

# **SECTION 8 - FINANCIAL REGULATIONS**

## **1. Introduction**

- 1.1 Financial regulations provide the framework for managing the financial affairs of the council. They apply to all members, employees and anyone acting on the council's behalf. They set out the responsibilities of employees and members, and set out the control framework which ensures the proper administration for:
- Financial planning
  - Financial management
  - Risk management and audit
  - Control of resources
  - Financial systems and procedures
  - External arrangements
- 1.2 The regulations have been compiled with consideration to the relevant legislation and guidance including:
- The Local Government Act 1972 (Section 151) – This requires that the Council ensures an officer is responsible for the proper administration of the council's financial affairs (known as the Section 151 Officer or Chief Financial Officer);
  - The Local Government Finance Act 1988 (Section 114) – This prescribes that the same officer must make a report if it is considered that a decision has been made or is about to be made involving expenditure which is unlawful or which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the authority;
  - The Local Government Act 2003 (Section 25) – This requires the Section 151 Officer to report to Council, when considering the budget and council tax, on the robustness of estimates and adequacy of reserves;
  - CIPFA – The Role of the Chief Financial Officer in Local Government;
  - CIPFA/SOLACE – Delivering Good Governance in Local Government;
  - CIPFA – The Financial Management Code; and,
  - The Accounts and Audit Regulations.
- 1.3 Due regard will be given to other legislation, guidance, codes and best practice issued by the Chartered Institute of Public Finance and Accountancy, the Government and other recognised bodies in the administration of the council's financial affairs.
- 1.4 The Council has designated the Executive Director (Finance and Transformation) as the Section 151 Officer. The Assistant Director (Finance) has been designated as the Deputy Section 151 Officer and can fully deputise in the absence of the Section 151 Officer.

## **2. GENERAL RESPONSIBILITIES**

### **Introduction**

- 2.1 This section sets out some of the core general responsibilities in relation to the

financial regulations. Detailed responsibilities are set out in Part 3 of the Constitution – Responsibility for Functions.

### **Monitoring Officer**

- 2.2 The Monitoring Officer, together with the Section 151 Officer, is responsible for advising the Executive Member, Cabinet or Full Council about whether a decision is likely to be considered contrary, or not wholly in accordance with the approved budget.

### **Section 151 Officer**

- 2.3 The Section 151 Officer shall decide on all matters concerning the procedures and processes for, and administer, the council's finances and shall be responsible for recommending amendments to the Regulations to the Cabinet and Full Council as necessary.
- 2.4 The Section 151 Officer is responsible for issuing statements of financial practice including policies, procedures and processes. These will be reviewed regularly, and new statements may be issued from time to time.
- 2.5 The Section 151 Officer shall report to the Cabinet, Full Council and external auditor if it appears that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. They will also report if the Council or one of its officers:
- a) has made, or is about to make, a decision which involves incurring unlawful expenditure;
  - b) has taken, or is about to take, an unlawful action which has resulted, or would result in, a loss or deficiency to the Council;
  - c) is about to make an unlawful entry in the Council's accounts.
- 2.6 All references to the Section 151 Officer shall include any finance officers they have approved to act on their behalf.

### **Senior Officers**

- 2.7 Senior Officers (consisting of Executive Directors, Service Directors, Assistant Directors) are responsible for ensuring their teams are aware of, and are complying with, all financial regulations, policies, procedures and processes.
- 2.8 Senior Officers are responsible for consulting the Section 151 Officer on any matter liable to affect the Council's finances materially before any commitments or decisions are made.
- 2.9 Senior Officers are responsible for controlling expenditure within approved budgets, ensuring budgets have nominated budget holders who are aware of their financial responsibilities.

### **Employees and Members**

- 2.10 All employees and members are responsible for complying with the regulations and any other financial policies, procedures and processes in issue, seeking advice on any areas of uncertainty.

- 2.11 All employees and members have a general responsibility for taking reasonable action to provide for the security and protection of any assets under their control.
- 2.12 All employees shall consult the Section 151 Officer on any matter that may require the Section 151 Officer to issue a report in relation to Section 151 of the Local Government Act 1972 or section 114 of the Local Government Act 1988. Information required by the Section 151 Officer should be provided in sufficient time for their statutory requirements to be met.
- 2.13 Should a breach of the Financial Regulations be identified or suspected, it must immediately be reported to the Section 151 Officer, who will investigate, and act as required, including reporting to the Senior Management Team and Members as they deem appropriate.
- 2.14 An employee breach of the regulations, policies, procedures or processes in issue may lead to disciplinary action.

### **3. FINANCIAL PLANNING**

#### **Financial Planning - Introduction**

- 3.1 The Council needs to take a long-term view of its finances, critically evaluating financial sustainability and resilience through medium term planning and sensitivity testing. The council's Medium-Term Financial Strategy is the means for assessing this and setting longer-term strategies.
- 3.2 The adequacy of reserves forms a fundamental part in undertaking longer term assessment of finances and there is a legal requirement for the Section 151 Officer to provide a statement on the adequacy of the council's reserves.
- 3.3 The impacts of capital plans need to be considered alongside revenue and reserves, particularly as there can be a direct impact on revenue arising from any borrowing need, statutory provision for repayment of debt and interest costs/income.
- 3.4 The Medium-Term Financial Strategy provides the basis for setting efficiency targets and sets the backdrop to driving change and improvement programmes which will help with the delivery of a balanced budget.
- 3.5 When taking decisions, whilst it is crucial to consider the immediate and direct impact on finances, it is also important to consider the longer-term implications and any risks associated which may lead to financial implications. Transparency, accountability and sustainability are key to this.
- 3.6 Failure to adequately plan and/or to take decisions without full consideration around financial implications could lead to the Council failing to meet its obligations and to deliver a balanced budget. This could ultimately lead to the Section 151 Officer presenting a section 114 report, which would severely restrict council spending and lead to significant reputational damage.
- 3.7 This section sets out how the requirements in relation to medium-term sustainability,

budget setting and decision making will be met.

### **Decision Making**

- 3.8 Senior Officers have responsibility for ensuring that any proposal or decision, to or from the Cabinet or any other committee, must be accompanied by a full and comprehensive statement of the financial implications and associated financial risks.
- 3.9 Where the proposals have direct implications on the Council's finances, or where there may be significant financial risks, the Section 151 Officer should be consulted at the earliest opportunity.
- 3.10 All recommendations in relation to material decisions must be supported by an options appraisal which is commensurate to the level of the implications of the decision being taken.
- 3.11 The Section 151 Officer will have absolute discretion to refer any proposal with financial implications to Cabinet for approval, during which time no expenditure shall be incurred.

### **Tax Base Setting and Collection Fund Estimates**

- 3.12 In advance of setting the budget and MTFS, the Section 151 Officer will approve the council tax base for the year and the estimated surplus or deficit on the council tax collection fund. This will be done by 31 January for the following financial year and presented to Cabinet as part of the budget.
- 3.13 Following approval, the Section 151 Officer will inform precepting authorities of the approved tax base and estimates on the council tax collection fund.
- 3.14 The Section 151 Officer shall be responsible for ensuring calculations and estimates are prepared and certified for the business rates collection fund in line with the government's published timeframes. These will be presented to Cabinet as part of the budget.

### **Medium-term Financial Strategy (MTFS)**

- 13.5 As a minimum, the Section 151 Officer will present to Cabinet a full review of the councils MTFS alongside the council's annual budget and present a mid- year update in advance of starting the budget-setting process. The MTFS will provide an assessment of the financial resources available to the Council, forecasts and the strategies that will be employed to deliver a balanced budget.

### **Budget Setting**

- 13.6 Budget proposals will be prepared in accordance with guidelines, forms, templates and timeframes issued by the Section 151 Officer in order to meet reporting requirements.
- 13.7 Senior Officers are responsible for submitting proposals in the required format with supporting information on ongoing financing requirements, risks and associated implications.

- 13.8 Submissions will include future proposals and implications. Revenue proposals will be submitted for a minimum of three years, and capital for a minimum of five years.
- 13.9 Fees and charges will be considered and revised in line with the fees and charges policy, where this is not the case these will be highlighted to Cabinet through the budget setting process.
- 13.10 Where delegated authority is granted to determine fees and charges outside of the budget setting process, officers must consult and seek approval from the Section 151 Officer on any proposals to amend fees and charges.
- 13.11 For high value capital schemes or significant changes to the revenue budget, the Section 151 Officer may recommend a separate report be presented on the business case and options for the scheme in advance of, or alongside, the budget setting process.
- 13.12 The Section 151 Officer will advise Full Council on the setting of prudential indicators in compliance with the Prudential Code for Capital Finance and establish monitoring procedures in respect of these indicators.
- 13.13 The Section 151 Officer will be responsible for ensuring that the revenue implications associated with cost of capital schemes, particularly borrowing and interest, are calculated in line with appropriate policies and legislation and are included in budget proposals.
- 13.14 The Section 151 Officer is responsible for determining the format for presentation of the budget proposals. Overview and Scrutiny are responsible for scrutinising Cabinet proposals and Cabinet are responsible for making recommendations by 8 February to Full Council on the budget and council tax charges for the following year.
- 13.15 The Local Government Finance Act 1992, Section 93, requires the council tax to be set for the following year before 11 March. Full Council will approve the budget, MTFS, associated strategies and policies and council tax on or before 10 March each year for the following year.
- 13.16 Once approved by Full Council, officers are authorised to commit and incur expenditure in line with the approved budget in line with appropriate policies and procedures.

### **Reserves**

- 13.17 The council holds several reserves and balances, including the general fund reserve, housing revenue account and earmarked reserves. The Section 151 Officer will advise the Cabinet and Full Council on an adequate level of reserves, provide necessary justification for earmarked reserves and report on the adequacy of reserves. As a minimum, this will be reported alongside budget proposals each year.

## **14. FINANCIAL MANAGEMENT**

### **Financial Management - Introduction**

- 14.1 Financial management forms an essential part of the overall governance framework arrangements for the council.

- 14.2 To remain financially sustainable the council must have timely information on its financial and operational performance so that policy objectives are delivered within budget. Early information on emerging risks will allow carefully considered and effective responses to those risks.
- 14.3 Where the response to a risk or change in service requires an adjustment to budget, it is important that this is done in a controlled and transparent way.
- 14.4 It is important to recognise that there may be circumstances in which the urgency of a decision may mean that expenditure is not incurred in line with the approved budget, but a governance framework must still be in place for the reporting and transparency of such urgent decisions.
- 14.5 Finally, to ensure that taxpayers, residents and other stakeholders have an understanding of how public money has been used, and to meet statutory obligations, the Council must produce a set of annual accounts showing its financial position as at 31 March of each year.

#### **Monitoring of Financial Performance**

- 14.6 The Section 151 Officer will monitor the Council's financial performance and report to the Senior Leadership Team monthly and to the Cabinet quarterly. This reporting cycle will include an annual report on the financial outturn position, which will be presented by the end of June for the previous financial year.
- 14.7 Explanations will be provided for any forecast major variance against budget following discussion with services. Senior Officers will provide information as requested by the Section 151 Officer in order to present and explain forecast variances.
- 14.8 Senior Officers will ensure that income, expenditure and performance are monitored and controlled throughout the year. They must take immediate, appropriate and necessary steps to avoid exceeding the approved budgets.
- 14.9 Where an overspend is anticipated that cannot be resolved through the scheme of virement, the relevant member of the Senior Management Team will consult with the Section 151 Officer and report to Cabinet as advised to recover overspends. This may involve the reduction of service or recommendations on supplementary estimates.
- 14.10 In the case of capital projects, where projections are greater than budget by the lesser of 25% or £100,000 this shall immediately be reported to the Section 151 Officer and where appropriate a report provided to Cabinet outlining recommendations to address the overspend.
- 14.11 A separate report is not required where capital variances arise solely to the rephrasing of approved budgets, these will be reported through the financial performance monitoring reports.

#### **In-year Budgetary and Reserve Controls**

- 14.12 Where possible, forecast variances should be managed within existing budgets. To support budget managers with this, a scheme of virement is available. A virement is the transfer of funds from one budget heading to another. A virement cannot amend the total amount of budget available.
- 14.13 Under circumstances where variances cannot be dealt with through the scheme of virement, Cabinet may, on the advice of the Section 151 Officer, seek Full Council approval for a supplementary estimate which will be met from general or earmarked reserves.
- 14.14 A drawdown from earmarked reserves in line with the purpose originally approved by Full Council, along with an associated adjustment to the budget, may be approved by Cabinet. The ability to drawdown from specific earmarked reserves may also be delegated to the Section 151 Officer in consultation with Executive Member for Resources. A register of these delegations will be maintained in the Councils MTFs.
- 14.15 The ability to create income and expenditure budgets in relation to ringfenced grant receipts or section 106 funding may be approved in year by the Section Officer (in consultation with Executive Member where the value is significant) for Resources, where the funding is being used in line with the restricted purpose.
- 14.16 The ability to move budgets in relation to contingencies or provisions, may be approved in year by the Section 151 Officer where the contingency or provision is being used in line with the approved purposes.
- 14.17 Revenue budget underspends shall not be carried forward to future years without the approval of Cabinet on the advice of the Section 151 Officer. Such requests should be restricted to items of a one-off nature. Where these are approved, the Section 151 Officer has delegated authority to undertake virements in the new year for the purposes of which the roll forward was approved.
- 14.18 During the financial year, or as part of the outturn process, the Cabinet may, on the advice of the Section 151 Officer, increase contributions to reserves and contributions to capital if there no increased use of general balances from the decision.

### **Scheme of Virement**

- 14.19 Transfers between budget headings can take place, provided that they do not involve:
- a) a new policy, or change in policy
  - b) creation of future resource commitments
- 14.20 Transfers between budget headings cannot create a permanent change to the staffing establishment, without the approval of the Senior Leadership Team, including the Section 151 Officer.
- 14.21 Virements cannot:
- a) transfer funds from capital to revenue\*
  - b) transfer funds between the housing revenue account and the general fund
  - c) involve the collection fund

- d) adjust centrally set and apportioned budgets (for example insurance) unless instructed by the Section 151 Officer

\*revenue to capital virements can be undertaken if passed through the revenue contribution to capital and capital financing budgets.

- 14.22 The Section 151 Officer will be responsible for issuing processes and procedures for the request, processing and recording of virements. The Section 151 Officer will determine reporting arrangements for virements approved at officer level and should be consulted on all virements.
- 14.23 The Section 151 Officer may approve any virement to any value, where the purpose is purely to realign services following restructuring, or a change to accounting treatment.
- 14.24 The flowing limits will apply for the scheme of virement. Transactions must not be broken down in order to circumvent appropriate approvals, where a series of transactions together in the financial year exceed a limit, approval from the next appropriate level must be sought:

<b>Value and Type</b>	<b>Authorised by</b>
Up to £25,000 and within a single service	Service Manager*
Up to £50,000 and within a single service	Assistant Director
Up to £100,000 and within a single Directorate	Chief Executive, Executive Director or Service Director
Up to £100,000 between Directorates	Chief Executive, Executive Director and Service Director where budgets impacted
Over £100,000	Cabinet

\*for the purposes of the scheme of virement, a service manager is defined as an officer reporting directly into a Service Director or Assistant Director with budgetary responsibility and at a minimum of Band L in the salary scale.

### **Urgency**

- 14.25 Nothing in these financial regulations shall preclude expenditure being incurred where an emergency or disaster situation occurs, that cannot be contained within existing budgets.
- 14.26 If in the opinion of the Chief Executive, along with the Section 151 Officer and Leader of the Council, the urgency of the situation will not permit delay, the Chief Executive may authorise such expenditure as is considered measured and reasonable.
- 14.27 Any expenditure authorised under this provision will be recorded on an officer decision



sheet along with rationale for the decision, circulated to Executive Members and published online.

- 14.28 Any expenditure incurred under this provision will subsequently be dealt with under the In-year Budgetary and Reserve Controls sections to establish the appropriate budget.

#### **Statement of Accounts and Balance Sheet**

- 14.29 The Section 151 Officer is responsible for ensuring the annual production and certification of the pre-audit Statement of Accounts in line with relevant legislation, statutory codes and best practice.
- 14.30 The Section 151 Officer has responsibility for the issuance of processes, procedures and forms in relation to the Statement of Accounts. Senior Officers will provide information as requested by the Section 151 Officer by the issued deadlines to ensure statutory deadlines are met for the production of the Statement of Accounts.
- 14.31 Audit Committee are responsible for the approval of the post-audit Statement of Accounts.
- 14.32 The Senior Leadership Team will monitor any material contingencies and commitments to identify where a balance sheet provision may have materialised, along with any other material elements of the balance sheet as determined by the Section 151 Officer.

### **15. RISK MANAGEMENT AND AUDIT**

#### **Risk Management and Audit - Introduction**

- 15.1 Sound governance arrangements are required to ensure that the council remains financially sustainable. National guidance and best practice are followed in order to ensure sound governance is in place.
- 15.2 Legislation, guidance and codes of practice regularly change and evolve in these areas, and the Council must be responsive to change to ensure that public funds are protected, and that the council continues to act in accordance with relevant legislation.
- 15.3 The Council undertakes internal audits which are an independent appraisal function to review the effectiveness of the internal control environment. It will objectively examine, evaluate and report on the adequacy and compliance with internal controls.
- 15.4 The Council will not tolerate fraudulent or corrupt acts and will take firm action against those who defraud the authority, who are corrupt or engage in financial malpractice.
- 15.5 The Council's employees and Members have a key role in ensuring that suspected fraud and corruption is identified, reported and acted upon in line with policies.
- 15.6 The Council can face financial risks from claims brought against it or from the occurrence of events. The Council will reduce its exposure to the financial consequences of certain risks by obtaining appropriate insurance cover. Processes should also be established to ensure strategic oversight of significant legal cases and

provide appropriate governance for any associated decisions.

### **Governance and Risk Management Framework**

- 15.7 The Council applies the CIPFA/SOLAGE Delivering Good Governance Framework in Local Government: Framework (2016).
- 15.8 The Executive Director (Finance and Transformation), shall promote and advise on the Council's risk management strategy. Senior Officers shall:
- a) embed risk management within their services;
  - b) monitor risk in line with guidance issued.
- 15.9 The Service Director (Property Maintenance and Climate Change) shall promote and advise on business continuity. Senior Officers shall maintain and test business continuity plans.
- 15.10 The Assistant Director (Legal and Governance) is responsible for the production of the Annual Governance Statement.
- 15.11 The Section 151 Officer is responsible for ensuring all statutory and recommended strategies and policies in relation to financial control and sustainability are identified, drafted and recommended to Full Council for approval.
- 15.12 On approval, the Section 151 Officer has responsibility for ensuring compliance with such strategies and policies, and for issuing processes and procedures to enable compliance.

### **Audit**

- 15.13 The Section 151 Officer will ensure the statutory requirements as laid out in the Local Audit and Accountability Act 2014 and any other relevant legislation and are complied with in order that the external auditor may effectively undertake the annual audit.
- 15.14 The Section 151 Officer will ensure that there is an internal audit function which is resourced sufficiently to be able to provide an annual review of the effectiveness of the council's system of internal controls. This review will be considered by the Audit Committee.
- 15.15 The Section 151 Officer will ensure that the Account and Audit Regulations 2015 (as amended) and any other relevant legislation is complied with in relation to internal audit, and that the Internal Audit team have access to all documents and records as required for undertaking the Internal Audit Function.
- 15.16 Senior Officers will ensure that the Internal Audit Team have the full co- operation of services in order to complete audits effectively.
- 15.17 The Audit Committee will be responsible for the review and approval of the Audit Plan, based on the advice of the Internal Audit lead and the Section 151 Officer.

### **Anti-fraud and Corruption**

- 15.18 The Section 151 Officer will ensure that the Council has robust policies and

procedures in place for the management of anti-fraud and corruption, including an Anti-Fraud and Corruption Policy.

- 15.19 The council's anti-money laundering policy will set out the limits applicable to cash transactions and the Senior Officers will be responsible for ensuring these are adhered to.
- 15.20 The policies will apply to all employees, Councillors, contractors, partners, suppliers, consultants, residents and service users of the council. These policies will be approved in line with Part 3 of the council's constitution – Responsibility for Functions.

### **Insurance**

- 15.21 The Cabinet will be responsible for the award of insurance contracts on the advice of the Section 151 Officer who will determine and effect all insurance cover. Cover shall be periodically reviewed in consultation with the appropriate members of the Senior Management Team to comply with statutory obligations and to safeguard the Council's financial position in respect to losses and claims arising from:
- a) loss of, or damage to, the assets of the Council;
  - b) the Council's legal liability as an employer;
  - c) the Council's legal liability to third parties; and
  - d) to indemnify the Council from acts of fraud or dishonesty on the part of employees or agents.
- 15.22 The Section 151 Officer will be responsible for issuing processes and procedures in relation to the reporting, recording and management of claims against the Council and other insurance records. Senior Officers are responsible for ensuring potential claims are reported in line with these processes and procedures.
- 15.23 Any forms of indemnity shall not be given without first consulting the Section 151 Officer and Monitoring Officer.
- 15.24 Senior Officers will inform the Section 151 Officer immediately of any amendments required to insurable risks including asset acquisitions and disposals, and any matters or events that may require disclosure to the Council's insurers.

### **Significant Legal Cases**

- 15.25 The Monitoring Officer will be responsible for determining appropriate procedures in relation to significant legal cases brought against the Council.
- 15.26 Significant legal cases refer to matters where the claim by or against the council exceeds, or could exceed, £100,000. It also refers to matters where the Council's reputation could be at risk through the alleged unlawful or unreasonable action of the Council or its officers.

## **16. CONTROL OF RESOURCES**

### **Control of Resources - Introduction**

- 16.1 The council holds resources and assets in many forms including property, vehicles,

plant and equipment, stocks, information/documentation and direct financial assets such as cash.

- 16.2 It is important that these resources and assets are safeguarded, used effectively in the delivery of services, and that there are arrangements for the security, management and maintenance of these.
- 16.3 An up to date asset register is a pre-requisite for sound asset management and fixed asset accounting.
- 16.4 The Council has a duty to obtain best value when undertaking asset transactions and to demonstrate value for money in the management and use of assets.
- 16.5 There is a cost to the taxpayer and tenants of uncollected debt, and the Council must have robust controls to recover debt and minimise the impact of any uncollectable debts.
- 16.6 This section sets out how the Council will meet the requirements in relation to the management and protection of assets.

**Assets**

- 16.7 Senior Officers will be responsible for maintaining a register of any assets with a value of over £1,000 within their service. For land and buildings, the following responsibilities apply:
  - The Service Director (Property Maintenance and Climate Change (will ensure all land and buildings are held on a register and mapped on the council’s corporate mapping system.
- 16.8 Registers will include the category of asset/reason held, location, plan details, ownership/purchase details, nature of interest and any tenancy details. A capital accounting register will also be maintained in Financial Services to record the valuations of assets for statutory accounting purposes.
- 16.9 The Assistant Director (Legal and Governance) shall maintain a register of, and have custody of, all title deeds relating to land and buildings owned by the Council and shall retain these under secure arrangements.
- 16.10 Best value must be obtained and demonstrated in asset transactions, and the Section 151 Officer will be responsible for issuing procedures and processes for the disposal of assets.
- 16.11 The following limits will apply to asset transactions (except where separate arrangements have been specifically approved), including but not limited to the purchase, negotiation, lease or sale:

Asset Class	Value	Authorisation Required
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Stocks and inventories (see 6.3)	Up to £1,000	Chief Executive or Executive Director or Service Director, and Section 151 Officer
Plant, vehicles, equipment, intangible assets, intellectual property and other major reusable items	Up to £25,000	Chief Executive or Executive Director or Service Director, and Section 151 Officer
Plant, vehicles, equipment, intangible assets, intellectual property and other major reusable items	Over £25,000	Cabinet
Land and Buildings	Up to £100,000	Assistant Director (Regeneration and Economic Development)
Land and Buildings	Up to £500,000	Assistant Director (Regeneration and Economic Development) and Section 151 Officer
Land and Buildings	Above £500,000	Cabinet

- 16.12 Senior Officers are responsible for advising Financial Services and the Council's Insurance Officer of any asset transactions in line with issued procedures and processes.
- 16.13 Senior Officers are responsible for maintaining security and protection of all assets within their control including buildings, land, stores, equipment, cash, computers and confidential information.
- 16.14 Senior Officers are responsible for maintaining assets and shall retain records to demonstrate compliance with statutory requirements and council policy requirements. Such assets would include buildings, vehicles and plant/machinery.
- 16.15 Any events which impact the safety or security of Council assets, or that increase the risk over such events, should immediately be reported to the Section 151 Officer and the council's Insurance Officer by Senior Officers. Such events could include (but are not limited to): loss of keys; fire; break in/theft; criminal damage; cyber- attack; financial irregularities (cash, stocks, accounting records); and, fraud and corruption.

### **Inventories / Stocks**

- 16.16 Senior Officers will maintain inventories of stocks and minor assets (items under £1,000) they have responsibility for and ensure the safe keeping of said stocks and assets. Details of items leased, loaned or donated to the Council must be included in the inventory records, but be separately identifiable.

- 16.17 Where possible and appropriate, assets will be marked as Council property.
- 16.18 Surplus or obsolete stocks and assets shall be disposed of in accordance with procedures approved by the Section 151 Officer.
- 16.19 Senior Officers will ensure a programme of regular stocktaking takes place for stocks under their control.
- 16.20 Senior Officers will provide information to the Section 151 Officer at the end of each financial year in line with procedures determined by the Section 151 Officer.

**Income and Debt Collection**

- 16.21 Where possible, income will be collected in advance. Where this is not possible, income due will be identified and charged correctly, in a timely manner and in accordance with procedures issued by the Section 151 Officer. These procedures may include a di-minimis debt recovery level.
- 16.22 There will be instances where the cost of raising an invoice may exceed the income that will be generated. In these instances, where approval is sought from the Section 151 Officer, an invoice will not be raised.
- 16.23 Senior Officers will ensure that every effort is made to recover debts due to the council.
- 16.24 Arrangements for debt collection shall be approved by the Section 151 Officer. No significant amendment should be made to the procedures for billing, recording or recovery of money due to the Council without prior consultation and agreement with the Section 151 Officer.
- 16.25 Where Senior Officers have exhausted recovery processes and deem sums are not reasonably recoverable, the debt may be considered for write off in line with procedures issued or approved by the Section 151 Officer. These procedures will include the adequate recording of transactions and the justification for write offs.
- 16.26 Authorisation limits for the writing off of debt will be as follows. Write offs over £10,000 will be requested on the advice of the Section 151 Officer:

<b>Value</b>	<b>Authorised by</b>
Amounts under £5,000	Individual officers and limits may be determined, where specific procedures are in place for categories of debt, which have been approved by the Section 151 Officer
Amounts under £10,000	Section 151 Officer
£10,000 to £49,999	Executive Member for Resources

£50,000 and above	Cabinet
Any value which will cause a deficit in the General Fund or Housing Revenue Account	Council

### **Cash, Floats and Imprest Accounts (Petty Cash)**

- 16.27 The Council's resources may only be held as cash where there is a business need to do so. The Section 151 Officer will have responsibility for authorising the issue of cash holdings for the payment of minor Council expenses, and for the withdrawal or alteration the size of the cash holdings at their discretion.
- 16.28 The Section 151 Officer will maintain procedures for the management and control of such holdings.
- 16.29 Payments from these accounts shall be limited to minor items of expense, up to a maximum value of £50 and must be approved by an appropriate manager. In exceptional circumstances this limit may be exceeded where the advance approval of the Section 151 Officer has been obtained.
- 16.30 Overnight floats may be held with the prior approval of the Section 151 Officer.
- 16.31 Cash received for goods and services should be banked as soon as reasonably practicable, not be held overnight unless in secure locations as agreed with the Section 151 Officer and should not be used for payment of expenditure.
- 16.32 The withdrawal, issue and use of cash for any other purpose must be approved in advance by the Section 151 Officer.

### **Treasury and Banking**

- 16.33 The Section 151 Officer will have authority to manage and operate the Council's banking arrangements and determine authorised officers who are able to undertake duties in relation to the council's banking. All new bank accounts require Section 151 Officer approval.
- 16.34 The Section 151 Officer will ensure compliance with all relevant legislation and guidance in relation to the treasury management activities of the Council.
- 16.35 An annual review of the Treasury Management Strategy will be undertaken which will be presented to Full Council for consideration alongside the budget.
- 16.36 The Section 151 Officer will be responsible for approving the principles and practices which will ensure the Treasury Management Policy objectives and controls are met, and that risks are monitored and managed.
- 16.37 The Section 151 Officer will raise necessary sums required for capital requirements and commitments of the Council. They will determine the method and terms of such financing, and associated charges to reflect the use of capital assets.

- 16.38 Cabinet will have responsibility for the monitoring of treasury management activities. The Section 151 Officer will have responsibility for the execution and administration of treasury decisions.
- 16.39 The Overview and Scrutiny Committee will have responsibility for the effective scrutiny of all treasury management strategies and policies.

### **Expenditure**

- 16.40 Senior Officers will have responsibility for ensuring compliance with the Contract Procedure Rules.
- 16.41 The Section 151 Officer will be responsible for issuing procedures, processes and guidance on commitment to, and payment of, expenditure for goods and services, including the management of suppliers, the ordering of goods and services and for payment of council expenditure. They will determine the format of orders and provide a system for the electronic raising of orders.
- 16.42 Senior Officers have responsibility for ensuring this system, and the approved formats, are used for supplier management and the raising of purchase orders. Deviation from issued guidance can only be done with prior approval from the Section 151 Officer.
- 16.43 The Contract Procedure Rules govern the limits around contract award which are shown as Contract Letting limits in the table below. The Order Approval limits below apply to the approval of purchase orders and invoice verification. These limits will also apply to refunds:

<b>Postholder</b>	<b>Authorisation Level</b>	
	Contract Letting	Order Approvals
Chief Executive	£100,000	£10,000,000
Section 151 Officer	n/a	£10,000,000
Executive Director and Service Director	£100,000	£1,000,000
Assistant Director	£50,000	£50,000
Service Manager reporting to an Assistant Director*	£10,000	£10,000
Service Manager reporting to a Service Director*	£10,000	£50,000
Team Leader*	£0	£5,000

\*For the purposes of the order approval limits, a service manager is defined as an officer reporting directly into a Service Director or Assistant Director with budgetary responsibility and at a minimum



of Band L in the salary scale. A team leader is defined as a direct report to a service manager with management responsibilities, or a direct report to a Service Director or Assistant Director who does not meet the definition of Service Manager.

- 16.44 Senior Officers will have responsibility for ensuring orders will be raised in advance of goods and services except in exceptional circumstances. They will also ensure that goods receipting is undertaken in line with issued procedures to ensure the accurate payment of suppliers, and only after the satisfactory delivery of goods and/or services.
- 16.45 Loans, leases and rental contracts should not be entered into without approval from the Section 151 Officer.
- 16.46 The use of consultants will be confined to those areas where the council does not have sufficient skills or resources, or where an independent view is required.
- 16.47 Prior to engaging with a consultant, the relevant Senior Officer shall identify and document the project objectives, the required deliverables and timescales which will then be used in the formation of the consultancy contract. The lead will also undertake appropriate taxation checks in line with off payroll working procedures.

#### **Payments - BACs, Cheques, Electronic Procurement Cards**

- 16.48 Electronic payment instructions (Chaps, BACs, Faster Payments) to the Council's bankers will only be undertaken by officers authorised by the Section 151 Officer. Such instructions will be issued in line with the procedures issued by the Section 151 Officer and in line with the council's Treasury Management Principles and Practices.
- 16.49 All cheques issued will bear the impression or manuscript signature of an officer approved by the Section 151 Officer.
- 16.50 The Section 151 Officer will be responsible for the procedures for the ordering, control, security and management of cheques.
- 16.51 Electronic purchasing cards will be issued to officers (or embedded with suppliers) to make payments for goods and services. Policies and procedures for the issuance, use, management, control and security of cards and for the authorisation of spend will be the responsibility of the Section 151 Officer.
- 16.52 Electronic Purchasing Cards will never be used for obtaining cash advances. Officers issued with cards must keep them securely and prevent unauthorised use. In the event of an emergency where cash is required, the Section 151 Officer may authorise a temporary removal of the cash withdrawal restriction on Electronic Procurement Cards.

#### **Reconciliations**

- 16.53 The Section 151 Officer will determine the financial records which require regular reconciliation and the frequency of such reconciliations.
- 16.54 Segregation of duties will be maintained between those recording, processing or approving transactions and those reconciling transactions.

### **Intellectual Property**

- 16.55 Intellectual property is defined as an intangible asset that is the result of designing, or creativity that would meet the requirements for copyright or patenting. Intellectual property can have a value so must be carefully managed.
- 16.56 Intellectual property that is created by Council employees in the course of their duties of employment belongs to the Council, and any use other than for the Council's own purpose must be approved in advance by the Section 151 Officer, who will determine if specific approvals are required.
- 16.57 Contractual arrangements with consultants and service providers must clarify the rights of the council and of the consultants or service providers in respect of any intellectual property.

## **17. FINANCIAL SYSTEMS AND PROCEDURES**

### **Financial Systems and Procedures - Introduction**

- 17.1 In order to meet its statutory reporting requirements, and adequately manage, protect and control its resources the Council must have strong accounting systems in place.
- 17.2 Failure to manage taxation correctly can lead to liabilities in the form of backdated taxation plus the potential for significant penalties and interest charges. To ensure that the Council meets its obligations in relation to taxation the council needs to have strong controls and systems in place.
- 17.3 The documentation associated with financial records must be protected and held for set periods for a number of reasons including taxation, statutory accounting and transparency. Controls must be placed around the format and validity of documentation to reduce risks of fraud and error.
- 17.4 This section sets out how the Council will use financial systems and the controls required to meet these requirements.

### **ICT Systems, processing and documentation**

- 17.5 In order to ensure compliance with these regulations and manage any emerging financial risks, changes to legislation and to comply with best practice, the Section 151 Officer may at any time issue financial policies, procedures, processes and guidance.
- 17.6 The Section 151 Officer will ensure ICT systems are available for the recording and management of financial transactions in line with these regulations (including, income, debt and expenditure), legislation and best practice, and that these systems are frequently backed up to protect against loss of data. Where services seek to procure their own systems which include the recording of financial information, these must be approved by the Section 151 Officer.

- 17.7 Senior Officers are responsible for ensuring that such procedures, processes and guidance are adhered to, and the transactions are recorded in the approved ICT systems as appropriate.
- 17.8 In consultation with the Section 151 Officer, Senior Officers may issue additional (but not substitute) procedures, processes and guidance to that issued by the Section 151 Officer, to ensure the proper financial administration of their services.
- 17.9 In consultation with the relevant member of the Senior Management Team, the Section 151 Officer may make recommendations to Cabinet regarding the accounting systems, controls and financial operations of a service.
- 17.10 Any variations, interface changes or upgrades which may have an impact on the recording of financial information or financial processes must receive advance approval of the Section 151 Officer.
- 17.11 Financial records will be retained in line with the Council's document retention policy. The Section 151 Officer must be consulted on any proposed changes to this policy in relation to financial document retention. Destruction of such documents will be undertaken in line with the Council's retention policy and data protection policies and procedures.

### **Taxation**

- 17.12 The Section 151 Officer has overall responsibility for dealing with all statutory requirements concerning the collection, payment, reporting and accounting for taxation, including issuing policies and procedures.
- 17.13 Senior Officers must refer to the Section 151 Officer for advice or clarification on matters of taxation including Value Added Tax (VAT), the Construction Industry Scheme (CIS) and Off Payroll Working.
- 17.14 Senior Officers must ensure policies and procedures issued by the Section 151 Officer are adhered to, and that VAT is correctly identified and recorded through obtaining suitable VAT documentation.

### **Payments to Employees and Members**

- 17.15 The Chief Executive, as Head of Paid Service, has overall responsibility for ensuring staff remuneration, emoluments and entitlements are approved and policies are in place for the control and governance of determining such payments.
- 17.16 All proposed changes to the budgeted establishment shall be subject to review and comment from the Section 151 Officer. They will ensure the correct recording of financial implications of any approved changes.
- 17.17 The Section 151 Officer is responsible for issuing procedures and processes for the calculation, payment, recording and accounting of remuneration, allowances and entitlements. These will be in line with the Council's pay policy and approved scheme of remuneration for Councillors.

- 17.18 Line managers are responsible for the timely reporting to both Human Resources and Financial Services in line with relevant policies for:
- a) all appointments, resignations, termination or other circumstances affecting payment of remuneration, emoluments, entitlements or taxation;
  - b) any absences due to sickness, accidents and other leave without pay;
  - c) any other relevant information required for pensions, income tax and national insurance.
- 17.19 Senior Officers are responsible for determining and recommending the appropriate level of staffing requirements to deliver the council's priorities and statutory obligations. After approval by Council, Senior Officers are responsible for containing staff numbers and resources within the approved budget.
- 17.20 Payment will be made by BACS files generated through the council's payroll system unless otherwise approved by the Section 151 Officer.

### **Invoices, Direct Debits and Interim Contract Payments**

- 17.21 Invoices must:
- a) be prepared by the creditor unless a self-billing arrangement has been approved by the Section 151 Officer. In circumstances where no invoice is available, such as for the payment of grants and refunds, payment can be made by using forms issued by the Section 151 Officer;
  - b) not be amended by officers, where there is an error or dispute, the creditor must cancel and reissue the invoice;
  - c) include VAT registration number and meet VAT requirements of a proper tax invoice where applicable; and,
  - d) be processed in line with procedures and processes issued by the Section 151 Officer.
- 17.22 Direct Debits will not be entered into for the payment of goods and service without the prior approval of the Section 151 Officer.
- 17.23 Contract managers will be responsible for ensuring that invoices received for interim payment against contracts are supported by an interim certificate showing the value of works to date, which has been appropriately verified (for example by a quantity surveyor), and that appropriate retention deductions have been made in line with the approved contract.

### **Credit Arrangements**

- 17.24 No credit arrangements as defined by the prudential code regime, such as leases, loans, and private finance initiatives, shall be entered into without approval of the Section 151 Officer, who will determine the appropriate approval route.

## **18. EXTERNAL ARRANGEMENTS**

### **External Arrangements - Introduction**

- 18.1 Partnerships and Council owned companies can play a key role in supporting the delivery of the Council's objectives. Each of these arrangements will expose the

Council to unique risks and rewards and there is a need to ensure the Council understands these when entering such arrangements.

- 18.2 When entering into grant funding agreements, the Council will often be committing to the delivery of agreed targets in agreed timeframes. Failure to deliver these, or spending funds in a way which is not in line with the grant agreement, can lead to the repayment of funds.
- 18.3 Once the Council has entered into these arrangements, the Council must ensure that there are controls in place for the monitoring and management of the risks, and that there are governance arrangements in place for the approval of any changes to the arrangements which may impact on the Council's risk exposure.
- 18.4 This section sets out how the Council approaches these external arrangements to minimise the financial risks associated with them.

### **Partnerships and Joint Ventures**

- 18.5 For the purposes of these regulations a partnership is defined as a joint working arrangement between otherwise independent bodies that:
- a) agree to co-operate to achieve a common goal;
  - b) create new organisational structures or processes to achieve these goals separate from their own organisational structures;
  - c) plan and implement a jointly agreed programme often with joint staff or resources;
  - d) share relevant information; and
  - e) pool risks and rewards
- 18.6 Service contracts that are described colloquially as 'partnerships' are not partnerships for this purpose but are regarded as contracted services which are dealt with under the Council's Contract Procedure Rules.
- 18.7 New partnerships require Cabinet approval. Senior Officers have a responsibility to seek appropriate professional advice, including from the Monitoring Officer and Section 151 Officer before recommending a new partnership arrangement to Cabinet.
- 18.8 When partnerships are developed, procedures and processes must be compatible with those of the Council. The partners shall agree on which financial regulations and procedures shall apply as part of the governance arrangements for the partnership, and these require the approval of the Monitoring Officer and Section 151 Officer.
- 18.9 Where a partnership is in receipt of funding from the Council, the lead Council officer responsible for managing the partnership will establish appropriate monitoring arrangements, taking advice from the Monitoring Officer and Section 151 Officer.
- 18.10 Senior Officers must be satisfied that partner organisations are financially sound before investing funds into a partnership or project and to undertake risk assessments on the partnership at least once a year.

### **Council Owned Companies**

- 18.11 The Council may create wholly owned companies. The decision to create or acquire such companies is reserved to Council.
- 18.12 The Section 151 Officer must be consulted on such recommendations to Council and will provide an adequate assessment of the financial benefits and risks to inform the decision.
- 18.13 Governance and monitoring arrangements must be established for all such companies and agreed by Cabinet.
- 18.14 All companies will be required to report their financial performance against the approved business plan to the appointed shareholder representative, or shareholder group at least quarterly.
- 18.15 The Section 151 Officer will be responsible for monitoring the ongoing viability and performance of company activities and ensure that company accounts are consolidated into the Council's financial reporting and statements as appropriate.

#### **External Funding**

- 18.16 Senior Officers are responsible for the submission of external grant and funding applications. The Monitoring Officer and Section 151 Officer must be consulted and approve the submission of applications, to ensure any obligations, conditions, match funding and ongoing resource requirements are fully considered.
- 18.17 For approved applications which require in year budget amendments, in-year Budgetary and Reserve Controls section on in year financial controls should be considered.
- 18.18 Senior Officers are responsible for the submission of external grant and funding claims by the due date, but such claims must be reviewed and approved by the Section 151 Officer before submission.
- 18.19 The Section 151 Officer is responsible for ensuring processes are in place for the accurate and timely recording of grant income and associated expenditure, and that claims are reconciled to receipts.
- 18.20 Senior Officers are responsible for ensuring they understand grant conditions, that these conditions are compatible with Council's aims and objectives and that grant conditions are adhered to.
- 18.21 Where match funding is required, Senior Officers must ensure Council resources are available before they submit a bid, or that the withdrawal of a bid where internal funding is declined will not damage the Council reputationally or financially.