

# **SPELTHORNE BOROUGH COUNCIL**

## **FINANCIAL REGULATIONS**

### **INTRODUCTION**

#### **Background**

1. Financial Regulations are the basic rules applicable to key areas of financial administration. They must be available to and followed by all officers, Members and agents acting for the Council. Together with Standing Orders, they regulate the conduct of Council business.
2. Copies of Financial Regulations are provided to the Chief Executive, Strategic Directors, all Heads of Service and are included in the Council's Constitution. They are also filed on SOPHIS under the Finance Library.
3. To help you understand the terminology used in Financial Regulations, a Glossary of Terms is attached at the end.
4. A Finance Manual has also been prepared as a reference document for use with Financial Regulations. It gives detailed instructions and advice on practice and procedures, to ensure uniform operating methods throughout the organisation.

#### **Scope & Review**

5. It is the responsibility of each Strategic Director to ensure Financial Regulations are followed.
6. Heads of Service are responsible for ensuring that all officers in their departments are aware of the existence and content of the Financial Regulations and that they comply with them. Equally officers have a reciprocal responsibility to comply with the regulations.
7. Failure to follow Financial Regulations and Standing Orders will be reported to the Strategic Director (Support) immediately and, if serious, to the Executive and may be treated as a disciplinary offence.
8. Financial Regulations also apply to agents and consultants acting for the Council and to services carried out under agency arrangement, unless specifically excepted by the relevant service head and the Strategic Director (Support).
9. Financial Regulations should be reviewed in line with inflation every two years by the Strategic Director (Support) in consultation with the Chairman of the Executive.

## **Financial Regulation A – Financial Accountabilities and Management**

- A1 Financial management covers all financial accountabilities in relation to the running of the Council including the policy framework and budget and should be read in conjunction with the Council's Constitution.

### **COUNCIL**

- A2 The Council has the general responsibility for setting the Council's policy and budget framework.
- A3 The Council is responsible for adopting and changing the Council's constitution and members' code of conduct and for approving the policy framework and budget within which the Council operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Council's constitution. The Council is also responsible for monitoring compliance with the agreed policy, related strategy decisions and Code of Corporate Governance.

### **THE EXECUTIVE**

- A4 The Executive is responsible for proposing the policy framework, its overall community and corporate strategies and budget strategy to the full Council, and for discharging Executive functions in accordance with the policy framework and budget

### **ROLE OF OFFICERS**

#### **STATUTORY OFFICERS**

##### **Chief Executive (Head of Paid Service)**

- A5 The Chief Executive as Head of Paid Service is responsible for overall corporate management and operational responsibility for the management of the Council as a whole. He or she must report as necessary to the Council and Executive. He or she is responsible for provision of professional advice to all parties in the decision making process. The Chief Executive is also responsible together with the monitoring officer, for the system of record keeping in relation to all the full Council's decisions.

##### **Head of Corporate Governance (Monitoring Officer)**

- A6 The Head of Corporate Governance as the Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee. The Head of Corporate Governance is also responsible for reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Executive, and

for ensuring that procedures for recording and reporting key decisions are operating effectively.

- A7 The Head of Corporate Governance will ensure that Executive decisions, together with the reasons for those decisions and relevant staff reports and background papers are made publicly available as soon as possible.
- A8 The Head of Corporate Governance will advise whether decisions of the Executive are in accordance with the budget and policy framework
- A9 The Head of Corporate Governance will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councilors.

### **The role of the Strategic Director (Support)**

- A10 Under Section 151 of the Local Government Act 1972 and the general direction of the Executive, the Strategic Director (Support) is responsible for the proper administration of the Council's financial affairs.
- A11 Under Section 114 of the Local Government Act 1988, the Strategic Director (Support) is also responsible for reporting to the Council if Members or officers make or are about to make a decision involving unlawful expenditure, loss or deficiency, or if proposed expenditure is likely to exceed available resources.
- A12 The Strategic Director (Support) as the Chief Finance Officer, as defined in the Council Constitution has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Section 151 of the Local Government Act 1972
  - Local Government Finance Act 1988
  - The Local Government and Housing Act 1989
  - The Accounts and Audit Regulations 2003
  - The Accounts and Audit (Amendment) Regulations 2006
  - The Local Government Act 2003
- A13 The Strategic Director (Support) is responsible for:
- the proper administration of the Council's financial affairs
  - setting and monitoring compliance with accounting and financial management procedures and standards
  - maintaining an effective and adequate internal audit and all audit arrangements
  - advising on the corporate financial position
  - key financial controls necessary to secure sound financial management providing financial information

- preparing and controlling forward financial plans, budget strategies, the revenue budget, the capital strategy and capital programme
- treasury management and banking arrangements financial and related IT systems
- procedures and controls for ordering services, supplies and works
- payment of accounts and collection of income
- pay and pensions;
- providing advice and training to budget holders including advice on financial and operational controls.

A14 Section 114 of the Local Government Finance Act requires the Strategic Director (Support) to report to the Council and external audit if the Council or its officers:

- has made, or is about to make a decision which involves or would involve unlawful expenditure
- has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to result in a loss or deficiency by the Council; or
- is about to make an unlawful entry in the Council's accounts

A15 In preparing a report the Strategic Director (Support) shall consult as far as practicable with the person designated as far as practicable with the Chief Executive as the Head of the Council's Paid Service and with the Head of Corporate Governance under the Local Government and Housing Act 1989.

A16 Section 114 of the 1988 Act also requires:that the Deputy Chief Finance Officer performs these functions in the absence of the Chief Finance Officer

A17 The Head of Financial Services is the Council's statutory deputy Chief Finance Officer.

A18 The council is required to provide the Chief Finance Officer with sufficient officers, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

A19 The Strategic Director (Support) is responsible for advising the Executive, or the Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- initiating new policies and financial commitments
- committing expenditure in future years above budget
- budget or spending transfers above virement limits

## OTHER OFFICERS

### **Strategic Directors and Heads of Service**

For the purposes of these regulations, a Strategic Director means the Chief Executive plus any officer fully accountable to the Chief Executive for the management of his/her directorate.

- A20 **Delegated Authorities** Under Standing Orders, authority to make financial transactions is delegated to the Chief Executive, Strategic Directors. However, some delegation to other officers is necessary for practical purposes. These delegations form lines of accountability which should be clear, well communicated and regularly reviewed. They also provide control through appropriate levels of authorisation, limited numbers and separation of duties.
- A21 Each Strategic Director will keep a list of his staff authorised to make financial transactions, copy that list to Strategic Director (Support) for entry onto the financial system, and review it regularly.
- A22 An authorised signatory matrix is available to record delegated authorities. Essential details are officer's name, grade, specimen signature, transaction type, value limit of authority and evidence of approval by Strategic Director.
- A23 In an emergency the Chief Executive, Strategic Directors may authorise such expenditure as is necessary, to be later ratified by the Executive.
- A24 **A Head of Service is an officer fully responsible to a Director, or the Chief Executive, for the management and provision of an identifiable service in accordance with service plans and strategies**
- A25 Heads of Service are responsible for:
- ensuring that the Executive are advised of the financial implications of all proposals and that the financial implications have been agreed by the Strategic Director (Support)
  - operating financial processes within their departments. To do this they must ensure that adequate operational controls are in place;
  - controlling expenditure and income, monitoring performance and taking the necessary action to remain within budgets and cash limits;
- A26 It is the responsibility of Heads of Service to consult with the Strategic Director (Support) and seek approval regarding any matters which are liable to affect the Council's finances materially, before any commitments are incurred.

### **MANAGING EXPENDITURE: SCHEME OF VIREMENT**

- A27 The scheme of virement is intended to enable the Executive, Chief Executive, Directors and Heads of Service and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the full Council and therefore, to optimise the use of resources.
- A28 The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.
- A29 **Virements are the temporary transfer of surplus budget provisions between 'estimate' headings. These do not affect the base budgets for future years.**
- A30 Heads of Service are responsible for agreeing in-year virements within delegated limits, in consultation with the Strategic Director (Support) where required.
- A31 Key controls for the scheme of virement are:
- a) It is administered by the Head of Financial Services within guidelines set by full Council. Any variation from this scheme requires the approval of the full Council
  - b) The overall budget is agreed by the Executive and approved by full Council. Directors, Heads of Service and budget managers are, therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement. For this purpose, a service comprises a separate page or column in the published budget.
  - c) Virement does not create additional overall budget liability. Virements are not permitted on the following revenue expenditure heads unless the Strategic Director (Support) has approved their use:
    - Business rates resulting from revaluation
    - Insurance
    - Capital financing charges
    - Members allowances
    - Government grants
    - And any others identified by the Strategic Director (Support)
- A32 Strategic Directors and Heads of Service are expected to exercise their overall discretion in managing their budgets reasonably and prudently. For example they should aim to avoid supporting recurring expenditure from on-off sources of savings or additional income of creating future commitments, including full-year effects of decisions made partway through a year for which they have not identified future resources.

- A33 Strategic Directors may transfer or "vire" funds between budget heads within their services, subject to the following general parameters:
- (a) All corporate guidelines and policies will be followed
  - (b) Conditions of service will be complied with
  - (c) A single 'one-off' budget may not be transferred to fund a new ongoing item of expenditure
  - (d) Budgets not under effective control of the budget holder may not be vired eg rates and insurance
- A34 Any such transfer will be agreed with the Head of Service and discussed with the service accountant before implementation, in accordance with procedures set out by the Strategic Director (Support)..
- A35 Any proposal to transfer funds between services requires the approval of Management Team and the Executive
- A36 Any virement with a value greater than £100,000 must be approved by Executive

### **Supplementary Estimates**

- A37 If an essential increase in spending cannot be contained within existing budgets through the transfer arrangements described above, the relevant Strategic Director will consult with the Strategic Director (Support) and report to the Executive, to obtain a supplementary estimate. No expenditure may be incurred until the supplementary estimate has been approved.
- A38 The Executive is authorised to approve total supplementary expenditure in a year not exceeding **5%** of the approved net revenue budget, and the **greater** of **£20,000** or 5% on any approved capital scheme.
- A39 The Head of Financial Services shall maintain a record of all supplementary estimates approved
- A40 If a claim is made against the Council which is not recoverable under an insurance policy, the Executive has authority to spend as necessary in resisting the claim, and/or in deciding and meeting the terms of any settlement made in the best interests of the Council. The Chief Executive is authorised to decide the terms of any settlement involving expenditure not exceeding £26,250,500, and to spend such amounts subject to report on the circumstances of the claim and settlement to the next meeting of the Executive.

### **Treatment of year-end balances**

- A41 The Head of Financial Services, in consultation with the Strategic Director (Support), is responsible for agreeing procedures for the carrying forward of underspendings on budget headings.
- A42 The rules below cover arrangements for the transfer of resources between accounting years, i.e a carry-forward. For this purpose, a budget head is a line in the estimates report or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA in its Service Expenditure Analysis.

### **Responsibilities of the Head of Financial Services**

- A43 To administer the scheme of carry forward
- A44 To report all major underspendings on services estimates to the Portfolio Holder for Resources to approve.
- A45 To report all major over and underspendings on service estimates to the Executive and to the full Council.
- A46 To monitor the spending of any carry forwards and report to MAT.

### **Responsibilities of the Portfolio Holder for Resources**

- A47 To consider and approve as appropriate the items put forward on the carry forward list

### **Responsibilities of Strategic Directors and Heads of Service**

- A48 Any overspendings on service estimates in total on budgets under the control of the Strategic Director or Head of Service must be explained to the Strategic Director (Support). The Strategic Director will report the extent of major over and under spendings to the Executive and to the full Council.

### **ACCOUNTING POLICIES**

- A49 The Strategic Director (Support) is responsible for determining accounting policies and financial systems and ensuring that they are applied consistently. The Strategic Director (Support) is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) for each financial year ending 31 March, and the Accounts and Audit Regulations 2003.

- A50 The key controls for accounting policies are:
- A) Systems of internal control are in place that ensure financial transactions are lawful
  - B) Suitable accounting policies are selected and applied consistently
  - C) Proper accounting records are maintained
  - D) Financial statements are prepared which present fairly the financial position of the Council and its expenditure and Income

### **Responsibilities of the Strategic Director (Support)**

- A51 To select suitable accounting policies and to ensure that they are applied consistently
- A52 To exercise supervision over financial and accounting records and systems with a view to ensuring their uniformity, co-ordination and compatibility.
- A53 To prepare and publish reports containing the statements on the overall finances of the Council including the Council's Annual Report and Accounts.

### **Responsibilities of Strategic Directors and Heads of Service**

- A54 To adhere to the accounting policies and guidelines approved by the Strategic Director (Support)
- A55 To obtain the approval of the Strategic Director (Support) before introducing any books, forms or procedures or other records relating to cash, stores or other accounts of the Council which may affect the Council's finances
- A56 To submit to the Strategic Director (Support) any information as the latter considers necessary for accounting and costing purposes and allow the Strategic Director (Support) access at all reasonable times to all accounting records and documents which may affect the Council's finances.
- A57 To consult the Strategic Director (Support) when preparing publications containing financial information.

### **ACCOUNTING RECORDS AND RETURNS**

- A58 The Strategic Director (Support) is responsible for determining the accounting procedures and records for the Council.

- A59 All accounting procedures and records will be approved by the Strategic Director (Support).
- A60 All accounts and accounting records will be compiled by the Strategic Director (Support) or under his-~~his~~ their direction. The form and content of records maintained in other Directorates will be approved by the Strategic Director (Support).
- A61 The following principles will apply in accounting procedures:
- a. calculating, checking and recording of sums due to or from the Council will be separated as completely as possible from their collection or payment
  - b. officers responsible for examining and checking cash transaction accounts will not process any of these transactions themselves
  - c. reconciliation procedures are carried out to ensure transactions are correctly recorded
  - d. procedures are in place to enable accounting records to be reconstituted in the event of systems failure
  - e. Prime documents are retained in accordance with legislative and other requirements.
- A62 The Strategic Director (Support) is responsible for ensuring financial management and accounting information is available for all services administered by the Council, in either computer screen or hard copy format.
- A63 The need to balance speed and accuracy with cost in producing accounting statements will be considered and determined by the Strategic Director (Support), after consulting the service manager concerned.

#### **The Annual Statement of Accounts**

- A64 The full Council is responsible for approving the annual statement of accounts, which is to have been signed by the Chief Finance Officer. The Leader of the Council is also to sign off the accounts.

## **FINANCIAL REGULATION B: FINANCIAL PLANNING**

B1 The Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the Executive. In terms of financial planning, the key elements are:

- the corporate strategy in the form of the Corporate Plan
- Service Plans
- the medium term financial strategy
- The outline budget
- the revenue budget
- the capital programme

### **THE BUDGET PROCESS**

#### **Introduction**

B2 Each year, the Strategic Director (Support) will prepare timetables for the preparation, submission and approval of the Outline Budget, Capital Budget and detailed Revenue Budget. These budgets will comply with the Code of Practice on a Prudential Approach to Local Authority Commitments.

B3 The order of paragraphs in this section roughly follows the order in which the budget process is carried out.

#### **Capital Programme & New Schemes Fund Initiatives**

B4 Strategic Directors will prepare provisional estimates of income and expenditure on capital schemes for each of their services, for each of the next four financial years, together with details of any revenue implications. The Strategic Director (Support) will specify the form these estimates should take and the timetable for their submission.

B5 Capital expenditure differs from revenue expenditure in several ways, and falls into the following general categories:

- ❖ purchase or construction of an asset
- ❖ enhancement of an asset
- ❖ grants for capital purposes.

B6 Council assets include land, buildings, vehicles, plant and equipment. The Council makes grants for capital purposes such as improvement grants and grants to housing associations which are classed as capital expenditure.

B7 Capital expenditure is often of high value and the benefit is expected to be spread over a number of years. Revenue expenditure is the annual running costs in relation to the provision of a service.

- B8 Provisional estimates will distinguish between committed and uncommitted expenditure. A scheme can only be included in provisional estimates after detailed evaluation by Management Team in accordance with agreed criteria.
- B9 Management Team will consider the provisional capital programme. After making any necessary amendments, the Strategic Director (Support) will submit the summarised programme and estimated resources to the Executive, together with a report on the revenue implications of the programme and any other relevant information.
- B10 The programme recommended by services and a report by the Strategic Director (Support) will be submitted to the Executive for final consideration in the context of the Council Tax to be levied.

### **Outline Budget Forecast**

- B11 Strategic Directors will prepare information needed to produce an Outline Budget Forecast for each of their services. The Strategic Director (Support) will specify the form this Forecast should take and the timetable for its submission.
- B12 This information will include :-
- i. an indication of the continued need for the service at its current level and in its current form;
  - ii. the impact on the service of known or likely legal or contractual changes over the next four years;
  - iii. the impact over the next four years of any policy changes already approved by the Council's Management Team

- B13 Management Team will consider the initial Outline Budget Forecast. After making any necessary amendments, the Strategic Director (Support) will submit it to the Executive, together with a report on the possible Revenue Support Grant levels, availability of reserves and implications for the Council Tax.
- B14 The Executive will consider this and determine the overall level of resources to be made available, and the limits within which detailed budgets can be prepared.

### **Detailed Revenue Budget**

- B15 Strategic Directors will prepare provisional detailed estimates of income and expenditure on the revenue account for each of their services for the next financial year. The Strategic Director (Support) will specify the form these estimates should take and the timetable for their submission.

- B16 These estimates will reflect the Outline Budget Forecast and the decisions of the Executive detailed at paragraph B13 above.
- B17 All revenue budgets will be prepared at current costs, and converted to outturn prices by Financial Services. The forecast for inflation will be decided by the Strategic Director (Support).
- B18 Each budget head will be cash limited, and any minor variations in spending will be met from the approved budget. A budget head is an individual sum specified in the published service budget.
- B19 The Strategic Director (Support) will submit the detailed draft Revenue Budget to Management Team for consideration and approval and subsequently submit it to the Executive.

### **Approval of the Annual Revenue Budget**

- B20 By 1 March at the latest each year, the Executive will submit to the Council estimates of income and expenditure on the revenue account which it recommends for the next financial year, together with statements of precepting authorities' requirements, and its recommendation for the Council Tax necessary to meet the expenses of both the Council and precepting authorities.
- B21 The Council will meet by 1 March each year to consider the total budget proposals submitted by the Executive and decide the amount of Council Tax to be levied for the next financial year.
- B22 Once approved by the Council, amounts detailed in the Annual Budget may only be applied to the objects specified under their relevant budget head, or "voted". See paragraph A33 above for procedures to vary these approvals.

## **BUDGETARY CONTROL**

- B23 Budgetary control ensures that once budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

## **CAPITAL**

### **Authorisation of Capital Expenditure**

- B24 Capital expenditure on a scheme not included in estimates or budgets may only be incurred after full evaluation of that scheme by the Executive. This will include a statement explaining the scheme's purpose, the need for it and a

detailed analysis of capital costs involved. Exceptions are any payments authorised under paragraph A37 above. If the estimated expenditure is expected to cover more than one financial year, the estimate will show:

- i. the total estimated expenditure, and
- ii. the proposed levels of spend for each financial year involved

B25 The scheme evaluation will also include a statement of estimated revenue expenditure and income generated by the scheme:

- (a) during the construction period, and
- (b) for the first three years following the completion of the project

B26 Strategic Directors can authorise reasonable expenditure on necessary preliminary works, fees and salaries on schemes for which they are responsible, within the approved capital programme.

B27 Accountability for each capital project is to be accepted by a named manager

### **Capital Expenditure Monitoring**

B28 No Committee or Strategic Director responsible for the implementation of a capital scheme may incur capital expenditure greater than the approved budget for that year.

B29 As soon as an Officer becomes aware of a likely overspend on a Capital Scheme, they must report to Management Team and the Executive, requesting a supplementary estimate.

B30 The Head of Direct Services is authorised to purchase new equipment other than programmed replacements, provided such purchases are contained within the DSO's revenue plan as agreed in advance with the Strategic Director (Support).

### **RESPONSIBILITIES OF THE STRATEGIC DIRECTOR (SUPPORT)**

B31 To prepare capital estimates jointly with the Chief Executive, Strategic Directors and Heads of Service and to report them to the Executive for approval. The Executive will make recommendations on the capital estimates and on any associated financing requirements to the full Council.

B32 To prepare and submit reports to the Executive on the projected income, expenditure and resources compared with the approved estimates.

B33 To issue guidance concerning capital schemes and controls, for example on project appraisal techniques.

- B34 To approve the re-phasing of capital schemes within the approved capital programme between financial years, subject to the availability of resources to make the most effective use of those resources.

### **Responsibilities of Strategic Directors and Heads of Services**

- B35 To comply with guidance concerning capital schemes and controls issued by the Strategic Director (Support)
- B36 To ensure that all major capital proposals have undergone a project appraisal in accordance with the Council's project management methodology.
- B37 To ensure that adequate records are maintained for all capital contracts.
- B38 To proceed with projects only when there is adequate provision in the capital programme.
- B39 To prepare and submit reports jointly with the Strategic Director (Support) to the Executive on any variation in contract costs greater than the approved limits.
- B40 To ensure all credit arrangements such as leasing arrangements, are not entered into without the prior approval of the Strategic Director (Support)

### **Prudential Code**

- B41 Under the Local Government Act 2003 the Council is required by regulation to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities. The key objectives of the Prudential Code are to ensure that within a clear framework, the capital investment plans of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management manner that supports prudence, affordability and sustainability.
- B42 The Council is responsible for approving prior to the commencement of the financial year the prudential indicators for the forthcoming financial year and at least the two subsequent financial years required by the Code. The indicators required as a minimum are:

#### *For the three year period:*

- Estimates of the ratio of financing costs to net revenue stream
- Estimates of the Council Tax that would result from the totality of the authority's plan
- Estimates of capital expenditure
- Estimate of capital financing requirement (underlying need to borrow for a capital purpose)
- Authorised limit for external debt
- Operational boundary for external debt

*After the year end actual values are to be calculated for:*  
Ratio of financing costs to net revenue stream  
Capital expenditure  
Capital financing requirement  
External debt

### **Responsibilities of the Strategic Director (Support)**

B43 The Strategic Director (Support) is responsible for establishing procedures to both monitor performance against all forward looking prudential indicators and for ensuring that net external borrowing does not exceed the capital financing requirement. The Strategic Director (Support) will report to Council any significant deviations from expectations. The Strategic Director (Support) will ensure that regular monitoring is undertaken in year against the key measures of affordability and sustainability, by reviewing estimates of financing costs to revenue and the capital financing requirement. Significant variation in the estimates used to calculate these prudential indicators, for example caused by major overruns of expenditure on projects or not achieving in-year capital receipts, will require a report to Council setting out management action

## **REVENUE**

### **Authorisation of Revenue Expenditure**

B44 Subject to Financial Regulations, Standing Orders and any other specific limitations, each Strategic Director is authorised to spend those sums voted to his/her areas of responsibility for the financial year. With the exception of Regulations B47-B52 below, revenue expenditure may only be incurred for purposes specified in the Annual Budget, and is strictly limited to the amounts voted under relevant budget heads.

#### Key Controls

B45 The key controls for managing budgets are:

There is a nominated budget manager for each cost centre heading

Budget managers accept accountability for their budgets at 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 accounted for.

### **Responsibilities of Strategic Director (Support)**

- B46 To establish an appropriate framework of budgetary management and control that ensures that:
- a) Budget management is exercised within annual cash limits
  - b) Each Strategic Director and Head of Service has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
  - c) Ensure each cost centre has a single named Manager determined by the relevant Strategic Director or Head of Service. As a general principle, budgetary responsibility should be aligned as closely as possible to the decision making processes that commits expenditure.
  - d) To be responsible for providing appropriate financial information to enable budgets to be monitored effectively.
  - e) To administer the Council's scheme of virement
  - f) To prepare and submit reports on the Council's projected income and expenditure compared with the budget to corporate management team, heads of service and Executive on a regular basis,

### **Responsibilities of Strategic Directors and Heads of Service**

- B47 Strategic Directors are responsible for supervising income and expenditure within their directorates. Similarly Heads of service are responsible for supervising income and expenditure within their departments.
- B48 To control income and expenditure within their areas and to monitor performance taking account of financial information provided by the Strategic Director (Support). They should take any action necessary to avoid exceeding their budget allocation and alert the Strategic Director (Support) to any problems.
- B49 To maintain budgetary control within their services and to ensure that all income and expenditure is properly recorded and accounted for.
- B50 To ensure that spending remains within a services's overall cash limit and that individual budget heads are not overspent by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- B51 To ensure compliance with the scheme of virement
- B52 To agree with the relevant Strategic Director or Head of Service where it appears that a budget proposal, including a virement proposal may impact materially on another service area.

## **REPORTS WITH FINANCIAL IMPLICATIONS**

- B53 The Strategic Director (Support) and Head of Financial Services will be consulted on any report on any matter affecting or likely to affect the Council's finances.
- B54 This consultation will take place as early as possible, before any meeting of officers or Members at which the report is first considered.
- B55 Any Committee report with financial implications will first be submitted to Management Team.

## FINANCIAL REGULATION C: CONTROL OF RESOURCES

### INTRODUCTION

C1 It is essential that robust systems are maintained for identifying and evaluating all significant operational risks to the Council on an integrated basis. This includes the active participation of all officers associated with planning and delivering services

### Risk management

C2 **Risk Management is the whole process of identifying, and evaluating and controlling the strategic and operational risks of the Council. A risk is the chance or possibility of loss, damage, injury or failure to achieve objectives by an unwanted or uncertain action or event. This includes the risk of 'missed opportunities'.**

C3 **As the Council is the custodian of public funds risk management is particularly significant and the level of risk that can be tolerated in its activities will generally be low.**

C4 **The sections below outline key components of the Council's adopted risk management framework.**

C5 The key controls for risk management are:-

1. establishing clear roles, responsibilities and reporting lines within the Council for risk management
2. incorporating risk management considerations into best value reviews of services and a performance management system.
3. maintaining documented procedures for the control of risk and the provision of suitable information, training and supervision
4. maintaining an appropriate incident reporting and recording system with investigation procedures to establish cause and prevent recurrence
5. offering a framework for allocating resources to identified priority risk areas
6. reinforcing the importance of effective risk management as part of the everyday work of employees by offering training
7. maintaining effective communication and the active involvement of every member and employee of the Council
8. including risk management as an agenda item at meetings as appropriate
9. providing opportunities for shared learning on risk management across the Council
10. preparing contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the Council and its business capability

- C6 The Strategic Director (Support) is responsible for ensuring regular corporate assessments of risk and Heads of Service for reviewing risks annually.
- C7 The Strategic Director (Support) is responsible for developing specific programmes and procedures for establishing and maintaining risk management activities and to ensure the dispersal of vital information and, where appropriate, provide guidance, interpretation and understanding of the systems involved.
- C8 The Strategic Director (Support) has implemented a risk management structure involving corporate Management Team, a Risk Management Group, Head of Audit Services and Heads of Service to support his/her responsibilities.
- C9 Heads of Service will take responsibility for risk management in their department having regard to advice from the Strategic Director(Support) and other specialist officers (e.g. health and safety, internal audit).

## **INSURANCE**

- C10 The Strategic Director (Support) will arrange all insurance cover, keep a register of insurances and ensure the Council's insurance arrangements are reviewed each year.
- C11 Before the annual renewal of insurance cover, the Strategic Director (Support) will provide Strategic Directors as necessary with a summary of all current insurances to check and review their adequacy.
- C12 Each Head of Service will provide the Strategic Director (Support) immediately with details of all new risks to be insured, and of any alterations affecting existing insurable risks.
- C13 Each Strategic Director will forward any new or renewal contract terms to the Strategic Director (Support) for risk analysis before any contract is let and appropriate insurance cover arranged.
- C14 Each Strategic Director will ensure that any proposals for new buildings or alterations to existing buildings are copied to the Strategic Director (Support) before any tenders are requested, for risk analysis and arrangement of appropriate insurance cover.
- C15 The appointment of insurance brokers to act on behalf of the Council will be reviewed every three years by the Strategic Director (Support).
- C16 Any event which may result in an insurance claim will be immediately notified to the Strategic Director (Support), to make all claims on the Council's Insurers. Where an incident has occurred Heads of Service must stake steps to mitigate any future incident, but where a repair is required should first take a photograph for evidence purposes.

- .C17 No officer will admit liability, take any action or enter into any correspondence admitting liability on behalf of the Council.
- C18 All officers and voluntary workers on Council business are included in a suitable fidelity guarantee policy.

### **Internal control**

- C19 Internal Control is a key component in the Councils' Risk Management process. It relates to the whole system of policies, processes and checks employed to mitigate risks of error, omission, fraud and theft within the Council.**
- C20 Internal control refers to the systems of control to ensure that the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C21 The Strategic Director (Support) is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C22 It is the responsibility of Heads of Service to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

### **Audit requirements**

- C23 The Accounts and Audit Regulations 2003 require local authorities to maintain an adequate and effective internal audit service. This requirement was originally implied by *section 151 of the Local Government Act 1972* which established the post of the s151 officer with responsibility to 'make arrangements for the proper administration of their financial affairs'. The internal audit service is required to operate within the *CIPFA Code of Practice (2003)*.**
- C24 Significant issues arising from the audit will be reported to the relevant Strategic Director, and periodic reports will be made to Management Team and the Audit Committee.
- C25 The Strategic Director (Support) and the Head of Audit Services or their authorised representatives shall have authority where necessary in the performance of Council duties to:

- enter any Council premises or land in the occupation of the Council;
- have access to all records, documents and correspondence relating to any financial and other transaction of the Council;
- require and receive oral or written explanations from any employee as he/she thinks necessary concerning any matter under examination and;
- require any employee of the Council to produce cash, stores or any other Council property under his/her control.

C26 The Audit Committee is to approve the strategic and annual audit plans prepared by the Head of Audit Services to take account of the characteristics and relative risks of the activities involved.

C27 The Strategic Director (Support) is responsible for ensuring that effective procedures are in place to investigate promptly any fraud or irregularity and that the Head of Audit Services has direct access to the Chief Executive and the Audit Committee.

### **Responsibilities of Strategic Directors and Heads of Service**

C28 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets which the auditors consider necessary for their work.

C29 To ensure that auditors are given any information and explanations they seek in the course of their work.

C30 To consider and respond promptly to recommendations in audit reports.

C31 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

C32 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Audit Services before implementation.

C33 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue who have statutory rights of access.

### **Preventing fraud and corruption**

**C34 The Council is a public body and therefore will not tolerate any fraud and corruption in the administration of its responsibilities, whether from inside or outside the authority. All members and employees are expected to lead by example on all aspects of honesty, propriety and accountability. The Council also expects that individuals and organisations with whom it comes into contact (e.g. suppliers,**

**contractors, service providers, and partners) will act towards the authority with integrity.**

**C35 The Council's Anti-fraud and Corruption policy sets the culture for the organisation to address the risk of fraud and corruption, and summarises the methods of prevention, detection and investigation in place.**

C36 The Strategic Director (Support) is responsible for developing and maintaining procedures to prevent fraud and corruption.

## **FINANCIAL IRREGULARITIES**

C37 The Strategic Director (Support) will be notified of any irregularity in the financial affairs of the Council or in the exercise of its functions.

C38 Irregularities will be reported as appropriate to the Chief Executive and Members.

C39 Any Member or officer who is aware of any any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property, resources or systems, should report it to the Head of Service, Strategic Director (Support), Head of Audit Services, Chief Executive, Strategic Director (Community), Monitoring Officer or External Auditor. Pending investigation and reporting, the head of service should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration

C40 If officers feel they cannot raise their concerns through any of these routes, they may contact 'Public Concern at Work' (0207 404 6609), a registered charity whose services are free and strictly confidential.

C41 Where irregularities involve either members or officers the Strategic Director (Support), in consultation with the Chief Executive, is responsible for deciding whether to involve the police.

## **Assets**

C42 Heads of Service must ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

C43 Separate registers are maintained for the following fixed assets:

- land and buildings (maintained on the Property Terrier)
- vehicles and plant
- furniture and equipment financed from capital

- infrastructure expenditure

C 44 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-reparable or unnecessary resources should be disposed of in accordance with the law and the approval of the Directors.

C45 If the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with its approved intellectual property procedures.

## **SECURITY**

### **General**

C46 Strategic Directors are responsible for the security of buildings, stocks, stores, furniture, equipment, cash etc under their control. The Strategic Director (Support) will be consulted where security may be failing or where special security arrangements may be needed.

### **Data Protection and Information Security**

C47 Strategic Directors are responsible for the security and privacy of information held within their directorates and for ensuring compliance with Data Protection, Copyright and Computer Misuse Acts.

C48 All officers will be made aware of their obligations under the Acts and the Council's policy regarding data and systems security as set out in the Finance Procedure Manual and on SOPHIS. This includes physical security, privacy and passwords, back ups, viruses and software copyright.

### **Responsibilities of the Strategic Director (Support)**

C49 The Strategic Director (Support) is responsible through the Head of Asset Management for strategic management and maintenance issues.

C50 The Strategic Director (Support) is responsible through the Head of Asset Management for maintaining the Council's Asset Register.

C51 To ensure that asset registers are maintained in accordance with good practice for fixed assets. The function of asset registers is to provide the Council with information about fixed assets so that they are:

- safeguarded
- used efficiently and effectively
- adequately maintained.

To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

C52 To report to the Executive any significant write-off of stocks and stores.

### **Responsibilities of Strategic Directors**

C56 Strategic Directors are responsible for day to day management of assets used within their services and are accountable for ad hoc maintenance

### **Responsibilities of Heads of Service**

C57 The Head of Asset Management must maintain an asset register in a form approved by the Strategic Director (Support) for all land, buildings, and the Head of Direct Services to maintain asset registers in a form approved by the Strategic Director (Support) for vehicles and plant currently owned or used by the Council. Any use of property by a department or establishment other than for direct service delivery, with the exception of investment properties, should be supported by documentation identifying terms, responsibilities and duration of the use.

C58 The Head of Direct Services is responsible for organising ad hoc maintenance of assets.

C59 Heads of Service are to ensure the proper security of all buildings and other assets under their control. Investment property let to third parties is their responsibility to Secure.

C60 To pass the title deeds to the Head of Corporate Governance, who is responsible for custody of all title deeds.

C61 To ensure that the department maintains an inventory of moveable assets in accordance with guidance defined by the Strategic Director (Support).

C62 To ensure that controls are in place to ensure that officers do not carry out private work in Council time and that officers are aware of an employer's rights with regard to intellectual property.

### **All assets**

C63 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.

- C64 To record all disposal or part exchange of assets. Individual assets valued at £1,200 or more should be disposed of or part exchanged by competitive tender or public auction unless the Strategic Director(Support) agrees otherwise.
- C65 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Strategic Director (Support).
- C66 To seek advice from the relevant Strategic Director on the disposal of surplus or obsolete materials, stores or equipment, subject to paragraph above.
- C67 To ensure that income received for disposal of an asset is properly banked and coded.
- C68 Assets for disposal should be identified and disposed of:
- a) at the most appropriate time
  - b) when it is in the Council's best interests
  - c) for the best price (taking into account factors such as environmental issues).

**Land, buildings and other assets**

- C69 To ensure that leaseholders and other prospective occupiers of Council land are not allowed to take possession of or enter the land until a lease or agreement, in a form approved by the Directors has been established as appropriate. This may not always be possible in the case of existing tenancies and unlawful occupation. However, steps will be taken within the law to deal with the matter.

**Moveable assets**

- C70 To ensure that assets are identified, their location recorded and that they are appropriately marked.
- C71 Strategic Directors and Heads of Services are responsible for all furniture and equipment in their departments. Wherever practicable, items will be marked as the property of the Council.
- C72 A central inventory of all furniture, fittings and equipment, plant and machinery will be maintained by Head of Administration Services, with each Service providing details of all acquisitions and disposals.
- C73 Council property may not be removed unless on Council business and with the agreement of the Strategic Director concerned.
- C74 All items on the inventory will be checked annually by Services, and any discrepancies reported to the Strategic Director (Support). As part of the annual check services are to review the condition of assets and take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video

recorders should be identified with security markings as belonging to the Council.

- C76 The Strategic Director (Support) will approve write-off of discrepancies, except where the authority of the Executive is required under paragraphs D20 to D22 below.
- C77 Strategic Directors and Head of Direct Services may authorise the disposal of furniture and equipment with an estimated market value of up to £1,200 (per item or collectively). The Strategic Director (Support) will approve disposal of more valuable items
- C78 To make sure that property is only used in the course of the Council's business unless the Strategic Director concerned has given permission otherwise.

### **Stocks and stores**

- C79 Strategic Directors and the Head of Direct Services are responsible for all stores held in their services. Wherever practicable, all items will be effectively marked as the property of the Council.
- C80 Stores held will not exceed reasonable requirements.
- C81 All goods received will be checked against the copy order at time of delivery and the supplier immediately notified of rejected goods.
- C82 All receipts, issues and balance of stock items will be properly recorded in a form agreed by the Strategic Director (Support).
- C83 Strategic Directors and the Head of Direct Services will regularly check that items are accounted for, and arrange for continuous and independent stocktaking to be carried out. Any shortfalls will be reported to the Strategic Director (Support). Strategic Directors and the Head of Direct Services will also arrange for stocktakes and the provision of signed stock certificates as at 31 March each year, to satisfy external audit requirements.
- C84 The write-off of shortfalls will be approved by the Strategic Director (Support), except where the authority of the Executive is required under paragraphs D20 to D22 below
- C85 Strategic Directors and Head of Direct Services may authorise the disposal of stores with an estimated market value of up to £1,200 (per item or collectively). The Strategic Director (Support) will approve disposal of more valuable items.
- C86 Where the disposal value is less than £1,200 head of service must dispose of the item in a fair and effective manner and keep a record of the disposal.
- C87 Procedures for disposal of such stocks and equipment where their value is over £1,200 should be by competitive quotations or auction unless the Strategic Director (Support) advises otherwise in a particular case.

## Cash

- C90 Maximum limits for cash holdings will be agreed with the Strategic Director (Support) and not exceeded without their permission. Heads of Service are to ensure cash holdings on premises are kept within the agreed limits. Heads of Service to ensure that keys to safes and similar receptacles are carried on the person of those responsible whilst the site is occupied and removed from the premises when the site is unoccupied and to ensure that access codes, combinations and passwords remain confidential.

## TREASURY MANAGEMENT

- C91 Treasury Management covers all activities associated with any monies borrowed (Loans) or invested (Investments) on behalf of the Council irrespective of the time period covered by the transactions. It also embraces the management and control of the Council's banking arrangements**
- C92 The Council has adopted CIPFA's "Code of Practice for Treasury Management in Local Authorities".
- C93 A Treasury Policy Statement setting out its strategy and procedures has been adopted by the Council, and its implementation and monitoring delegated to the Executive.
- C94 All money (as defined in the Treasury Policy Statement) in the hands of the Council will be aggregated for the purposes of Treasury Management and be under the control of the Strategic Director (Support) as the Officer designated for the purposes of Section 151 of the Local Government Act, 1972.
- C95 The Strategic Director (Support) is responsible for reporting to the full Council a proposed treasury management and annual investment strategy for the coming financial year at or before the start of each financial year. The report will set out the proposed levels for the prudential treasury management indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities.
- C96 All executive decisions on borrowing, investment or financing will be delegated to the Strategic Director (Support), who is required to act in accordance with CIPFA's "Code of Practice for Treasury Management in Local Authorities", the Treasury Policy Statement and Systems Documentation.
- C97 All investments of the Council's funds will be made in the name of the Council by the Strategic Director (Support), unless the Council has authorised its investments to be made by an outside agent, when they should be in the name of Trustees for the Council.
- C98 All loans to the Council will be negotiated by the Strategic Director (Support) and paid direct by the lender or his agent into the Council's bank account.

- C99 All stocks of interim loan receipts, temporary loan receipts and bond certificates will be controlled by the Strategic Director (Support).
- C100 The Strategic Director (Support) and the Head of Financial Services are the only primary authorised signatories to any form of loan receipts, including such receipts issued under seal.
- C101 Repayment of loans will, wherever possible, be made through the head office of the Council's bankers in exchange for the original loan receipt.
- C102 The Strategic Director (Support) is authorised to borrow temporarily pending receipt of money from Business Rates, loans, Council Tax, Government Grants and other income properly due to the Council, within the limit agreed by the Council each year.
- C103 The Strategic Director (Support) will report to the Executive twice each financial year on the activities of the Treasury Management operation, and on the exercise of Treasury Management powers delegated to her. One of these reports will be an Annual Report on Treasury Management to be presented by 30 September of the succeeding financial year.

### **BANKING ARRANGEMENTS**

- C104 The Strategic Director (Support) is responsible for operating and supervising the Council's Bank and Giro Accounts, including ordering, custody and issue of all cheques. The Strategic Director (Support) will review the Council's banking arrangements at least every 5 years.
- C105 The Strategic Director (Support), Head of Financial Services and others approved in writing by the Strategic Director (Support) each have authority, in accordance with the mandate given to the bank, to sign cheques and be accepted as satisfactory signatories for any other purpose in connection with the Council's Bank and Giro Accounts.
- C106 All payment instructions for amounts of £21,000 and above require two authorising signatures.
- C107 Where the Strategic Directors' (Support) signature or name is pre-printed on cheques or Giro-cheques, or is printed by computer or by cheque signing machine, adequate security arrangements will be made for the custody and control of both cheques and signature plates.
- C108 All banking accounts will be reconciled with the cash book each month.

### **PETTY CASH ACCOUNTS**

- C109 When there is no easy access to Knowle Green Cashiers, the Strategic Director (Support) will advance petty cash balances to responsible officers. An account of total petty cash spent with vouchers, certified by the Strategic Director or person authorised by him them, will be passed to the Strategic

Director (Support) for reimbursement. The petty cash account will be kept in a form and manner agreed by the Strategic Director (Support).

- C110 Use of petty cash will be kept to a minimum and limited to expenses which are unavoidably or conveniently payable in this manner. They will not include items over £30 unless agreed by the Strategic Director (Support).
- C111 Income received on behalf of the Council will not be paid into a petty cash account, but paid to the Council in accordance with paragraphs D8 –D19 below
- C112 Officers responsible for petty cash accounts will give the Strategic Director (Support) an annual certificate for each account balance.
- C113 On returning a petty cash account, an officer will account to the Strategic Director (Support) for the amount advanced to them.
- C114 Petty cash and other floats will be available for inspection by audit.

### **Unofficial Funds**

- C115 Strategic Directors are responsible for ensuring the proper administration of unofficial funds, that is any funds associated with Council business, supervised or managed by Council officers but not part of the Council's funds, such as social funds in Day Centres.
- C116 The Strategic Director (Support) will be notified of any unofficial funds and give advice on keeping and auditing them.
- C117 Any officer holding unofficial funds will produce an accurate account in writing of all financial transactions, with associated supporting documentation.

### **PROTECTION OF PRIVATE PROPERTY IN THE TEMPORARY CUSTODY OF THE AUTHORITY/LOST PROPERTY**

- C118 Strategic Directors will ensure that details of any lost property is recorded before removal, that two officers certify the accuracy of the record, and that items are held securely until disposal.
- C119 Strategic Directors will obtain proof of ownership prior to release of property.
- C120 Strategic Directors will agree how to dispose of unclaimed items with the Strategic Director (Support).

### **SALARIES AND WAGES**

- C121 The Strategic Director (Support) is responsible for the payment of all salaries, wages, compensation and any other sums to current and former employees.
- C122 Strategic Directors will notify the Strategic Director (Support) immediately of all appointments, resignations, or any other events affecting terms of employment or pay, including all sick absences, accidents on or off duty, or special leave without pay.
- C123 Where required, time sheets in a form approved by the Strategic Director (Support) will:-
- (a) be completed by the employees themselves unless illiterate, when the supervisor will complete them, with a note of the circumstances;
  - (b) be certified by the appropriate supervisor unless otherwise agreed by the Strategic Director (Support);
  - (c) be forwarded to the Strategic Director (Support) at a time agreed by him.
- C124 Claims for expenses will be in a form approved by the Strategic Director (Support) and signed by the Strategic Director concerned or his nominated officer, to certify their accuracy and reasonableness. Claims must be submitted within seven days of the end of the month in which the expenditure was incurred

#### **CODE OF CONDUCT FOR EMPLOYEES**

- C125 The Code of Conduct for Employees applies to and will be followed by all officers. It covers:

Standards, disclosure of information, political neutrality, relationships, Appointments and other Employment Matters, Outside Commitments, Personal Interests, Equality Issues, Separation of Roles during Tendering, Gifts and Hospitality, Use of Financial Resources and Sponsorship.

## **Financial regulation D – Systems and procedures**

- D1 Sound systems and procedures are essential to an effective framework of accountability and control.

### **General**

- D2 The Strategic Director (Support) is responsible for the operation of the Council's IT systems for financial and business-related purposes, for accounting systems, the form of accounts and the supporting financial records. Any changes made to the existing financial systems or the establishment of new systems must be approved by the Strategic Director (Support). However, Heads of Service are responsible for the proper operation of financial processes in their own departments.
- D3 Any changes to agreed procedures by Heads of Service to meet their own specific service needs should be agreed with the Strategic Director (Support).
- D4 Heads of Service should ensure that their officers receive relevant financial training which has been approved by the Strategic Director (Support).
- D5 Heads of Service must ensure that, where appropriate, system containing personal data are registered in accordance with Data Protection legislation.
- D6 Heads of Service must ensure that officers are aware of their responsibilities under the freedom of information legislation and comply with guidance issued by the Head of Corporate Governance.

### **Income and expenditure**

- D7 It is the responsibility of Heads of Service to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify officers authorised to act on the Heads of Service's behalf in respect of payments, income collection and for placing orders together with the limits of their authority. The Strategic Director (Support) is responsible for specifying the procedure to be followed in ordering, making payments, collecting income and approving procedures for writing off debts as part of the overall control framework of accountability and control.

## **INCOME**

### **Setting Fees and Charges**

- D8 Fees and charges will be reviewed at least annually.
- D9 Any changes or new charges will be agreed by the Executive or Strategic Director as set out in Standing Orders.

## **Invoicing and Collection of Income Due**

### **Responsibilities of the Strategic Director (Support)**

- D10 The Strategic Director (Support) is responsible for agreeing arrangements for the collection of all income due to the Council and approving the procedures, systems and documentation for its collection.
- D11 All receipt forms, books, tickets and similar items will be ordered and supplied to Services by the Strategic Director (Support).
- D12 The Strategic Director (Support) is responsible for paying all monies received into the Council's bank, normally not later than the next business day.
- D13 To approve all debts to be written-off in accordance with the scheme of delegation.

### **Responsibilities of Strategic Directors and Heads of Service**

- D14 Each Strategic Director will provide the Strategic Director (Support) with details of all amounts due
- D15 All monies received by an officer on behalf of the Council will be paid without delay to the Strategic Director (Support) at set intervals, unless direct deposit with the Council's bankers is arranged. All cheques and postal orders received in any part of the Council will be crossed with "Account Borough of Spelthorne".
- D16 Every sum received by a Council officer will be immediately acknowledged by the issue of an official receipt, ticket or voucher, except for cheques where the Strategic Director (Support) may agree other arrangements.
- D17 Every transfer of official money from one officer to another will be immediately acknowledged by the issue of a receipt or, where appropriate, by signature in a cash accounting record.
- D18 The Strategic Director (Support) shall be notified of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council
- D19 Strategic Directors and Heads of Service will notify the Strategic Director (Support) of all income due before the end of the financial year but not yet invoiced, in accordance with the closure timetable prepared each year by Head of Financial Services.

### **WRITE-OFFS OF INCOME, STOCKS, FURNITURE AND EQUIPMENT**

- D20 Only the Strategic Director (Support) may write off income or physical items with a value not exceeding £2,100 and business rates not exceeding £5,500. Any write offs above this value must be submitted to the Executive for approval.

- D21 No write off will be undertaken without the prior approval of the relevant Strategic Director.
- D22 An up to date record of all income written-off will be maintained by the Strategic Director (Support), and an independent reconciliation of write-off sums to approved lists for write-off will be made periodically.

## **SPONSORSHIP**

- D23 Where an outside organisation wishes to sponsor or is asked to sponsor a local government activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts and hospitality applies, as detailed in the Code of Conduct for Employees.
- D24 A Sponsorship Register is maintained by Corporate Services, where details of any sponsorship accepted by officers on behalf of the authority will be entered.

## **ORDERS FOR WORKS, GOODS AND SERVICES**

### **Responsibilities of the Strategic Director (Support)**

- D25 The Strategic Director (Support) will approve the form and control of all official orders.

### **Responsibilities of Strategic Directors and Heads of Service**

- D27 Strategic Directors and Heads of Services are responsible for the control and use of official orders in their respective services.
- D28 The Strategic Director (Support) will be notified in writing of officers authorised to issue orders on behalf of Strategic Directors, with specimen signatures and details of authority limits, in accordance with the delegations approved under paragraphs A20- A23 above. Heads of Service are to ensure that their department reviews periodically a list of officers approved to authorise invoices.
- D29 All orders will be issued through the financial system except in agreed circumstances, such as for supplies of gas and electricity services, petty cash purchases or where a formal contract is to be prepared.
- D30 If it is not practicable to issue an official order when an order is placed, one will be completed immediately afterwards by the officer placing the order, and marked "Confirmation of telephone or verbal order"
- D31 Wherever possible the Council will seek to transmit to suppliers by electronic means official purchase orders.
- D32 Official orders will be goods receipted by the officer responsible for the works or receiving goods. It is important to provide separation of duties between

officers raising and goods receipting orders. The Strategic Director (Support) will agree accounts to evidence of receipt before making payment.

- D33 As a general principle and subject to Standing Orders for Contracts, all purchases will be open to competition wherever reasonable and cost effective.

## **PAYMENT OF ACCOUNTS**

### **Responsibilities of the Strategic Director (Support)**

- D34 The Strategic Director (Support) is responsible for examining, verifying and certifying invoices and any other payment vouchers or accounts through the financial system. Any exceptions will be returned to originating officers for certification. Details of officers authorised to sign such records will be sent to the Strategic Director (Support) by each Strategic Director, together with specimen signatures and authority limits, in accordance with the delegations described at paragraphs 61 - 64 above.
- D35 To ensure that all payments for goods, supplies and services are made within the statutory 30 days (Late Payment of Commercial Debts (Interest) Act 1988) unless any other terms or conditions have been agreed in writing. Any interest incurred under the Act will be recharged to the cost centre of the original payment.
- D36 The Strategic Director (Support) will pay accounts due at set intervals, usually not less than once every week.
- D37 A register of periodical payments will be maintained by the Strategic Director (Support) for control and monitoring purposes.

### **Responsibilities of Strategic Directors and Heads of Service**

- D38 The certifying officer will ensure:
- (a) the work, goods or services to which the account relates have been received, carried out, examined and approved;
  - (b) the prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct and agree with the official order or contract;
  - (c) the relevant expenditure has been properly incurred and is within the relevant budget;
  - (d) appropriate entries have been made in inventories, stores records or other records as required;
  - (e) the account has not been previously passed for payment and is a proper liability of the Council;

- (f) the correct expenditure code has been inserted in respect of each item.

- D39 For purchase of land or property, details of the purchase, the name of the vendor and the purchase price and expenses will be given in a statement for certification by the Chief Executive. Full details of such purchases will be entered in the official Asset Register, to be kept by the Strategic Director (Support).
- D40 Strategic Directors will notify the Strategic Director (Support) of all outstanding expenditure relating to the previous financial year in accordance with the agreed closure timetable prepared each year by Head of Finance Services.
- D41 Heads of Service are to ensure that invoices are passed for payment promptly to ensure they can be paid within 30 days.

## **CONTRACTS FOR BUILDING, CONSTRUCTION OR ENGINEERING WORK, ASSOCIATED MAINTENANCE CONTRACTS & EMPLOYMENT OF CONSULTANTS**

### **Standing Orders**

- D42 Strategic Directors will ensure compliance with the Council's Standing Orders for Contracts.

### **Tenders**

- D43 The Strategic Director (Support) will investigate the financial status of tenderers as necessary.
- D44 No contract will be entered into unless the relevant Strategic Director is confident of the tenderer's ability to complete the contract.
- D45 Strategic Directors will provide the Strategic Director (Support) with details of all contracts for entry into the contracts register.

### **Contract Register**

- D46 The Strategic Director (Support) will maintain an online up to date register of all contracts with a total value of more than £5,000. Purchase orders which have been properly authorised in accordance with the Contract Standing Orders, will not for this purpose constitute contracts.
- D47 Strategic Directors and Heads of Service will be responsible for notifying the Strategic Director with details of all new contracts and forthcoming contracts necessary to enable the register to be maintained

### **Contract Payments**

- D48 Payments on account to contractors will only be made on a certificate issued by the supervising officer and signed by the relevant Head of Service.
- D49 The payment certificate will show the total amount of the contract, the sum paid to date, the instalment certified, the balance remaining, the retention monies, and VAT.
- D50 The Strategic Director concerned is responsible for obtaining all necessary sub-contractors' tax certificates and forwarding them to the Strategic Director (Support) prior to payment.
- D51 Under the Inland Revenue Construction Industry Scheme (IR14/15(CIS)) introduced 1 August 1999, payments cannot be made to sub-contractors unless a tax certificate has been obtained.

### **Variations**

- D52 Where practical changes are necessary which do not alter the essential nature of the original contract, as opposed to additional works or supplies, a Strategic Director may approve such variations after consultation with the Strategic Director (Support), provided the cost of the proposed variation can be met from within the total budget approved for the contract.
- D53 Where the approved budget would be exceeded, approval for any variation must be obtained from the Executive.
- D54 The reasons for and details, including cost, of every variation must be recorded on the relevant contract file, specifically authorised in writing by the Supervising Officer and endorsed by the appropriate Strategic Director, and a copy supplied to the Strategic Director (Support) at the time of issue.
- D55 Documented variation orders are not required where site instructions are issued for routine repairs under a maintenance contract, such as for park seat repairs, street cleaning or clearance of fly tipping, provided a budget is built into the contract to cover such work.

### **Final Account**

- D56 The final certificate of completion will not be issued until the Supervising Officer has provided the Strategic Director (Support) with a detailed statement of account and all relevant documents required.
- D57 The Strategic Director (Support) will examine contract final accounts, make all necessary enquiries and receive any information and explanations he requires to confirm the accuracy of the accounts.
- D58 Claims from contractors for matters not clearly within the terms of any existing contract will be referred to the Head of Corporate Governance to consider the Council's legal liability and, where necessary, to the Strategic Director (Support) for financial consideration before a settlement is reached.

## **Agency Arrangements**

D59 As far as practicable, Financial Regulations apply to works entered into on behalf of a body from whom the Council has accepted delegated powers, or for whom the Council acts as an agent. The requirements of any such body should be followed if they differ from these Financial Regulations or Contract Standing Orders.

## **Consultants**

D60 In the case of contracts entered into by the Council and supervised by consultants, any agreement with the latter should include a requirement to comply with the Council's Financial Regulations.

## **VALUE ADDED TAX (VAT)**

D61 The Strategic Director (Support) is responsible for maintaining all records, accounts and claims as directed by the Valued Added Tax Act, 1983.

### **VAT on Payments**

D62 The Strategic Director (Support) will take reasonable steps to ensure that the conforms to the requirements of a proper VAT invoice.

### **VAT on Receipts**

D63 Each officer responsible for raising invoices on behalf of the Council will ensure within reason that the Council has complied with relevant Value Added Tax legislation regarding the supply of its services.

### **Exempt Supplies**

D64 For services where VAT supplies are classified as Exempt under VAT regulations, officers will ensure that all activities are fully evaluated for VAT purposes and any tax implications are identified before any expenditure is committed or contractual arrangements made.

D65 The following are classified as Exempt activities under VAT rules:

Land & buildings	Social services	Education	Burial & cremation
Insurance	Finance	Health	

### **Payments to employees, members**

D68 The Strategic Director (Support) is responsible for paying all employees, allowances to members.

## **MEMBERS' ALLOWANCES**

D69 The Strategic Director (Support) will make payments to any Members entitled to claim allowances on receipt of the proper form, completed and certified in accordance with the Council's scheme for allowances.

### **Taxation**

D70 The Strategic Director (Support) is responsible for advising corporate Management Team/Heads of Service, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.

D71 The Strategic Director is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **Financial regulation E – External arrangements**

- E1 Under the modernising agenda the Council provides a distinctive leadership role in the community. As part of the Community Strategy it brings together other local public, private, voluntary and community sector organisations in partnership to address local needs.**
- E2 Best Value authorities are also required to challenge the way services are provided and consider alternative delivery options. Orders made under section 16 of the Local Government Act 1999 may give a Council the powers to enter into partnerships or contract partnering Arrangements with the public, private or voluntary sector and these are seen as ways in which services may improve their economy, efficiency and effectiveness.**
- E3 A partner can therefore be an organisation undertaking part funding 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, or a body working on a joint venture with the Council for the delivery or acquisition of services.**

### **Introduction**

- E4 The Council has led the preparation of the Spelthorne Community Strategy to achieve the promotion and improvement of the economic or social or environmental well-being of its area.**

### **Partnerships**

- E5 The Executive is responsible for approving partnership arrangements with other local public, private, voluntary and community sector organisations to address local needs.**
- E6 The Executive can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the Council’s Constitution. Where functions are delegated, the Executive remains accountable for them to the Council.**
- E7 The Chief Executive is responsible for ensuring the due diligence and legality for all partnership arrangements.**
- E8 Heads of Service are responsible for informing the Strategic Director (Support) of partnership arrangements entered into so that he/she can ensure that accounting arrangements adopted relating to partnerships and joint ventures are satisfactory and that the overall corporate governance arrangements are satisfactory when contracts are arranged with external bodies. The Strategic Director (Support) must ensure that the risks have been fully appraised before agreements are entered into with external bodies.**

### **External funding**

E9 The Strategic Director (Support) is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

**Work for third parties**

E10 The Strategic Director (Support) and the Head of Corporate Governance are responsible for approving the contractual framework for any work for third parties or external bodies.

## GLOSSARY OF TERMS

<b>Accrual</b>	A sum included in the final accounts to cover income or expenditure attributable to that year but for which payment was not received/made during that year. Local authorities only accrue for revenue expenditure; capital expenditure is recorded on a receipts and payments basis.
<b>Appropriation</b>	The transfer of ownership of land or buildings from one service to another.
<b>Budget</b>	A statement of the authority's plans for revenue and capital expenditure and income over a specified period of time.
<b>Budget Head</b>	A specific area of activity where expenditure may be incurred or income collected.
<b>Capital Discharged</b>	The amount of capital expenditure which has been paid for out of revenue or other sources.
<b>Capital Outlay</b>	Expenditure on the acquisition of significant fixed assets which will be of use or benefit in providing services beyond the year of account.
<b>Capital Receipts</b>	Proceeds from the sale of assets and other receipts of a capital nature.
<b>Capital Receipts Unapplied</b>	Capital receipts not yet used for repayment of debt, or to finance capital expenditure.
<b>Central Establishment Charges</b>	Salaries and associated expenses of central departments together with the cost of maintaining administrative buildings and other central services.
<b>Creditors</b>	Represent money owed by the Council to others.
<b>Debtors</b>	Represent money owed to the Council by others.

<b>Deferred Capital Receipts</b>	Deferred Capital Receipts are the amounts derived from sales of assets which will be received in instalments over agreed periods of time.
<b>Deferred Charges</b>	An item in a balance sheet where there is a loan liability, but no tangible asset, e.g. House Renovation Grants, residual debt on assets sold.
<b>Fidelity Guarantee</b>	Insurance against fraudulent losses.
<b>General Rate Fund</b>	The main fund of the Council.
<b>Government Grants</b>	Sums paid by central Government towards either specific services or in aid of services generally.
<b>Outturn</b>	The actual income and expenditure for a financial year disclosed by the final accounts.
<b>Performance Indicators</b>	A set of local authority service performance indicators determined by central Government and published each year for every local authority.
<b>Precept</b>	A rate which the Council is required to levy on behalf of a non-rating authority, e.g. Surrey County Council.
<b>Rateable Value</b>	The annual assumed rental value of a property, to which rate poundages are applied to arrive at rates payable.
<b>Reserves</b>	Funds set aside to meet future expenditure on specific items or as a contingency against future losses.
<b>Revenue Contributions to Capital Outlay</b>	The financing of capital expenditure directly from revenue.
<b>Revenue Expenditure</b>	The day to day costs of providing services.
<b>Revenue Support Grant</b>	The general grant paid by government to local authorities to enable all authorities to levy similar rate levels for similar levels of service (also called Rate Support Grant).

<b>Virement</b>	The transfer of funds between budget heads.
<b>Voted</b>	Sums approved by Members for expenditure against budget heads.
<b>Working Balances</b>	Sum provided within the accounts to meet those expenses which are incurred in advance of the receipt of income as well as for unforeseen contingencies.