London Borough of Hammersmith & Fulham

FINANCIAL REGULATIONS

2017

Authorised by:

Chief Financial Officer (Section 151 Officer)
Hitesh Jolapara

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The Financial Regulations should be read in conjunction with the Budget and Policy Framework and Procedure Rules[1]. Once a budget or a policy framework is in place, it will be the responsibility of Full Council to implement it.

[1] The Budget and Policy Framework and Procedure Rules are stated in Part 4 Rules and Procedure within the LBHF Constitution

HAMMERSMITH & FULHAM COUNCIL
FINANCIAL REGULATIONS
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1 INTRODUCTION

1.1 FINANCIAL REGULATIONS

1.1.1 Financial Regulations provide the regulatory and governance framework which directs the way Hammersmith & Fulham Council undertakes its financial activities including financial planning, budget setting, budget monitoring, and closing of the accounts.

1.1.2 Under section 151 of the Local Government Act 1972, ‘every Local Authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.' The Financial Regulations set out these financial administration responsibilities which form part of the Council’s Constitution.

1.1.3 Where financial thresholds are mentioned in the Financial Regulations they should be cross-referenced with the Council’s Contract Standing Orders (refer to 1.2). In the event of any inconsistency between the two documents Financial Regulations shall take precedence.

1.2 CONTRACT STANDING ORDERS

1.2.1 Under section 135 of the Local Government Act 1972, Councils are required to have in place arrangements for managing their procurement processes. This is to promote good purchasing practice, aid transparency, accountability and probity in how public funds are spent, and help evidence value for money. For Hammersmith and Fulham Council, these arrangements are Contract Standing Orders (CSO), which form part of the Council’s Constitution and are a separate document to the Financial Regulations. Refer to section 5.3 Ordering and paying for work, goods and services.

1.3 FINANCIAL REGULATIONS RESPONSIBILITY

1.3.1 Financial Regulations apply to every Member and officer of the Council and to anyone acting on its behalf. Failure to comply may constitute misconduct and lead to formal disciplinary action.

1.4 GOVERNANCE

1.4.1 The Council’s structure of governance is organised in its Constitution, which sets out how the Council operates, how decisions are made and what procedures are followed. The Financial Regulations, which are part of that Constitution, provide clarity about the financial responsibilities of Council, Cabinet, Cabinet Members (as set out in the Scheme of Delegation), the Chief Executive, the Chief Financial Officer[2] (CFO or Strategic Finance Director) and

[2] The Chief Financial Officer (abbreviated to CFO) is appointed under Section 151 of the Local Government Act 1972. At H&F the CFO has the job title of Strategic Finance Director

other Directors. Their principal financial responsibilities are summarised in section 2.

1.5 DELEGATED FINANCIAL RESPONSIBILITIES

1.5.1 The delegation of financial responsibilities by the Council to Committees and individual Members or officers is contained within the Council's Scheme of Delegation. The Council has also established other internal regulatory documents which should all be viewed[3] in the context of the Council's Constitution and the Financial Regulations.

1.5.2 Hammersmith and Fulham Council operates a devolved financial framework. This means that each major service department has its own accounting support, reporting to its Director and Departmental Management Team for operational purposes and to the CFO for professional financial purposes.

1.5.3 The CFO is responsible for delivering all corporate and strategic financial support. This may be delegated to both Corporate and Service Lead Finance Officers and delivered by other staff within the Corporate Services Department. Issues of strategy or policy are generally managed in collaboration with colleagues from service departments. This is mainly effected through senior management decision making groups/teams. In the rare case of a dispute, the CFO, as the designated statutorily responsible Finance Officer, retains the right to make any such decisions in line with his statutory responsibilities.

1.5.4 Responsibility for managing financial planning, budget monitoring, year-end accounting and financial administration within departments is delegated to Service Lead Finance Officers. Each Director should demonstrate, through a department-wide scheme of delegation, or similar, which post(s) carry responsibility for these functions. The appointment of the post Head of Finance should be made jointly by the CFO and the relevant Director.

1.5.5 Service Lead Finance Officers group have an objective to develop and agree cross-departmental financial practices and resolve financial issues common to all, or to a number of, departments. Service Lead Finance Officers are required to attend meetings to represent corporate and service department views, to take responsibility for collective decisions or recommendations made and to undertake to deliver any actions arising.

1.5.6 Where decisions have been delegated or devolved to other responsible officers, including school governors, references to Directors in these Financial Regulations should be read as referring to those officers. Directors, however, retain the responsibilities placed on them by Financial Regulations even when the performance of financial activities has been delegated to staff within their departments. They should consider this when agreeing delegations of such responsibilities and should ensure these delegations of decision-making have been recorded. References to Directors include the Chief Executive and the CFO in relation to their respective departmental responsibilities.

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[3] Refer to Financial Regulations section 8 - Further Regulatory and Procedural Documents

1.5.7 All Members, Directors, and officers should, where decision-making has been delegated or devolved to them, maintain a written record of all such decisions.

1.5.8 All Members and officers have a general responsibility for taking reasonable action to provide for the security of assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, and provides value for money.

1.6 REVIEW / NON-COMPLIANCE WITH FINANCIAL REGULATIONS

1.6.1 The CFO is responsible for developing and maintaining a continuous review of Financial Regulations, and for submitting any additions or changes necessary, to Full Council for approval.

1.6.2 The CFO is also responsible for reporting, where appropriate, any breaches of these Financial Regulations to Cabinet. Directors are responsible in turn for promptly notifying the CFO of any breach of these Financial Regulations.

1.7 AWARENESS OF AND ACCESS TO FINANCIAL REGULATIONS

1.7.1 Financial Regulations will be available on the Council's internet and intranet sites and Directors are responsible for ensuring that all staff in their departments are aware of their existence and content, and other internal regulatory documents, and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their service areas or are accessible by means of other media.

1.7.2 Financial Regulations apply to the control of both the General Fund finances (except for schools), capital programme and the Housing Revenue Account. The Regulations are supported by local Financial Procedures which provide more detailed direction on the arrangements to be complied with.

1.8 GENERAL GUIDING PRINCIPLES FOR FINANCIAL ADMINISTRATION

1.8.1 It is not possible to draft regulations or rules that cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility, and accountability, as set out in these Financial Regulations, should be applied in all circumstances, even where any particular circumstance is not specifically referred to. Local financial procedures which are specific to service departments will provide operational detail.

1.8.2 The following general principles should be complied with at all times:

- there should be clarity in roles and responsibilities in all financial administration;
- there must be adequate and understood separation of duties so as to maintain sufficient control over all financial transactions and operations;
- there should be a clear hierarchy of control;
- there should be adequate training and supervision of staff;
- there should be adequate management and audit trails;

- there must be effective monitoring by management;
- there must be adequate management of risks and, where there are high levels of risk, suitable additional management checks and monitoring should be undertaken;
- there should be clear and up to date documentation of operational financial procedures; and
- there must be adequate Business Continuity Plans in place to maintain effective administration of the Council's finances at all times.

2 PRINCIPAL FINANCIAL RESPONSIBILITIES

2.1 FULL COUNCIL

2.1.1 Full Council is responsible for agreeing the Local Authority's policy framework and budget following appropriate consideration in accordance with the Scheme of Delegation. In terms of financial planning, the key elements are:

- the Revenue Budget, including Housing Rent and Council Tax setting, and
- the Capital Programme.

2.1.2 Full Council is responsible for:

- Adopting the Local Authority's Constitution which sets out the Local Authority's overall framework of accountability and control;
- Monitoring compliance with that framework and with the agreed policy and related decisions as set out in the Scheme of Delegation.

2.1.3 Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by, and decisions taken by the Council, its Cabinet and its Committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution and Scheme of Delegation.

2.2 CABINET

2.2.1 Cabinet is responsible for proposing the policy and budget framework to Council for approval.

2.2.2 Cabinet is subsequently responsible for the operation, implementation, and monitoring of the policy and budget framework approved by the Council.

2.3 POLICY AND ACCOUNTABILITY COMMITTEES

2.3.1 Policy and Accountability Committees for Hammersmith and Fulham Council develop key policies for the Council on behalf of and with residents and community groups, and hold Cabinet to account. They shadow the work of the Cabinet, and allow residents and the public to have a greater say in Council matters by way of:

- a deputation request;
- a petition;
- by being directly co-opted to sit on a policy and accountability committee, sub-committee or task group;
- by participating in select-committee style public inquiries;
- or by commenting on and participating in the determination of council policy.

2.3.2 There are 5 Policy and Accountability Committees (PACs) – Children and Education PAC; Community Safety, Environment and Residents Services PAC; Economic Regeneration, Housing and the Arts PAC; Finance & Delivery PAC; Health, Adult Social Care and Social Inclusion PAC.

2.4 CHIEF EXECUTIVE

2.4.1 The Chief Executive (as Head of Paid Service) is responsible for the corporate and strategic management of the Authority. This includes responsibility for establishing a framework for management direction, style, standards and for monitoring the performance of the Authority.

2.5 CHIEF FINANCIAL OFFICER (CFO)

2.5.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and to appoint a CFO to have responsibility for those arrangements. Section 114 of the Local Government Act 1988 requires a report to all the Local Authority's Members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

2.5.2 The role of the CFO is defined by CIPFA's[4] publication on "the role of the Chief Financial Officer in Local Government" which provides a statement of five principles to be adhered to as follows:

- The CFO is a key member of the Leadership Team helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- Must lead and direct a finance function that is resourced to be fit for purpose; and
- Must be professionally qualified and suitably experienced.

2.5.3 Key statutory responsibilities for the CFO relating to financial administration of the Authority cannot be overridden and some are listed here:

- Leading development of a medium term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery as agreed by Members;
- Ensuring that a revenue budget, capital programme, audited statement of accounts and any group accounts are prepared and approved annually;
- The CFO is responsible for ensuring compliance with CIPFA's Codes of Practice on local government finance and accounting;

[4] Chartered Institute of Public Finance and Accountancy (CIPFA)

- Maintaining a continuous review of Financial Regulations and submitting any additions or changes necessary to Council for approval on a regular basis;
- Reporting, where appropriate, any breaches of the Financial Regulations as required by the Scheme of Delegation;
- Applying internal controls in all areas of financial management, risk management and asset control;
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cashflow, with appropriate segregation of duties;
- Issuing advice and guidance to underpin the Financial Regulations that Members, officers and others acting on behalf of the Authority are required to follow;
- Reporting (in accordance with the Scheme of Delegation) to Council (or to Cabinet) and to the Council's external auditor if it is considered that any proposed decision, or course of action, will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency, or the Council is about to enter an item of account unlawfully, or the expenditure of the Council incurred (or proposed to be incurred) is likely to exceed the resources available to it to meet that expenditure;
- Promoting and maintaining high standards of financial conduct.

2.6 DIRECTORS

2.6.1 Directors are responsible for:

- ensuring that Members are advised, in line with the Scheme of Delegation, of the financial implications agreed by the CFO for all proposals;
- managing service delivery within the agreed revenue and capital budgets and other relevant strategies and plans;
- developing performance, corporate and service targets and contributing to the corporate vision and objectives;
- contributing to the corporate development of budget forecasts and the preparation of detailed estimates which conform with the agreed allocated totals;
- ensuring that budget estimates reflecting approved corporate guidelines for their preparation, and agreed service plans are submitted to Members, in line with the Scheme of Delegation;
- ensuring that financial management arrangements and practices are agreed with the CFO, and are legally compliant and consistent with best practice and Council policy;
- consulting with the CFO and seeking approval on any matter liable to affect the Local Authority's finances materially, before any commitments are incurred.

2.7 STRATEGIC LEADERSHIP TEAM (SLT)

2.7.1 SLT aims to provide strategic direction and leadership to the organisation as managed by the Chief Executive.

2.7.2 SLT's agenda includes:

- Any reports which set or review strategy affecting more than one service[5] and which will have an impact beyond the current year;
- Monthly revenue budget monitor;
- Quarterly information / progress reports on H&F vision, annual delivery plan, capital budget monitor, S106 allocation, etc.;
- Space for strategic thinking and discussion.

2.8 COMMERCIAL REVENUE COMMITTEE

2.8.1 The Commercial Revenue Committee with two Members was approved by Full Council in October 2016. The Committee or the two Cabinet Members will jointly have the power to approve new income opportunities and income generating business cases with a value of up to £1m. The current Members the Cabinet Member for Finance and one other Member appointed by the Leader. The Leader can nominate another Cabinet Member to act as a substitute in the absence of one of the Committee Members.

2.8.2 The Committee will approve new income opportunities and income generating business cases with a value of up to £1 million.

2.8.3 Decisions with a financial impact of up to £1 million can be taken by the Committee. Any decisions more than £1 million can only be taken by Cabinet.

2.8.4 Should a decision be required in the period between committee meetings, the Commercial Director, Managing Director of LBHF Ventures and the Strategic Finance Director have delegated authority to authorise new income opportunities and business cases with a financial impact of up to £100,000.

2.8.5 The Committee will undertake the shareholder only decisions of LBHF Ventures for example, holding an annual shareholders meeting, approval of accounts etc.

2.8.6 Commercial Revenue Committee Authority Decisions are shown in table 1.

[5] Inclusion of single service strategies to be based on judgement on wider impact beyond that service.

Table 1: Commercial Revenue Committee Authority Decisions

Value £ (cumulative effects)	**Decision**	**Authority**
Value below £100,000	Authority is delegated to authorise new income opportunities and business cases, should a decision be required in the period between Committee meetings.	Commercial Director, Managing Director of LBHF Ventures, Strategic Finance Director
Value below £1m	Committee to approve new income opportunities and income generating business cases.	Commercial Revenue Committee
Equal to and above £1m	Committee to approve new income opportunities and income generating business cases.	Cabinet

3 STRATEGIC FINANCIAL MANAGEMENT AND REPORTING

3.1 MEDIUM TERM FINANCIAL STRATEGY (REVENUE BUDGET STRATEGY)

3.1.1 The revenue budget strategy or medium term financial strategy (MTFS), approved by Council, sets out the Council's financial plan over 4 years with the approved revenue budget in year 1, including:

- the way in which corporate priorities are considered as part of the Council's revenue budget process;
- the level of balances and reserves as approved by the CFO;
- the management of financial risks.

3.1.2 The annual revenue budget or four-year medium term financial strategy will be recommended by Cabinet to Full Council for approval by the start of each financial year.

3.1.3 Budgets are required so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an Authority to budget for a deficit.

3.1.4 The Council must have a framework to enable it to make clear decisions with regard to the setting of a 'legally compliant' balanced budget. This involves detailed decisions on the level of Council Tax, savings to be achieved, increases in spending in priority areas, balances to be maintained and the allocation of revenue control totals to departments.

3.1.6 In that the MTFS spans a number of years, it is to be expected that figures in later years will often be preliminary estimates and/or aspirations of future decisions and changes in council policy.

3.1.7 Responsibilities of the Chief Financial Officer

- To provide guideline budget options to Strategic Leadership Team and to Cabinet.
- To request that Council approve the Council Tax base and Business Rates base before 31 January of the preceding financial year, and notify precepting and levying Authorities of these figures by this date.
- To advise the Council whether the Budget contains robust estimates and reserves for the purpose of Section 25 of the Local Government Act 2003.
- To report through the budget setting report the approach adopted to fees and charges.
- To advise the levels of inflation that may be applied to specific areas of expenditure (e.g. salaries).
- To support Finance and Delivery Policy and Accountability Committee to fulfil their responsibilities under the Budget and Policy Framework Rules to decide whether or not to respond to the Cabinet's proposals.
- To request Council approval for the council tax and budget setting report each year within the statutory timetable.

3.1.8 Responsibilities of Directors

- To take equal responsibility within the Strategic Leadership Team for delivering the revenue budget strategy or Medium Term Financial Strategy.
- When drawing up draft budget requirements, to reflect:
  - spending patterns and pressures revealed through the budget monitoring process,
  - legal requirements,
  - policy requirements as defined by the Full Council in the approved policy framework, and
  - initiatives already under way.
- To work within budget control totals and to utilise resources allocated, and further to allocate resources in the most efficient, effective and economic way.
- To provide any specific departmental information required to inform the budget setting process.
- To agree a departmental budget within the allocation provided.
- To provide information on all income and expenditure within the departmental budget.
- To ensure prior approval by Full Council, as required by the Scheme of Delegation for new proposals, of whatever amount, that:
  - create financial commitments in future years,
  - change existing policies, initiate new policies or cease existing policies,
  - materially extend or reduce the Local Authority's services.
- To prepare estimates of income and expenditure, in consultation with the CFO, to be submitted to Members.
- To prepare budgets that are consistent with any relevant control totals, within the Council's annual budget cycle and within guidelines issued by the Cabinet, in line with the Scheme of Delegation. The format will be as prescribed by the CFO.

3.2 MAINTENANCE OF RESERVES

3.2.1 The Local Government Finance Act 1992 requires billing and precepting Authorities in England and Wales to have regard to the level of reserves needed, for meeting estimated future expenditure, when calculating the budget requirement. The CFO has a duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the Authority is considering its budget requirement.

3.2.2 Responsibilities of the Chief Financial Officer

- To advise 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.
- All contributions to, and appropriations from, reserves must be recommended to and approved by the Cabinet Member for Finance, subject to any limitations set by the Council in the approved budget framework.

3.2.3 Responsibilities of Directors

- To ensure that Reserves are used only for the purposes for which they were intended and are not diminished by utilisation for unapproved purposes.

3.3 TREASURY STRATEGY

3.3.1 The Council adopts a Treasury Strategy, updated annually, to forecast, agree and review treasury activities.

3.3.2 Responsibilities of the Chief Financial Officer

- Preparing and presenting an annual treasury management strategy to Cabinet prior to submission to the Council for approval.
- Implementing, reviewing and reporting on the progress and performance of the strategy and recommending any changes.
- Effecting all investments and arranging borrowings within the limits imposed by the Council and reporting on the funding methods used.
- Approving the use of any finance leases.
- Ensuring compliance with all applicable laws, regulations and codes of practice relating to treasury management and capital finance.
- Ensuring that cash flow forecasting and monitoring systems are in place.

3.3.3 Responsibilities of the Directors

- Assisting cash flow through timely billing and collection of income due, due consideration of contracts payment terms and minimising advance payments wherever possible.
- Supporting cash flow forecasting and notifying the treasury team in advance of any high value receipts or payments that may impact on investments and borrowings.
- Ensuring that no finance leases or borrowings are entered into without the approval of the CFO.

3.4 TREASURY MANAGEMENT

3.4.1 Key controls

- That the Local Authority's borrowings, investments and associated procedures comply with the CIPFA Code of Practice for Treasury Management in the Public Services and with the Local Authority's Treasury Management Policy Statement.

3.4.2 Responsibilities of Chief Financial Officer

- To arrange the borrowing and investments of the Authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Local Authority's Treasury Management Policy Statement and Treasury Management Strategy.

- To produce a Treasury Management Policy Statement and Treasury Management Practices, detailing the mechanisms operated in order to comply with the CIPFA Code of Practice on Treasury Management and statutory requirements.
- To report twice a year on treasury management activities to Members, in line with the Treasury Management Practices. The first report to be produced before 31 March each year is to cover Treasury Management setting out the overall arrangements and strategy for the ensuing financial year.
- To report, secondly, by 30 September summarising to Members the Treasury Management activities of the previous financial year.
- To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by Full Council. To ensure that all securities which are the property of the Authority or its nominees and the title deeds of all property in the Local Authority's ownership are held in the custody of the Monitoring Officer.
- To effect all borrowings in the name of the Authority.

3.4.3 Responsibilities of Directors – Investments and Borrowing

To ensure 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 Full Council, following consultation with the CFO.

3.4.4 Responsibilities of Directors – Trust Funds and Funds held for Third Parties

- To arrange for all Trust Funds to be held, wherever possible, in the name of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust with the CFO, unless the deed otherwise provides.
- To arrange, where Funds are held on behalf of third parties, for their secure administration, approved by the CFO, and to maintain written records of all transactions.
- To ensure that Trust Funds are operated within any relevant legislation and the specific requirements for each Trust.
- To ensure Trust Fund accounts are produced by 30 June each year, or earlier if required for incorporation into the Council's Statement of Accounts, or as may otherwise be specified in the final accounts close down timetable.

3.5 ASSET MANAGEMENT PLAN

3.5.1 The Asset Management Plan (AMP) covers the whole of the Council's property portfolio. The Council has a large portfolio of operational and investment properties as well as being a major landlord. The sound management of these assets is a key objective of financial planning.

3.5.2 Key Controls

- To ensure that the AMP is produced in line with best practice.

- To ensure that the AMP is consistent with other key strategies and plans including corporate priorities, the Capital Programme, the Housing Revenue Account Business Plan, and Housing Strategy.

3.5.3 Responsibilities of the Chief Financial Officer

- To produce in consultation with Directors, the corporate AMP within the required timetable and in conformity with other plans and strategies.
- To seek Member approval, in line with the Scheme of Delegation, for the annual AMP.

3.5.4 Responsibilities of the Directors

- To contribute to the development of the corporate AMP within the statutory deadline and to ensure consistency with other plans and strategies.

3.6 CAPITAL PROGRAMME

3.6.1 Responsibilities of the Chief Financial Officer

- Ensuring that a four year rolling capital programme is prepared on an annual basis for consideration and approval by Council.
- To issue corporate guidance on the capital budget/programme preparation, including bidding for corporate resources, appraisal of projects, virement, slippage, monitoring, and reporting.
- To determine the definition of capital expenditure, having regard to government regulations and accounting guidance. The CFO’s decision as whether or not expenditure meets the statutory definition of capital expenditure is final.
- To ensure the capital programme approved budgets set are fully financed from resources allocated.
- Ensuring that the revenue implications of the programme are contained within the revenue budget and MTFS.
- Ensuring that all schemes relying on the use of prudential borrowing are properly appraised and provide value for money.
- Reporting to Cabinet on the overall position and the availability of resources to support the capital programme on a regular basis, at minimum quarterly.
- Ensuring that sources of capital programme funding (general fund, capital grants, etc.) are identified for the entire programme.
- To ensure that all underspends against allocated capital receipts become corporate resources and are reallocated according to the agreed capital appraisal process.
- To prepare an outturn report at the end of every financial year in a format and to a timescale specified by the CFO. This report should detail the expenditure on each scheme within the year and the funding of this, compared to the approved programme together with details of any slippage of expenditure and/or approved resources.

3.6.2 Responsibilities of Directors

- To comply with the guidance and controls issued by the CFO regarding preparation, monitoring and year end closing for the capital programme.
- Ensuring that all proposed capital projects have been properly appraised, and that each scheme and estimate includes a project plan, progress targets, and funding sources including revenue expenditure implications.
- To prepare at least a quarterly budget monitoring report for the schemes in the approved capital programme for submission to the CFO in the format and timescale agreed with the CFO.
- To ensure that complete records are maintained for all contracts.
- To proceed with projects only when there is adequate provision of funding in the capital programme.
- To obtain authorisation, in line with the Scheme of Delegation, for any increase to their total capital programme, a report should be prepared justifying the increase, explaining the additional expenditure required and why this cannot be contained within existing approved budgets.
- To ensure each project in the approved capital programme has a named officer identified as the project manager for that project.
- To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the CFO and, if applicable, to seek approval of such schemes through the capital programme planning process.
- To advise the CFO and Members, in line with the Scheme of Delegation, of bids for external funding and to maintain records. Where corporate matching funding is required, to consult with the CFO on the resources to be utilised.
- To ensure that adequate provision is made in the revenue budget for any on-going revenue costs arising from capital schemes.
- All capital programme expenditure must be incurred in accordance with Contract Standing Orders.

3.7 REPORTING KEY DECISIONS

3.7.1 The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 requires authorities to publish a forward plan of key decisions at least 28 clear days before a key decision is made. Key decisions are those that involve expenditure or savings of £100,000 or more or have a significant effect on two or more wards.

3.7.2 Key Controls

To publish a key decisions list containing notification of key decisions at least 28 clear days before a key decision is made.

3.7.3 Responsibilities of the Monitoring Officer

- To provide guidance on the notification of key decisions to Directors.
- To maintain and publish the key decisions list on a monthly basis.

3.7.4 Responsibilities of Directors

To complete the key decisions list pro-formas for all key decisions at least 28 clear days before a key decision is made and forward them to the Head of Governance and Scrutiny.

3.8 CAPITAL AND REVENUE BUDGET AMENDMENTS

3.8.1 It may be necessary to amend the capital or revenue budget, previously approved by Full Council, during a financial year, because, for example:

- The creation of income and expenditure budgets may be required following the receipt of any third party funding not anticipated in the budget report, such as specific grant funding that, does not increase the Council's approved net budget: these must be approved by the Section 151 Officer and the approved budget changes will be reported within the Corporate Revenue or Capital Monitoring reports to Cabinet.
- Virements may be required with no increase in the Authority's net budget requirement, between budget heads within departments or between departments, for example to reflect a restructuring of services: these require approval in line with the financial regulations delegation limits.
- Other amendments may require use of a contingency provision or reserve to address an urgent spending pressure which may create financial commitments in future years, involve policy changes, and extend the Authority's services beyond the approved policy framework: these require approval in line with the financial regulations delegation limits.

3.8.2 Key Controls

Arrangements for amendments to the capital or revenue budgets involve the following key controls:

- amendments to the Council approved capital and revenue budgets are administered by the CFO in accordance with the Scheme of Delegation, and
- the overall budget and policy framework is approved by Full Council, Directors and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover amendments to those approved capital and revenue budgets which must be approved in accordance with the Scheme of Delegation.

3.8.3 Responsibilities of the Chief Financial Officer

- The financial limits below apply not only to individual amendments but also to the cumulative effects of amendments to the same cost centres or projects in any financial year.

Table 2: Capital and Revenue Budget Amendments –
Responsibilities of the Chief Financial Officer

	Responsibilities of the Chief Financial Officer	**Value £** (cumulative effects)
	Arrangements for amendments to revenue budgets, when additional funding becomes available	
1	To authorise amendments below £25,000.	<£25,000
2	To comment on proposed amendments equal to or above £25,000 and below £100,000 in any report to the relevant Cabinet Member(s) seeking approval to the additional expenditure.	=>£25,000<£100,000
3	To comment on proposed amendments equal to or above £100,000 and below £5,000,000 in any report to the Cabinet seeking approval to the additional expenditure.	=>£100,000<£5,000,000
4	To comment on proposed amendments equal to or above £5,000,000, or where changes to the approved policy framework are involved, in any report to Full Council seeking approval to the additional expenditure.	=>£5,000,000
	Arrangements for amendments to capital budgets, where additional funding becomes available:	
5	To comment on proposed amendments equal to or below £100,000 in any report to the relevant Cabinet Member(s) seeking approval to the additional expenditure.	=<£100,000
6	To comment on proposed amendments equal to or above £100,000 and below £5,000,000 in any report to the Cabinet seeking approval to the additional expenditure.	=>£100,000<£5,000,000
7	To comment on proposed amendments equal to or above £5,000,000, or where changes to the approved policy framework are involved, in any report to Full Council seeking approval to the additional expenditure.	=>£5,000,000

3.8.4 Responsibilities of Directors

- The financial limits below apply not only to individual amendments but also to the cumulative effects of amendments to the same cost centres or projects in any financial year.

Table 3: Capital And Revenue Budget Amendments - Responsibilities of Directors

	Responsibilities of Directors	**Value £** (cumulative effects)
	To propose amendments to revenue budgets previously approved by Council where additional funding has been made available	
1	To propose amendments of below £25,000 in writing for authorisation by the CFO.	<£25,000
2	To prepare a report jointly with the CFO in respect of proposed amendments equal to or above £25,000 and below £100,000 for the approval of the relevant Cabinet Member(s).	=>£25,000<£100,000
3	To prepare a report jointly with the CFO in respect of proposed amendments equal to or above £100,000 and below £5,000,000 for the approval of the Cabinet.	=>£100,000<£5,000,000
4	To prepare a report jointly with the CFO in respect of proposed amendments equal to or above £5,000,000, or where changes to the approved policy framework are involved, for the approval of Council.	=>£5,000,000
	To propose amendments to capital budgets previously approved by Council, where additional resources become available	
5	To prepare a report jointly with the CFO in respect of proposed amendments below £100,000 for the approval of the relevant Cabinet Member(s).	=<£100,000
6	To prepare a report jointly with the CFO in respect of proposed amendments equal to or above £100,000 and below £5,000,000 for the approval of the Cabinet.	=>£100,000<£5,000,000
7	To prepare a report jointly with the CFO in respect of proposed amendments in equal to or above £5,000,000, or where changes to the policy framework are involved, for the approval of Council.	=>£5,000,000

- Amendments to capital or revenue budgets which may impact on the level of service activity of another Director should be implemented only after agreement with the relevant Director.

3.9 FINANCIAL MANAGEMENT STANDARDS

3.9.1 All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This requires all Members and staff to be clear about the standards to which they are working and the controls that are in place to ensure that these standards are achieved.

3.9.2 The key controls and control objectives for financial management standards are:

- their promotion throughout the Authority, and
- a monitoring system to review compliance with financial standards, and
- regular benchmarking of performance indicators and standards that are reported to Members, in line with the Scheme of Delegation.

3.9.3 Responsibilities of the Chief Financial Officer

- To ensure the proper administration of the financial affairs of the Authority.
- To maintain and update Financial Regulations and to monitor compliance with them.
- To ensure proper professional practices are adhered to and to act as Head of Profession in relation to the standards, performance and development of finance staff throughout the Authority.
- To advise on the key strategic controls necessary to secure sound financial management.
- To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons with national and local financial performance indicators.
- To report, through the Revenue Monitor, monthly forecasts of net outturn forecasts and variances, and to report departmental action plans for containing net expenditure within the net Revenue Budget.
- To ensure that Internal Audit carry out the necessary probity and system checks required to verify that proper financial management standards are being maintained.

3.9.4 Responsibilities of Directors

- To promote Financial Regulations and other related standards and procedures in their departments and to monitor adherence to these, in consultation with the CFO.
- To promote sound financial practices in relation to the standards, performance and development of staff in their departments.
- To manage their budgets in accordance with these Regulations and to report all forecast variations, to the CFO. Such forecasts to include action plans for containing expenditure within the Revenue Budget.

3.10 SCHEME OF VIREMENT

3.10.1 The scheme of virement is intended to enable Directors and their staff to manage budgets with a degree of flexibility within the overall policy and budget framework determined by Full Council, and therefore to optimise the use of resources. This scheme of virement applies to both revenue and capital budgets. Refer to tables 4, 5 and 6.

3.10.2 Key controls for the scheme of virement are:

- It is administered by the CFO within guidelines set by Full Council. Any variation from this scheme requires the approval of Full Council;
- The overall budget is agreed by Members, in line with the Scheme of Delegation, and approved by Full Council. Directors and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure;
- Virement does not affect overall budget totals. Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, in using virement they should not support recurring expenditure from one-off sources of income, fortuitous savings or additional income, and should not create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Directors must plan to fund such commitments from within their budget control totals.

3.10.3 Responsibilities of the Chief Financial Officer

- The financial limits below apply not only to individual virements but also to the cumulative effect of virements between the same estimate heads in any one financial year.

Table 4: Scheme Of Virement - Responsibilities the Chief Financial Officer

	Responsibilities of the Chief Financial Officer	**Value £** (cumulative effects)
	For all virements, whether within or between, departments	
1	To authorise virements below £25,000 following a written request from the responsible Director(s), and to comment if appropriate.	<£25,000
2	To comment in the “Financial Implications” paragraph of any report drafted by Director(s) to the relevant Cabinet Member(s) required in order to seek agreement to virements equal to or above £25,000 and below £100,000.	=>£25,000<£100,000
3	Cabinet to seek agreement to virements equal to or above £100,000.	=>£100,000
4	To comment in the “Financial Implications” paragraph of any report drafted by Directors where the proposed virement represents a change to the approved budget and policy framework and therefore the approval of Full Council is required.	

- To monitor and record authorised virements agreed and report them at least quarterly to Members Cabinet within the Revenue Monitor.
- Controlling and administering the virement mechanism in accordance with guidance and limits set by Full Council. As a general rule revenue virement is only permissible in the following circumstances:

    - To correct any errors made in the initial loading of the budget onto the main accounting system;
    - To reflect a structural reorganisation;
    - To distribute centrally held budgets, e.g. savings targets and inflation provisions to reflect major changes in policy, subject to appropriate approval;
    - To reflect receipt of additional grant or other funding.

3.10.4 Responsibilities of Directors

- The financial limits below apply not only to individual virements but also to the cumulative effect of virements between the same estimate heads in any one financial year.

Table 5: Scheme Of Virement - Responsibilities of Directors

	Responsibilities of Directors	Value £ (cumulative effects)
	To agree virements whether within or between their departments following notification to and authorisation by the CFO	
1	To propose virements of below £25,000 and to seek authorisation of them by the CFO.	<£25,000
2	To prepare a report jointly with the CFO for the relevant Cabinet Member(s) seeking agreement to virements equal to or above £25,000 and below £100,000.	=>£25,000<£100,000
3	For Cabinet in respect of virements equal to or above £100,000.	=>£100,000
4	To prepare a report jointly with the CFO to Full Council where any proposed virement represents a change to the approved Council budget and policy framework.	

- Virement that is likely to impact on the level of service activity of another Director should be implemented only after agreement with the relevant Director.
- For educational establishments operating under the Local Management Scheme, governing bodies shall follow the procedures laid out in the financial guidelines contained in that scheme.
- Where an approved budget is a provision, the allocation of which could not be determined at the time of budget approval, but which is intended for allocation during the year, its subsequent allocation will not be treated as a virement, provided that:
    - the amount is used in accordance with the purposes for which it has been established;
    - Members, in line with the Scheme of Delegation, have approved the basis and the terms, including any financial limits, on which it will be allocated. Individual allocations in excess of the agreed financial limits should be reported in line with the Scheme of Delegation.

3.11 TREATMENT OF BUDGET OVER AND UNDERSPENDS

3.11.1 The rules below cover arrangements for the transfer of budget provision between accounting years, i.e. carry-forwards, together with any other implications of variations from the approved budget.

3.11.2 Key Controls

Appropriate accounting procedures are in operation to ensure that carried forward totals are correct.

3.11.3 Responsibilities of the Chief Financial Officer

- To obtain Cabinet approval for the year-end treatment of departmental underspends and overspends having regard to Council's overall Budget Strategy (revenue and capital).
- To present planned departmental budget carry forward requests as part of the month 9 or 10 Revenue Monitor report. Cabinet will approve any carry-forwards once an underspend is confirmed at year-end.
- To ensure the amount of the underspending carried forward shall not exceed the net total departmental underspending for the year and will not be carried forward whatsoever in the event of net departmental overspending at the year end.
- To report all overspendings and underspendings on service estimates carried forward to Members, in line with the Scheme of Delegation.

3.11.4 Responsibilities of Directors

- Net underspendings on service estimates under the control of the Director must be used in the first instance to offset any overspendings under their control. In exceptional cases, Directors may make an application to the CFO for the carry forward of underspendings.
- All internal business unit surpluses shall be applied as required by CIPFA Service Reporting Code of Practice (SERCOP). A "de minimis" limit of £100,000 per trading unit will apply.
- Schools may carry-forward surplus balances from one financial year to the next. Schools may also carry forward deficit balances which will be deducted from the school's budget share in the following financial year at the discretion of the Local Authority. Schools budget plans must include provision to recover any deficit from the previous year.
  Schools may not plan for a budget deficit except in exceptional circumstances. A school that wishes to operate a licensed deficit will be required to obtain in advance the agreement of the Director of Children's Services and the CFO. The Director of Children's Services and shall jointly have the authority to agree a licensed deficit of £50,000 or less. Deficits above this level require the prior approval of Members, in line with the Scheme of Delegation. Proposals shall be accompanied by a detailed plan setting out how the arrangement is to be accommodated as the first call on the next year's budget share.

3.11.5 Scheme of virement summary - responsibilities of Directors/Cabinet Members/Cabinet.

Table 6: Scheme Of Virement Summary –
Responsibilities of Directors/Cabinet Members/Cabinet/Full Council

	Responsibilities of Directors	**Value £** (cumulative effects)	**Authorisation**
1	All Directors are authorised by the General Scheme of Delegation to make decisions to incur new expenditure (or a future commitment to incur new expenditure) below £25,000, provided this is contained within current approved budgets.	<£25,000	Director
2	Any such decisions in relation to sums equal to or above £25,000 and below £100,000 and subject to the same criteria must be processed as a Cabinet Member decision.	=>£25,000<£100,000	Cabinet Member
3	Expenditure authority equal to or above £100,000 will be a Cabinet decision.	=>£100,000	Cabinet
4	Directors to prepare a report jointly with the CFO to Full Council where any proposed virement represents a change to the approved Council budget and policy framework.		Full Council

3.12 ACCOUNTING POLICIES

3.12.1 The CFO is responsible for the preparation of the Local Authority's Statement of Accounts, in accordance with proper accounting practices and in the format required by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom for each financial year ending 31 March.

3.12.2 Key controls

The key controls for accounting policies are:

- Systems of internal control to ensure that financial transactions are lawful;
- Suitable accounting policies are selected and applied consistently;
- Proper accounting records are maintained; and
- Financial statements are prepared which give a "true and fair" view of the financial position of the Authority and its expenditure and income.

3.12.3 Responsibilities of the Chief Financial Officer

- To select suitable accounting policies in order to comply with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and to ensure that they are applied consistently. The accounting policies used are to be set out in the Statement of Accounts, which is prepared as at 31 March each year, covering the following accounting principles:
    - separate accounts for capital and revenue transactions;
    - accruals (subject to de minimus threshold) of debtors and creditors at the year end at actual or estimated amounts to provide accurate annual charges against budgets and valid comparisons between years. Accruals should only relate to amounts due to or from third parties and not for internal transactions;
    - property, plant and equipment (including those acquired under finance leases or deferred purchase agreements) should be categorised appropriately and valued, as recommended by CIPFA, in accordance with the Statement of Asset Valuation Principles and the Guidance Notes issued by the Royal Institution of Chartered Surveyors;
    - depreciation is charged on a straight-line basis on property, plant and equipment based on a finite life determined at valuation;
    - amortisation is charged on intangible assets;
    - capital charges are made to revenue accounts in respect of assets utilised reflecting the use of those assets and in accordance with CIPFA Codes of Practice;
    - work in progress should comprise only work performed on behalf of third parties which was completed before 31 March but unbilled, or partially completed and partially paid for but unbilled, and therefore not included as debtors;
    - stocks and stores are valued at the lower of cost or net realisable value;
    - government grants should reflect amounts due in the year of account where conditions for receipt have been complied with and there is reasonable assurance of receipt. Any amounts received as adjustments for previous years should be included in the accounts in the year of receipt where these vary from the figures included in the previous year's accounts;
    - assets held or acquired under operational and finance leases should be identified and quantified;
    - pensions costs should be charged in accordance with statutory requirements.

3.12.4 Responsibilities of Directors

- To adhere to the accounting policies and guidelines laid down by the CFO.

3.13 REVENUE BUDGET MONITORING

3.13.1 Budget management ensures that once Full Council has approved the budget, the resources allocated are used for their intended purposes, are properly accounted for, and cash limits are adhered to.

3.13.2 Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It provides the mechanism that calls to account managers responsible for defined elements of the budget. It also informs the preparation of future budgets.

3.13.3 By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority operates within an annual control total, approved when setting the overall budget. To ensure that the Authority in total does not overspend, each department is required to manage its own expenditure within the control totals allocated to it.

3.13.4 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre.

3.13.5 There is a monthly process whereby all Directors report to the CFO on all their budget variations, highlighting all variations in excess of £50,000. For outturn reporting, this highlights all variations equal to or in excess of £100,000 (value is subject to the discretion of the CFO).

3.13.6 The Revenue Monitor is a strategic report that is produced at least quarterly. It informs of the Council's overall projected expenditure against approved budgets. This information helps the Council to plan future action or forecast future spending patterns and project the balances that will be available for use in future years. Members are asked to approve the budget monitor report and make decisions to ensure the continued adequacy of the financial standing of the Authority.

3.13.7 Key controls

The key controls for managing and controlling the revenue budget are:

- There is a nominated budget manager consistent with managerial responsibilities for each cost centre;
- Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- Budget managers follow an approved certification process for all expenditure;
- Income and expenditure are properly recorded and accounted for,
- Performance levels and levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget;
- The overall revised budget against which expenditure is measured is equal to that approved by Full Council (including any approved adjustments);
- Actual income and expenditure is equal to that recorded on the corporate financial system;
- Committed income and expenditure is recorded within each department,
- Projected income and expenditure is based upon valid assumptions, recorded for future review;

- Internal recharges are agreed between departments with the client department accepting responsibility for volume changes and the provider accepting responsibility for unit cost changes.

3.13.8 Responsibilities of the Chief Financial Officer

- To establish an appropriate framework of budgetary management and control that ensures that:
  - budget management is exercised within annual control totals unless Full Council agrees otherwise;
  - each Director has available timely information on income and expenditure in respect of each budget which is sufficiently detailed to enable managers to fulfil their budgetary control responsibilities, and
  - to operate a monthly process that requires budget managers to investigate and report on significant variances from approved budgets.
- To administer the Authority's scheme of virement as set out in these Regulations.
- To assist a Director to develop possible financial strategies for containing an overspend position. Alternatively, they may refer the underlying issue giving rise to the variance to the Strategic Leadership Team and/or the Cabinet to consider possible corporate action, including the use of general or earmarked reserves. This process should be followed for all variations in excess of £50,000 at cost centre level.
- To provide a corporate financial system in order that actual net expenditure can be reviewed either on-line or through monthly printed reports.
- To assess overall corporate net expenditure against the agreed budget.
- To provide projected expenditure in respect of central finance budgets.
- To collate all departmental projections into a Revenue Monitor for review by Strategic Leadership Team.
- To prepare and submit reports on the Authority's projected income and expenditure compared with the budget on a regular basis to an agreed timetable to Members, in line with the Scheme of Delegation.
- To monitor the position regarding contingent liabilities and ensure budgetary provision is made where necessary.

3.13.9 Responsibilities of Directors

- To maintain budgetary control within their departments, in adherence to the principles set out in these Financial Regulations, and to ensure that all income and expenditure is properly recorded and accounted for.
- To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director (an accountable budget manager may be responsible for a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- To ensure that spending remains within the department's overall control total, and that individual budget heads are not overspent, by monitoring budgets and taking appropriate corrective action where significant variations from the approved budgets are forecast.

- To ensure that expenditure is committed only against approved budgets.
- To assess the risk of overspending on budgets under their control on a monthly basis.
- To take any appropriate mitigating management action to contain overspends within existing budgetary provision. This may be within the particular service area, or another service area managed by the Director.
- To ensure that a monitoring process is in place to review performance levels and levels of service in conjunction with budget monitoring and to assure themselves that the process is operating effectively.
- To prepare and submit to the CFO for collation and onward transmission to Strategic Leadership Team and Members (monthly for revenue), in line with the Scheme of Delegation, reports on the department’s actual, committed and projected expenditure compared with its approved budget in accordance with the format and deadlines specified.
- To ensure all officers responsible for committing expenditure comply with relevant guidance and these Financial Regulations.
- To ensure compliance with the scheme of virement as set out in the Financial Regulations.
- To consult with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another department’s responsibilities or Directors level of service activity.
- To review service codes and balance sheet codes every month to ensure that all revenue impacts are reported as promptly as possible.
- To advise the CFO of potential contingent liabilities for inclusion in the Revenue Monitor and to review these on a regular basis.
- To discuss each Revenue Monitor with the relevant Lead Cabinet Member.

3.14 CAPITAL BUDGET MONITORING

3.14.1 Capital budget monitoring ensures that, once the capital programme has been approved by Full Council, the capital resources allocated are used for their intended purposes and are properly accounted for.

3.14.2 Budgetary control provides the mechanism to review progress on capital schemes, by comparison with the approved capital programme. The principles of budgetary control and budget management as set in the Financial Regulations dealing with Revenue Monitoring are equally applicable to Capital Monitoring.

3.14.3 The Corporate Capital Monitor is a strategic document that is produced at least every quarter. It informs the Council’s overall projected capital expenditure against approved budgets. This information helps Council to plan future action and assess the capital resources that will be available for use in future years. Members are asked to approve the monitoring report and make decisions to ensure the continued adequacy of the financial standing of the Authority.

3.14.4 Key controls

The key controls for monitoring the capital budget are:

- there is a nominated officer for each capital project,
- budget managers accept accountability for their projects,
- monitoring of progress and expenditure compared with the approved timetable and budget, and
- all underspends against allocated capital receipts become corporate resources and are re-allocated according to the agreed capital appraisal process.

3.14.5 Responsibilities of the Chief Financial Officer

- To collate at least quarterly all departmental projections into a Corporate Capital Monitor for review by Strategic Leadership Team.
- To prepare and submit reports on the Authority's projected expenditure and resources compared with the approved budget on a regular basis to Members in accordance with agreed deadlines and in line with the Scheme of Delegation.

3.14.6 Responsibilities of Directors

- To prepare regular reports reviewing the capital programme provision for their departments. They should also prepare a monthly return of estimated final costs of schemes in the approved capital programme for submission to the CFO for inclusion in the corporate capital budget monitor.
- To ensure that adequate records are maintained in respect of all capital contracts.
- To prepare and submit reports, jointly with the CFO, to Members, in line with the Scheme of Delegation, on any variation in contract costs greater than the approved limits in the Contract Standing Orders. Members can agree to meet cost increases by virement from savings elsewhere within the capital programme or approve their financing by alternative means. All reports having financial implications, whether directly or indirectly, shall contain comments by the CFO who shall be given adequate time and information to do this.
- To prepare and submit reports, jointly with the CFO, to Members, in line with the Scheme of Delegation, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the amount specified in the Contract Standing Orders, as part of the monthly monitoring process.

3.15 THE ANNUAL STATEMENT OF ACCOUNTS

3.15.1 The Authority has a statutory responsibility to prepare accounts which give a true and fair view of its operations during the year. The CFO is responsible for approving for submission to the external auditor the statutory annual Statement of Accounts before the deadline set in the Accounts and Audit Regulations.

3.15.2 Key controls

The key controls for the annual Statement of Accounts are:

- the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of these affairs. In this Authority that officer is the CFO.
- The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance and cash flows, including group financial statements where a Local Authority has material interests in subsidiaries, associates or joint ventures.

3.15.3 Responsibilities of the Chief Financial Officer

- To select suitable accounting policies, consulting with departmental Heads of Finance where appropriate, and to apply those policies consistently.
- To make judgements and estimates that are reasonable and prudent.
- To comply with the CIPFA Code of Practice on Local Authority Accounting and advise departments on its application.
- To draw up the timetable for final accounts preparation in consultation with departmental Heads of Finance, to advise staff and external auditors accordingly, to provide appropriate guidance to assist officers in implementing the timetable, and to ensure that the statutory deadline for completion of the Statement of Accounts is achieved.
- To sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the relevant year.
- To issue the statutorily required public advertisement notifying that the accounts are available for public inspection and the date when the external auditor will be available to hear any objections to any items of account.
- To prepare the Narrative Report to accompany the Statement of Accounts reviewing the key financial issues affecting both the year of account and the following year and to report in the Statement on the robustness of the Full Council's internal control systems and arrangements.
- To ensure completion of the Statement of Accounts in accordance with the timetable, liaising with departments as necessary, co-ordinating the provision of all required information and collating that information.
- To liaise with External Audit on the completion of the Statement of Accounts and the arrangements for the audit thereof.
- To ensure that adequate documentation is available to support the Statement of Accounts. This should include copies of grant claims, reconciliations with financial ledgers and other records, and other working papers to demonstrate the accuracy of the derivation of data used in the Statement of Accounts.
- To make arrangements for the Statement of Accounts and supporting accounting and financial documentation to be made available for public inspection as advertised.

3.15.4 Responsibilities of Directors

- To comply with accounting guidance agreed with the CFO and to supply the CFO with information in accordance with the agreed timetable.

- To comply with the final accounts timetable, advising the CFO promptly of any potential risks of non-compliance at any stage of the process of accounts closure.
- To ensure that working papers contributing financial information to the Statement of Accounts are of a high standard and conform with the Authority's responsibilities under the Accounts and Audit Regulations.
- To ensure that information is provided to other departments on recharges and other internal transactions as agreed during the year and at the year-end.
- To ensure that regular monitoring of revenue, capital and other accounts and regular reconciliations of holding and suspense accounts are undertaken during the year.

3.16 ACCOUNTING RECORDS AND RETURNS

3.16.1 Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for the stewardship of public resources. The Authority has a statutory responsibility to prepare its annual accounts to give a "true and fair view" of its operations during the year. These are subject to external audit to provide assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

3.16.2 Key controls

The key controls for accounting records and returns are:

- all Members, finance staff and budget managers operate to the required accounting standards and timetables;
- all the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
- procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
- reconciliation procedures are carried out to bank statements and other available records to ensure transactions are regularly, promptly, and correctly entered, and
- prime documents are retained in accordance with legislative, audit, and other requirements.

3.16.3 Responsibilities of the Chief Financial Officer

- To determine the accounting procedures and records for the Authority. Where these are maintained outside the Finance department, this will be in consultation with the Director concerned.
- To arrange for the compilation of all accounts and accounting records whether within the Finance department or within other departments.
- To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and to meet the requirement for the Council to approve the Statement of Accounts before the deadline specified in the Accounts and Audit Regulations.
- To administer the Authority's arrangements for underspendings and overspendings to be carried forward to the following financial year as set out in these Regulations under the heading "Treatment of Budget Over and Under Spends".
- To make the required arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations.

3.16.4 Responsibilities of Directors

- To consult with the CFO on the accounting procedures and records to be utilised within their departments.
- To comply with the following principles when allocating accounting duties:
  - separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them, and
  - ensuring that employees with the duty of examining or checking the accounts of cash transactions are not themselves engaged in these transactions.
- To ensure the proper retention of financial documents in accordance with the requirements set out in the Authority's Document Retention Schedule.
- To ensure that all claims for funds including grants are made by the due date.
- To maintain adequate records so as to provide a management trail leading from the source of income or expenditure through to the accounting statements.
- To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by, and agreed with, the CFO.
- To provide information required for, or to ensure completion of, all statutory and other financial returns by the due dates.

3.17 FINANCE COMMENTS IN REPORTS

3.17.1 When reports are presented, the financial implications must be clearly stated. This is essential, both to assist decision making, and to facilitate the preparation of financial plans, both revenue and capital.

3.17.2 Key controls

The key controls for providing finance comments on reports are:

- All reports presented to meetings of Members, should have a section covering any financial implications.
- Where the financial implications can be contained within existing resources then the responsibility for ensuring accurate and informative financial comment remains with the Director, subject to keeping the CFO informed and giving them opportunity for input.
- Where the financial implications impact on another department or have corporate implications (especially if the allocation of additional corporate resources is required) then comments from the CFO are required.
- Where additional resources are identified, these must be included in the Council's financial plans, after the appropriate approval has been granted.
- Reports with no corporate implications will be notified to the Finance department by the departmental finance team one week before the first committee deadline for agreement of the departmental finance team's analysis.
- Where there are corporate financial implications, the Finance and service team will jointly consider the report at least two weeks before the first committee deadline.
- For major policy changes with financial implications Finance department should be involved from the outset and at least a month prior to the first committee deadline.
- Where there are no financial implications a copy of the report should be sent to Finance for information before the first committee deadline.

3.17.3 Responsibilities of the Chief Financial Officer

- To clear "finance comments" provided by Directors.
- To provide "finance comments" in all cases where there are implications to more than one directorate or where there are corporate implications and especially when corporate resources (revenue or capital) are required.
- To identify and include any financial implications that impact on the financial plans for current or future years.

3.17.4 Responsibilities of Directors

- "Finance comments" prepared within the departments should be prepared by or on behalf of the nominated responsible professional finance officer and approved by the Director.
- Where reports impact on other departments or require corporate resources then "finance comments" should be requested from the CFO. The time requirements set out as "key controls" should be observed.
- To comply with the corporate requirements outlined for any virements required.

3.18 CONTRACT MANAGEMENT – FINANCIAL ASPECTS

3.18.1 During the life of a contract, Directors and or Heads of Service must ensure that the Council's approved processes for contract management, as set out in the Contract Standing Orders are adhered to.

3.18.2 To ensure continuous improvement and value for money is achieved, Directors and or Heads of Service must arrange for those responsible for managing contracts to undergo approved procurement training so that:

- Contract performance and key performance indicators are monitored and any reduction in performance is acted upon and recorded;
- There is compliance with specification and contract terms; and
- There is cost management/budget monitoring including reconciliation of payments against work done, supplies or services delivered.

3.18.3 For services or goods contracts valued above £164,176 and works contracts above £250,000 a contract monitoring and review check must be performed 6 months after contract commencement.

4 CORPORATE GOVERNANCE, RISK MANAGEMENT AND CONTROL OF RESOURCES

4.1 RISK MANAGEMENT

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

4.1.2 Key controls

The key controls for risk management are that:

- everyone involved in the running of Council business is aware of their responsibility for the adequate management of their risks. Members are actively involved in the scrutiny of the Risk Management process and arrangements, and Officers promote a culture of risk management awareness throughout the Authority.
- corporate, departmental and where appropriate service risk or themed registers are produced, maintained and updated quarterly.
- suitable contingencies are made for risks that may be triggered resulting in financial or non-financial losses or harm.
- the Authority has prepared and tested strategic and service level formal business continuity plans for implementation in the event of a disaster that results in significant loss or damage to its assets, business, or resources.

4.1.3 Responsibilities of the Chief Financial Officer

To establish a risk management culture, in compliance with the Accounts and Audit Regulations, across the organisation with the objective of self-identification, assessment, prevention, treatment or containment of risks, throughout the Authority.

4.1.4 Responsibilities of Directors

4.1.5 To champion and support the use of risk management in their own departments or service areas and be responsible and accountable for the risk management arrangements within them, including the maintenance, update and review of risk registers and risk strategies relative to their operational services on a quarterly basis.

4.1.6 To report on such risks in their operational department that may affect the Strategic objectives of the Council to the Strategic Leadership Team.

4.2 INSURANCE

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

4.2.2 It is essential that departments advise the Insurance Service of any change to their activities which insurance underwriters might consider could materially affect risk. Failure to do so might vitiate the insurance cover.

4.2.3 Key Controls

The key controls for insurance are to some extent linked to risk management, and they are that:

- procedures are in place to identify, assess, prevent or minimise material known risks, and these procedures are operating effectively throughout the Authority,
- monitoring and regular review of risk reduction strategies takes place,
- procedures are in place to identify and record all insurances and the property or risk covered,
- procedures are in place to notify and record the occurrence of any incident or loss that may give rise to a claim by the Council for recovery from insurance companies of the loss,
- procedures are in place to notify the Insurance Service of any claim against the Council, and
- procedures are in place to investigate claims within required timescales.

4.2.4 Responsibilities of the Chief Financial Officer

- In consultation with Directors, to effect a long-term strategy to meet the Council’s insurance requirements.
- To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with relevant officers, where necessary.
- To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance.
- To offer insurance cover to schools in accordance with Fair Funding arrangements.
- To undertake a review of requirements to support the annual renewal of insurance contracts.
- To ensure that insurance provisions are adequate to meet anticipated claims.
- To develop and maintain a claims and risk management database including the identification of claims trends and areas of risk.
- To continually monitor requirements and ensure that insurance covers are appropriate and cost effective.
- To maintain insurance cover, including Public Liability Insurance, as required in the Contract Standing Orders.

4.2.5 Responsibilities of Directors

- To maintain records of the current value of buildings and contents in their respective departments, and to advise the CFO (via Head of Insurance Service) of such values on an annual basis.
- To take appropriate measures to minimise the risk of injury to individuals and loss, damage or theft of any insured property.
- To notify the CFO (via Head of Insurance Service) of any new or significant change in their departments' risks, which may be material to underwriters.
- To notify promptly the CFO (via Head of Insurance Service) of any loss, damage or liability or any event which is likely to lead to a claim against the Authority. This notification should be supplied together with any information or explanation required by the CFO or the Authority's insurers. In the event of theft or wilful damage, the police should also be notified of the loss or damage.
- To pass to the CFO (via Head of Insurance Service) original letters of claim unanswered, with any attachments, on the date of receipt.
- Where Directors other than the CFO are responsible for negotiating claims direct with the insurers, details of all claims shall be notified periodically to the CFO. Directors must consult the CFO on all procedural matters.
- On the happening of any event, which might give rise to a claim by the Council, against a third party, promptly to notify the Head of Insurance Service to deal with the matter.
- To ensure that there are regular reviews of risk within their departments.
- To notify the CFO (via Head of Insurance Service) promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- To consult the CFO and the Head of Insurance Service on the terms of any indemnity that the Authority is requested to give.
- To ensure that employees, or anyone covered by the Authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

4.3 INTERNAL CONTROL

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

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

- establish and monitor the achievement of the Council's objectives;
- identify, assess and manage the risks to achieving the Council's objectives;
- facilitate policy and decision making;
- ensure the economical, effective, and efficient use of resources;

- ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws, and regulations;
- safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption, and;
- ensure the reliability and integrity of information, accounts, and data, including internal and external reporting and accountability processes.

4.3.3 Key controls

Key features of a sound system of internal control include:

- an analysis of the risks relating to the delivery of the Authority's objectives and the development of a range of controls to manage those risks. These are elements of Risk Management, which for part of the Authority's planning and monitoring processes;
- the regular review of the risks to the Authority and of the internal control systems that manage them, to help ensure that the identified risks are kept up to date and that controls are appropriate and effective, and introduce improvements where necessary. These are also elements of risk management;
- the range of controls available to form the system of internal control include up to date procedures, segregation of duties, authorisations and approvals, organisational structure including delegations, personnel arrangements and training, supervision, management monitoring and oversight (including management information and reporting), planning and organisation (including defining policies and procedures, setting objectives and establishing plans);
- an effective Internal Audit function that is properly resourced. It should operate in accordance with the Public Sector Internal Audit Standards, and with statutory obligations and regulations, currently the Accounts and Audit (England) Regulations 201).

4.3.4 Responsibilities of the Chief Financial Officer

- The CFO is responsible for meeting the requirements of Section 151 of the Local Government Act 1972 that the Council must "make arrangements for the proper administration of their financial affairs…".
- The Accounts and Audit (England) Regulations 2015 state that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance' (5 (1)).

4.3.5 Responsibilities of Directors

- To promote an effective internal control system in their departments, and across departments where activities they are responsible for cross departmental boundaries.
- To undertake a regular review and analysis of the risks relating to the delivery of the department's objectives and the range of controls to manage those risks. This will help ensure that the current risks are known and that appropriate, effective controls are in place.
- To ensure that the controls, examples of which are listed at paragraph C.3(c), are documented and are circulated to all relevant staff, who should be given appropriate instruction and training in their application. Also to check that the established controls are being adhered to.
- To establish and implement new financial controls subject to the agreement of the CFO, and remove financial controls that are unnecessary or not cost or risk effective – for example, because of duplication – with the agreement of the CFO.
- To decide on the appropriate vehicles for promoting internal controls including compliance with Council policy, Standing Orders, Financial Regulations, Contract Standing Orders, Codes of Conduct and any statutory requirements. Examples include the use of guidance notes, training, procedures/manuals of operation.
- To ensure staff have a clear understanding of the consequences of lack of control, or ineffective controls.
- To promote high standards of integrity in all actions or transactions which directly or indirectly involve Council finances and assets. Also to promote accuracy, consistency, and timeliness in all transactions, in order to provide reliable information to assist the development and monitoring of the Council's policies.

4.4 INTERNAL AUDIT

4.4.1 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit (England) Regulations 2015 state that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

4.4.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

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

4.4.4 Key controls

- Internal audit should have sufficient independence for it to be seen as such across the organisation, and to enable auditors to perform their duties in a manner which facilitates impartial and objective professional judgements and recommendations. To this end Internal Audit should be involved in the determination of its priorities and scope; internal auditors should have no operational responsibilities.
- The Director of Internal Audit has direct access to, and freedom to report in their own name without fear or favour to, all officers and Members and particularly those charged with governance including the Chief Executive and the chair of the Audit and Pensions Committee.
- Internal Audit services are expected to comply with the Public Sector Internal Audit Standards. These standards are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), they are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

4.4.5 Responsibilities of the Chief Financial Officer

- To ensure that Internal Audit has the right of access to all assets, records, personnel and premises including those of partners and third parties such as contractors, and it has authority to obtain information and explanations as it considers necessary to fulfil its responsibilities.
- To ensure that Internal Audit is adequately resourced.
- To ensure that the scope of Internal Audit encompasses the control environment of the Council including its operations, resources, services, and its responsibilities in relation to other organisations.
- To ensure that strategic and annual audit plans prepared by the Director of Internal Audit, which take account of the characteristics and relative risks of the Local Authority's activities, are submitted to the Council's Audit and Pensions Committee for approval.
- To ensure that Internal Audit staff maintain objectivity, and do not undertake operational tasks.
- To ensure that Internal Audit provides a professional service that complies with the Public Sector Internal Audit Standards.
- To ensure that there are adequate arrangements for Internal Audit to report regularly to senior officers and Members, which are complied with. This should include an annual Head of Internal Audit Assurance Report incorporating an opinion on the adequacy and effectiveness of the Local Authority's system of internal control.

4.4.6 Responsibilities of Directors

- To establish and maintain a sound system of internal control. Internal Audit can offer advice and recommendations on control weaknesses and how they can be addressed, management retain responsibility and accountability for their operations and the related control arrangements.

- To ensure that Internal Audit is given access at all reasonable times to premises, personnel, records and assets that the auditors consider necessary for the purposes of their work.
- To ensure that auditors are provided with any such information and explanations that they seek in the course of their work.
- To consider and respond promptly to findings and recommendations in audit reports.
- To ensure that any agreed actions arising from audit recommendations are carried out timely, efficiently and effectively.
- To notify the Director of Internal Audit and/or Head of Fraud immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Local Authority's property or resources. Pending investigation and reporting, the relevant Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Director of Internal Audit prior to implementation.

4.5 EXTERNAL AUDIT

4.5.1 A new local audit framework (processes and procedures) was put in place following the Audit Commission closure. The new framework covers:

- the new body, Public Sector Audit Appointments Ltd (PSAA), will take on the existing audit contracts until they expire, in 2017/18. The PSAA is incorporated into Local Government Association;
- the National Audit Office will set the standards for public audit;
- the Financial Reporting Council and professional accountancy bodies will monitor the quality of audit;
- the Cabinet Office will assume responsibility for the National Fraud Initiative.

4.5.2 The Local Audit and Accountability Act 2014 requires that, from the financial year 2018/19, the Council, in common with all local authorities, will need to ensure that it has arrangements in place to appoint its own external auditors. Councils can undertake this locally via their own procurement and appointment process or opt into sector-led arrangements via the 'appointing person' provision made in the Act. The Department for Communities and Local Government (DCLG) has identified the PSAA as the appointing person.

4.5.3 Responsibilities of the Chief Financial Officer

- To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- To ensure that there is effective liaison between external and internal audit.
- To work with the external auditor and advise Members, in line with the Scheme of Delegation, and Directors on their responsibilities in relation to external audit.

4.5.4 Responsibilities of Directors

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

4.6 PREVENTING FRAUD AND CORRUPTION

4.6.1 Responsibilities of the Chief Financial Officer

- Developing and maintaining an anti-fraud and corruption strategy that stipulates the arrangements to be followed for preventing, detecting, reporting and investigating suspected fraud and irregularity.
- Advising on the controls required for fraud prevention and detection.
- Appointing a Money Laundering Reporting Officer and Deputy to ensure that systems are in place to counter opportunities for money laundering and that appropriate reports are made.

4.6.2 Responsibilities of Directors

- Complying with the Council's anti-fraud and corruption strategy.
- Ensuring that there are sound systems of internal control within their Units for fraud prevention and detection.
- Reporting cases of suspected fraud or irregularity to Internal Audit for investigation, and complying with the Council's whistleblowing policy.
- Implementing audit recommendations within agreed timescales.
- Reporting any vulnerabilities or suspicions of money laundering in accordance with guidance issued by the Money Laundering Reporting Officer.

4.7 ASSETS

4.7.1 SECURITY OF ASSETS

The Authority holds assets in the form of property, vehicles, equipment, furniture and other items. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date Asset Register is a prerequisite for proper property, plant and equipment accounting and sound asset management. (A corporate property database is required in addition to support land and property management, and a terrier to identify all the land and property holdings of the Council and their geographic locations, and inventories to record all items of furniture, equipment etc. – the following section deals with inventories).

The Authority also holds assets in the form of information and data sets. These are mainly stored electronically, but in some cases may also be stored in paper form. It is important that information and data sets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of information required for service operations. An up-to-date Information Asset Register is a prerequisite for proper information management. It is important that all staff are aware of their responsibilities with regard to safeguarding the security of the Council's information and data sets, including compliance with the Council's data protection policy statements and codes of practice.

4.7.2 Furthermore, given the fact that the Authority owns many valuable items of property and has a large number of visitors to its premises, it is essential that access to buildings and property is regulated and restricted as appropriate to ensure the safety of all personnel and the security of property.

4.7.3 Key controls

The key controls for the security of resources such as land, buildings, fixed plant, machinery, equipment, software and information are that:

- resources are used only for the purposes of the Authority and are properly accounted for;
- resources are available for use when required for service provision;
- resources no longer required are disposed of in accordance with the law and with the Financial Regulations of the Authority so as to maximise benefits;
- records, as set out above, are maintained for the Authority, to ensure that assets are recorded when they are acquired by the Authority and that this record is updated as changes occur with respect to the location and condition of the asset;
- all staff are aware of their responsibilities with regard to safeguarding the Local Authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation, and;
- all staff are aware of their responsibilities with regard to safeguarding the security of the Local Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Local Authority's computer and internet security policies.

4.7.4 Responsibilities of the Chief Financial Officer and Director for Building and Property Management

- To ensure that an Asset Register, a corporate property database, and property terrier are maintained in accordance with good practice for all property, plant and equipment. The function of these records is to provide the Authority with information about property, plant and equipment so that they are:
  - safeguarded;
  - used efficiently and effectively;
  - adequately maintained, and
  - properly accounted for.
- To receive information required for accounting, costing and financial records from each Chief Officer to enable the Asset Register to be updated, and to

make appropriate charges to revenue accounts to reflect departments' use of assets.
- To record all disposals or part exchanges of assets, which should normally be by competitive tender or public auction, unless, in consultation with the CFO, Members, in line with the Scheme of Delegation, agree otherwise.
- To ensure that assets in the Asset Register are valued – and regularly re-valued - in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

4.7.5 Responsibilities of Directors

- To establish and maintain appropriate levels of security for all employees, buildings, property, vehicles and plant, equipment and information within their control. This applies to property belonging to the Council, employees or other persons, for example that belonging to clients entrusted to the Council's care.
- To minimise risks of injury to employees and the public and to minimise risks of loss, damage or waste to any asset within their control.
- To provide information in a form approved by the CFO to enable the recording of all properties, plant and machinery and moveable assets currently owned or used by the Authority within their control, and treated as a capital asset. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying the terms, responsibilities and duration of use.
- To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Chief Officer in consultation with the Heads of Valuation and Property Services and Legal Services, has been established as appropriate.
- To ensure, by nominating those employees who shall be responsible, the proper security and safe custody of all buildings, vehicles, equipment, furniture, stock, stores, safes, information, and other property belonging to the Authority and under their control. Individuals must be informed of their responsibility in this respect and, where appropriate, the emergency services should be informed of official key holders.
- To identify land or buildings surplus to requirements, and to produce a joint report with the CFO with recommendations on their disposal.
- To pass title deeds to the CFO who is responsible for custody of all title deeds. Copies of these should be retained for twelve years following disposal of the asset.
- To ensure that no Authority asset is subject to personal use by an employee without proper authority.
- To consult the CFO in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- To ensure cash holdings on premises are kept to a minimum and within insurance limits.
- To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the CFO as soon as possible.

- To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Authority in some way.

4.8 INVENTORIES

4.8.1 It is important that the Authority protects its assets. Inventories help to ensure that effective protection of assets takes place, and is also required for insurance and financial (management of assets) reasons. The process of compiling an inventory is an important aspect of managing risk to the Authority's property. The Authority needs to be able to identify its assets and their relative value and importance. Based on this information the Authority can then provide commensurate levels of protection.

4.8.2 Key Controls

- Transfer, sale and disposal of all relevant items should be recorded in the inventory, with appropriate supporting evidence available to demonstrate that all acquisitions, sales and disposals have been approved by officers with the delegated authorisation to do so.
- Regular checks, at least annually, should be undertaken by an independent officer to ensure that the physical items agree to the items listed in the inventory. The inventory should be signed and dated to confirm agreement and counter-signed by the relevant Chief Officer. Any discrepancies arising from these checks should be reported immediately to the relevant Chief Officer.

4.8.3 Responsibilities of Chief Financial Officer

- To ensure responsibilities and procedures for the implementation and maintenance of inventories are specified in Financial Regulations.

4.8.4 Responsibilities of Directors

- To maintain complete and accurate inventories of Council property including furniture, equipment, plant and machinery above £1000 in value and to maintain a complete and accurate Information Asset Register that includes all information and data sets held by the Council. In most cases assets associated with information systems (i.e. computer and communications equipment and software assets) will be included in the inventories of the IT Services supplier, through whom all IT and communications equipment must be purchased unless special dispensation has been provided by the CFO. Where a department has special dispensation they should include this equipment in their inventory records.
- To ensure that for each item in the inventory and for any new acquisition the following is recorded promptly:
  - identifying features of the item, (i.e. description, make, model, colour, etc.)

    - date received
    - serial number or security mark
    - approximate value of the item (this should be the purchase value, or if not known then the replacement cost), and
    - details of any sale, transfer or disposal.
- To ensure that, where appropriate, items are security marked. Attractive and portable items such as computers, cameras and video-recorders should always be identified with security markings as belonging to the Authority.
- To ensure each inventory is maintained by a specified officer who has no responsibility for authorising purchases or sales/disposals.
- To ensure each inventory and the Information Asset Register is kept securely, with access restricted to authorised staff, and is available for inspection by the Director and by internal audit at all times.
- To ensure that as a minimum an annual check is undertaken of all items in the inventories in order to verify for each entry its existence, location, and condition. This process should also identify redundant items as well as any surpluses or deficiencies of equipment, which should be reported at the same time as the results of the inventory check. To ensure that the results of each inventory check are reported to the Director for consideration.
- To ensure procedures are in place whereby any discrepancies in any inventory are reported immediately to the relevant Director.
- To ensure that property is only used in the course of the Local Authority's business, unless the Director concerned has given permission otherwise.
- To ensure that information stored and recorded in the Information Asset Register is up-to-date.

4.9 STOCKS AND STORES

4.9.1 Responsibilities of Directors

- To make arrangements for the care and custody of stocks and stores in their departments.
- To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- To investigate and remove from the Local Authority's records (i.e. write off) discrepancies as necessary, or to obtain Member approval, in line with the Scheme of Delegation, if they are in excess of £3,000.
- To authorise the disposal or write off of redundant stocks and stores. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless there is appropriate authorisation, in line with the Scheme of Delegation, where this is not economic.

4.10 INTELLECTUAL PROPERTY

4.10.1 Intellectual property is a generic term that includes inventions and writing. If it is created by an employee during the course of employment, then, as a general rule, it belongs to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.

4.10.2 Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

4.10.3 Key controls

In the event that the Authority decides to become involved in the commercial exploitation of inventions, to ensure that the copyright and any patents associated with any piece of work, created during the course of the Council's business, remains with the Council.

4.10.4 Responsibilities of Directors

- To ensure that controls are in place 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.
- To comply with the copyright, designs and patent legislation and, in particular, to ensure that:
  - only software legally acquired and installed by the Authority is used on its computers,
  - staff are aware of legislative provisions, and
  - in developing systems, due regard is given to the issue of intellectual property rights.

4.11 ASSET DISPOSAL

4.11.1 It is uneconomic and inefficient for the costs of assets to outweigh their benefits. Items that are obsolete, non-repairable or are no longer needed for service provision should be disposed of in accordance with the law and the Financial Regulations of the Authority, including the European Union's Waste Electrical and Electronic Equipment directive.

4.11.2 Key controls

- Assets for disposal should be identified as part of the inventory checks. Any disposals should occur at the most appropriate time when it is in the best interests of the Authority and, for sale items, when the best price can be obtained. For items of significant value, disposal should be by competitive tender or public auction. Disposal action must take into account any relevant Council policies (i.e. the policy on security of information for IT equipment), as well as legal requirements and environmental considerations.
- Establishing and maintaining formal, written procedures helps to protect staff involved in disposals from accusations of impropriety.

4.11.3 Responsibilities of the Chief Financial Officer

- To issue guidelines representing best practice for the disposal of assets.
- To ensure appropriate accounting entries are made to remove the value of disposed assets from the Local Authority's records and to include the sale proceeds in the Council's accounts.
- To maintain a schedule of high value property for disposal and estimated disposal dates in order to monitor the potential availability of receipts to contribute to the funding of the capital programme.

4.11.4 Responsibilities of Directors

- To consult with the CFO on proposals for the disposal of any asset with a value in excess of £3,000; disposals of assets of less than £3,000 should be agreed with departmental Head of Finance.
- To comply with the following procedure in respect of all such disposals:
  - A designated senior officer, authorised by a Director, shall authorise in writing any proposed disposal of individual assets with a value below £250. The Director shall authorise in writing any proposed disposal of individual assets with a value of £250 up to £3,000.
  - If the item is also recorded in the asset register then it's depreciated net book value is deemed to be its value. If it is not recorded there or if the item has an estimated re-value of over £250, an independent valuation of the asset must be obtained from a person professionally qualified to do so.
  - For all individual assets with a re-sale value over £500 (pre-estimate or valuation), then best endeavours to obtain three written quotations or tenders is required (it is recognised that this is not always possible or practical). In addition, where the value exceeds £3,000 approval of the CFO to the disposal is required.
  - In no circumstances shall any disposal under this procedure be to a current or former member of staff or to an external organisation which receives monies from the Council by any means, without the specific approval of the CFO, or a senior manager of the Finance department to whom such responsibility has been delegated.
  - Any potential disposals to current or former members of staff or external organisation must be publicised to staff generally.
- To ensure documentary evidence is obtained to support all sales and disposals. A receipt must be issued for all income in respect of sales of equipment, which should be inspected before the asset is given to the purchaser. Details of sales must be held on file (including all sealed bids where appropriate) together with details of to whom the item was sold or transferred. Any disposal of items should be evidenced by a minimum of two officers who should sign a statement to that effect.
- To ensure that such disposals are recorded in the relevant inventory and notified to the CFO as appropriate to enable corporate records to be updated. All records of such disposals, including income received, must be retained for at least three years.
- To ensure that income received from the disposal of an asset is properly and promptly banked and accounted for.

4.12 BANK AND IMPREST ACCOUNTS

4.12.1 Responsibilities of the Chief Financial Officer

- To operate such bank accounts as are considered necessary to the efficient operation of the Council's activities. The opening or closing of any bank account shall require the approval of the CFO.
- To provide employees of the Authority with bank or cash imprest accounts, as appropriate, to meet minor expenditure on behalf of the Authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- To ensure that each bank account is operated within the terms agreed with the Council's bankers.
- To ensure that each bank account is reconciled to payments made and income received on a monthly basis and that the reconciliation is certified by the responsible officer. Bank statements and paid cheques should be retained for six years.
- To monitor the financial and service performance of the bank in relation to its contract on a regular basis.
- To review contractual arrangements for banking every five years.
- To determine petty cash imprest limits and to maintain a record of all transactions and petty cash advances made, and, periodically, to review the arrangements for the safe custody and control of these advances.
- To reimburse imprest holders as often as necessary to restore the imprests, but not normally more than monthly.

4.12.2 Responsibilities of Directors

- To operate bank accounts only with the approval of the CFO, to delegate responsibility for those accounts to nominated officers and to advise the CFO of those nominated to be responsible.
- To ensure that each bank account is operated within the terms agreed with the Council's bankers and instructions issued by the CFO.
- To ensure that each bank account is reconciled to payments made and income received on a monthly basis. Bank statements and paid cheques should be retained for six years.
- To obtain and retain vouchers to support each payment from the accounts. Where appropriate, an official receipted VAT invoice must be obtained.
- To ensure that the bank accounts are never used to cash personal cheques or to make personal loans.
- To provide to the CFO a reconciliation of each account as at 31 March each year certified by the nominated responsible Officer.
- On leaving the Local Authority's employment or otherwise ceasing to be responsible for the operation of a bank account, an employee shall account to the CFO for the up to date balance on that account.
- To ensure that employees operating a petty cash imprest account:
    - obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;

  - make adequate arrangements for the safe custody of the account;
  - produce upon demand by the CFO cash and all vouchers to the total value of the imprest amount;
  - record transactions promptly;
  - reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
  - provide the CFO with a certificate of the value of the account held at 31 March each year;
  - ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made; and
  - ensure that, when an imprest holder leaves the Local Authority's employment or otherwise ceases to be entitled to hold an imprest advance, the employee shall account to the CFO for the amount advanced to him or her.
- To ensure that, where a bank or imprest account is operated by an external party the above rules are fully applied.

4.13 STAFFING

4.13.1 In order to provide the highest level of service, it is crucial that the Authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

4.13.2 Key controls

The key controls for staffing are that:

- an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocations are matched;
- procedures are in place for forecasting staffing requirements and cost;
- controls are implemented that ensure that staff time is used efficiently and to the benefit of the Authority; and
- checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

4.13.3 Responsibilities of the Chief Financial Officer

- To act as an advisor to Directors on areas such as national insurance and pension contributions, as appropriate.

4.13.4 Responsibilities of Directors

- To ensure that budget provision exists for all existing and new employees by producing an annual staffing budget.
- To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

- To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- To ensure that recruitment procedures verify that new staff are appropriately qualified, experienced and trustworthy by checking claimed qualifications and obtaining suitable references from past employers and other relevant sources.
- Due process is followed for the recruitment of agency staff.

5 FINANCIAL ADMINISTRATION

5.1 SYSTEMS

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

5.1.2 The CFO has a professional responsibility to ensure that the Local Authority's financial systems are sound and should therefore approve any new developments or changes.

5.1.3 Key controls

The key controls for systems and procedures are that:

- basic data exists to enable the Local Authority's objectives, targets, budgets and plans to be formulated;
- actual performance is communicated to the appropriate managers on an accurate, complete and timely basis;
- early warning is provided of deviations from targets, plans and budgets that require management attention; and
- operating systems and procedures are secure.

5.1.4 Responsibilities of the Chief Financial Officer

- To make arrangements for the proper administration of the Local Authority's financial affairs, including to:
    - issue advice, guidance and procedures for officers and others acting on the Local Authority's behalf;
    - determine the accounting systems, the form of accounts and supporting financial records;
    - establish arrangements for audit of the Local Authority's financial affairs,
    - approve any new financial systems to be introduced;
    - approve any changes to be made to existing financial systems;
    - establish arrangements for access control and general security of the Local Authority's corporate financial systems; and
    - compile, in consultation with Directors, a Disaster Recovery Plan to provide for as normal a continuation of financial services as possible in the event of any incident affecting those services.

5.1.5 Responsibilities of Directors

- To ensure that accounting records are maintained properly and held securely.
- To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements agreed with the CFO.
- To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- To incorporate appropriate controls to ensure that, where relevant:
    - all input is genuine, complete, accurate, timely and not previously processed,
    - all processing is carried out in a complete, accurate and timely manner, and
    - output from the system is complete, accurate and timely.
- To ensure that the organisational structure provides an appropriate segregation of duties to facilitate adequate internal controls and to minimise the risk of fraud or other malpractice.
- To ensure, jointly with the CFO, that there is a documented and tested Disaster Recovery Plan to allow information system processing to resume quickly in the event of an interruption.
- To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- To ensure that systems are documented and staff trained in the operation of them.
- To seek the approval of the CFO before changing any existing system or introducing new systems.
- To supply the CFO with an authorised user request form with appropriate authorisation limits for staff requiring access to the Local Authority's corporate financial systems.
- To establish within a Scheme of Delegation, or similar, the identification of officers authorised to act upon the Director's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- To supply lists of authorised officers, with specimen signatures and delegated limits, to the CFO, together with any subsequent variations.
- To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that their staff are aware of their responsibilities under the legislation.
- To ensure that relevant standards and guidelines for computer systems issued by the Director are observed.
- To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.

5.2 INCOME

Effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Local Authority's cashflow and also avoids the time and cost of administering debts. (Refer to section 2.8 and table 1 for Commercial Revenue Committee for delegated authority levels).

5.2.2 Key controls

The key controls for income are that:

- All income due to the Authority is identified and charged correctly, in accordance with an approved Income Management Policy, which is regularly reviewed;
- All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
- All money received by an employee on behalf of the Authority is paid without delay into the Council's bank account, and properly recorded. The responsibility for cash collection should be separated from that:
  - of identifying the amount due; and
  - of reconciling the amount due to the amount received,
- Effective action is taken to pursue non-payment in accordance with the Income Management Policy guidelines;
- Formal approval for debt write off is obtained in accordance with the Council's Scheme of Delegation;
- Appropriate write off action is taken within defined timescales;
- Appropriate accounting adjustments are made following write off action;
- All appropriate income documents are retained and stored for the prescribed period in accordance with the Document Retention Schedule; and
- Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

5.2.3 Responsibilities of the Chief Financial Officer

- To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection.
- To approve all receipt forms, books or tickets and similar items, to be satisfied that proper arrangements exist for their control, and to ensure they bear sufficient information for audit and VAT purposes.
- To examine and action requests for write offs submitted by Directors.
- To agree the write off of bad debts in accordance with the detailed procedures contained within the Council's Income Management Policy.
- To agree the write-off in consultation with Directors of all debts up to a value of £10,000 per individual debt, with write-offs over £50,000 being subsequently reported to the Leader, in line with the Scheme of Delegation.

- To seek Member approval to the write-off of any single debt in excess of £100,000.
- To keep a record of all sums written off and to adhere to the requirements of the Accounts and Audit Regulations.
- To ensure that appropriate accounting adjustments are made following write off action.
- To establish a charging policy for the supply of goods and services, including the appropriate charging of VAT, and to review this regularly in line with corporate policies.
- To advise Directors on a monthly basis of the position regarding debts raised by or on behalf of their departments.
- To ensure, in consultation with Directors, that adequate provision is made for potential bad debts arising from uncollected income. The level of provision should be reviewed twice annually as part of the closure of accounts process and as part of the preparation of the medium term strategy.

5.2.4 Responsibilities of Directors

- To ensure that the agreed charging policy is implemented and consistently applied in respect of each relevant activity and service. Charging policies should be reviewed regularly and take account of VAT.
- To ensure that before a service is delivered the service provider has ascertained that the customer is in a position to pay for the service within the settlement period.
- To ensure that terms of business exist for all income earning activities, where the customer is an external body or individual. Terms of business should include at least:
    - the nature, scope and standard of the service,
    - the timing and location of the service,
    - the pricing and payment terms for the service, including the maximum settlement period,
    - the complaints procedure, and
    - the disputes procedure.
- To separate, as far as is practicable, the responsibility for identifying amounts due and the responsibility for collection.
- To ensure that debt recovery procedures are in place, including legal action where necessary, for debts that are not paid promptly.
- To ensure official receipts are issued and to maintain any other documentation for income collection purposes.
- To ensure that at least two employees are present when post is opened and that money received by post is properly identified and recorded.
- To hold securely receipts, tickets and other records of income for the year of account and the previous six years.
- To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- To ensure that income is paid fully, promptly, and directly into the correct Authority bank account in the form in which it is received. Appropriate details should be recorded on the paying-in slips to provide an audit trail. Money

collected and deposited must be reconciled to the bank account on a regular basis.

- To ensure income is not used to cash personal cheques or to make other payments.
- To supply the CFO with details relating to work done, goods supplied, services rendered or other amounts due, to enable the proper recording of sums due to the Authority and to ensure accounts are processed promptly.
- To use information on debt recovery provided by the CFO to monitor recovery of income and flag up areas of concern. Directors have a responsibility to assist the CFO in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Local Authority's behalf.
- To ensure that levels of cash held on Council premises are within agreed insurance limits.
- To ensure that every transfer of money between employees of the Authority is recorded. The receiving officer must sign for the transfer and the transferor must retain a copy.
- To recommend to the CFO all debts to be written off. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal write off. Any debt raised in error may be cancelled. A credit note to replace or amend a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- To ensure that the write off procedures set out in the Income Management Policy are fully complied with.
- To notify the CFO of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the CFO.

5.3 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

5.3.1 Public money should be spent with demonstrable probity and in accordance with the Local Authority's policies. The Local Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. **Reference should always be made to the Council's Contract Standing Orders** (refer to section 1.2). Section 135 of the Local Government Act 1972 states the following:

"Contracts of Local Authorities:

(1) "A Local Authority may make standing orders with respect to the making of contracts by them or on their behalf.
(2) "A Local Authority shall make standing orders with respect to the making by them or on their behalf of contracts for the supply of goods or materials or for the execution of works.
(3) "Standing orders made by a Local Authority with respect to contracts for the supply of goods or materials or for the execution of works shall include provision for securing competition for such contracts and for regulating the manner in which tenders are invited, but may exempt from any such provision contracts for a price below that specified in standing orders and may authorise the Authority to exempt any contract from any such provision

when the Authority are satisfied that the exemption is justified by special circumstances.

(4) "A person entering into a contract with a Local Authority shall not be bound to inquire whether the standing orders of the Authority which apply to the contract have been complied with, and non-compliance with such orders shall not invalidate any contract entered into by or on behalf of the Authority."

5.3.2 Key controls

The key controls for ordering and paying for work, goods and services are that:

- they shall be in compliance with the Council's Contract Standing Orders,
- all goods and services are ordered only by appropriate persons and are correctly recorded;
- all work, goods and services shall be ordered in accordance with the Contract Standing Orders;
- goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order;
- invoices should be addressed to the Council (for the attention of individual officers where appropriate) not to individual officers alone;
- payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards;
- all payments are made to the correct person or organisation, for the correct amount and are properly recorded, regardless of the payment method;
- all appropriate evidence of transactions and payment documents are retained and stored for the year of account and the previous six years;
- all expenditure, including VAT, is accurately recorded against the appropriate budget and any exceptions are corrected; and
- in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

5.3.3 Responsibilities of the Chief Financial Officer

- To ensure that all the Local Authority's financial systems and procedures are sound and properly administered.
- To approve, in consultation with Directors where appropriate, any changes to existing financial systems and to approve any new systems before they are introduced.
- To agree the specification/format of official orders and associated terms and conditions.
- To make payments from the Local Authority's funds on a Director's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations.
- To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a Court Order.

- To make payments to contractors on the certificate of the appropriate Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- To provide advice and encouragement on making payments by the most economical means.
- To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

5.3.4 Responsibilities of Directors

- To ensure that Agresso purchase orders are used for all goods and services.
- To ensure that verbal orders for works, goods or services are only placed exceptionally and are confirmed with a purchase order number.
- To ensure that orders are only used for goods and services provided to their departments. Individuals must not use official orders to obtain goods or services for their private use.
- To ensure that only those staff authorised by the Director approve purchase orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of any purchase order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. To ensure that goods and services are checked on receipt to verify that they are in accordance with the purchase order. This check should, where possible, be carried out by a different person from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- To ensure that the Council's corporate financial systems are used for the procurement of, and payment for, works, goods and services except for works orders where specialist systems are used in agreement with the CFO.
- To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
  - receipt of goods or services;
  - that the invoice has not previously been paid;
  - that expenditure has been properly incurred, is legal and is within budget provision;
  - that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
  - that any tax has received the correct accounting treatment;
  - that the invoice is correctly coded;
  - that discounts have been taken where available; and
  - that appropriate entries have been made in accounting records.

- To ensure that at least two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice for payment. Compliance with the Local Government Act 2000 requires that two authorised officers must sign all purchase orders and contracts, other than contracts under seal, both of whom must be satisfied that the other provisions of this section are complied with.

- To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the CFO.
- To ensure that payments are not made on a photocopied or faxed invoice, statement or any other document other than the formal invoice. Any instances of apparently false invoices being rendered should be reported to the Director of audit, fraud, risk and insurance. Where invoices are lost and copies obtained, any copy invoices processed for payment should be endorsed “copy invoice not previously paid” with that statement certified.
- To ensure that payments are not made in advance of goods being supplied, work done or services rendered to the Council except when approved in accordance with the Scheme of Delegation.
- To maintain a register of goods which have been approved for payment in advance. The list should include financial limits.
- To encourage suppliers of goods and services to receive payment by the most economical means for the Authority usually payments made by BACS.
- To ensure that all undisputed invoices are settled within agreed terms or 30 days from receipt of the invoice in accordance with the Late Payment of Commercial Debts (Interest) Act 1998.
- To ensure that the department achieves value for money from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with principles and requirements as contained in the Authority’s Contract Standing Orders.
- To utilise the purchasing procedures outlined in the Authority’s Contract Standing Orders in putting purchases, where appropriate, out to competitive quotation or tender, covering:

    - authorised officers and the extent of their authority;
    - advertisement for tenders;
    - procedures for creating, maintaining and revising a standard list of contractors;
    - selection of tenderers;
    - compliance with UK and EC legislation and regulations;
    - procedures for the submission, receipt, opening and recording of tenders;
    - the circumstances where financial or technical evaluation is necessary;
    - procedures for negotiation;
    - acceptance of tenders;
    - the form of contract documentation;
    - cancellation clauses in the event of corruption or bribery; and
    - contract records.

- To ensure that employees are aware of the National Code of Conduct for Local Government Employees (summarised in Human Resources Procedures).
- To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the CFO. This is because of the potential impact on the Authority's borrowing powers, to protect the Authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- To notify the CFO of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the CFO.
- With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the CFO the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- To notify the CFO immediately of any expenditure to be incurred as a result of statute or court order where there is no budgetary provision.
- To ensure that all appropriate payment records are retained and stored for the year of account and the previous six years. Contract documentation should be retained for twelve years after completion of the contract.

5.4 PAYMENTS TO EMPLOYEES AND MEMBERS

5.4.1 Staff costs are the largest item of expenditure for most Authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals' contractual and/or pension status as appropriate.

5.4.2 It is important that all payments are accurately and completely recorded and accounted for through a proper audit trail. It is also important that Members' Allowances are authorised in accordance with the Scheme adopted by the Council, and that payments to the self-employed and contractors are treated correctly for the purposes of statutory deductions such as income tax.

5.4.3 Key controls

The key controls for payments to employees, Members, the self-employed, contractors and pensioners are that:

- Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to the timely production of data relating to:
    - starters,
    - leavers, and
    - permanent and temporary variations and enhancements to pay, including the production of timesheets or claims for staff with varying work patterns.
- Frequent reconciliations are undertaken of:
    - total payroll expenditure against an approved budget
    - net payroll expenditure against approved bank account(s)

  - payments of statutory and non-statutory deductions to third parties (e.g. pension contributions), and
  - annual year end statutory deductions compared to amounts paid to the Paymaster General.
- All appropriate payroll and pension documents are retained and stored for the defined period in accordance with the Document Retention Schedule, and in any case no less than a minimum of the previous six financial years plus the current financial year.
- That all statutory and local regulations are complied with in terms of payments and deductions made through the payroll system (e.g. regulations prescribed by the HM Revenue & Customs, the National Insurance Contributions Office, the Local Government Pension Scheme, etc.).

5.4.4 Responsibilities of the Chief Financial Officer

- To arrange and control the secure and reliable payment of salaries, pensions, compensation payments or other emoluments to existing and former employees, in accordance with prescribed procedures on the due date.
- To ensure that payments are made only upon receipt of duly completed and authorised data.
- To make arrangements for payment of all travel and subsistence claims, financial loss allowances and all other types of payroll-related allowances to employees and Members.
- To ensure that sufficient separation of responsibilities exists within the Finance department to enable payments to be made securely through the payroll system.
- To ensure that all payments accord with the duly authorised national and local rates and that retrospective pay awards are implemented in a timely manner following receipt of revised pay scales.
- To record and make arrangements for the accurate and timely payment of PAYE, Income Tax, National Insurance, pension and all other statutory and non-statutory payroll deductions.
- To provide advice and encouragement to secure payment of salaries, pensions and all other related payroll payments by the most economical means.
- To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.
- To ensure the accurate and timely production of statutory returns to the HM Revenue & Customs, particularly in respect of the financial year-end information and the declaration of employee taxable benefits.
- To provide such advice as may be necessary to ensure that statutory regulations are followed relating to the taxable treatment of benefits-in-kind.

5.4.5 Responsibilities of Directors

- To ensure that all appointments are made in accordance with the Council’s regulations and approved establishments, grades and scales of pay.
- To ensure that adequate budget provision exists for:
  - all employee appointments,

  - all permanent and temporary variations relating to employee appointments, and
  - all engagements of self-employed persons and contractors.
- To notify the CFO of all appointments, terminations or variations that may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Strategic Director of Finance. In any event this data should be provided no later than one month after its authorisation.
- To ensure that all actions affecting the retirement benefits of employees (e.g. early retirement due to ill health) comply with the requirements of the Council's pension scheme and other appropriate national/local regulations.
- To ensure that adequate and effective systems and procedures are operated, so that:
  - payments are only authorised to bona fide employees and other payees,
  - payments are only made where there is a justifiable entitlement,
  - conditions of service and contracts of employment are correctly applied and updated where appropriate, and
  - employees' names and pay-related data listed on the personnel/payroll system are checked at regular intervals to verify accuracy and completeness.
- To ensure that payroll transactions are processed only through the payroll system. Directors should give careful consideration to the employment status of individuals employed on a self-employed, consultant or subcontract basis. HM Revenue & Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the CFO.
- To certify travel and subsistence claims and other allowances. Certification is taken to mean:
  - for travel expenses, that journeys were authorised and expenses properly and necessarily incurred,
  - for travel expenses, that allowances were properly payable by the Authority and that cost-effective use of travel arrangements has been achieved,
  - the employee was properly engaged on Council business and that claims reflect the actual number of hours/days worked, and
  - due consideration has been given to tax implications and the CFO has been consulted where appropriate.
- To ensure that the CFO is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- To ensure that all appropriate payroll documents and supporting documentary evidence relating to payment requests are retained and stored for the year of account and the previous six years.

5.4.6 Responsibilities of Members

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

- To ensure that claims for Members travel and subsistence are properly incurred on Council business and that claims are made in accordance with the scheme adopted by the Council.

5.5 TAXATION

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

5.5.2 Key controls

The key controls for taxation are that:

- budget managers are provided with relevant information and kept up to date on tax issues
- budget managers are instructed on required record keeping,
- all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- records are maintained in accordance with instructions, and
- returns are made to the appropriate authorities within the stipulated timescale.

5.5.3 Responsibilities of the Chief Financial Officer

- Maintaining the Council's tax accounting records, making tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.
- Ensuring that transactions comply with relevant statutory requirements and authorities.
- Completing a monthly return of VAT inputs and outputs to Her Majesty's Revenues and Customs (HMRC), ensuring prompt recovery of sums due, and reconciliation of tax records to the main accounting system.
- Making monthly Construction Industry Scheme returns to HMRC and ensuring compliance with HMRC regulations.
- Managing the Council's partial exemption position in respect of the Council's de minimis limit of 5%.
- Preparing and submitting Voluntary Disclosure Notices to HMRC and recovery of any revenues due.
- Providing advice on all taxation issues that affect the Council in light of relevant legislation as it applies and guidance issued by appropriate bodies.

5.5.4 Responsibilities of Directors

- To follow the guidance on taxation issued by the CFO.
- Ensuring that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.

- Seeking advice from the CFO on the potential tax implication of any new initiatives for the delivery of Council activity and services.
- Ensuring that the taxation implications of proposed land and building acquisitions and sales are properly identified and considered at the planning stage.
- Where construction and maintenance works are undertaken, ensuring that the contractor fulfils the necessary Construction Industry Scheme deduction requirements.

5.6 TRADING ACCOUNTS

5.6.1 A trading account is a method of matching income and expenditure for a particular activity or group of activities. Trading accounts should be maintained where services are provided on a basis other than a straightforward recharge of cost. The configuration of service delivery will determine the scope of a trading account

5.6.2 Trading operations are services provided to users on a basis other than a straightforward recharge of cost, such as a quoted price or a schedule of rates. Formal financial reports of performance may need to include summarised details of performance for significant trading operations providing services in a competitive environment.

5.6.3 Responsibilities of the Chief Financial Officer

To advise on the establishment and operation of trading accounts.

5.6.4 Responsibilities of Directors

- To consult with the CFO where an individual trading account wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- To observe all statutory requirements in relation to trading services, including the maintenance of a separate revenue trading account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, in accordance with the SERCOP requirements.
- To ensure that the same accounting principles are applied in relation to trading accounts as for other services.
- To ensure that each trading service prepares an annual business plan.

5.7 INTERNAL RECHARGES

5.7.1 Much of the flow of money across the Council originates from services provided by one department to another. This, in the majority of cases, stems from internal trading account services and support services.

5.7.2 To facilitate proper controls and the management of the Council’s budgets, transactions need to be processed in an efficient and effective manner. This should ensure that client services (or purchasers) are charged promptly and pay within a commercially acceptable timescale, and that trading services (or providers) bill their customers in the knowledge that payment will be received within that stated timescale.

5.7.3 This process follows similar principles to the ordering of and payment for goods and services.

5.7.4 To ensure that the process is operating in accordance with that process, regular departmental monitoring of incoming and outgoing recharges needs to be carried out. The CFO is responsible for undertaking overall monitoring of the recharges system.

5.7.5 The process involves provision for the resolution of disputes that cannot be settled between purchasers and providers. This is to ensure that all disputes are resolved within a stated timescale and will not adversely affect financial monitoring.

5.7.6 The process also seeks to ensure that purchasers and providers consult on budget provision to achieve the proper alignment of their respective budgets. These should then be reflected in the business plans of trading account services.

5.7.7 The recharging of the costs of support services is carried out in accordance with the ‘total cost of services’ principle required by the SERCOP.

5.7.8 Key Controls

The key controls for trading services’ internal recharges are that:

- recharges can only be raised by the provider;
- recharges can only be accepted by the purchaser;
- only the provider can make amendments to or cancel recharges;
- disputes can be raised by the purchaser;
- disputes can be referred for arbitration by either the purchaser or the provider;
- set timescales apply to raising, accepting and disputing recharges; and
- recharges or disputes not responded to within the set timescales will be processed by the CFO.

5.7.9 Responsibilities of the Chief Financial Officer

- To provide standard templates for both journal and recharge entries on the corporate financial system.
- To maintain the delegated list of inputters and authorisers, as agreed by Directors, on the corporate financial system.
- To establish a framework or system for monitoring the carrying out of recharges.
- To accept or cancel recharges that are not dealt with in accordance with the timescales laid down in the framework.

- To arbitrate on disputed recharges where these cannot be satisfactorily resolved between departments.
- To carry out recharges for support services in accordance with proper accounting practices for both budget and final accounts purposes and to encourage the development of service level agreements.

5.7.8 Responsibilities of Directors

- To provide the CFO with updated lists of officers delegated to input and authorise recharges.
- To ensure that there is a separation of duties between inputters and authorisers of entries.
- To raise and/or process recharges in accordance with the timescales laid down.
- To notify and/or respond to disputed recharges in accordance with the timescales laid down.
- To monitor the processing of recharges on a monthly basis.
- To ensure that budgets for the purchase and provision of internal services are agreed between purchaser and provider and properly reflected in annual budgets and business plans and budget monitoring statements.

5.8 GRANTS

5.8.1 Grants are accounted for corporately for year-end reporting in the Statement of Accounts, with support from the services. Keeping information centrally is also helpful for managing income efficiently. This includes making sure the income is coded correctly as soon as possible on receipt to ensure effective monitoring within departments. Advance notice of expected income also assists treasury management officers to invest money to best possible effect.

5.8.2 Managing and correctly coding the expenditure associated with grant income is important to maximise income and minimise the risk of claims being qualified by the external auditor.

5.8.3 Key controls

The key controls for controlling grant income:

- Development and maintenance of a corporate / service register of grant income showing amounts expected, when these are expected, where it should be coded to and the responsible officer,
- Monthly review of expected income compared with the amounts received,
- up to date recording of associated expenditure compared with grant income received and claimed,
- Reconciliation of actual expenditure to that recorded in the corporate financial systems before claims or returns are agreed, and
- Incorporation of gross grant income and expenditure within appropriate annual budgets.

5.8.4 Responsibilities of the Chief Financial Officer

- To maintain a corporate list of expected grants and amounts expected each year in liaison with Directors.
- To credit income received through the corporate bank accounts to the pre-agreed accounting codes within three working days.
- To invest the money received to best advantage.
- To investigate ways of maximising grant income.
- To build in any agreed financial implications (e.g. matched funding) into the budget strategy.
- To verify and sign all government grant claims for the Authority and for bodies for whom the Authority is the accounting body.

5.8.5 Responsibilities of Directors

- To maintain an up to date departmental list of expected grant income and to supply a copy to the CFO in sufficient time for it to be checked and reported to the external auditor for audit planning purposes.
- To ensure that income and expenditure associated with each grant is separately recorded on the corporate financial system.
- To ensure that all claims and returns associated with each grant are fully supported by comprehensive working papers.
- To ensure that any other expenditure associated with the grant (i.e. matching funding) is contained within the approved departmental budget.
- To ensure that all claims for funds and the returns required by funding bodies are made by the specified dates and that claims are received in the Finance department at least three days in advance of the specified dates.
- To minimise the costs of auditing grant claims by ensuring a high standard of working papers on grant files and by dealing with audit enquiries promptly.

5.9 JOURNALS

5.9.1 Journals are used to correct the coding of income and expenditure or to carry out balance sheet transactions. Amounts should be coded according to their classification, in line with accounting best practice. This allows the ‘total cost’ of services to be analysed correctly, as required by the CIPFA (SERCOP[6]).

5.9.2 A large number of journal entries on particular codes may indicate that transactions are not being coded correctly at source and can therefore be an indicator of quality (or lack of it) in the accounting.

5.9.3 Key controls

The key controls for generating journals are that:

- journals can only be generated within agreed levels of delegation and security;

[6] CIPFA Service Reporting Code of Practice (SERCOP)

- only authorised inputters and authorisers can generate journal entries;
- an authorised list of inputters and authorisers is maintained by the CFO on the corporate finance system to verify compliance;
- there is a separation of duties between inputters and authorisers of journals, and
- the corporate financial system (Agresso) will only allow ‘balanced’ journals to be accepted.

5.9.4 Responsibilities of the Chief Financial Officer

- To provide a template for journal entries on the corporate financial system.
- To maintain the list of delegated inputters and authorisers, as agreed by Directors, on the corporate financial system.
- To approve any journals that impact on more than one department.

5.9.5 Responsibilities of Directors

- To provide the CFO with updated lists of officers delegated to input and authorise journals.
- To ensure there is separation of duties between inputters and authorisers of entries.
- To seek approval from the CFO prior to any journal affecting another department.

5.10 SHARED SERVICES SECTION 113 RECHARGES

5.10.1 The shared services section 113 agreements which exist in the Authority refer to the relevant excerpt from the Local Government Act 1972:

<u>Section 113 Placing of staff of local authorities at disposal of other Local Authorities</u>

“Without prejudice to any powers exercisable apart from this section, a Local Authority may enter into an agreement with another Local Authority for the placing at the disposal of the latter for the purposes of their functions, on such terms as may be provided by the agreement, of the services of officers employed by the former, but shall not enter into any such agreement with respect to any officer without consulting him.”

5.10.2 The accurate recharging of salary/pay amounts arising from section 113 arrangements must be accounted for in the correct financial year or accrued for as appropriate, under the terms stipulated by the relevant section 113 agreement. This is to ensure that there is no cross-subsidisation of sovereign expenditure between shared services Councils which would be “ultra vires” (beyond one's legal power or authority).

5.10.3 Responsibilities of the Chief Financial Officer and Directors

Refer to section 5.10.2 which sets out the summarised responsibilities.

6 EXTERNAL ARRANGEMENTS

6.1 PARTNERSHIPS

6.1.1 CIPFA's publication on the Role of the Chief Financial Officer states: "Local authorities also need to engage with **partners** through a range of collaborative or commissioned relationships in order to realise their goals. **Partnership** working and the focus on community outcomes mean that the CFO needs to understand the financial risks and potential liabilities that may impact on the Authority and have appropriate involvement in **partnerships'** business decisions. The CFO must therefore work to develop strong and constructive working relationships with key decision makers in **partner** organisations."

6.1.2 For the purpose of these Financial Regulations a **partnership** is defined as "A co-operative fellowship between two or more independent parties (one of which is the Council) which is designed to secure some shared or mutual operational benefits" (CIPFA). This definition excludes client/contractor relationships and employer/employee relationships. Examples of partnerships include arrangements entered into involving the use of Section 75 of the National Health Service Act 2006 flexibilities, including pooled budgets.

6.1.3 The main reasons for entering into a partnership are:

- The desire to find new ways to share risk;
- The ability to access new resources;
- To provide new and better ways of delivering services;
- To forge new relationships; and
- To provide a more "joined up" service to the community.

6.1.4 A partner is defined as either:

- An organisation or undertaking (private or public), part funding, or providing resources in kind (e.g. premises, IT systems), or staff, or participating as a beneficiary in a project, or
- A body whose nature or status give it a right or obligation to support the project.

6.1.5 Partners participate in projects by:

- Acting as a project deliverer or sponsor, solely or in concert with others;
- Acting as a project funder or part funder;
- Providing non-cash resources e.g. use of premises, staffing expertise, administrative support or IT systems. It is important that a value is placed on contributions in kind in order to determine whether the partnership represents value for money; and
- Being the beneficiary group of the activity undertaken in a project.

6.1.6 Partners have common responsibilities as follows:

- To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- To act in good faith at all times and in the best interests of the partnership's aims and objectives;
- To be open about any conflict of interests that might arise;
- To encourage joint working and to promote the sharing of information, resources and skills between public, private and community sectors;
- To hold confidentially any information received, as a result of partnership activities or duties, that is of a confidential or commercially sensitive nature; and
- To act wherever possible as ambassadors for the project.

6.1.7 Key controls

The key controls for the Local Authority are that:

- All new partnerships should be reported as required by the Scheme of Delegation, as if they were a contract. The value of the partnership for this purpose is the sum of the Council's contribution over the life of the partnership (whether capital or revenue) and the value of any contributions in kind e.g. premises, staffing, IT systems etc.
- All partnerships should have a written agreement between the partners covering the following points (the obligations and potential liabilities of the Council should be clear in each case):
    - the purpose of the partnership and the benefits that are expected to be derived from it for the individual partners and for the local community;
    - the names of the partner organisations;
    - the governance arrangements for the partnership – i.e. who can make decisions on behalf of the partnership, under what authority, and with what terms of reference;
    - a named partner organisation to be responsible for managing the finances and keeping the accounts of the partnership;
    - the Financial Regulations that will apply (usually those of the organisation that will manage the finances and keep the accounts);
    - a clear statement of the purpose of the partnership, including the target client group, the services to be provided to the client group and who is to provide those services;
    - agreed service targets and responsibilities consistent with the Council's performance framework and statutory duties;
    - a scheme of delegation;
    - the responsibility of each partner for providing information to the partnership (including financial and accounting information) and the format and frequency with which the information will be provided. This should include both regular financial monitoring, financial planning and budgeting, financial reporting and an annual statement of accounts;
    - the contribution that each partner will make both in cash and in kind;
    - arrangements for dealing with financial surpluses or deficits and how they will be divided between the partners;

  - arrangements for any carry forward of a surplus or deficit between financial years;
  - arrangements for varying the level of contribution both in cash and in kind. These should include an annual review of the effect of inflation on contributions;
  - identification of risks, financial or otherwise, related to the partnership and how they will be allocated between partners;
  - insurance arrangements;
  - a statement on the treatment of VAT and any other tax implications of the partnership;
  - responsibility for internal audit, and the appointment of an external auditor;
  - the process for reviewing the performance of the partnership and evaluating it against agreed objectives;
  - the duration of the partnership and the agreed end date or review date;
  - the implications of any partner terminating their involvement before the agreed end or review date;
  - arrangements for the dissolving of the partnership. These should cover financial liabilities and compensation, ownership of assets and liabilities, ownership of intellectual property and interim arrangements during the winding down of the partnership; and
  - where income is being raised by charges there should be a charges policy which should be consistent with the Authority's fees and charges strategy and statutory duties.

6.1.8 Responsibilities of the Chief Financial Officer

- To advise on effective controls that will ensure that resources are not wasted.
- To advise on the key elements of funding a partnership. They include:
  - a financial appraisal to establish viability in both the current and future years;
  - risk appraisal and management;
  - resourcing, including taxation issues;
  - audit, security and control requirements;
  - carry-forward arrangements;
  - the partnership arrangements generally; and
  - the governance arrangements.
- To ensure that the accounting arrangements are satisfactory;
- To comment on all proposed partnership arrangements prior to approval in line with the Scheme of Delegation.

6.1.9 Responsibilities of Directors

- To maintain a register of all partnerships entered into with external bodies.
- To ensure that, before entering into agreements with external bodies, a report is prepared in consultation with the CFO under the Scheme of Delegation covering all the points set out in para 7.1.8 above.
- To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.
- To ensure that all agreements and arrangements are properly documented and that advice is sought from the Monitoring Officer where appropriate.
- To ensure that financial monitoring information on the whole partnership is available in the format and at the frequency specified by the CFO – including any financial risks to the Council arising from the actions or spending of other members of the partnership.
- To agree accounting procedures and practices with the CFO.

6.2 JOINT VENTURES AND INTEREST IN COMPANIES

6.2.1 A joint venture (JV) is a business entity created by two or more parties, generally characterised by shared ownership, shared returns and risks, and shared governance. The term joint venture covers ‘vehicles’ such as limited companies.

6.2.2 Interest in companies will be accounted for following the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which specifies the principles and practices of accounting required where a Local Authority has material interests in subsidiaries, associates or joint ventures. At minimum, there should be narrative disclosure in the Statement of Accounts of the Council’s relationship / involvement with associated companies.

6.3.3 Responsible Officers should ensure that indemnity insurance is procured to cover liabilities associated with stakeholder interest in limited companies or any other joint venture, as appropriate.

6.3 GRANTS TO VOLUNTARY AND COMMUNITY ORGANISATIONS

6.3.1 Grants to voluntary bodies and community organisations can be a cost effective means of facilitating and achieving corporate and service objectives. Voluntary bodies and community organisations, in some circumstances, may be better able or may be better placed to provide certain services. Much of the rationale for, and benefits of, engaging in partnerships, as set out at the beginning of the previous section, applies to grants to outside bodies.

6.3.2 Key Controls

Decisions to approve assistance to an outside body by grant or other assistance in kind should be based on assurance that the following requirements have been met or will be met to ensure the Council’s interests are protected before any grant or assistance is actually made – this is primarily a framework for good practice. More detail is found in the Council's Funding Agreement (for longer term arrangements) and Conditions for Grant Aid:

1. the receiving body has been properly identified, has suitable lead parties, a defined work area or purpose, and suitable trust documents or constitution;
2. any conflicts of interest have been declared and properly managed;
3. any risks to such agreements and to the Council's interests are being adequately and appropriately managed;
4. it will be possible to confirm proper use of the Council's assistance;
5. the assistance contributes to the delivery of the Council's services or to the achievement of the Council's corporate objectives;
6. the extent and purpose of the assistance have been properly identified;
7. arrangements for the repayment of any loan have been made;
8. arrangements to gain repayment or recovery for the value of the assistance are in place in the event of default by the recipient;
9. any specific conditions relating to the assistance have been identified;
10. monitoring arrangements have been put in place to ensure the assistance is used for the purpose approved;
11. the recipient will provide evidence to the Council demonstrating proper accounting for, and use of, the assistance, including, access to the accounts of the body for the Chief Financial Officer, or designated representative, and to supporting information, documents and evidence;
12. a legally binding agreement is in place between the Council and the body covering the above conditions relating to the use of grant or other assistance;
13. full records will be maintained of all grants and related applications for assistance, which should identify which staff are involved in the processing of applications and grants, and record the date of approval of any grant or other assistance, and by whom, and any other relevant transaction information;
14. Members will approve all grants and assistance to external bodies, except where such annual assistance in total is less than £20,000 in value to any one body, and there is budgetary provision for such assistance, and it does not form a commitment of future years' budgets. Where the total value per annum is below £20,000 the relevant Director may approve such assistance in accordance with the Scheme of Delegation and subject to the requirements of these Financial Regulations; and
15. Members may approve a framework for the administration of any specified class of grant and assistance over the value of £10,000 by the relevant Director for the efficient conduct of business, subject to such assistance meeting the other requirements of these Financial Regulations.

6.3.3 Responsibilities of the Chief Financial Officer

- To advise on effective controls.
- To advise on any funding implications of grants or assistance.
- To ensure the accounting arrangements are satisfactory.

6.3.4 Responsibilities of Directors

- To ensure that the key controls set out above are implemented in respect of all grants made and assistance provided.
- To undertake any research, i.e. by making enquiries of the Charity Commissioners, into the financial standing of proposed grant receiving bodies.
- To ensure the use of any corporate standard agreements drawn up by the CFO (as updated from time to time), with any specific conditions incorporated therein.

7 GLOSSARY AND ABBREVIATIONS

Term	Description
Accrual	An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and / or invoices are actually paid.
Annual Governance Statement	The mechanism by which an organisation publicly reports on its governance arrangements each year.
Asset Management Plan (AMP)	Corporate and departmental plans outlining how the Council plans to manage its assets.
Audit Committee	The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.
Balances	The amount of money left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are known as financial reserves. They comprise of the General Fund balance, the Collection Fund balance, the Housing Revenue Account balance and the Schools balance.
Balance Sheet Codes	Cost centres used for expenditure and income not directly chargeable to revenue or capital – they contain all balances carried forward at the year end.
Budget	A forecast of the Council’s planned revenue or capital expenditure and income, either over a set period or for a specific project.
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.
Budget Head	The lowest level of expenditure or income at which budgets are monitored - generally this will be a line in the budget book although for directorate purposes these budgets will be broken down on the financial accounting system and monitoring undertaken at that lower level.
Capital Charges	Charges in respect of depreciation made to revenue accounts in respect of their utilisation of assets.
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 Financing	Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contribution from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

Term	Description
Capital Programme	Sets out the Council's capital expenditure plans for the current and future years.
Capital Receipts	The net proceeds arising from the sale of land, buildings and other property, plant and equipment owned by the Council and any other income deemed by statute to be of capital nature.
Capital Resources	Amounts available to finance capital expenditure - including borrowing, capital receipts, capital grants and revenue.
Charges	Income raised from the users of services (external or internal) which may be statutory (set by central government) or discretionary (set by the Authority).
Chief Executive	Most senior corporate Director. Contractual position as Chief Executive under private law. See Head of Paid Service for the statutory designated position.
Chief Financial Officer (CFO)	The organisation's most senior executive role charged with leading and directing financial strategy and operations.
CIPFA Code of practice on Local Authority Accounting in the United Kingdom	The Chartered Institute of Public Finance and Accountancy provides guidance on the detailed accounting conventions to be used in the production of the Council's Statement of Accounts (Final Accounts).
Commercial Revenue Committee	A Cabinet sub-committee whose terms of reference are to approve new income opportunities and income generating business cases with a value of up to £1m.
Commitment	Agreement to incur expenditure, for example the placing of an order or the signing of an agreement.
Contingent Asset	A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.
Contingent Liability	A contingent liability is defined as: • a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or • a present obligation that arises from past events but is not recognised because: a) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or b) the amount of the obligation cannot be measured with sufficient reliability.
Contingency	Amount set aside within an approved budget but not assigned for a specific purpose which may cover, for example, inflation increases or sums retained centrally for allocation during the year.
De Minimis	Threshold level/limit below which the relevant rule or regulation does not apply.

Term	Description
Department for Communities and Local Government (DCLG)	The Department for Communities and Local Government's job is to create great places to live and work, and to give more power to local people to shape what happens in their area. DCLG is a ministerial department, supported by 11 agencies and public bodies.
Document Retention Schedule	Details the time, dictated by statute or good practice, for which prime records for various areas of Council activity should be retained for possible examination.
Estimate	Anticipated expenditure or income - generally synonymous with the term “budget”.
Finance Function	The staff with a prime responsibility for financial matters, located either in a central department or within business/service areas. Some functions may be outsourced.
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.
Governance	The arrangements in place to ensure that an organisation fulfils its overall purpose, achieved its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical style.
Head of Paid Service	The roles of chief executive and head of paid service are separate. Whilst private law governs arrangements between local authority chief executives and their employers, designation as head of paid service under section 4 of the Local Government and Housing Act 1989 comes under public law.
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.
Intangible Assets	Definition of Intangible Assets Three criteria, all of which must be satisfied, for an item to qualify as an intangible asset: • the item is identifiable – this requires either that the item is capable of being separated and sold or (if it cannot be separated) that it has arisen from contractual or other legal rights • it lacks physical substance • it is controlled by the Council as a result of past events, and future economic benefits or service potential are expected to flow to the Council, such as legal title or a licence.
Internal Audit	As assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives.

Term	Description
Levy	Payment to London wide organisations such as the London Pension Fund Authority. The cost of these Authorities are borne by Councils in the area concerned, based on their Council Tax base and is met from the General Fund.
Outturn	Actual income and expenditure in a financial year.
Precept	A precept is a charge raised by another Authority to meet its net expenditure.
Precepting Authority	The precepting authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own council tax in the same way as a London Borough. Each billing authority then collects the tax for them.
Provision	A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified. A present obligation as the result of a past event; where it is probable that the transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of that obligation.
Reserves	The amounts held by way of balances and funds that are free from specific liabilities or commitments. The Council is able to “earmark” some of its reserves towards specific projects, whilst leaving some “unearmarked” and free to act as a working balance.
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. Does not meet the definition of capital expenditure.
Scheme of Delegation	The delegation handing down of statutory (where allowed) and other responsibilities by the Council to the Cabinet, Cabinet Members, Committees, Panels and Officers. There are both general and specific Schemes of Delegation in the Council’s Constitution.
Service Reporting Code of Practice (SERCOP)	The Chartered Institute of Public Finance and Accountancy’s SERCOP publication sets the financial reporting guidelines for local authorities. It provides guidance on the definition of total cost and service expenditure analysis.
Slippage	Slippage is when the timeline of a 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.
Strategic Leadership Team (SLT)	The Chief Executive chaired meeting of the strategic leadership team for the Council. Formerly known as Hammersmith and Fulham Business Board (HFBB). SLT is the Officer led corporate management board comprising all Directors charged with determining strategic direction for the Council and responsible for its achievement. Makes recommendations to Members where appropriate.

Term	Description
Trading Accounts	A trading account is a method of matching income and expenditure for a particular activity or group of activities. Trading accounts should be maintained where services are provided on a basis other than a straightforward recharge of cost. The configuration of service delivery will determine the scope of a trading account.
Trading Operations	Trading operations are services provided to users on a basis other than a straightforward recharge of cost, such as a quoted price or a schedule of rates. Formal financial reports of performance may need to include summarised details of performance for significant trading operations providing services in a competitive environment.
Virement	The approved transfer of budget from one service to another.

8 FURTHER REGULATORY AND PROCEDURAL DOCUMENTS

Members’ Code of Conduct (Constitution)
Officers’ Code of Conduct (Constitution)
General Scheme of Delegation (Constitution)
Specific Schemes of Delegation to Directors, especially the Strategic Finance Director (Constitution)
Budget and Policy Framework Procedural Rules (Constitution)
Contract Standing Orders (January 2016)
Officer Employment Procedure Rules (Constitution)
Corporate Services Financial Scheme of Delegation (December 2016)
Access to Information Procedure Rules (Constitution)
Schools Local Management Scheme, including financial procedures
Document Retention Schedule
Business Continuity Plans/Disaster Recovery Plans
Register of Interests, Gifts and Hospitality
Whistle-Blowing Procedures
Computer and Internet Security Policies
Treasury Management Strategy and Policy Statements
Income Management Policy
Prompt Payment of Invoices Procedures
Members’ Allowances Scheme
CIPFA Codes of Practice – on accounting and service financial reporting

[This list is not exhaustive].

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