

## Part Eight – Procedures

### Section Three – Financial Procedure Rules

#### I WHY DO WE HAVE FINANCIAL PROCEDURE RULES?

- I.1 The Council is responsible for many millions of pounds of public money and has a number of statutory responsibilities in relation to its financial affairs.
- I.2 The Local Government Act 1972 directs that Authorities shall make arrangements for the proper administration of their financial affairs and that one of their officers be responsible for the administration of those affairs. The Constitution of the Council designates the Executive Director of Resources as the Chief Finance Officer and hence the statutory ‘Section 151 Officer’.
- I.3 Financial Procedure Rules set out the policies and framework within which the Council manages its business. They clarify responsibilities and provide a framework for decision making. The Financial Procedure Rules ensure that the Council complies with statutory powers and duties, as well as reflecting best professional practices and decisions of the Council and Leadership Team.

#### **What are the aims of this document?**

- I.4 The aims of this document are to set out the Council’s Financial Procedures and provide a reference point to other documents which contain the detailed procedures behind these.

#### **Who should read this document?**

- I.5 The Rules apply to all staff and Members of the Council, but are of particular importance to:
  - Chief Officers;
  - Budget managers/holders
  - Finance staff; and
  - Councillors (also called Council Members or just Members);
- I.6 In summary, the Council’s Financial Procedure Rules set out the financial governance arrangements for the Council, setting the control framework for five key areas of activity shown below. To help understand the terminology used in Financial Procedure Rules, a Glossary of Terms used is attached at the end.

#### **Financial Planning**

*Covers performance planning, capital strategy, treasury strategy, pension fund strategy, medium term and annual financial strategy, revenue budgeting, capital programme and budgeting, project appraisal, business plans, and reserves.*

- 1.7 The full Council is responsible for agreeing the medium term financial plans and formally agreeing the annual budget, Council Tax level and the Capital Programme in line with statutory guidance.
- 1.8 The Leadership Team is responsible for recommending the financial plans, Council Tax and Capital Programme to Full Council
- 1.9 Executive Directors are responsible for contributing to the development of these plans, while the Executive Director of Resources and the finance team is responsible for preparing and presenting them to the Leadership Team for consideration.

### **Financial Management**

*Covers revenue budget monitoring and control, virement, treatment of year-end balances, capital budget monitoring, accounting policies, accounting records and returns, annual statement of accounts and financial reporting, setting charges, value for money, contingent liabilities and financial implications of reports.*

- 1.10 The Executive Director of Resources is responsible for developing, maintaining and monitoring compliance with an effective corporate financial framework. This will encompass detailed financial procedures, professional standards, key controls, internal audit and good financial information.
- 1.11 Executive Directors will operate and manage resources within this framework, alerting the Executive Director of Resources to any risk of non-compliance. Executive Directors will manage resources so as to deliver and improve value for money.

### **Risk Management and Internal Control**

*Covers risk management and insurance, internal control, audit requirements, preventing fraud and corruption, assets, treasury management, investments and borrowing, trust funds and funds held for third parties, banking, imprest accounts and staffing costs.*

- 1.12 The Audit and Transparency Committee is responsible for agreeing the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management within the Council.
- 1.13 The Executive Director of Resources is responsible for developing, maintaining and advising upon robust systems for risk management and the control of resources. This will be monitored through an effective internal audit function.
- 1.14 Executive Directors are responsible for establishing and operating sound arrangements within these systems to manage and mitigate risk and for notifying the Executive Director of Resources of any suspected non-compliance.

### **Financial Systems and Procedures**

*Covers general processes and procedures, income, procurement, ordering and paying for works, goods and services, payments to employees and members, taxation, and trading accounts/business units.*

- 1.15 The Executive Director of Resources is responsible for the Council's accounting control systems, the financial accounts, supporting information and all financial processes or procedures.
- 1.16 Executive Directors are responsible for the proper operation of all systems, processes and procedures. All exceptions to the corporately agreed standards will be agreed with the Executive Director of Resources.

### **External Arrangements**

*Covers partnerships, external funding and work for third parties. trading companies and voluntary organisations*

- 1.17 The Executive Director of Resources is responsible for promoting the same high standards of conduct in the management of external arrangements as within the Council.
- 1.18 Executive Directors are responsible for ensuring that the Council's interests are protected in such arrangements and that appropriate advice is taken at all stages.

## **2 OVERALL FINANCIAL RESPONSIBILITIES**

### **Introduction**

- 2.1 The Executive Director of Resources has a duty to ensure that high financial standards are maintained throughout the Council. Part of the way this is managed is through this set of Financial Procedure Rules within the framework of the Constitution.
- 2.2 The rules make references to specific officers' responsibilities for ensuring sound financial procedures. Director of Financial Management and Heads of Finance have principal functional responsibility for finance to ensure compliance with professional standards and objectivity of advice on financial matters. These officers are acting under delegated powers from the Executive Director of Resources. More detailed guidance on the extent of delegation of financial responsibility, and any specific limitations imposed, may be issued from time to time.
- 2.3 Officers can obtain copies of the Financial Procedure Rules, Audit Procedure Rules, Procurement Procedure Rules and the Employee Code of Conduct from the Governance Section. They are also available on the Intranet and Internet.
- 2.4 These rules set down the standards that the Council requires from all officers and agents of the Council and cover the main areas of:
  - Financial Planning
  - Financial Management
  - Risk Management and Control of Resources
  - Systems and Procedures
  - Partnerships and external arrangements.

- 2.5 All officers are required to work within these rules, in conjunction with the other requirements of the constitution; any exceptions are clearly set out. These rules are reviewed regularly and updated as necessary. Officers should ensure they work from the up-to-date copy. Detailed supplementary guidance on some of the areas covered by these rules is published on the intranet and the Finance Hub and must also be followed. Separate regulations for schools are contained in the Scheme for Financing Schools.

### **Executive Director of Resources**

- 2.6 The Executive Director of Resources, as Chief Financial Officer, has statutory duties in relation to the financial administration and stewardship of the authority. These statutory responsibilities cannot be overridden. The postholder is responsible for:

- the proper administration of the financial affairs of the Council.
- maintaining an adequate and effective internal audit function.
- contributing to the corporate management of the Council, in particular through the provision of professional financial advice.
- providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and Budget and Policy Framework issues to all Members and supporting and advising Members and officers in their respective roles.
- providing financial information about the Council to Members of the Council, the media, members of the public and the community.

- 2.7 In particular the Executive Director of Resources is responsible for:

- setting financial management standards, including financial procedures, and
- monitoring their compliance.
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial and risk management.
- providing financial information to support the proper financial planning of the authority, to inform policy development, and to assist Members and officers in undertaking their financial responsibilities.
- preparing the revenue budget, and reporting to the Leadership Team and Council, when considering the budget and Council Tax, on the robustness of the estimates and the adequacy of reserves.
- monitoring income and expenditure against the budget and taking action if overspends or shortfalls in income emerge.
- preparing the capital programme and ensuring effective forward planning and sound financial management in its compilation.

- advising on prudential indicators required to be set in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and ensuring that all matters required to be taken into account in setting Prudential Indicators, and monitoring them, are reported to the Lead Member for Finance and the Council for consideration.
- managing the Council's treasury, investment and banking arrangements.
- issuing advice and guidance to underpin these Financial Procedure Rules that members, officers and others acting on behalf of the authority are required to follow.
- ensuring that effective arrangements are in place for payments of creditors, income collection, risk management and insurance and the production of financial management information.
- issuing advice and guidance on the selection and use of Information Technology.
- issuing advice and guidance on the use of property.

2.8 Section 114 of the Local Government and Finance Act 1988 requires the Section 151 Officer (Executive Director of Resources) after consulting with the Head of Paid Service (Chief Executive) and the Monitoring Officer (Chief Solicitor), to report to the full Council, Leadership Team and external auditor if the authority, or one of its officers:

- has made, or is about to make a decision which involves incurring unlawful expenditure
- has taken, or is about to take an unlawful action which has resulted or would result in a loss or deficiency to the authority
- is about to make an unlawful entry in the Council's accounts.

### **Other Specific Responsibilities**

#### **Director of Financial Management (Deputy Section 151 Officer)**

2.9 This role is held by the Director of Financial Management. This role deputises for the Executive Director of Resources in relation to the statutory requirements of Section 151 of the Local Government Act 1972.

2.10 The Financial Procedure Rules also place specific responsibilities on other individual officers. They include the following:

#### **Executive Directors**

2.11 Executive Directors are responsible for the overall financial management within their Directorate and for ensuring that all staff under their responsibility are aware of the existence and content of the Council's Financial Procedure Rules and that they comply with them. They can delegate these responsibilities to other managers through a written scheme of delegation (responsibility of functions) that sets out the extent and any limitations on areas delegated.

**Line managers**

- 2.12 Line managers are responsible for the day-to-day financial operation of their team and need to ensure that the Financial Procedure Rules are being adhered to.

**Budget holders**

- 2.13 Budget holders are responsible for the financial affairs of their service area. Budget holders have operational responsibility for budgetary control. They shall record financial commitments against their budgets, monitor their budgets and reconcile their own records to the Council's financial information system on a regular basis and take corrective action promptly to deal with any problems that may arise. In carrying out their budgetary responsibilities, they shall comply with any guidelines issued from time to time by the Executive Director of Resources.

**Heads of Finance**

- 2.14 Heads of Finance are responsible for promoting high financial standards including interpreting financial rules and advising accordingly. Heads of Finance are also responsible for working with budget managers, line managers and Executive Directors in monitoring the overall financial position of Directorates and advising their Lead Member on proposals that have a financial impact.
- 2.15 Under delegated powers from the Executive Director of Resources, Heads of Finance are responsible for ensuring that financial training and development is delivered for employees who are responsible for financial management in their Business Groups.

**Individual responsibilities**

- 2.16 Everyone should be familiar with these rules and must clearly understand those that affect their work area. If an officer is unclear about some aspect of these rules they should seek advice before acting. This may be from their line manager, their Finance team, the Director for Audit, Fraud, Risk and Insurance or the Executive of Director Resources.
- 2.17 Failure to comply with Financial Procedure Rules and associated guidance may, in certain circumstances, lead to employees being charged with serious or gross misconduct and dealt with in accordance with the Council's disciplinary procedures.
- 2.18 These rules are not a substitute for individuals' common sense and judgment and all officers must exhibit the highest standards of probity when they deal with the Council's finances. All officers must be aware of and adhere to the rules within the Council's 'Code of Conduct for Employees'. These set out the standards that are expected from employees.
- 2.19 All officers have a duty to act if they believe there is a possibility of fraud, corruption or poor value-for-money taking place or that the rules are being breached. In such cases they must inform their line manager, unless the latter is involved, the relevant Head of Finance and the Director of Audit, Fraud, Risk and Insurance.

## **Emergencies and Breaches**

- 2.20 Very rarely officers are faced with an emergency and may need to act swiftly. It is recognised that in these circumstances officers need to use their best judgement, balancing the need of the service, severity of emergency, and the financial consequences of their actions. Wherever possible, officers should seek clearance from an Executive Director before proceeding.
- 2.21 Officers must secure retrospective approval for their actions. They must contact their Executive Director who will be responsible for co-ordinating such authorisation.
- 2.22 Executive Directors must report all but minor breaches in Financial Procedure Rules to the relevant Lead Member and the Chief Financial Officer.

## **The five Financial Procedure Rules A to E**

- 2.23 What follows in this document is a description of the control framework for each of the five key areas of activity referred to on page one, starting with Regulation A - Financial Planning.

## **3 FINANCIAL PLANNING**

### **Introduction**

- 3.1 The Full Council is responsible for agreeing the authority's policy framework and budget, proposed by the Leadership Team. In terms of financial planning, the key elements are:
- The Medium Term Financial Strategy
  - The Capital Strategy
  - The Treasury management strategy
  - The Investment Strategy

### **Policy framework**

- 3.2 The Full Council is responsible for approving the Medium-Term Financial Strategy, Capital Programme, HRA Business Plan, Annual Budget, Council Tax levels and policy framework.
- 3.3 Full Council is responsible for approving procedures for agreeing variations to approved Budgets, Plans and Strategies forming the Budget and Policy Framework and for determining the circumstances in which a decision will be deemed to be contrary to the Budget and Policy Framework.
- 3.4 A meeting of Full Council is responsible for setting the Budget and is held in March of each year. The Leadership Team and Executive Directors may reallocate the Budget in accordance with Virement rules. The Leadership Team and Executive Directors are responsible for taking in-year decisions on resources and priorities in order to deliver the Budget and Policy Framework within the financial limits set by the Council.

## **Budgeting**

- 3.5 The Executive Director of Resources is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council’s policy framework and medium term financial strategy.
- 3.6 The process for compilation of the budget will be approved by the Leadership Team on the advice of the Executive Director of Resources.
- 3.7 The Executive Director of Resources will issue guidelines on Budget preparation to the Executive Directors. The guidelines are supplemented by timetables together with detailed instructions on the content and format. These guidelines will take account of:
- legal requirements
  - government guidance
  - medium term financial planning prospects
  - the Corporate Plan
  - available resources
  - spending pressures
- 3.8 Heads of Finance and Executive Directors are responsible for drafting annual revenue budgets and financial plans in accordance with these guidelines and associated instructions, involving budget managers in the budget setting process.
- 3.9 Comprehensive budget plans should be based on realistic projections about:
- (a) pay and inflation
  - (b) business and activity levels
  - (c) known service and capital development plans
  - (d) savings plans
  - (e) risk assessments and contingency plans
  - (f) other internal plans such as human resources and ICT
  - (g) Advice of the Executive Director of Resources on the affordability of overall proposals.
- 3.10 Draft budgets and financial plans must be submitted initially to the Executive Director of Resources and then to the relevant Lead Member for approval prior to submission to the Leadership Team.
- 3.11 The Leadership Team is responsible for submitting a balanced draft revenue budget to the Council and recommending the required Council Tax level. The draft budget must



include all revenue budgets, together with other items which make up the Council's total net budget requirement.

3.12 Executive Directors must produce medium term and annual plans for the delivery of the services for which they are responsible. This should include:

- (a) key projects to be delivered
- (b) medium term workforce planning
- (c) training and development plans
- (d) three-year rolling procurement plans
- (e) key risks facing the service
- (f) proposals for continuous improvement of services and value for money
- (g) efficiency plans
- (h) equality impact assessments
- (i) assessing the environmental and sustainability impact of services provided

### **The Capital Programme**

3.13 The Executive Director of Resources is responsible for:

- (a) producing an annual Capital Programme and strategy for approval by the Leadership Team and full Council.
- (b) setting up procedures under which capital expenditure proposals are evaluated and appraised, before approval to include in the Capital Programme, to ensure that value for money is being achieved, they are consistent with service and asset management objectives and are achievable.
- (c) setting up procedures for corporate monitoring of external sources of capital funding.
- (d) ensuring that expenditure treated as capital expenditure is in accordance with best accounting practice.
- (e) ensuring that a Capital Programme is submitted on an annual basis to the full Council, taking into account the total resources available and the affordability and sustainability of the whole programme, in accordance with the Prudential Code and the Capital Strategy.
- (f) producing a corporate Asset Management Plan for approval by the Leadership Team.
- (g) carrying out post completion evaluation of major projects, in order to review performance in the implementation of the project against budget and project plans

and to evaluate performance of the project in the delivery of expected outcomes, to identify lessons learned for the future.

- 3.14 Executive Directors are responsible for producing a departmental asset management plan, in accordance with guidance issued.
- 3.15 Executive Directors are responsible for ensuring that capital proposals reflect agreed service plans and:
- (a) are prepared in line with guidance issued, including guidance on project milestones
  - (b) are realistic and achievable
  - (c) key risks are identified
  - (d) necessary business case development and option appraisals have been carried out
  - (e) whole life costs have been identified and reported
  - (f) the impact on service running costs has been identified and included in the revenue budget planning process where necessary.
- 3.16 The inclusion of a scheme in the approved Capital Programme does not imply automatic approval to spend. They can be intentions to spend subject to meeting further criteria relating to the objectives, cost or funding confirmed through the governance process. Executive Directors must ensure that the Executive Director of Resources confirmation has been obtained for projects to proceed and that all necessary approvals have been received.
- 3.17 Where a project or capital scheme is dependent on external funding it must not proceed until there is confirmation that this has been secured.
- 3.18 In all cases the Procurement Procedure Rules must be followed before expenditure is incurred.
- 3.19 Executive Directors are responsible for ensuring that any new capital expenditure proposals are submitted to the Leadership Team for approval and consequent inclusion in the three-year capital programme following agreement from the Executive Director of Resources, who will be appraised of expenditure and funding plans.
- 3.20 It is the responsibility of Executive Directors to control expenditure within approved capital budgets for their services. Executive Directors must report on variances within their services as required by the Executive Director of Resources. They shall take immediate action necessary to avoid exceeding their budget allocation and advise the Executive Director of Resources.
- 3.21 Where capital budget monitoring indicates that the level of spending on a budget for a capital project will exceed the level of agreed budget provision, then the responsible Executive Director shall develop an action plan to contain or reduce such overspend, including, where appropriate, seeking virement approval.

### **Project and Programmes**

- 3.22 Executive Directors are responsible for ensuring that programmes are conducted using appropriate formal project and programme methodologies and in line with the Capital Handbook that was agreed as part of the 2020 Capital Strategy.

### **Budget Amendment**

- 3.23 Approved revenue budgets may be amended during a financial year in the following circumstances:
- (a) virements in accordance with the rules set out in this document including transfers from contingencies
  - (b) underspend approved by the Executive Director of Resources for carry forward from previous years as a result of slippage in spending in accordance with guidelines, or otherwise approved
  - (c) adjustments for pay and prices increases approved by the Executive Director of Resources from within the Council's contingency
  - (d) additional releases from General Fund reserves or Councils' contingency with the approval of the Executive Director of Resources and Lead Member for Finance for up to £250,000 and Leadership Team for releases in excess of £250,000.
- 3.24 Executive Directors may only make changes to revenue and capital budgets resulting from additional ring-fenced grant, or external income receivable, with the approval of the relevant Lead Member. A proposal to spend additional non ring-fenced grant requires the approval of the Lead Member with responsibility for Finance or Leadership Team, in accordance with virement limits.

### **Maintenance of Reserves**

- 3.25 The Executive Director of Resources is responsible for advising on prudent levels of reserves for the Council when the annual budget is being considered, having regard to assessment of the financial risks facing the authority.
- 3.26 The Executive Director of Resources following consultation with the Lead Member for Finance can approve all contributions to, and appropriations from, General Fund reserves up to £250,000. Any such approvals will be included in Quarterly Monitoring Reports to Leadership Team for noting. Amounts in excess of £250,000 must be approved by the Leadership Team, subject to any limitations set by the Council in the approved budget framework.

### **Fees and Charges**

- 3.27 Executive Directors are responsible for ensuring that there is an annual review of discretionary fees and charges and that proposals for the level of fees and charges are approved by the relevant Lead Member, in line with guidelines approved by the Lead Member for Finance. In February of each year, Leadership Team will be presented with the full schedule. This will set out for information the fees and charges that have been

agreed under delegated powers to Executive Directors and also those which are subject to Leadership Team approval.

- 3.28 In relation to all charges levied in connection with the performance of executive-side functions, Lead members are responsible for establishing certain external charges and revising current ones, as detailed in the annual fees and charges report to the Leadership Team. They must take account of the Council's charging policy and follow the annual guidelines issued by the Lead Member for Finance.

This does not apply to:

- (a) charges set by statute
  - (b) charges set by full Council or one of its Committees
  - (c) charges set by contractors in accordance with contract conditions.
- 3.29 In relation to all charges levied in connection with the performance of Council-side functions, the Council, or its Committees, is responsible for establishing new external charges and revising current ones.

#### **4 FINANCIAL MANAGEMENT**

- 4.1 Financial Management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget. All employees and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working, and controls that are in place, to ensure these standards are met. Budgetary control ensures that resources allocated are used for their intended purpose and are properly accounted for and enables it to identify changes in trends and requirements at the earliest opportunity.

- 4.2 The Executive Director of Resources is responsible for:

- (a) ensuring that a prudential financial framework is in place and effective systems of financial administration operate within the authority.
- (b) maintaining and updating Financial Procedure Rules and the management of a process for monitoring compliance with them.
- (c) ensuring proper professional practices are adhered to and acting as head of profession in relation to the standards, performance and development of finance staff throughout the authority.
- (d) ensuring that appropriate training and guidance is available to all employees who are responsible for financial management
- (e) advising on the key strategic controls necessary to secure sound financial management.
- (f) ensuring that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

- (g) ensuring that Internal Audit carry out the necessary probity and system checks required to verify that proper Financial Management Standards are maintained, taking account of relative risks and proportionality.

### **Budget monitoring and control**

- 4.3 The Executive Director of Resources is responsible for providing appropriate financial information to enable budgets to be monitored effectively. Overall expenditure against budget allocations must be monitored and controlled and a report provided to the Leadership Team on the overall position on a quarterly basis.
- 4.4 Revenue or capital expenditure must not be incurred, unless it is covered by an approved budget. This also applies to proposals which would result in a reduction in income.
- 4.5 Executive Directors are responsible for controlling revenue and capital income and expenditure within their area and ensuring that adequate arrangements are in place for the effective monitoring of budget performance, taking account of financial and service activity/performance level information available. They are responsible for reporting on budget monitoring and variances within their own area, in a format and frequency determined by the Executive Director of Resources. They must also take any action necessary to avoid exceeding their budget allocation and draw attention to any problems.
- 4.6 Executive Directors are responsible for reviewing, monitoring and reporting on budget variances in relation to significant programmes or projects for which they are responsible.
- 4.7 Executive Directors must report to their Lead Member where it appears that spending may exceed an individual approved budget by £100,000 or more. This will also be reported through the Quarterly Financial Monitoring report to Leadership Team.
- 4.8 Executive Directors must make sure that responsibility for monitoring all individual budget heads is clearly defined. An accountable budget manager must be identified for all revenue and capital income and expenditure within each service area, aligned as closely as possible to the decision making process that commits expenditure. In the case of capital projects there must be clear distinction made between the monitoring responsibilities of those charged with administering the spending on capital projects, and the service budget holder who has overall accountability for project and service delivery.
- 4.9 Executive Directors are responsible for reviewing the financial performance of significant partnerships.
- 4.10 Executive Directors must obtain prior approval from the Lead Member for Finance or Leadership Team for new proposals, which fulfil one or more of the following criteria:
  - (a) create financial commitments in future years in excess of existing budgets
  - (b) change existing Council policies, initiate new Council policies or cease existing Council policies

- (c) materially extend or reduce the authority's services
- (d) exceed the limit defined by the Council as a key decision
- (e) exceed any limit requiring reference to a Lead Member under the Constitution
- (f) any such proposals under this regulation shall not have approval to proceed until necessary financial provision is available.

4.11 Spending is only permitted on capital projects that are in the capital programme and for which the Council or Executive have approved a release for spending.

#### **Financial implications of reports**

4.12 The Executive Director of Resources is responsible for monitoring the quality of the financial implications information included in reports by Executive Directors and providing financial comments where there are implications such as corporate revenue or capital resource requirements.

Executive Directors are responsible for ensuring:

- (a) that an options appraisal is carried out in relation to all significant policy issues, including any that exceed the Key Decision limit.
- (b) that financial implications in the current and future years are identified in all relevant reports and that such financial implications are agreed by or on behalf of the Head of Finance.
- (c) that where reports impact on more than one department or have implications for corporate resources (e.g. they may result in an increase or decrease in budget required to fund the service), financial implications comments must be referred to the Director of Financial Management sufficiently in advance of reporting deadlines to enable comments to be made.
- (d) in all relevant circumstances, that financial implications referred to in reports are reflected in current budgetary provisions and Business Plans.

#### **Virements**

4.13 A virement is the transfer of resources from one budget head to another, during a financial year. Budgets within a directorate may be transferred between revenue or capital budget headings provided that they do not involve new policy or policy change and do not involve an increasing commitment in future years that cannot be contained within existing approved budget allocation (see limitations below). Virement limits apply equally to expenditure financed by increased income, including specific grants, and by drawing down of reserves and contingencies, other than when there is a specific delegation.

4.14 Virements are subject to the following limits which apply cumulatively to individual budget heads approved by the Council:

<b>Category</b>	<b>Limit (£)</b>
Head of Finance approval	0-49,999
Executive Director of Resources / Director of Financial Management approval	50,000-99,999
Executive Director of Resources following consultation with relevant Lead Member and Lead Member for Finance	100,000-499,999
Leadership Team approval	500,000+

4.15 No viement to or from the following budgets (irrespective of the amount proposed) shall be made:

- (i) Capital financing costs.
- (ii) Support service and other forms of internal charges (to avoid unintended impact upon other directorate's budgets).
- (iii) Business Rates and Council Tax

4.16 Slippage to be carried forward, due to planned expenditure being unable to be completed in the financial year, requires the approval of the Executive Director of Resources. Other budget carry forwards need Leadership Team approval and slippage and carry forwards together cannot exceed the total underspending.

### **Accounting Records and Returns**

4.17 The Executive Director of Resources is responsible for:

- (a) determining the accounting records for the authority, its form of accounts and supporting accounting records
- (b) ensuring that accounting records are maintained in accordance with proper practices and legislative requirements
- (c) establishing arrangements for the compilation of all accounts and accounting records wherever they are located
- (d) issuing guidance on the retention period for financial records.

4.18 Executive Directors are responsible for:

- (a) consulting with the Executive Director of Resources on the accounting procedures and records to be utilised within their Department.
- (b) ensuring the proper retention of accounting records in accordance with the requirements established by the Executive Director of Resources.
- (c) ensuring that all claims for funds including grants are made by the due date.
- (d) maintaining adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- (e) providing information required for, or to ensure completion of, all statutory and other financial returns by the due dates.
- (f) complying with any compliance testing which the Executive Director of Resources requires in relation to their accounts.
- (g) operating control accounts as agreed by the Executive Director of Resources ensuring that these are regularly reconciled, and cleared as part of the regular monitoring procedures.

### **Accounting Policies and Statement of Accounts**

4.19 The Executive Director of Resources is responsible for:

- (a) determining the Council's accounting policies and ensuring that they are applied consistently
- (b) issuing guidelines on reporting standards to ensure that the annual Statement of Accounts is produced accurately, in line with proper practices, within statutory time limits and that good documentation is available to support the Statement. The financial accounts must comply with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/ LASAAC) and any other relevant accounting Guidance
- (c) Reporting to Audit and Transparency Committee on the annual accounts and publishing the Statement of Accounts.
- (d) liaising with external audit on the completion of the Statement of Accounts and the arrangements for their audit.
- (e) reviewing annually, in consultation with Executive Directors, any contingent liabilities and ensuring that provision is made where necessary in accordance with proper practices.

4.20 Executive Directors are responsible for complying with accounting guidance, providing the Executive Director of Resources with the information needed to produce the annual accounts, together with supporting documentation and good working papers, in accordance with the annual timetable. Executive Directors are responsible for ensuring that appropriate knowledgeable and skilled staff are available to respond to external audit requirements on a timely basis.



## **5 RISK MANAGEMENT AND CONTROL OF RESOURCES**

5.1 Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the Council. It faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of the objectives. Internal controls are required to manage these risks.

### **5.2 Risk Management and Insurance**

The Executive Director of Resources is responsible for:

- (a) preparing the Council's risk management policy statement and promoting good risk management practices throughout the authority
- (b) undertaking a review of requirements to support the annual renewal of insurance contracts, advising the Executive on adequate insurance cover where appropriate and effecting corporate cover for all material risks, through external insurance and internal funding
- (c) establishing arrangements for the handling of all insurance claims, in consultation with other officers where necessary
- (d) ensuring that internal insurance provisions are adequate to meet anticipated claims.

Executive Directors are responsible for:

- (e) identification and management of risk within their service, and having in place monitoring processes for reviewing regularly the effectiveness of risk management strategies
- (f) contributing to management of corporate risk
- (g) ensuring that they are aware of the extent of insurance cover as set out in the Risk Management and Insurance Handbook and complying with procedures agreed regarding the instigation, renewal, maintenance and amendment of the authority's insurance arrangements
- (h) informing the Head of Insurance of any changes in assets that impact on insurance arrangements
- (i) informing the Head of Insurance of any loss or damage to property, whether insured or not, and providing details of all claims made or incidents that may give rise to a claim against the Council.

### **5.3 Internal Control**

The Executive Director of Resources is responsible for:

- (a) advising on effective systems of internal control. Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner which promotes economic, efficient and

effective use of resources and that the authority's assets and interests are safeguarded. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice

- (b) reviewing systems of internal control at least annually and providing an opinion on internal control within the Council in order to advise on the Annual Governance Statement.

Executive Directors are responsible for:

- (c) establishing sound arrangements for planning, appraising, authorising, monitoring and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets
- (d) promoting compliance with Council Policy, Standing Orders, Financial Procedure Rules, Codes of Conduct and any statutory requirements
- (e) promoting an overall effective internal control system. Managerial Control Systems (including appropriate organisation structures, personnel arrangements and supervision, as well as Financial and Operational Control Systems and procedures, including physical safeguards of assets, segregation of duties, authorisation and approval procedures and information systems) should be documented and regularly reviewed.
- (f) providing assurances for the Annual Governance Statement, that financial and operational control processes are in place to enable Business Groups to achieve their objectives and manage significant risks.

#### **5.4 Internal Audit\***

*(\*This should be read in conjunction with the Audit Procedure Rules elsewhere in the Constitution.)*

The Executive Director of Resources is responsible for:

- (a) ensuring an effective internal audit function, through adequate resourcing and coverage properly planned and determined through assessment of risk and consultation with management
- (b) ensuring that effective procedures are in place to investigate promptly any fraud or irregularity
- (c) ensuring 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
- (d) ensuring there is effective liaison between external and internal audit
- (e) reporting losses over £5,000 from fraud or any suspected losses arising from corrupt practices to the Lead Member for Finance and the external auditor.

The Director of Audit, Fraud, Risk and Insurance:

- (f) is responsible for reviewing financial and management systems and controls throughout the Council in accordance with professional standards prescribed by the CIPFA Code of Audit Practice and the Auditing Practices Board and its operating procedures as set out in its Internal Audit Manual<sup>1</sup>
- (g) has a duty to act if fraud or corrupt practices are suspected or detected
- (h) must report to the Audit and Transparency Committee on any relevant matter relating to the Council's financial controls.

Executive Directors are responsible for:

- (i) notifying the Director for Audit, Fraud, Risk and Insurance immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the authority's property or resources. Pending investigation and reporting, all necessary steps should be taken, in consultation with the Head of Audit and Risk Management, to prevent further loss and to secure records and documentation against removal or alteration
- (j) ensuring that internal and external audit are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work
- (k) ensuring that all records and systems are up to date and available for inspection
- (l) ensuring that audit recommendations are responded to effectively in accordance with relevant timescales.

### **Preventing fraud and corruption**

- 5.5 The Executive Director of Resources is responsible for developing, reviewing and maintaining an anti-fraud and anti-corruption policy including whistleblowing, and for advising on effective systems of internal control to prevent fraud and corruption.
- 5.6 The Executive Director of Resources is responsible for the publication of the Officers' Code of Conduct, which must include guidance on the acceptance of gifts and hospitality.
- 5.7 Executive Directors are responsible for ensuring compliance with the Anti-Fraud and Anti-Corruption Strategy 2 and with systems of internal control.

*1 Copies of these documents are held by the Head of Internal Audit and Risk Management*

*2 A copy of this document can be found on the Intranet or obtained from the Senior Audit Manager*

### **Assets**

- 5.8 The Executive Director of Resources and the Director of Social Investment and Property are responsible for ensuring that processes are in place for maintaining asset registers in accordance with good practice for fixed assets. The function of the Asset Register is to provide the authority with up to date information about fixed assets so that they are safeguarded, used efficiently and effectively, and are adequately maintained.

- 5.9 Executive Directors must inform the Executive Director of Resources and Director of Social Investment and Property if they propose to enter into any finance lease agreement.
- 5.10 Executive Directors must ensure that assets, and records relating to these, are properly maintained and securely held.
- 5.11 Executive Directors must ensure that contingency plans for the security of assets and continuity of service, in the event of disaster or system failure, are in place.
- 5.12 The Director of Social Investment and Property must maintain a register of land and properties held by the Council.
- 5.13 Executive Directors must seek the approval of the Executive Director of Resources and Director of Social Investment and Property and the Lead Member for Housing and Property if they propose to vacate, acquire, lease or dispose of land and properties or to grant any easement over or under land.
- 5.14 Executive Directors must inform the Executive Director of Resources and the Director of Social Investment and Property of all property that ceases to be used for its existing operational purpose so that it can be considered for alternative uses within the Council or for disposal.
- 5.15 Executive Directors are responsible for planning for the meeting of dilapidations associated with their occupation of property.
- 5.16 Executive Directors must obtain the prior agreement of the Executive Director of Resources and Director of Social Investment and Property for all transactions involving property acquisition or disposal or which involve the Council in taking or granting a lease in excess of 6 months. They must also inform the Head of Insurance for insurance purposes.

#### **Asset Disposal**

- 5.17 The Director of Social Investment and Property is responsible for issuing guidelines representing best practice for the disposal of property assets.
- 5.18 Executive Directors are responsible for complying with issued guidelines in respect of all assets regarding health and safety. Executive Directors are responsible for planning and meeting the cost of dilapidations connected with their occupation of property.
- 5.19 The Director of Social Investment and Property is responsible for making sure that land and property is sold for the best price possible.

#### **Asset Performance**

- 5.20 The Director of Social Investment and Property is responsible for establishing performance indicators and targets to be approved by the Executive, through the Asset Management Plan.
- 5.21 Executive Directors are responsible for monitoring and reviewing asset performance in accordance with the Asset Management Plan.

### **Information Systems and Technology**

- 5.22 Executive Directors must obtain the prior agreement of the Executive Director of Resources for all transactions involving the acquisition or disposal of IT systems and equipment. Purchase of IT equipment through the Information Systems Division (ISD) is deemed to satisfy the requirement for prior agreement.
- 5.23 Executive Directors are responsible for procuring and maintaining IS/IT assets in accordance with the Council's IT strategy and operational guidelines.

### **Inventories**

- 5.24 Executive Directors are responsible for maintaining and reviewing annually inventories of furniture, fittings, equipment, IT, plant and machinery in their Department in accordance with guidelines issued by the Executive Director of Resources.

### **Stocks of goods and materials**

- 5.25 Executive Directors are responsible for:
- (a) ensuring that stocks of goods and materials are held at a level appropriate to the business needs of the Council, and that stock levels are checked regularly.
  - (b) ensuring that adequate arrangements are in place for their care and custody.
  - (c) writing off the value of obsolete stock in their Departments in accordance with the write off limits for debts (refer to section 4 of 'Systems and Procedures' as set out in this document).

### **Intellectual Property**

- 5.26 The Director of Law is responsible for developing and disseminating best practice regarding the treatment of intellectual property.
- 5.27 Executive Directors are responsible for:
- (a) developing controls to ensure that staff do not carry out private work in council time and that staff are aware that anything they create during the course of their employment, whether written or otherwise, belongs to the Council.
  - (b) complying with copyright, designs and patent legislation and, in particular, to ensure that:
    - (i) only software legally acquired and installed by the authority is used on its computers,
    - (ii) staff are aware of legislative provisions, and
    - (iii) in developing systems, due regard is given to the issue of intellectual property rights.

## **Treasury Management**

- 5.28 This Council will create and maintain, as the cornerstones for effective treasury management:
- (a) a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - (b) suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 5.29 The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 (policy statement) and 7 (TMPs) of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the Council materially deviating from the Code's key principles.
- 5.30 The full Council will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after the year's close, in the form prescribed in its TMPs.
- 5.31 This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Lead Member for Finance and for the execution and administration of treasury management decisions to the Executive Director of Resources, who will act in accordance with the Council's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 5.32 This Council nominates the Audit and Transparency Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies.
- 5.33 The Executive Director of Resources is responsible for:
- (a) making all decisions on borrowing, investment or financing (including finance leasing) in accordance with the approved Treasury Management Strategy and Investment Strategy;
  - (b) ensuring that all borrowing and all investments of money are made in the name of the authority or in the name of an approved nominee.
- 5.34 Executive Directors are responsible for ensuring that there are no adverse cash flow implications when receiving or claiming income or making payments.

## **Loans to third parties and acquisition of third party interests**

- 5.35 The Executive Director of Resources is responsible, jointly with Executive Directors, for ensuring that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Lead Member for Finance or the Leadership Team.

### **Trust Funds and funds held for third parties**

5.36 Executive Directors are responsible for arranging for all Trust Funds to be held, wherever possible, in the name of the authority and ensuring that Trust Funds are operated within any relevant legislation and the specific requirements for each Trust.

### **Banking**

5.37 The Executive Director of Resources is responsible for:

- (a) the control of all money in the hands of the Council
- (b) operating central bank accounts as are considered necessary to the efficient operation of the Council's activities, within the terms agreed with the Council's bankers and reconciled regularly as required
- (c) making appropriate arrangements for signatories to the accounts
- (d) ensuring adequate separation of duties for electronic money transfer to third parties
- (e) approving the opening or closing of any bank account operated by the Council.

5.38 Executive Directors are responsible for operating bank accounts opened with the approval of the Executive Director of Resources in accordance with issued guidelines.

### **Imprest Accounts**

5.39 The Executive Director of Resources is responsible for providing, in agreed circumstances and where such need is proven to be essential, cash imprest accounts to meet minor or other agreed expenditure and for prescribing procedures for operating these accounts.

5.40 Executive Directors are responsible for the secure operation and monthly reconciliation of approved cash imprest accounts in accordance with procedures issued by the Executive Director of Resources.

### **Purchase Cards**

5.41 Purchase Cards are a relevant method of payment for purchases below £500 where appropriate, rather than the use of cash imprests, reimbursement of expenses incurred by employees, or the payment of invoices from suppliers.

5.42 The Executive Director of Resources is responsible for:

- (a) providing Purchase Cards to be used for agreed purposes and to be allocated to nominated members of staff
- (b) prescribing procedures and guidelines for the use of purchase cards, management review, and accounting arrangements for recording and monitoring expenditure incurred with cards issued
- (c) withdrawing Purchase Cards in the event of improper use outside of the prescribed procedures.

- 5.43 Executive Directors are responsible for ensuring the correct use of Purchase Cards in accordance with the procedures and guidelines issued by the Director of Financial Management.

### **Staffing Costs**

- 5.44 The Director of HR and OD is responsible for ensuring that there is proper use of the job evaluation or other agreed system for determining the remuneration of a job.
- 5.45 Executive Directors are responsible for the management of staffing budgets by:
- (a) adjusting the staffing numbers to that which can be funded within the approved budget provision
  - (b) the proper use of appointment procedures
  - (c) monitoring staff activity to ensure adequate control over such costs as sickness, overtime, training, temporary and agency staff
  - (d) ensuring that the staffing budget is not exceeded unless the necessary additional ongoing funding is available and the agreement of the relevant Lead Member and Lead Member for Finance is obtained as required.
  - (e) ensuring compliance with taxation and contract requirements for contractors and employees. Remuneration of employees must be paid through the authorised payroll system.

## **6 SYSTEMS AND PROCEDURES**

- 6.1 There are many systems and procedures relating to the control of the authority's assets including purchasing, income and management systems. Information must be accurate and procedures sound and well administered with controls to ensure that transactions are properly processed and errors detected promptly. The Executive Director of Resources has a professional responsibility to ensure that the authority's financial systems are sound and should therefore be notified of any new developments or changes.

### **6.2 General**

The Executive Director of Resources is responsible for:

- (a) determining the authority's accounting control systems, the form of accounts and the supporting financial records and for ensuring that systems determined by him/her are observed
- (b) approving any changes proposed by Executive Directors to the existing financial systems or procedures or the establishment of new systems or procedures
- (c) compiling, in consultation with Executive Directors, a Business Continuity Plan to provide for as normal a continuation of financial services as possible in the event of any incident affecting systems used to deliver those services.

Executive Directors are responsible for:



- (d) the proper operation of financial procedures and financial processes in their own Departments in accordance with the systems and procedures set out by the Executive Director of Resources.
- (e) ensuring that there are documented procedures for the operation of financial systems
- (f) obtaining the approval of the Executive Director of Resources for any developments of new systems and changes to existing systems that involve a financial operation or that produce output that may influence the allocation of resources.
- (g) ensuring that their staff receive relevant financial training which has been approved by the Executive Director of Resources.
- (h) ensuring, jointly with the Executive Director of Resources that there is a documented and tested Business Continuity Plan to allow information system processing to resume quickly in the event of an interruption
- (i) ensuring that the central financial systems are utilised except where otherwise agreed by the Executive Director of Resources.
- (j) ensuring that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements agreed with the Executive Director of Resources.

### **6.3 Income**

The Executive Director of Resources is responsible for:

- (a) approving procedures for writing off debts as part of the overall framework of accountability and control
- (b) setting the debt management policy for the Council in order to maximise the income due to the Council and its collection
- (c) approving the procedures, systems and documentation for the collection and write off of income
- (d) examining and actioning requests for write offs submitted by Executive Directors subject to the limits as set out in this document
- (e) maintaining a record of all sums written off and adhering to the requirements of the Accounts and Audit Regulations
- (f) ensuring that appropriate accounting adjustments are made following write off action
- (g) ensuring, in consultation with Executive Directors, that adequate provision is made for potential bad debts arising from uncollectable income.

The approval limits for writing off irrecoverable debts is as follows:

<b>Approval by</b>	<b>Limit (£)</b>
Executive Director and Head of Finance (or their authorised representatives).	0-49,999
Director of Financial Management (Deputy S151 Officer), Executive Director and the Director of Law (or their authorised representatives).	50,000-249,999
Executive Director of Resources following consultation with relevant Lead Member and Lead Member for Finance	250,000-499,999
Leadership Team approval	500,000+

Executive Directors are responsible for:

- (a) ensuring that the Council's corporate financial systems are used for collection of income except where specialist systems are used with the agreement with the Executive Director of Resources
- (b) ensuring compliance with the agreed debt management policy of the Council
- (c) ensuring that invoices are accurate, raised promptly, recovery action is swift and any disputes are resolved in a timely manner. All debt must be recorded on the council's general ledger except those approved for recording on other systems by the Executive Director of Resources.
- (d) the write-off of irrecoverable debts in their Departments in accordance with the limits as set out in this document
- (e) ensuring that the agreed charging policy is implemented and consistently applied in respect of each relevant activity and service
- (f) separating, as far as is practicable, the responsibility for identifying amounts due and the responsibility for collection
- (g) ensuring official receipts are issued and maintaining any other documentation for income collection purposes
- (h) holding securely receipts, tickets and other records of income
- (i) ensuring that income from debit or credit cards is processed in accordance with Payment Card Industry Data Security Standards
- (j) ensuring the security of cash handling.

#### **6.4 Ordering and Paying for Works, Goods and Services**

The Executive Director of Resources is responsible for:

- (a) ensuring that the authority's financial systems and procedures for ordering and paying for works, goods and services are sound and properly administered
- (b) agreeing, in consultation with Executive Directors where appropriate, any changes to existing financial systems and approving any new systems before they are introduced
- (c) agreeing the form of official orders and associated terms and conditions
- (d) making payments from the authority's funds on an Executive Director's authorisation that the expenditure has been duly incurred in accordance with Financial Procedure Rules
- (e) defining the requirements for the checking and certification of invoices prior to payment to confirm that the goods have been ordered and received, the invoice is in order and is certified for payment by the nominated budget manager
- (f) setting and reviewing a minimum value for invoices, below which payment will be made on certification that goods or services have been received and that the invoice is in order but not requiring the additional certification of the budget manager
- (g) making payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a Court Order
- (h) making payments to contractors on the certificate of the appropriate Executive Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

Executive Directors are responsible for:

- (i) ensuring that the Council's corporate financial systems are used for payment for work, goods and services except where specialist systems are used in agreement with the Executive Director of Resources.
- (j) ensuring that verbal orders for works, goods or services are only placed exceptionally and are confirmed with an official written order
- (k) Ensuring that purchase orders are used for all purchases of £5,000 or more unless a specific exemption has been granted by the Director of Financial Management
- (l) ensuring that orders are only used for goods and services provided to their Departments and not to obtain goods or services for an individual's private use
- (m) ensuring that only those staff authorised by the Executive Director sign orders or authorise invoices for payment and maintaining an up-to-date list of such authorised staff, identifying in each case the limits of their authority
- (n) ensuring that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by

a different person from the person who authorised the order. Employees must not authorise payments to themselves, to anyone to whom they are related, or with whom they have a close personal or domestic relationship outside work

- (o) ensuring that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment
- (p) ensuring that payments are not made in advance of goods being supplied, work done or services rendered to the Council except with the approval of the Executive Director of Resources.
- (q) ensuring that all undisputed invoices are settled within agreed terms or 30 days from receipt of the invoice
- (r) ensuring that the Department obtains value for money from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, and in line with the principles contained in the authority's Procurement Procedure Rules
- (s) utilising the purchasing procedures outlined in the authority's Procurement Procedure Rules.

#### **Ex Gratia Payments**

6.5 Executive Directors are responsible for approving reasonable ex gratia payments of £1,000 or less to provide a remedy under the Council's complaints system.

6.6 For ex gratia payments in excess of £1,000 Executive Directors are responsible for obtaining the approval in consultation with the Chair of the Administration Committee

#### **6.7 Payments to employees and members**

The Director of Human Resources & Organisational Development is responsible for:

- (a) ensuring that there are appropriate arrangements in place so that employees pay, allowances, compensation payments and deductions are made accurately, promptly and securely in accordance with approved procedures
- (b) setting limits up to which Executive Directors may authorise honoraria and acting up allowances
- (c) ensuring adequate arrangements are made for the secure, accurate and prompt payment of pensions
- (d) ensuring that there are adequate arrangements for the day-to-day administration of all pension administration matters
- (e) arranging payment of all travel and subsistence claims and the payment of allowances and expenses to Members
- (f) ensuring the accurate and timely payment of PAYE, Income Tax, National Insurance, pension and all other statutory and non-statutory payroll deductions

- (g) ensuring the accurate and timely production of statutory returns to HM Revenue and Customs and other statutory bodies, particularly in respect of the financial year-end and the declaration of employee taxable benefits
- (h) arranging and controlling secure and reliable payment, on the due date, of salaries, compensation payments or other emoluments and employment related payments in accordance with prescribed procedures.

The Executive Director of Resources is responsible for issuing guidance on the reimbursement of non-taxable business expenses incurred by employees.

Executive Directors are responsible for:

- (i) ensuring that all appointments are made in accordance with the Council's procedures, approved establishments, grades and scales of pay
- (j) notifying the Director of Human Resources of any changes in employees' circumstances which would affect their payments or deductions
- (k) authorising honoraria and acting up allowances up to the limit set by the Director of HR and OD
- (l) ensuring that all claims based pay, allowances or other sums paid to employees are properly authorised and submitted in time to meet established deadlines
- (m) ensuring that adequate budget provision exists for:
  - all employee appointments
  - all permanent and temporary variations relating to employee appointments
  - all engagements of self-employed persons.

### **Taxation**

6.8 The Executive Director of Resources is responsible for:

- (a) maintaining the Council's tax accounting records, making tax payments, receiving tax credits and submitting tax returns by their due date as appropriate
- (b) b) advising Executive Directors on all taxation issues that affect the authority in the light of relevant legislation as it applies and guidance issued by appropriate bodies.

6.9 Executive Directors are responsible for consulting with, seeking and acting on advice from the Executive Director Resources on the potential tax implications of any new initiatives for the delivery of Council services.

6.10 Executive Directors are responsible for implementing proper processes to comply with tax legislation, in accordance with any advice given.

## **Data**

- 6.11 The Director of Law and the Executive Director of Resources are jointly responsible for issuing guidance on data protection and freedom of information.
- 6.12 Executive Directors are responsible for ensuring that, where appropriate, computer and other systems are registered and operated in accordance with Data Protection legislation. Executive Directors must ensure that staff are aware of their responsibilities under the Data Protection and Freedom of Information legislation.
- 6.13 Executive Directors are responsible for nominating data owners, for compliance with legislation and guidance, for security, controlled access and integrity of data and data transfer and for notifying breaches.

## **7 EXTERNAL ARRANGEMENTS**

- 7.1 Council's work in partnership with others – public agencies, private companies, community groups and voluntary organisations, bringing together the contributions of the various stakeholders, including external agencies, to deliver a shared vision of services based on user wishes. Current legislation also enables councils to perform services for other bodies and offer its services through a trading company on a commercial basis. Trading is not without risk and therefore steps must be taken to manage those risks effectively. Increasingly, the Council commissions services from voluntary and community organisations, and charities, but it is important that the Council does not compromise the independence of their governance arrangements.

### **Working in Partnership**

- 7.2 The Council defines a partnership as follows: "A partnership exists where two or more independent bodies make an agreement to work collectively to achieve a shared objective, and collectively take decisions on significant financial, operational or strategic issues".
- 7.3 The Executive Director of Resources is responsible for:
  - (a) promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council
  - (b) advising on the financial implications resulting from entering into partnership agreements including tax treatment, limitation of liability, valuation of transferred assets or the grant of a right to use existing assets and any other long term issues
  - (c) advising on the terms of any payment and performance mechanism relating to partnerships entered into by the Council.
- 7.4 The Director of Communities is responsible for:
  - (a) establishing and maintaining a database of the partnerships in which the Council is involved

- (b) issuing guidance on the development and evaluation of partnerships that sets out the Council's requirements for pre-partnership appraisals, partnership governance arrangements and regular review of partnerships.

7.5 Executive Directors are responsible for ensuring that:

- (a) pre-partnership appraisals are completed before entering into partnerships, in accordance with the guidance on the development and evaluation of partnerships issued by the Director of Communities.
- (b) partnerships are governed in accordance with the guidance issued by the Director of Communities which covers risk management
- (c) collective decisions taken by partnerships are approved by the Council in accordance with its scheme of delegation and key decision threshold
- (d) the accounting and financial arrangements for partnerships satisfy the Council's requirements and allow for any required audit of the partnerships affairs
- (e) partnerships are reviewed at least once every three years in accordance with the guidance issued by the Director of Communities.

### **External funding**

7.6 Executive Directors are responsible for ensuring that:

- (a) funds are acquired only to meet policy priorities
- (b) any match funding requirements can be accommodated within the budget
- (c) there is a planned exit strategy to deal with the cessation of external funding in the future
- (d) projects progress in accordance with the agreed grant conditions
- (e) all expenditure is properly incurred and recorded (f) all claims for external funds are made by the due date
- (g) any audit requirements are met.

### **Establishing a Trading Company**

7.7 The Executive Director of Resources is responsible for:

- (a) promoting and maintaining the same high standards of conduct with regard to establishing a trading company that apply throughout the Council
- (b) advising on the financial implications resulting from the establishment of a trading company including those resulting from the form of company established

- (c) approving the VAT arrangements made by the trading company prior to its establishment insofar as they affect the Council
- (d) the adequacy of the business case and business plan.

**7.8 Executive Directors are responsible for:**

- (a) preparing a detailed business case and business plan for the establishment of any trading organisation in accordance with relevant legislation and following best practice. The business plan must include full financial projections for the profit and loss account, balance sheet, cash flow statement. The business case must address the risks to the Council of establishing a trading company
- (b) ensuring that proposals for trading activities are not ultra vires and have the Executive's approval before the company is established or any contract with a third-party to establish a trading company is entered in to
- (c) ensuring that they have acquired the necessary expertise to establish the trading company and that its establishment does not adversely impact on the services provided for the Council
- (d) determining the appropriate form of company that should be established and that as appropriate, the articles of association of the trading company and any shareholders' agreement ensure that the Council can exert the appropriate degree of control over the trading company as shareholder
- (e) ensuring that the trading company is not subsidised by the Council and that all services, officer time and other support provided to the company is charged to the company in accordance with the CIPFA Service Reporting Code of Practice
- (f) any contract drawn up between the trading company and the Council addresses risks to the Council
- (g) seeking and acting upon appropriate financial, legal and taxation advice in establishing a trading company.

**Overseeing a Trading Company – Directorships**

- 7.9** The Council may or may not choose to appoint representatives to the board of directors of the trading company. A director's principal duty, under the relevant legislation e.g. the Companies Act 2006 is to the company and therefore Members and officers who sit on a board of directors must be aware of the potential for conflicts of interest and therefore make themselves familiar with the applicable Code of Conduct/Standing Orders when discharging their various duties in relation to the trading company.
- 7.10** To avoid a conflict of interests arising in the roles of Executive Director of Resources and Monitoring Officer, neither should become directors of a trading company.
- 7.11** Unless appointed to the board of directors of a trading company, members and officers must avoid becoming shadow directors of a trading company or compromising the governance arrangements of the trading company and/or the Council. Therefore, unless appointed to the board of directors, members and officers must not:



- (a) participate in board meetings of the company
- (b) take any decision on behalf of the company
- (c) require the trading company to clear or seek approval for its decisions with themselves
- (d) stipulate or request that the he or she must countersign a decision of the trading company.
- (e) Oversight and control of the trading company should be exercised in accordance with its articles of association and any shareholders' agreement.

### **Overseeing a Trading Company – Articles of Association and Shareholders' Agreements**

- 7.12 Where the Council establishes a joint venture, or where the Council is not the sole shareholder in a company, a shareholders' agreement should be agreed with the other shareholders.
- 7.13 Articles of association for a trading company (and in the case of a joint venture or where the Council does not have at least majority of control of the company, the shareholders' agreement) must make provision for the Council to oversee the trading company and ensure that the Council can exercise a suitable degree of control. As a minimum, the articles and any agreement must make provision for the following:
- (a) the decision making powers of the directors and board of directors of the trading company e.g. financial and the business that the trading company can enter into
  - (b) the appointment and removal of directors
  - (c) the rights of shareholders, including the provision for Annual General Meetings and Extraordinary General Meetings
  - (d) the dissolution or sale of the trading company
  - (e) access to the company and its records by internal audit
  - (f) obligation to attend the Scrutiny Committees as required to facilitate scrutiny of the company.

### **Voluntary Organisations and Charities**

- 7.14 Unless appointed to the board of directors of a charity or voluntary organisation, either in a private capacity or on behalf of the Council, or as agreed in the Compact<sup>1</sup>, funding agreement, contract or other written agreement, Members and officers must not:
- (a) participate in board meetings of the charity or organisation
  - (b) take any decision on behalf of the charity or organisation

- (c) require the charity or organisation to clear or seek approval for its decisions with themselves
- (d) stipulate or request that he or she must countersign a decision of the charity or organisation.

*<sup>1</sup> Kensington and Chelsea Partnership Compact and Code of Practice*

7.15 Members and officers, except in an official capacity as a representative, director or trustee of a charity or voluntary organisation, should not attempt to influence the Council's grant -making or commissioning processes to either favour or disfavour that organisation.

## GLOSSARY OF TERMS

Wherever possible we have tried to minimise the use of technical finance terminology. We set out below a glossary, which aims to simplify and explain the terms we've used.

### **Budget**

A statement of the Council's plans for revenue and capital expenditure and income over a specified period of time.

### **Budget holder**

The person responsible for the day to day control of income and expenditure against a set budget for a cost centre or group of cost centres. The budget holder will also be responsible for budgetary monitoring of their cost centres, including preparation of regular monitoring reports as required.

### **Budgetary control**

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

### **Capital expenditure**

Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definition and is in accordance with accounting practices and regulations.

Capital expenditure includes:

- (a) the acquisition of land, buildings, furniture, equipment, plant and vehicles;
- (b) the construction of new buildings or improvements to existing buildings;
- (c) road improvements, bridgeworks, and traffic management and waste disposal schemes;
- (d) internal or external professional fee costs on the above;
- (e) grants and advances for a capital purpose;

Other expenditure may be brought within the definition of capital expenditure by Central Government Regulations. The Executive Director of Resources and the finance team will advise Heads of Service/Executive Directors whenever changes arise.

### **Capital programme**

Sets out the Council's capital expenditure plans for the current and future years.

### **Capital receipt**

Proceeds from the sale of land, buildings and leases of land or buildings of. Particular rules must be observed in dealing with the proceeds and they must not be confused with revenue income such as fees and charges.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy. The professional accountancy body concerned with local councils and the public sector.

### **Council Tax**

The tax which is levied on the broad capital value of domestic properties, and charged to the resident or owner of the property by the Council.

### **Estimate**

Anticipated expenditure or income - generally synonymous with the term "budget estimate"

### **Ex gratia payments.**

Ex-gratia payments are made in situations where no legal obligation exists.

### **General Fund**

The Council's main revenue account that covers the net cost of all services other than the provision of Council housing for rent.

### **Housing Revenue Account**

A statutory account that contains all income and expenditure on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local Authorities are not allowed to make up any deficit on the HRA from the General Fund.

### **Outturn**

Actual income and expenditure in a financial year.

### **Revenue expenditure**

Expenditure on day to day items such as salaries, wages and running costs. These items are paid for from service income, revenue support grant, business rates, revenue grants, contributions and council tax. Differs from the definition of capital expenditure.

### **Section 151 Officer**

Legally Councils must appoint under Section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, in RBKCs case this is the post of Executive Director of Resources.

### **Slippage**

Slippage is when the timeline of a capital project changes which results in the rephasing of the project and budget. For example: Slippage – expenditure on a capital scheme delayed from one financial year into the next but which does not affect the total cost of the scheme.

### **Treasury Management**

The process of managing the Council's cash flows, borrowing and cash investments to support the Council's finances. Details are set out in the Treasury Management Strategy which is approved by Leadership Team in February and Full Council in March each year.

### **Virement**

Transfer of budgets between budget headings.