**

Cabinet approval is required for pooled budget arrangements where the Council's commitment is above £100,000 in aggregate

G3.7

## **SCHEME OF VIREMENT – REVENUE BUDGETS**

### **Purpose of the Scheme**

The Council's Scheme of Virement and Carry Forward is administered by the Corporate 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, ie switching resources between heads of expenditure and income, and carry forward, ie 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 of the provisions of the scheme and the treatment of variations in capital scheme costs is as set out in Financial Procedure Rule E 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 Corporate 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.

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 D9 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 Corporate Director of Resources.
- (c) The prior approval of the Council Cabinet is required to any virement, of whatever amount, where it is proposed to vire between budgets managed by different Chief Officers or areas under the responsibility of different Council Cabinet Members.
- (d) 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.
- (e) In addition, the prior approval of the Council Cabinet is required to any use of controllable income to support expenditure where:
- the source is an external grant that was not previously approved as part of the Council budget for that year
  - total income available to that department exceeds by more than £100,000 the estimates previously approved for that department as a whole

- (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 department transfers upto £100k to be approved by Chief Officer and respective Cabinet Member(s).
- (i) Cross portfolio transfers upto £100k to be approved by Chief Officers and respective Cabinet Member(s).

# APPENDIX 3

## Financial Procedure Rules

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- Q POOLED BUDGETS
- APPENDIX 1 FINANCIAL LIMITS (OTHER THAN SET OUT IN THE  
SCHEME OF VIREMENT)
- APPENDIX 2 SCHEME OF VIREMENT - REVENUE BUDGETS

**A GENERAL**

- A1 Financial Procedure Rules provide the framework for managing the authority's financial affairs. They apply to every Member and employee of the Council and anyone acting on behalf of the Council.
- A2 The Rules also identify the responsibilities of the Corporate Director of Resources and Housing 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.
- A3 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.

**Responsibilities of Corporate Director of Resources and Housing**

- A4 The Corporate Director of Resources and Housing 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 Corporate Director of Resources and Housing 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.
- A5 The Corporate Director of Resources and Housing 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.
- A6 To make sure that any proposed changes to Financial Procedure Rules are approved by Council.
- A7 Where appropriate, to report breaches of Financial Procedure Rules to the Council Cabinet and/or to the Council.

- A8 To issue instructions and guidance notes, where necessary, to amplify Financial Procedure Rules.
- A9 To periodically review and recommend changes to the Financial Procedure Rules to ensure that they remain relevant and up to date.
- A9A 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 Corporate 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 the Government and any other statutory requirements.
- A9B To exercise the Responsibilities of a Chief Officer in so far as the Corporate Director of Resources and Housing is directly responsible for the operation of specific services of the Council.
- A9C 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**

- A10 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.
- A11 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 Corporate Director of Resources and Housing. In particular, any report containing new proposals includes an independent financial assessment by the Corporate Director of Resources and Housing.
- A11A To make sure that a written authorisation is provided by the Corporate Director of Resources and Housing in cases where authorisation is needed to financial implications but a report is not provided.
- A12 To consult the Corporate Director of Resources and Housing on any matter that is liable materially to affect the finances of the Council,

before any commitment is incurred or a bid for external funding is made.

- A13 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 SYSTEMS AND PROCEDURES**

*Why is this important?*

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

*The Corporate Director of Resources and Housing 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.*

### **Responsibilities of Corporate Director of Resources and Housing**

- B1 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
  - 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
  - to 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 Corporate Director of Resources and Housing defined in the Financial Procedure Rules

### **Responsibilities of Chief Officers**

- B2 To make sure that accounting records are properly maintained and held securely.
- B3 To make sure that vouchers and documents supporting financial transactions or decisions are not destroyed except in accordance with arrangements approved by the Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services.

- B4 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.
- B5 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.
- B6 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.
- B7 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.
- B8 To make sure that systems, procedures and responsibilities are documented and employees trained in operations.
- B9 To consult with the Corporate Director of Resources and Housing before changing any existing system or introducing new systems.
- B10 To consult with the Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services 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.
- B10A To make sure that the approval of the Corporate Director of Resources and Housing is obtained to the financial implications of any decisions taken under the Council's procedure for urgent actions.
- B11 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.
- B12 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Corporate Director of Resources and Housing, together with any subsequent variations.
- B13 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.

- B14 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.
- B15 To make sure that relevant standards and guidelines for computer systems issued by the Chief Executive are observed.
- B16 To make sure that computer equipment and software are protected from loss and damage through theft, vandalism etc.
- B17 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.

## **C REVENUE BUDGETS - PREPARING BUDGETS**

*Why is this important?*

*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.*

### **Responsibilities of Corporate Director of Resources and Housing**

- C1 To determine the detailed form of revenue estimates, consistent with the general directions of the Council Cabinet, and after consultation with Chief Officers.
- C2 To issue guidelines within which Chief Officers of the Council should prepare budgets.
- C3 To prepare and submit reports on budget prospects for the Council, including resource constraints set by the Government. Reports should take account of medium term prospects, where appropriate.
- C4 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.
- C5 To encourage best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

### **Responsibilities of Chief Officers**

- C6 To prepare estimates of income and expenditure, in consultation with the Corporate Director of Resources and Housing.
- C7 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 Corporate Director of Resources and Housing, consistent with the general directions of the Council Cabinet.
- C8 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

- C9 To consult with other Chief Officers and the Corporate Director of Resources and Housing, where it appears that a budget proposal is likely to impact on the service activity or budget of another department.

## **D REVENUE BUDGETS - MANAGING AND CONTROLLING BUDGETS**

*Why is this important?*

*Budgetary control is a continual process enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget. By identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved in setting the overall budget. To make sure that the Council in total does not overspend, each service is required to manage its own spending within the cash limited budget allocated to it. The definition of budgets is set out in the Scheme of Virement (Appendix 2).*

### **Responsibilities of Corporate Director of Resources and Housing**

- D1 To establish an appropriate framework of budgetary management and control, based on the principles that:
- a. budget management is exercised within annual cash limits unless the Council agrees otherwise
  - 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. all officers responsible for committing expenditure comply with relevant guidance, including Financial Procedure Rules
  - e. 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.
  - f. significant variances from approved budgets are investigated and reported by managers regularly
  - g. reserves and balances are used for purposes approved in budget plans and any changes in those approved uses require the approval of Council Cabinet

- D2 To administer the Council's Scheme of Virement that regulates the virement of resources between budget heads and between financial years (see Appendix 2).
- D3 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.
- D4 To prepare and submit reports on the Council's projected position compared with the budget, and on the position of its reserves and balances.
- D5 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.

### **Responsibilities of Chief Officers**

- D5 To maintain budgetary control within the department, in adherence to the principles in D1.
- D6 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.
- D7 To make sure that spending remains within the service overall cash limit, 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.
- D7A 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.
- D8 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 Corporate Director of Resources and Housing.
- D9 To report in the first instance to the Council Cabinet and if necessary to Council on proposals which in the view of the Corporate Director of Resources and Housing:
  - 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 Corporate Director of Resources and Housing. 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 Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services, the impact of the proposals is such that they would constitute a material change to the Budget and Policy Framework.

- D10 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 Corporate Director of Resources and Housing.
- D11 To make sure of compliance with the Council's Scheme of Virement (see Appendix 2).
- D12 To ensure that where, in the view of the Corporate Director of Resources and Housing 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.

## E CAPITAL BUDGETING

*Why is this important?*

*Capital expenditure involves acquiring or enhancing assets with a long-term value to the authority, 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. 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.*

### General

- E1 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 limit set in Appendix 1 subject to the Chief Officer being satisfied that appropriate legal, technical and professional matters have been dealt with, and 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
  - c. for other schemes to seek approval by the Council Cabinet of a Scheme Commencement Report prepared by the respective Chief Officer in consultation with the respective technical, legal and finance officers
- E2 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.
- E3 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 or

- 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.

In all other cases schemes added to the capital programme during the course of the year or variations that exceed the reporting tolerances set out in Appendix 1 require the approval of Council Cabinet, and virement of funding to meet such programme variations also requires Cabinet approval.

- E4 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.
- E5 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 E4 above), subject to compliance with E1 above for the overall scheme.
- E5A A Scheme Commencement Report should confirm that budgetary provision is in place, update the capital programme based on the latest scheme cost estimates, demonstrate how technical and legal requirements have been met, set out when the scheme will be operational and clarify the improvements in service outputs or financial savings expected.

### **Responsibilities of Corporate Director of Resources and Housing**

- E6 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.
- E6A 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.
- E7 To prepare and submit reports on the Council's projected expenditure and resources compared with the approved estimates, and to demonstrate that the programme satisfies the requirements of the Local Government Act 2003 in terms of satisfying medium term affordability and meeting other prudential indicators.
- E8 To issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Corporate Director of Resources and Housing, having regard to Government regulations and accounting requirements.

- E9 To obtain Council Cabinet authorisation for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the specified amount (see Appendix 1).
- E10 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 prescribed amount (see Appendix 1).
- E10A To monitor and report to Council Cabinet on the availability of capital income and financing compared to estimates.

### **Responsibilities of Chief Officers**

- E11 To comply with guidance concerning capital schemes and controls issued by the Corporate Director of Resources and Housing.
- E12 To prepare regular reports reviewing the capital programme provisions for their services and to prepare a quarterly return of estimated final cost of schemes in the approved capital programme for submission to the Corporate Director of Resources and Housing.
- E12A 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 Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services, 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.
- E13 To make sure that adequate contract records are maintained in respect of all capital contracts.
- E14 To proceed with projects only when there is adequate provision in the approved capital programme.
- E15 To prepare and submit reports, jointly with the Corporate Director of Resources and Housing, to the Council Cabinet of any variation in approved contract costs greater than the approved limits (see Appendix 1).
- E16 To prepare and submit reports, jointly with the Corporate Director of Resources and Housing, 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).

- E17 Make sure that they do not enter into credit arrangements, such as leasing agreements, without the prior approval of the Corporate Director of Resources and Housing and, if applicable, approval of the scheme through the capital programme.
- E18 To consult with the Corporate Director of Resources and Housing 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.
- E19 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.

## **F ACCOUNTING**

*Why is this important?*

*Proper accounting records are one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This provides assurance that expenditure is legal, the accounts are properly prepared and proper accounting practices have been followed.*

### **Responsibilities of Corporate Director of Resources and Housing**

- F1 To determine the accounting procedures and records of the Council. Where these are maintained outside the Finance Department, the Corporate Director of Resources and Housing should consult the Chief Officer concerned.
- F2 To compile all accounts and accounting records or make sure they are compiled under the Director's direction.
- F3 To comply with the following principles when allocating accounting duties:
- separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them
  - employees with the duty of examining or checking the accounts of cash transactions will not themselves be engaged in these transactions.
- F4 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations.
- F5 To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable, and with the requirement for the Council to approve the Statement of Accounts before 30 June.
- F6 To administer the Council's arrangements for under and overspendings to be carried forward to the following financial year (see Appendix 2).

### **Responsibilities of Chief Officers**

- F7 To consult and obtain the approval of the Corporate Director of Resources and Housing before making any changes to accounting records and procedures.

- F8 To comply with the principles outlined at paragraph F3 when allocating accounting duties.
- F9 To maintain adequate records to provide an audit trail for leading from income/expenditure source through to the accounting statements.
- F10 To supply information required to enable the Statement of Accounts to be completed, in accordance with guidelines issued by the Corporate Director of Resources and Housing.

## **G AUDIT AND RISK MANAGEMENT**

*Why is this important?*

*The Corporate Director of Resources and Housing 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. Internal Audit checks that management arrangements for control of finance, stocks and assets are adequate, highlights weaknesses in controls, checks that financial and other systems and procedures are sound, appraises the adequacy of procedures to secure economy, efficiency, and effectiveness in the use of resources, and offers advice and suggests improvements to make sure the Council obtains value for money.*

*The Council's accounts are also scrutinised by external auditors, appointed by the Audit Commission, 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 are also subject to scrutiny by the Audit Commission.*

*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.*

### **Responsibilities of Corporate Director of Resources and Housing**

G1 The Corporate Director of Resources and Housing or authorised representative has authority to:

- enter at all reasonable times on any Council premises or land
- have access to all records, documents and correspondence relating to any financial and other transactions of the Council, and the management of its risks
- require and receive explanations as necessary about any matter under examination
- require any employee of the Council to produce cash, stores or any other Council property under their control.

For the avoidance of doubt, the authority detailed above includes both Foundation and Voluntary Aided Schools and any other establishment operated within the Council's financial accounts.

In relation to rights of access, the Corporate Director of Resources and Housing's representatives are expected to have a personal

responsibility to observe the highest standards of confidentiality and personal integrity.

- G2 To maintain Strategic and Annual Audit Plans in which audit cover has regard to the characteristics and relative risks of the activities involved, and to liaise with Chief Officers on the audit strategy and cover required. In addition to the statutory requirement this takes account of the need to seek added value, effective use of resources, improved performance and cost-effective controls.
- G3 To maintain an adequate and effective internal audit of the financial and other records, systems and procedures for control of the Council's resources.
- G4 To report to the Audit and Accounts Committee on:
- the planned programme of internal audit work for the year
  - progress in implementing the planned audit programme including a report following the year end
  - the findings of each audit to a degree of detail to be determined by the Committee
  - progress made in implementing recommendations of internal audits
  - other matters relating to audit policy, internal control and risk management that are within the terms of reference of the Audit and Accounts Committee
- G5 To approve any new systems for maintaining financial records or records of assets or changes to such systems. This approval should be obtained from the Head of Internal Audit.
- G6 To investigate promptly any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources identified by or notified to the Corporate Director of Resources and Housing and to report to the Chief Executive and the Corporate Director of Corporate and Adult Social Services who will consider any legal proceedings and disciplinary action in consultation with the appropriate Chief Officers.
- G6A To maintain an effective corporate risk management strategy and policy, and to prepare reports to Council Cabinet seeking approval of the strategy and policy which also report on any issues raised by the Audit and Accounts Committee in this context.
- G7 To make sure that issues raised by External Audit are brought to the attention of the Audit and Accounts Committee, and if appropriate to the Chief Executive and to the Council Cabinet.

### **Responsibilities of Chief Officers**

- G8 To make sure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets which the Auditors consider necessary for the purposes of their work.
- G9 To make sure that Auditors are provided with any information and explanations that they seek in the course of their work.
- G10 To consider and respond promptly to recommendations in audit reports.
- G11 To make sure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- G12 To notify the Corporate Director of Resources and Housing immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, Chief Officers should take all necessary steps to prevent further loss and to secure records and documentation against removals or alteration.
- G13 To make sure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Council's Head of Internal Audit, prior to implementation.
- G14 To maintain a risk register for services and projects within the Chief Officer's department, informed by regular reviews and assessments of risks and to identify and document actions to mitigate those risks.

## H ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

*Why is this important?*

*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 Standing Orders.*

### **General**

- H1 Every employee and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers or suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council.
- H2 Official orders must be in a form approved by the Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services. 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 Corporate Director of Resources and Housing.
- H3 Each order must conform with the directions of the Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services.
- H4 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 cheque or other instrument drawn on the Council's bank account or National Giro account by the Corporate Director of Resources and Housing. The use of direct debit or standing orders will require the prior agreement of the Corporate Director of Resources and Housing.
- H5 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 by the Corporate Director of Corporate and Adult Social Services in writing and appropriate accounting arrangements made.

### **Responsibilities of Corporate Director of Resources and Housing**

- H6 To make sure that all of the Council's financial systems and procedures are sound and well administered.

- H7 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- H8 To approve the form of official orders, and associated terms and conditions, in consultation with the Corporate Director of Corporate and Adult Social Services.
- H9 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 Regulations.
- H10 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.
- H11 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.
- H12 To provide advice and encouragement on making payments by the most economical means.

### **Responsibilities of Chief Officers**

- H13 To make sure that written and uniquely numbered orders are used for all goods and services other than the exceptions specified in H2.
- H14 To make sure that only official pre-numbered order forms are used. These are controlled stationery and should be retained securely when not in use.
- H15 To make sure that orders are only used for goods and services provided to the department. Individuals must not use official orders to obtain goods or services for their private use.
- H16 To make sure that only those employees authorised by them to sign orders and to maintain an up-to-date list of such authorised employees, including specimen signatures identifying in each case the limits of their authority. The signatory of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Value for money should always be taken into consideration.
- H17 To make sure that a budgetary control system is established which enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that it can be taken into account in budget monitoring reports.

- H18 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 signed the order. Appropriate entries should then be made in inventories or stores records.
- H19 In conjunction with the Corporate Director of Resources and Housing, 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, are within budget provision and are coded correctly.
- H20 To make sure that an authorised officer, if possible a different officer from the person who signed the order and in every case a different officer from the person certifying the invoice, authorises invoices.
- H21 To make sure that the department maintains and reviews periodically a list of employees approved to certify and authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority must be forwarded to the Corporate Director of Resources and Housing.
- H22 Payment should not be made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of such payments rendered should be reported to the Head of Internal Audit.
- H23 To encourage suppliers of goods and services to receive payment by the most economical means for the Council. Payments should, however, not be made by direct debit unless essential and must have the prior approval of the Corporate Director of Resources and Housing.
- H24 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, with regard to the guidelines and best practices issued by the Corporate Director of Corporate and Adult Social Services.
- H25 To utilise the central purchasing procedures established by the Corporate Director of Corporate and Adult Social Services 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.
- H26 To make sure that employees are aware of the National Code of Conduct for Local Government Officers, (copies available from Personnel Division), and that all employees have a copy of the Council's guidelines for dealing with existing and potential suppliers of goods and services.
- H27 To make sure that no loan, leasing or rental arrangements are entered into without prior agreement from the Corporate Director of Resources and Housing. This is because of the potential impact on the Council's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to make sure value for money is being obtained.
- H28 To notify the Corporate Director of Resources and Housing of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Corporate Director of Resources and Housing and, in any case, not later than 30 April.
- H29 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services, the systems and procedures to be adopted on financial aspects. This includes certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub contractors' tax status.
- H30 To notify the Corporate Director of Resources and Housing immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- H31 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.

## **I INCOME**

*Why is this important?*

*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 and banked 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**

- I1 All money received by an employee on behalf of the Council must be paid without delay to the Corporate Director of Resources and Housing or to the Council's bank or national giro account, or an alternative bank account expressly agreed with the Corporate Director of Resources and Housing.

### **Responsibilities of Corporate Director of Resources and Housing**

- I2 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.
- I3 To order and supply to departments all receipt forms, books or tickets and similar items subject to satisfactory arrangements being in place for their control.
- I4 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.
- I5 To approve all debts to be written off and keep a record of all sums written off up to the approved limit (see Appendix 1).
- I6 To obtain the approval of the Corporate Director of Corporate and Adult Social Services for writing off debts in excess of the approved limit and the approval of the Council Cabinet where required. (see Appendix 1).

### **Responsibilities of Chief Officers**

- I7 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.
- I8 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- I9 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

- I10 To issue official receipts or maintain other documentation for income collection.
- I11 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.
- I12 To hold securely receipts, tickets and other records of income, for the appropriate period.
- I13 To lock away all income to safeguard against loss or theft.
- I14 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.
- I15 To make sure income is not used to cash personal cheques or other payments.
- I16 To supply the Corporate Director of Resources and Housing with details relating to work done, goods supplied or services rendered or other amounts due, to enable the Corporate Director of Resources and Housing 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 Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services 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.
- I17 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.
- I18 To recommend to the Corporate Director of Resources and Housing 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.
- I19 To obtain the approval of the Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services for writing off debts in excess of the approved limit and the approval of the Council Cabinet where required (see Appendix 1).
- I20 To notify the Corporate Director of Resources and Housing of outstanding income relating to the previous financial year as soon as

possible after 31 March in line with the timetable determined by the Corporate Director of Resources and Housing and not later than 30 April.

- I21 To make sure that invoices are raised within 28 days of completion of the work/job, including agreed phased completion.

## **J PAYMENTS TO EMPLOYEES AND MEMBERS**

*Why is this important?*

*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.*

### **Responsibilities of Corporate Director of Resources and Housing**

- J1 To make sure satisfactory arrangements and controls exist to provide secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees in accordance with procedures prescribed by the Corporate Director of Resources and Housing, on the due date.
- J2 To record and control tax, superannuation and other deductions.
- J3 To make arrangements for payment of all travel and subsistence claims or financial loss allowance, jointly with the Corporate Director of Corporate and Adult Social Services.
- J4 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form duly completed, jointly with the Corporate Director of Corporate and Adult Social Services.
- J5 To provide advice and encouragement to secure payment of salaries and wages by most economical means.

### **Responsibilities of Chief Officers**

- J6 To make sure appointments are made in accordance with the regulations of the Council and approved establishments, grades, and scale of pay.
- J7 To notify the Corporate Director of Resources and Housing 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 Corporate Director of Resources and Housing. Employees should have one unique employee reference number and no employee should be issued with a second reference number without the agreement of the Corporate Director of Resources and Housing.
- J8 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

- 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, etc.
- J9 To send an up-to-date list of the names of officers authorised to sign records to the Corporate Director of Resources and Housing, together with specimen signatories.
- J10 To make sure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a "self employed consultant or sub contract" basis. The Inland Revenue applies a tight definition for employee status and in cases of doubt, advice should be sought from the Corporate Director of Resources and Housing.
- J11 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 Corporate Director of Resources and Housing informed where appropriate.
- J12 To make sure that the details of any employee benefits in kind are notified to the Corporate Director of Resources and Housing to enable full and complete reporting within the Income Tax Self Assessment system.

### **Responsibilities of Members**

- J13 To submit claims for Members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the year-end.

## **K TAXATION**

*Why is this important?*

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

### **Responsibilities of Corporate Director of Resources and Housing**

- K1 To complete all HM Revenue and Customs returns regarding PAYE.
- K2 To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- K3 To provide details to HM Revenue and Customs regarding the Construction Industry Tax Deduction Scheme, including all relevant monthly and annual returns.
- K3A 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.

### **Responsibilities of Chief Officers**

- K4 To make sure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Customs and Excise Regulations.
- K5 To make sure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Scheme requirements, and that departments provide accurate and timely information to enable all statutory returns to be completed.
- K6 To make sure that all persons employed by the Council are added to the authority'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.
- K7 To make sure that records are kept of all benefits in kind provided to employees that are relevant for taxation purposes.
- K8 To make sure that all persons determined to be acting in a self employed capacity provide taxation and national insurance reference details, and other details as may be required by HM Revenue and Customs, before proceeding with the engagement.

## **L ASSETS AND SECURITY**

*Why is this important?*

*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.*

### **Security**

#### **Responsibilities of Corporate Director of Resources and Housing**

- L1 To make sure an Asset Register is maintained in accordance with good practice.
- L2 To receive information from each Chief Officer required for accounting, costing and financial records.

#### **Responsibilities of Chief Officers**

- L3 The Corporate Director of Corporate and Adult Social Services will maintain a property database, in a form approved by the Corporate Director of Resources and Housing, 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, the Corporate Director of Resources and Housing and Corporate Director of Corporate and Adult Social Services. 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.
- L4 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 Corporate Director of Corporate and Adult Social Services, in consultation with the Corporate Director of Resources and Housing as appropriate, has been signed by the Corporate Director of Corporate and Adult Social Services.
- L5 To make sure the proper security of all buildings and other assets under their control.
- L6 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 joint report with the Corporate Director of Corporate and Adult Social Services, after informing the Corporate Director of Resources and Housing.

- L7 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.
- L8 To pass title deeds to the Corporate Director of Corporate and Adult Social Services who is responsible for custody of all title deeds.
- L9 To make sure that no Council asset is subject to personal use by an employee without proper authority.
- L10 To make sure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- L11 To make sure that the department maintains a register of moveable assets in accordance with arrangements defined by the Corporate Director of Resources and Housing.
- L12 To make sure assets are identified, their location recorded and that they are appropriately marked and insured.
- L13 To consult the Corporate Director of Resources and Housing in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- L14 To make sure cash holdings on premises are kept to a minimum.
- L15 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 Corporate Director of Resources and Housing as soon as possible.
- L16 To record all disposal of assets that should normally be by competitive tender or public auction, following consultation with the Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services.
- L17 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Corporate Director of Resources and Housing.
- L18 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.

## **Insurance**

### **Responsibilities of Corporate Director of Resources and Housing**

- L19 To effect all insurance cover and negotiate all claims in consultation with other officers where necessary.
- L20 To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.

### **Responsibilities of Chief Officers**

- L21 To notify the Corporate Director of Resources and Housing immediately of any loss, liability or damage which may lead to a claim against the Council, together with any information or explanation required by the Corporate Director of Resources and Housing or the Council's insurers.
- L22 To notify the Corporate Director of Resources and Housing promptly of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- L23 To consult the Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services respecting the terms of any indemnity which the Council is requested to give.
- L24 To make sure that Council employees do not admit liability, which may prejudice an insurance claim.
- L25 To take responsibility for risk management having regard to advice from the Corporate Director of Resources and Housing and other specialist officers such as Crime Prevention, Fire Prevention, Health and Safety.

## **Inventories**

### **Responsibilities of Chief Officers**

- L26 To maintain inventories and record an adequate description of furniture, fittings and equipment, plant and machinery and to carry out an annual check of all items on the inventory in order to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should prudently be identified with security markings as belonging to the Council.
- L27 To make sure that the Council's property is not removed except in accordance with the ordinary course of the Council's business and it is not used except for the Council's purposes unless the Chief Officer concerned has issued specific directions.

## **Stocks and Stores**

### **Responsibilities of Chief Officers**

- L28 To make arrangements for the care and custody of stocks and stores in the department.
- L29 To make sure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- L30 To write-off discrepancies or obtain Council Cabinet and/or Council approval if they are in excess of a predetermined limit (see Appendix 1).
- L31 To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, following consultation with the Corporate Director of Resources and Housing and Corporate Director of Corporate and Adult Social Services.
- L32 To seek Council Cabinet approval to the write-off of redundant stocks and equipment in excess of a predetermined sum (see Appendix 1).

## **M TREASURY MANAGEMENT (INVESTMENTS AND LOANS), BANKING AND TRUST FUNDS**

*Why is this important?*

*Many millions of pounds pass through the Council's books each year. A very few Councils have suffered high profile losses through inappropriate treasury management procedures and this has led to the establishment of Codes of Practice. These aim to provide assurances that the Council's money is properly managed in a way which balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.*

### **Treasury Management**

#### **Responsibilities of Corporate Director of Resources and Housing**

- M1A To arrange approval of treasury management strategies and policies in accordance with the CIPFA Code of Practice on Treasury Management and statutory requirements and to report at least twice a year to the Council Cabinet on Treasury Management activities.
- M1B 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.
- M1C 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.
- M2 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 Corporate Director of Corporate and Adult Social Services.
- M3 To effect all borrowings in the name of the Council, except where the Department for Education and Employment has given written permission to borrow.
- M3A To operate bank accounts as are considered necessary within the terms of the banking arrangement. Opening or closing any bank account requires the approval of the Corporate Director of Resources and Housing.
- M4 To act as the Council's registrar of stocks, bonds, mortgages and to maintain records of all borrowing of money by the Council.

#### **Responsibilities of Chief Officers**

- M5 To make sure that no loans are made to third parties and no interests are acquired in companies, joint ventures, or other enterprises without the approval of the Council Cabinet, following consultation with the Corporate Director of Resources and Housing and the Corporate Director of Corporate and Adult Social Services.

## **Trust Funds and Funds held for Third Parties**

### **Responsibilities of Chief Officers**

- M6 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 etc relating to the trust with the Corporate Director of Corporate and Adult Social Services unless the deed otherwise provides.
- M7 To arrange where funds are held on behalf of third parties, for their secure administration, approved by the Corporate Director of Resources and Housing, and maintain written records of all transactions.

### **Imprest Accounts**

#### **Responsibilities of Corporate Director of Resources and Housing**

- M11 To provide employees 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. Minor items of expenditure should not exceed the prescribed amount (see Appendix 1).
- M12 To maintain a record of all petty cash advances made and periodically review the arrangements for the safe custody for the control of these advances.
- M13 To reimburse float holders as often as necessary to restore the floats but normally not more than monthly.

### **Responsibilities of Chief Officers**

- M14 To make sure that employees operating an imprest account:
- a obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
  - b make adequate arrangements in their office for the safe custody of the account
  - c produce upon demand to the Corporate Director of Resources and Housing cash and all vouchers to the total value of the imprest amount
  - d record transactions promptly
  - e reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
  - f provide the Corporate Director of Resources and Housing with a certificate of the value of the account held at 31 March each year

- g to make sure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
- h on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee will account to the Corporate Director of Resources and Housing for the amount advanced to them.

## **N WORK FOR THIRD PARTIES, TRADING ACTIVITIES AND ACTIVITY BY FORMER DIRECT SERVICE ORGANISATIONS**

*Why is this important?*

*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. Arrangements should be in place to make sure that any risks associated with this work is minimised.*

*Compulsory competitive tendering led to the establishment of statutory DSOs within the Council, the internal trading activities of which have continued since the repeal of CCT legislation in January 2000.*

### **Responsibilities of Chief Officers**

- N1 To make sure that the approval of the Council Cabinet is obtained before any negotiations are concluded to work for third parties, subject to the limits set out in the Council's Contract Standing Orders.
- N1A 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.
- N2 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Corporate Director of Corporate and Adult Social Services (see Appendix 1).
- N3 To make sure that appropriate insurance arrangements are made.
- N4 To make sure that the Council is not put at risk from any bad debts.
- N5 To make sure that no contract is subsidised by the Council.
- N6 To make sure that, wherever possible, payment is received in advance of the delivery of the service.
- N7 To make sure that the department has the appropriate expertise to undertake the contract.
- N8 To make sure that such contracts do not impact adversely upon the services provided for the Council.
- N9 To make sure that all contracts are properly documented.
- N10 To consult with the Corporate Director of Corporate and Adult Social Services and Corporate Director of Resources and Housing where a former direct service organisation 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.

- N11 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 Corporate Director of Resources and Housing.
- N12 To make sure that each former DSO and trading Business Unit prepares an annual business plan.

## **P PARTNERSHIPS AND ACCOUNTABLE BODY ARRANGEMENTS**

*Why is it important?*

*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.*

*Partnerships are being increasingly used as a delivery mechanism for existing and new services and funding streams. The Council acts as Accountable Body for large amounts of expenditure which 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. Examples of boards include Supporting People, New Deal for Communities, Derby City Partnership and the Community Safety Partnership. These types of arrangements are set to increase with the implementation of the Local Area Agreements.*

*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 Corporate Director of Resources and Housing**

- P1 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 / commission other services from partnerships;
  - agreements with organisations receiving grant payments from the partnership.
- P2 To check and sign grant claims and statements of grant expenditure on behalf of the partnership.
- P3 To ensure that appropriate internal and external audit requirements are in place.
- P4 To ensure that payments are made to partnership organisations in accordance with any agreements in place.
- P5 To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.
- P6 To ensure that the accounting arrangements to be adopted relating to partnerships are satisfactory.

### **Responsibilities of Chief Officers**

- P7 To ensure a budget manager / accountable officer is identified.

- P8 To ensure that Cabinet approval is sought before entering into any partnership agreements where the Council acts as Accountable Body.
- P9 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.
- P10 To prepare any financial estimates relating to partnership arrangements and to agree these with the Corporate Director of Resources and Housing.
- P11 To ensure that appropriate budget approval is sought before entering into a partnership arrangement that commits Council funding.
- P12 To ensure that monitoring arrangements are in place for both financial and non - financial performance measures.
- P13 To ensure that the arrangements for financial monitoring and control operate to the satisfaction of the Corporate Director of Resources and Housing.
- P14 To ensure that accurate and appropriate Asset Registers are maintained in line with funding body requirements.
- P15 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 / commissioning arrangements;

- include a requirement that any transfer of duties to a third party are subject to the same conditions.

**Q POOLED BUDGETS**

*Why is it important?*

*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.*

**Responsibilities of Corporate Director of Resources and Housing**

- Q1 To agree financial procedure arrangements.
- Q2 To ensure that appropriate monitoring arrangements are in place for Council expenditure.
- Q3 To agree virement procedures.
- Q4 To agree the process for managing inflationary and other budgetary pressures.
- Q5 To agree the process for dealing with over and under spending.
- Q6 To ensure that appropriate internal and external audit requirements are in place.

**Responsibilities of Chief Officers**

- Q7 To ensure that Cabinet approval is sought before entering onto any pooled budget arrangements where the Council’s financial commitment is in excess of the limits set in Appendix 1 in aggregate.
- Q8 To ensure that governance and financial procedure arrangements are in place.
- Q9 To prepare any financial estimates relating to partnership arrangements and to agree these with the Corporate Director of Resources and Housing.
- Q10 To ensure that appropriate budget approval is sought before entering Council funding into pooled budget agreement.
- Q11 To ensure that monitoring arrangements are in place for both financial and non - financial performance measures.

- Q12 To ensure that the arrangements for financial monitoring and control operate to the satisfaction of the Corporate Director of Resources and Housing.
- Q13 To observe any specific conditions set by the Council.
- Q14 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.

**APPENDIX 1****FINANCIAL LIMITS (OTHER THAN AS SET OUT IN THE SCHEME OF VIREMENT)**

	Reference
<b>CAPITAL SCHEMES CONTROL</b>	
Chief Officer may approve commencement of capital schemes up to £100,000 total cost and subject to meeting other specific conditions	E1
<b>VARIATION IN CONTRACT COST APPROVED LIMITS</b>	
If, either at the commencement of a scheme or at any time during a scheme, variations to the total scheme cost should be reported to the Council Cabinet where the scheme cost has increased by 10% or £10,000, whichever is the greater.	E9 E10 E15 E16
<b>CHIEF OFFICER APPROVED WRITE-OFF LIMIT</b>	
A Chief Officer and, where an account has been referred to him for collection, the Corporate Director of Corporate and Adult Social Services, may, with the written agreement of the Corporate Director of Resources and Housing, write-off:	I5 I6 I19
(a) 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 and community 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 Corporate Director of Resources and Housing may initiate such write-off or remission after consultation, if necessary, with appropriate Chief Officers and the Corporate Director of Corporate and Adult Social Services. This Regulation will not apply to unpaid rates, community charges, council tax, commercial rents, council tax or general debts written off by the Corporate Director of Resources and Housing under his or her delegated power.	

## **WRITE-OFF OF STOCK DISCREPANCIES, REDUNDANT STOCK AND EQUIPMENT**

Chief Officer's approval limit:

L30/L32

Up to a maximum of £10,000 in any financial year, where the stock value is shown as an asset in the Council's accounts.

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

## **IMPREST ACCOUNTS**

Minor items of expenditure met from imprest accounts should not exceed £50, except in the case of schools where the limit is £100.

M11

## **WORK FOR THIRD PARTIES**

Referral to the Corporate Director of Corporate and Adult Social Services:

Contracts above £10,000.

N2

## **POOLED BUDGETS**

Cabinet approval is required for pooled budget arrangements where the Council's commitment is above £100,000 in aggregate

Q7

**APPENDIX 2****SCHEME OF VIREMENT – REVENUE BUDGETS****Purpose of the Scheme**

The Council's Scheme of Virement and Carry Forward is administered by the Corporate Director of Resources and Housing 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, ie switching resources between heads of expenditure and income, and carry forward, ie 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 of the provisions of the scheme and the treatment of variations in capital scheme costs is as set out in Financial Procedure Rule E 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 Corporate Director of Resources and Housing.
  - 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.

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 D9 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 Corporate Director of Resources and Housing.
- (c) The prior approval of the Council Cabinet is required to any virement, of whatever amount, where it is proposed to vire between budgets managed by different Chief Officers or areas under the responsibility of different Council Cabinet Members.
- (d) 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.
- (x) In addition, the prior approval of the Council Cabinet is required to any use of controllable income to support expenditure where
- the source is an external grant that was not previously approved as part of the Council budget for that year
  - total income available to that department exceeds by more than £100,000 the estimates previously approved for that department as a whole

- (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.

### **Carry Forward**

- (a) Any overspending on Service estimates in total on budgets under the control of the Chief Officer must be carried forward to the following year, and will constitute the first call on service estimates in the following year. The extent of overspendings carried forward will be reported by the Corporate Director of Resources and Housing to the Council Cabinet.
- (b) Total net underspending on departmental estimates, under the control of the Chief Officer, may only be carried forward with the approval of the Council Cabinet. In seeking such approval, the report to Cabinet should:
  - set out the source of underspending or additional income, the proposed application of the resources and the financial year in which the resources are to be applied and
  - demonstrate that, in prioritising uses, account has been taken of unavoidable future financial pressures on the service and how these are planned to be met before entering into additional new financial commitments.

Where a commitment to new recurrent expenditure is proposed, irrespective of whether this is to be temporarily funded from carried forward underspending, such expenditure requires separate approval in accordance with Financial Procedure Rule D9.

- (c) All trading surpluses including former DSO trading surpluses will be retained for the benefit of the Council and their application will require the approval of the Council Cabinet.
- (d) Prior to approval by Council Cabinet to approve year end carried forward underspending and use of any net departmental under

spending, departments may in exceptional circumstances have to enter into unavoidable financial commitments that are expected to be funded from such carried forward under spending. In such circumstances:

- Chief Officers remain responsible for managing total departmental spending within their approved budget until any carried forward balance has been approved
- Chief Officers should report the commitment to the Corporate Director of Resources and Housing, who will if necessary advise the Council Cabinet.

Where under spending can be anticipated prior to the year end, proposals on the use of under spending can be approved as part of approving the Council's budget for the following financial year.