

# APPENDIX D – Financial Procedure Rules

## Important Notes

These Financial Procedure Rules outline the principles of financial administration which must be operated by all Officers and Members of the Council. It shall be the responsibility of Cabinet, each Committee and Chief Executive, Directors and Head of Service to ensure their observance. The Chief Executive, each Director and Head of Service must ensure that all members of his / her staff are aware of these Procedure Rules. More detailed instructions in support of these Procedure Rules will be issued from time to time as appropriate by the Corporate Resources Director.

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# 1. General

- 1.1 These Rules govern the conduct of the financial transactions of the Council. Changes to these Rules will require a resolution of the full Council. The Council may, however, waive compliance with any of these Rules in a particular case or any particular class of case.
- 1.2 These Rules form part of the Council's Constitution. Definitions within the Constitution apply to these Rules.

## Compliance

- 1.3 All Council Members and employees of the Council must follow these Rules
- 1.4 Directors shall:
  - (a) ensure everyone within their department follows these Rules;
  - (b) ensure that their department have adequate systems for effecting general compliance with these Rules;
  - (c) without prejudice to their ultimate responsibility, Directors may delegate their powers under these Rules (and such delegation to be in accordance with the Scheme of Delegation set out in the Constitution).
- 1.5 Heads of Services exercise their powers under these Rules at the discretion of their Director.
- 1.6 The inclusion of specific matters in any Rule shall not be taken as limiting in any way the scope of that Rule unless such limitation is expressly stated.

## Material Decisions

- 1.7 Where a matter may have a material effect on the finances of the Council, which is outside the approved budget, no commitment may be entered into by the Council until the relevant Director has consulted the Corporate Resources Director and reported on it to the Management Team and the Cabinet.
- 1.8 The Corporate Resources Director has discretion, for the purposes of individual Rules, to decide whether matters are "material", "significant", "substantial" or "urgent".
- 1.9 Where a report to the Cabinet has financial implications the relevant Director shall:
  - (a) include a section in the report covering those implications;
  - (b) consult the Corporate Resources Director at the drafting stage.
- 1.10 The Corporate Resources Director shall ensure the financial information is accurate and appropriate before the report is finalised and published.

## **Non Compliance with Financial Rules**

- 1.11 If substantial non-compliance with these Rules becomes known, the Corporate Resources Director shall:
- (a) consult with the relevant Director, and
  - (b) report to the next meeting of the Cabinet and the Performance and Governance Committee
- 1.12 References to the 'Accounts and Audit Regulations' in this document relate to the latest edition of the Regulations.

## **2. Financial Management**

### FINANCIAL MANAGEMENT STANDARDS

#### **Why is this important?**

All Officers and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

#### **General**

- 2.1 The inclusion of items in the approved budget shall constitute Council to incur such expenditure subject to the Finance Procedure Rules and Contract Procedure Rules (Appendix E - Contracts Procedure Rules.doc) save to the extent to which the Council shall have placed a reservation on any item or items. Expenditure on such reserved items may be incurred only when the full Council's approval is given following a report by the Chief Executive or appropriate Director to Cabinet.

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

- 2.2 To set the financial management standards, monitor compliance, 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 Council.
- 2.3 To be responsible for providing the full Council, Cabinet and Committees with advice on all relevant financial and economic matters.

#### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 2.4 To promote the financial management standards set by the Corporate Resources Director in their department and to monitor adherence to the standards and practices, liaising as necessary with the Corporate Resources Director.
- 2.5 To promote sound financial practices in relation to the standards, performance and development of Officers in their departments.

- 2.6 To be responsible for the accountability and control of Officers and for the security, custody and control of all resources including plant, buildings, materials, cash and stores within their department.
- 2.7 To be responsible for informing the Corporate Resources Director of all contracts, agreements, etc. involving financial implications for the Council, and to also forward to the Corporate Resources Director all consents, approvals, regulations, circulars, etc. in any way relating to finance.

## MANAGING EXPENDITURE

### (a) Budget Monitoring and Control

#### **Why is this important?**

Budget management ensures that once the budget has been approved by the full Council, allocated resources 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.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual revenue limit, approved when setting the overall annual budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the - budget allocated to it. For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure excluding support and capital charges, for a service area or cost centre.

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

- 2.8 To submit reports to Cabinet, the Performance and Governance Committee, Finance Advisory Group and to Council, in consultation with the Chief Executive, relevant Director and Head of Service, where a Director or Head of Service's expenditure and resources are significantly outside the approved budgets under his/her control.
- 2.9 To prepare and submit reports on the Council's projected income and expenditure compared with the budget monthly to Cabinet, Performance and Governance Committee and Finance Advisory Group.

#### **Responsibilities of the Head of Finance and Human Resources**

- 2.10 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within the approved budget unless the full Council approves a supplementary estimate
  - (b) each Head of Service has available timely information on income and expenditure on each budget which is sufficiently detailed to enable

managers to monitor their budgetary responsibilities;

- (c) expenditure is committed only against the approved budget cost centre;
- (d) all Officers responsible for expenditure comply with the relevant guidance, and the Financial Procedure Rules;
- (e) each cost centre has a single named manager, designated by the relevant Head of Service. As a general principle, budgetary responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure; and
- (f) significant variances from approved budget are investigated and reported by budget managers monthly and advised to the Council's Management Team, Cabinet, Performance and Governance Committee and the Finance Advisory Group.

2.11 To administer the Council's scheme of virement (please refer section starting at paragraph 2.20).

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 2.12 To consult with the Corporate Resources Director with respect to any matter which is liable materially to affect the finances of the Council before any provision or other commitment is incurred and before reporting to Members on that matter.
- 2.13 To maintain budgetary control within their departments, in adherence to the principles in 2.2.8 above (of the original document), and to ensure that all income and expenditure are properly recorded and accounted for.
- 2.14 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Head of Service (grouped together in 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.
- 2.15 To ensure that spending remains within the service's overall budget limit, and that individual budget heads are not overspent, by monitoring and taking appropriate corrective action where significant variations from the approved budget are forecast and to report these to the Head of Finance and Human Resources. This regulation shall also apply to any action or decision, which will give rise to a reduction in income.
- 2.16 To ensure that a monitoring process is in place to review performance level in conjunction with the budget and is operating effectively within the guidelines set down by the Head of Finance and Human Resources.

- 2.17 To obtain prior approval from full Council for new proposals outside of the budget and policy framework, of whatever amount, that:
- (a) create financial commitments in future years;
  - (b) change existing policies, initiate new policies or cease existing policies; and
  - (c) materially extend or reduce the Council's services.
- 2.18 To ensure compliance with the scheme of virement (please refer section starting at paragraph 2.20).
- 2.19 To consult with the Chief Executive or relevant Director, where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or another Director's or Head of Service's service activity, prior to any action being taken.

(b) Virement

**Why is this important?**

The scheme of virement is intended to enable Cabinet, Chief Executive, Directors, Corporate Resources Director, Heads of Service and their staff to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Council, and therefore to optimise the use of resources.

**General**

- 2.20 The use of virement must not create additional liability. Chief Executive, Directors and Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently.
- 2.21 Normally, the use of virement must not reduce service standards. Please refer to paragraph 2.12.
- 2.22 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that the amount is used in accordance with the purposes for which it has been established.

**Responsibility of Full Council**

- 2.23 Full Council may authorise virement to other purposes amounts provided within the approved annual revenue estimates and the approved capital expenditure programme.
- 2.24 Full Council must approve any virement that would significantly affect service standards.

## Responsibilities of Cabinet

- 2.25 Cabinet may authorise virement to other purposes amounts provided within the approved annual revenue estimates and the approved capital expenditure programme, except that where the amount of any single diversion exceeds £500,000, the approval of the full Council is required.

## Responsibilities of the Corporate Resources Director

- 2.26 To have Council to vire to other purposes amounts provided within the approved annual revenue estimates and the approved capital expenditure programme provided that the amount of any single virement shall not exceed £50,000.
- 2.27 To make regular reports to Cabinet, detailing all virements exceeding £20,000.

## Responsibilities of Chief Executive, Directors and Heads of Service

- 2.28 Chief Executive and Directors to have authority, within the approved revenue estimates coming under their responsibility, to authorise a single virement up to £10,000. Heads of Service to have authority, within the approved revenue estimates coming under their responsibility, to authorise a single virement up to £5,000. All virement must be notified to the Corporate Resources Director. All requests for virement over these figures must be submitted to the Corporate Resources Director for Cabinet or the full Council approval.

## Summaries of Virement Limits - Revenue Estimates

|                               |  |  |
|-------------------------------|--|--|
| Heads of Service              | Up to £5,000 for any single virement within the approved revenue estimates coming under their responsibility   | Must be notified to the Corporate Resources Director |
| Chief Executive and Directors | Up to £10,000 for any single virement within the approved revenue estimates coming under their responsibility. | Must be notified to the Corporate Resources Director |
| Corporate Resources Director  | Up to £50,000 for any single virement within the approved revenue estimates.                                   | Virements over £20,000 must be reported to Cabinet   |
| Cabinet                       | Up to £500,000 for any single diversion within the approved revenue estimates                                  |  |
| Full Council                  | Over £500,000 for any single diversion within the approved revenue estimates                                   |  |

## Capital Programme - Summaries of Virement Limits -

|                              |   |  |
|------------------------------|---|--|
| Corporate Resources Director | Up to £50,000 for any single virement within the approved capital expenditure programme.  | Virements over £20,000 must be reported to Cabinet |
| Cabinet                      | Up to £500,000 for any single virement within the approved capital expenditure programme. |  |
| Full Council                 | Over £500,000 for any single virement within the approved capital expenditure programme.  |  |

### (c) Treatment of Year-End Balances

#### **Why is this important?**

The treatment of year-end balances is administered by the Corporate Resources Director within guidelines set by the Council. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward. For the purposes of this scheme, a budget heading is a line in the budget book.

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

2.29 To administer the scheme of carry-forward within the delegated Council approved by the full Council.

#### **Responsibilities of the Cabinet**

2.30 All internal business unit surpluses shall be retained for the benefit of the Council and their application shall require the approval of Cabinet.

2.31 The carrying forward of under spending will only be considered following a review of the Council's overall financial position by the Cabinet.

### (d) Emergency Expenditure

#### **Why is this important?**

The Council needs to have in place a procedure for meeting immediate needs in the case of an emergency situation arising in the District.

## **General**

- 2.32 The Corporate Resources Director shall have the authority to approve expenditure on any item which is essential to meet any immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972, subject to a subsequent report to Cabinet and/or Full Council depending on whether or not the expenditure can be met from within the current budget framework
- 2.33 The Chairman or Vice-Chairman of the Council together with the Leader or Deputy Leader of Council, having received a report from the Chief Executive and the Corporate Resources Director, shall have power to incur expenditure which is essential to meet any immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972 (or other subsequent legislation) which is not otherwise authorised or where it is necessary in the Council's interest to settle legal proceedings which have been commenced against the Council. A subsequent report shall be submitted to Cabinet and/or the full Council depending on whether or not the expenditure can be met from within the current budget framework.

## **ACCOUNTING POLICIES**

### **Why is this important?**

The Corporate Resources Director is responsible for the preparation of the Council's Statement of Accounts for each financial year ending 31<sup>st</sup> March, in the format required by the Code of Practice on Local Council Accounting in the United Kingdom having regard to proper practices as set out in A Statement of Recommended Practice (CIPFA/LASAAC),.

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

- 2.34 To select suitable accounting policies and to ensure that they are applied consistently or that explanations are given for any variations from these policies.. The accounting policies are set out in the Statement of Accounts, which is prepared to show the Council's financial position as at 31<sup>st</sup> March each year.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 2.35 To adhere to the accounting policies and guidelines approved by the Corporate Resources Director.

## ACCOUNTING RECORDS AND RETURNS

### **Why is this important?**

Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility in preparing its annual accounts to present fairly its operations during the year. These accounting records are subject to external audit. This audit provides assurance that the accounts are prepared properly, that approved accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

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

- 2.36 To maintain satisfactory accounting arrangements for all financial transactions of the Council in consultation where necessary with the Chief Executive, Directors and Heads of Service.
- 2.37 To make proper arrangements for the external audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2003.
- 2.38 To ensure that all claims for funds, including grants, are made by the due date.
- 2.39 To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's Records Management Policy and Records Retention Policy.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 2.40 To consult and obtain the approval of the Corporate Resources Director before making any changes to accounting records and procedures.
- 2.41 To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.
- 2.42 To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the Corporate Resources Director.

## THE ANNUAL STATEMENT OF ACCOUNTS

### **Why is this important?**

The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Performance and Governance Committee is responsible for approving the Statutory Annual Statement of Accounts.

## **Responsibility of the Chief Executive.**

- 2.43 To ensure that the Council produces and complies with a Statement of Internal Control in order to manage the risks that may prevent it from achieving its strategic objectives and statutory requirements.

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

- 2.44 To select suitable accounting policies and to apply them consistently.
- 2.45 To make judgements and estimates that are reasonable and prudent.
- 2.46 To have regard to the Statement of Recommended Practice (SORP).
- 2.47 To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for each year ended 31<sup>st</sup> March.
- 2.48 To draw up the timetable for final accounts preparation, ensuring completion of the Annual Statement by the statutory date and to advise staff and external auditors accordingly.

## **Responsibilities of Chief Executive, Directors and Heads of Service**

- 2.49 To comply with accounting guidance provided by the Corporate Resources Director and to supply the Corporate Resources Director with information when required.

# **3 Financial Planning**

## BUDGETING

- (a) Format of the Budget

### **Why is this important?**

The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the limits at which funds may be reallocated within budgets

## **Responsibility of the Cabinet and the Performance and Governance Committee**

- 3.1 To recommend policy on the budget format.

## **Responsibility of the Cabinet**

- 3.2 To receive, consider, agree and submit proposals to the full Council in respect of the annual capital and revenue budgets and implications for the Council's reserves.

### **Responsibilities of the Management Team.**

- 3.3 To formulate and present a draft budget to the Cabinet and the Performance and Governance Committee, together with advice on the Council's finances.

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

- 3.4 To advise Cabinet and the Performance and Governance Committee on the format of the budget that is to be submitted for approval by the full Council.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 3.5 To comply with accounting guidance provided by the Corporate Resources Director.

(b) Budgets and Medium-Term Planning

#### **Why is this important?**

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent.

Medium-term planning (a three to five year planning plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.

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

- 3.6 To prepare and submit reports on budget prospects for Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 3.7 To determine the detailed form of revenue estimates and the methods for their preparation, ensuring that:
- (a) estimates are prepared on a consistent format;
  - (b) estimates contain provision for anticipated inflation;
  - (c) estimates are collated and submitted in the appropriate format; and
  - (d) each service area is included.
- 3.8 To prepare and submit reports to Cabinet on the budget and policy framework, identifying, where appropriate, the implications for the level of Council Tax to be levied. After making any amendment that it considers necessary, Cabinet shall submit them to the Select Committees for comment. Following receipt of

these comments Cabinet shall submit the proposals with any amendments to the full Council for approval with a recommendation for the Council Tax to be levied for the ensuing financial year.

- 3.9 To advise on the implications of spending decisions.
- 3.10 To encourage the best use of resources and value for money by working with the Chief Executive, Directors and Heads of Service to identify opportunities to improve economy, efficiency and effectiveness; by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 3.11 To report to the full Council on Cabinet proposals in accordance with his responsibilities under section 151 of the Local Government Act 1972.

### **Responsibilities of the Cabinet**

- 3.12 To receive the report on the budget and policy framework from the Corporate Resources Director and, after making comments and amendments, submit them to the Select Committees for comment. Following receipt of any comments and making any amendments that as a result seem appropriate, Cabinet shall submit the proposals to the full Council for approval with a recommendation for the amount of Council Tax to be levied for the ensuing financial year.

### **Responsibilities of the Full Council**

- 3.13 To receive the proposals on the budget and policy framework and the recommendation as to the amount of the Council Tax to be levied for the ensuing financial year from the Cabinet.
- 3.14 By 1<sup>st</sup> March each year, to consider the proposals and set the amount of Council Tax to be levied for the ensuing financial year after taking into account the precepts issued by the County Council, Police and Fire and Rescue Services and Town/Parish Councils.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 3.15 To prepare estimates of income and expenditure, in consultation with the Head  
30
- 3.16 To compile joint reports with the Corporate Resources Director indicating compliance or otherwise with such financial targets as may be in existence.
- 3.17 To prepare budgets that are consistent with the 'three year plan', any relevant budget limits, the Council's annual budget cycle and with guidelines issued by Cabinet. The budget format to be prescribed by the Head of Finance and Human Resources in accordance with the Council's general directions.
- 3.18 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 3.19 To prepare detailed draft revenue and capital budgets for consideration by the Cabinet and for scrutiny by the Performance and Governance Committee and

Select Committees in consultation with the Corporate Resources Director and in accordance with the established guidance and timetable.

3.20 When drawing up the draft budget , to have regard to the budget requirements as set out by the Corporate Resources Director.

(c) Capital Budgets

**Why is this important?**

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. The Government places strict controls on the financial capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

**General**

3.21 The inclusion of any item with an estimated value less than the value set out in Contracts Procedure Rule 4.1 (Appendix E - Contracts Procedure Rules.doc) within the approved capital expenditure programme shall constitute Council to incur such expenditure save to the extent to which the full Council shall have placed a reservation on any item or items. Expenditure on such reserved items may be incurred only when full Council approval is given, following a report by the Chief Executive or appropriate Director to Cabinet.

3.22 The inclusion of any item with an estimated value greater than the limit set out in Contracts Procedure Rule 4.1 (Appendix E - Contracts Procedure Rules.doc) within the approved capital expenditure programme shall not constitute Council to incur expenditure on that item. Such expenditure may be incurred only when authorised by Cabinet, following a report by the Chief Executive or appropriate Director.

3.23 All Officers must follow the Council's Contract Procedure Rules (Appendix E - Contracts Procedure Rules.doc) when letting capital work.

**Responsibilities of the Corporate Resources Director**

3.24 To prepare capital budgets jointly with Chief Executive, Directors and Heads of Services and to report them to Cabinet for consideration. Cabinet will make recommendations on the capital budgets and on any associated financing requirements to the full Council.

3.25 To be responsible for ensuring that adequate procedures are operated to properly control capital spending.

3.26 To prepare and submit reports to the Performance and Governance Committee, or otherwise as appropriate, on the projected income, expenditure and resources compared with the approved estimates.

3.27 To issue guidance concerning capital schemes and the controls to be applied to those schemes, for example, on project appraisal techniques. The definition of

'capital' will be determined by the Head of Finance and Human Resources, in consultation with the Corporate Resources Director, having regard to government regulations and accounting requirements.

- 3.28 To obtain authorisation from Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the amount specified in the Contracts Procedure Rules (Appendix E - Contracts Procedure Rules.doc).

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 3.29 To comply with guidance concerning capital schemes and controls issued by the Corporate Resources Director.
- 3.30 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Corporate Resources Director.
- 3.31 To prepare regular reports reviewing the capital programme provisions for their services.
- 3.32 To consult with the Corporate Resources Director when a potential overspending or significant under-spending is identified on a capital scheme which is under their control.
- 3.33 To ensure that adequate records are maintained for all capital contracts.
- 3.34 To proceed with projects only when there is adequate approved provision in the capital programme and, where required with the agreement of the Corporate Resources Director.
- 3.35 If at any time it is believed that the cost of any capital scheme is likely to exceed the estimate as shown in the approved capital expenditure programme by more than £25,000, the Director shall report the anticipated overspend to Cabinet.
- 3.36 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Corporate Resources Director and, if applicable, approval of the arrangement/s through the capital programme.

### **MAINTENANCE OF RESERVES**

#### **Why is this important?**

The Council must decide the minimum level of General Reserves it wishes to maintain before it can decide the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

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

- 3.37 To advise the full Council on prudent levels of reserves for the Council, having regard to an assessment of the financial risks facing the Council, the need and purpose for setting up new earmarked reserves, and to take account of the advice of the external auditors in this matter.

### **Responsibilities of the Cabinet**

- 3.38 The Cabinet shall approve the setting up and the purpose of any reserves and funds.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 3.39 To ensure that resources are used only for the purposes for which they were intended.

## **4. Risk Management and Control of Resources**

### RISK MANAGEMENT

#### **Why is this important?**

All organisations, whether in the private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to attempt the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure its continued financial and organisational well-being. In essence it is an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage perceived risks and then recommend the actions the organisation needs to take to control these risks effectively.

It is the overall responsibility of the full Council to approve the Council's Risk Management Strategy, and to promote a culture of risk management and risk awareness throughout the Council.

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

- 4.1 To prepare and promote, in consultation with the Audit and Efficiency Manager, the Council's Risk Management Policy Statement.
- 4.2 To set up, and appoint a chair of the Risk Management Group responsible for:
- (a) ensuring achievement of the Council's Risk Management Policy and its objectives; and
  - (b) reporting to the Management Team on a regular basis.
- 4.3 To develop risk management controls in conjunction with the Chief Executive, Directors and Heads of Service.
- 4.4 To ensure that all employees of the Council who need such cover have fidelity

guarantee insurance.

- 4.5 To be responsible for arranging all necessary insurance cover and keeping appropriate records of such.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 4.6 To notify the Head of Finance and Human Resources immediately of any loss, liability or damage that may potentially lead to a claim against the Council, together with any information or explanation that is required by the Head of Finance and Human Resources or the Council's Insurers.
- 4.7 To take responsibility for risk management, having regard to advice from the Audit and Efficiency Manager and other specialist Officers (e.g. crime prevention, fire prevention, health and safety).
- 4.8 To ensure that there are regular reviews of risk within their department.
- 4.9 To notify the Head of Finance and Human Resources promptly of all new risks, also equipment, properties or vehicles that require insurance cover and of any alterations affecting existing insurances.
- 4.10 To consult the Head of Finance and Human Resources and the Monitoring Officer on the terms of any indemnity that the Council is requested to give.
- 4.11 To ensure that all employees, or anyone covered by the Council's insurance policies, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any incident that may give rise to an insurance claim.
- 4.12 To ensure that all staff using their own vehicles for Council business have adequate insurance cover for that use.

### **INTERNAL CONTROLS**

#### **Why is this important?**

The Council is complex and therefore requires internal controls to manage and monitor progress towards strategic objectives and to monitor compliance with statutory obligations.

The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

#### **Responsibility of the Chief Executive**

- 4.13 To ensure that the Council produces and complies with a Statement of Internal Control, in order to manage any risks that may prevent it from achieving its strategic objectives and statutory requirements.

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

- 4.14 To assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

## **Responsibilities of Chief Executive, Directors and Heads of Service**

- 4.15 To ensure that the principles of internal control, as defined by the Corporate Resources Director, shall be observed as far as practicable in the allocation of all accounting duties and to be responsible for maintaining these principles for all areas of work under their control.
- 4.16 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 4.17 To review existing controls in the light of any changes affecting the Council and to recommend new ones in line with guidance from the Head of Finance and Human Resources and the Audit and Efficiency Manager. Heads of Service shall not remove existing controls without consultation with the Corporate Resources Director.
- 4.18 To ensure staff have a clear understanding of the consequences of lack of internal control.

## **AUDIT REQUIREMENTS**

### **(a) Internal Audit**

#### **Why is this important?**

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003 (SI2003/533) more specifically require that a “relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

Accordingly, internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

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

- 4.19 To maintain an adequate and effective internal audit of all financial activities of the Council, which shall be carried out independently of the Council’s management and be operated in accordance with CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, as interpreted by amended or supplemented by nationally approved guidance on professional practice. The Audit and Efficiency Manager, in carrying out these activities on

behalf of the Corporate Resources Director, shall have a direct right of access to the Chief Executive, the Performance and Governance Committee and Cabinet if the circumstances so warrant.

- 4.20 To ensure that the Audit and Efficiency Manager shall have authority to visit any Council establishments and have access to such records and documents as required. The Audit and Efficiency Manager shall also have Council to visit any premises, after reasonable notice has been given, where a contractor who is subject to these Procedure Rules is carrying out or performing a service contract. The Audit and Efficiency Manager may require the production of cash, stores and other Council property, and shall be entitled to receive such explanations as considered necessary.
- 4.21 To approve the strategic and annual audit plans prepared by the Audit and Efficiency Manager, which take account of the characteristics and relative risks of the activities involved.
- 4.22 To regularly review, appraise and report upon the adequacy of all financial systems together with the control of the Council's assets and interests and shall submit an Annual Report thereon to the Performance and Governance Committee.
- 4.23 To ensure full coverage of all financial management activities of the Council by compiling a three year Strategic Plan supported by one year Operational Plans. A report shall be made annually to the Performance and Governance Committee.
- 4.24 To report to Cabinet on the adequacy of audit resources.
- 4.25 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity and to:
  - (a) decide upon the need for any independent investigation following any irregularity;
  - (b) consult with the Head of Legal and Committee Services and the relevant Director if, after investigation, loss has occurred due to fraud, misappropriation or irregular expenditure;
  - (c) obtain the advice of the Head of Legal and Committee Services about the need for criminal investigation following any irregularities;
  - (d) ensure that all investigations are carried out in accordance with the Council's Fraud and Corruption Strategy; and
  - (e) report to Cabinet and the Standards Committee on any criminal proceedings
- 4.26 To ensure that there is effective liaison between internal and external auditors.

## **Responsibilities of Chief Executive, Directors and Heads of Service**

- 4.27 To ensure that internal auditors are given access at all reasonable times to all premises, personnel, documents, records and assets that the auditors consider necessary for the purposes of their work.
- 4.28 To ensure that internal auditors are provided with any information and explanations that they seek in the course of their work.
- 4.29 To consider and respond promptly to any recommendations in audit reports.
- 4.30 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 4.31 The Chief Executive, each Director or Head of Service or contractor who is subject to these Procedure Rules, shall notify the Corporate Resources Director or Audit and Efficiency Manager immediately of any circumstances which suggest the possibility of any irregularity affecting cash, stores or other property of the Council, or any other suspected irregularity in the exercise of the functions of the Council.
- 4.32 To ensure that new systems for maintaining financial records, or records of assets, or significant changes to such systems, are discussed with and agreed by the Audit and Efficiency Manager and approved by the Corporate Resources Director, prior to implementation.

### **(b) External Audit**

#### **Why is this important?**

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

The code of audit practice issued in March 2000 sets out the auditor's objectives to review and report upon the financial aspects of the audited body's corporate governance arrangements and also the audited body's financial statements including compliance in respect of the preparation and publication of the Corporate Performance Plan.

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

- 4.33 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that they consider necessary for the purposes of their work.
- 4.34 To ensure there is effective liaison between external and internal auditors.
- 4.35 To work with the external auditor and advise the full Council, Cabinet and Chief Executive, Directors and Heads of Service on their responsibilities in relation to external audit.

## **Responsibilities of Chief Executive, Directors and Heads of Service**

- 4.36 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.
- 4.37 To ensure that all records and systems are up to date and available for inspection.

## **PREVENTING FRAUD AND CORRUPTION**

### **Why is it this important?**

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. The Council's expectation of propriety and accountability is that Members and Officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

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

- 4.38 To develop and maintain an anti-fraud and anti-corruption policy.
- 4.39 To maintain adequate and effective internal control arrangements.
- 4.40 To ensure that all suspected irregularities are reported to the Audit and Efficiency Manager or the Chief Executive who will notify the Head of Finance and Human Resources, if appropriate.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 4.41 To ensure that all suspected irregularities or financial improprieties are reported to the Audit and Efficiency Manager or Corporate Resources Director who will advise on the most appropriate course of action.
- 4.42 To be responsible for maintaining the internal control system and the prevention and detection of fraud and other illegal acts.
- 4.43 To instigate the Council's disciplinary procedures where the outcome of an Internal Audit or similar investigation indicates improper behaviour.
- 4.44 To maintain and regularly review a departmental register of staff disclosures of financial or commercial interests in the Council's functions.

## ASSETS

### (a) Security of Property

#### **Why is this important?**

The Council holds assets in the form of property, computers, equipment, vehicles, furniture and other items worth many millions of pounds. 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 fixed asset accounting and sound asset management.

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

- 4.45 To ensure that an Asset Register is maintained in accordance with good practice for all fixed assets with a value in excess of £10,000. The function of the asset register is to provide the Council with information about fixed assets so that they are:
- (a) safeguarded;
  - (b) used efficiently and effectively, and
  - (c) adequately maintained.
- 4.46 To receive the information required for accounting, costing and financial records from each Head of Service.
- 4.47 To ensure that assets are valued in accordance with the Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC), or explanations for different treatment are given.
- 4.48 To approve the format of, and maintain, a property database for all land and property currently owned or used by the Council. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 4.49 To be responsible for maintaining a register of the Council's properties, which should show:
- (a) the relevant Portfolio;
  - (b) the purpose for which the property is held;
  - (c) the location of the asset;
  - (d) the size and plan reference;
  - (e) purchase details;
  - (f) records of any tenancies. and

(g) Valuation amount and date

4.50 To ensure that upon the termination of any lease, concession, grazing right or other agreement, Cabinet shall be asked to decide upon the future use of the property following a report by the Corporate Resources Director, unless such powers have previously been delegated to an Officer.

4.51 To be responsible for ensuring that all securities and title deeds are held in a

### **Responsibilities of Chief Executive, Directors and Heads of Service**

4.52 To be responsible for the security and safe keeping of all cash, equipment, stores and other property under his/her control in accordance with procedures approved by the Corporate Resources Director.

4.53 To keep inventories of Council-owned plant, equipment furniture etc. in a manner approved by the Corporate Resources Director, where the value exceeds £500. Attractive and portable items such as computers, cameras and video recorders should also be included in the inventory and identified with security markings as belonging to the Council. Where possible, all other items should also be marked as belonging to the Council.

4.54 To obtain, where necessary, advice from the Corporate Resources Director about which items are to be recorded in inventories and stock records.

4.55 To notify the Corporate Resources Director of all new assets acquired for insurance and asset register purposes.

4.56 To consult the Corporate Resources Director in all cases where security is thought to be defective or where it is considered that special security arrangements may be needed.

4.57 To ensure cash holdings on premises are kept within insured limits.

4.58 To ensure that keys to safes and similar receptacles are held securely by those responsible at all times. Loss of any such keys must be reported to the Corporate Resources Director as soon as possible.

4.59 To ensure that stock is held at minimum levels needed for requirements and that when it is considered that holding different levels would be of benefit to the Council, the approval of the Corporate Resources Director has been obtained.

4.60 To ensure that:

- (a) records of stock held are kept in a format agreed by the Corporate Resources Director;
- (b) continual independent stocktaking is carried out by a person other than the store keeper or person responsible for the stock;
- (c) actual stock is reconciled to the stock records at every stock-take; and
- (d) the Corporate Resources Director is provided with any information required for financial and accounting records.

- 4.61 To make arrangements for the disposal of surplus assets and assets that will deteriorate, or for the writing-off of stores and inventory items up to the value of £5,000, subject to approval in writing by the Corporate Resources Director. Such disposals must be recorded and should normally be by competitive tender or by public auction, unless the Corporate Resources Director agrees otherwise in writing.
- 4.62 To ensure that a report prepared jointly by the relevant Head of Service and the Head of Finance and Human Resources is submitted for approval to the Value for Money Portfolio Holder if the estimated value of any one item being written-off is more than £5,000 but less than £10,000.
- 4.63 To ensure that such a report is made to the Cabinet for all items of a value in excess of £10,000.
- 4.64 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 Council in some way.
- 4.65 To be responsible for the recording and control of assets, stocks, stores and inventories in his/her department, in a format agreed by the Corporate Resources Director, and to notify the Corporate Resources Director of any discrepancies.
- 4.66 To regularly review and physically check all assets, stocks, stores and inventories at least annually, or otherwise as agreed by the Corporate Resources Director.
- 4.67 To make sure that all assets are only used in the course of the Council's business, unless the Chief Executive, Director or Head of Service concerned has given permission otherwise.

(b) Intellectual Property

**Why is this important?**

Intellectual property is a generic term that includes inventions and writings if these are created by any employee during the course of their employment, as a general rule, they belong to the employer, not the employee.

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

**Responsibilities of the Corporate Resources Director**

- 4.68 To develop and disseminate good practice through the Council's intellectual property procedures.

## **Responsibilities of Chief Executive, Directors and Heads of Service**

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

### TREASURY MANAGEMENT, BANKING AND PETTY CASH

#### **Why is this important?**

Many millions of pounds pass through the Council's books each year. This has led to the establishment of codes of practice. These codes aim to provide assurance that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

#### GENERAL

- 4.70 The Council has adopted CIPFA's "Treasury Management in the Public Services: Code of Practice (the Code) as described in Section 4 of that Code.
- 4.71 Accordingly, the Council has created and will maintain, as the cornerstones of effective Treasury Management:
- A Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities.(shown in Appendix 1 to these rules.)
  - A statement of Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
- 4.72 The following Officers are authorised to sign cheques and sanction other banking instruments of payment on behalf of the Council:-
- The Chief Executive;
  - The Corporate Resources Director; and
  - other staff as agreed by the Cabinet.
- 4.73 The limits for signatures on cheques are as follows
- one signature required for cheques up to £10,000, except for Housing Benefit cheques when this limit is reduced to £5,000; and
  - two signatures required for Housing Benefit cheques over £5,000 and for all other cheques over £10,000.

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

- 4.74 To be responsible for all necessary borrowings, repayments of loans and investments which shall be within the Council's policy and in the name of the Council or the name of nominees agreed by the Council.

- 4.75 To approve all short-term borrowings.
- 4.76 To obtain Cabinet/full Council approval for all long-term borrowings.
- 4.77 To be responsible for making banking arrangements on behalf of the Council.
- 4.78 To obtain agreement from the Cabinet of the staff authorised to sign cheques on behalf of the Council
- 4.79 All money in the hands of the Council shall be aggregated for the purposes of treasury management and be under the control of the Corporate Resources Director.
- 4.80 To report to the Performance and Governance Committee on the treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in its TMPs.
- 4.81 To be responsible for the implementation and monitoring of the Council's treasury management policies and practices and for the execution and administration of delegated treasury management decisions and to act in accordance with the Council's Policy Statement, TMPS and CIPFA's Standard of Professional Practice on Treasury Management.
- 4.82 To be responsible for the operation and terms of all the Council's banking, giro and investment accounts and for the ordering, use and control of cheques, payment forms and other payment media.
- 4.83 To ensure that:
- (a) the Council's banking accounts and Girobank accounts are operated as required for running the Council's finances efficiently;
  - (b) arrangements are made for manual, electronic and Internet transfers between the Council's bank accounts and other people's accounts;
  - (c) a record is kept of staff empowered to prepare and authorise bank transfers;
  - (d) the Council's bankers are advised of the names of staff empowered to prepare and authorise bank transfers;
  - (e) records, which must be countersigned by an authorised signatory, are kept of manual transfers made from the Council's bank account;
  - (f) a printed record is kept of any electronic transfers from the Council's bank account;
  - (g) he has authorised the order of cheques or Girobank order forms;
  - (h) bank reconciliation statements are produced at monthly intervals; and
  - (i) unused cheques are stored securely.
- 4.84 To advance such sums or where appropriate, open bank accounts and receive bank account statements, by way of imprest accounts as he deems reasonable,

and to approve the nature and amounts of payments which can be made from the account and the records which need to be kept

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 4.85 To follow the instructions on banking and imprest accounts issued by the Corporate Resources Director.
- 4.86 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 the full Council, following consultation with the Corporate Resources Director.
- 4.87 To arrange for all trust funds to be held, wherever possible, in the name of the Council or the name of nominees agreed by the Council. All Officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Corporate Resources Director, unless the deed otherwise provides.
- 4.88 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Corporate Resources Director, and to maintain written records of all transactions.
- 4.89 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- 4.90 To ensure that employees operating an imprest account:
- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
  - (b) make adequate arrangements for the safe custody of the imprest account;
  - (c) produce upon demand by the Corporate Resources Director cash and all vouchers to the total value of the imprest amount;
  - (d) record transactions promptly;
  - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
  - (f) provide the Corporate Resources Director with a certificate of the value of the account held at 31<sup>st</sup> March each year;
  - (g) ensure that the petty cash float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made;
  - (h) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Corporate Resources Director for the amount advanced to him or her;
  - (i) do not allow the bank account to be overdrawn;

- (j) do not make payments over £50; and
- (k) do not use the account for income.

4.91 To control the use of postage stamps and franking machines used within their Departments.

## 5 Financial Systems and Procedures

### GENERAL

#### **Why is this important?**

Departments have many systems and procedures relating to the control of the Council'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.

The Corporate Resources Director, who has a professional responsibility to ensure that the Council's financial systems are sound, should therefore be notified of any new developments or changes.

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

5.1 To make arrangements for the proper administration of the Council's financial affairs, including to:

- (a) issue advice, guidance and procedures for Officers and others acting on the Council's behalf;
- (b) determine the accounting systems, form of accounts and supporting financial records;
- (c) establish arrangements for audit of the Council's financial affairs;
- (d) approve any new financial systems to be introduced; and
- (e) approve any changes to be made to existing financial systems.
- (f) separate the duties of Officers providing information about sums due to or from the Council and calculating, checking and recording these sums from those of the Officers responsible for collecting or disbursing them.
- (g) ensure that employees with the duty of examining or checking the accounts of cash transactions are not themselves engaged in these transactions.
- (h) ensure that employees with responsibility for authorising orders and receipting orders shall not both authorise and receipt the same order.

## **Responsibilities of Chief Executive, Directors and Heads of Service**

- 5.2 To comply with procedures and guidance issued by the Corporate Resources Director
- 5.3 To ensure that accounting records are properly maintained and held securely.
- 5.4 To consult with the Corporate Resources Director concerning controls on new systems and on proposed changes to existing systems.
- 5.5 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Corporate Resources Director.
- 5.6 To ensure that a complete audit trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 5.7 To incorporate appropriate controls to ensure that, where relevant:
  - (a) all input is genuine, complete, accurate, timely and not previously processed;
  - (b) all processing is carried out in an accurate, complete and timely manner; and
  - (c) output from the system is complete, accurate and timely.
- 5.8 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 5.9 To ensure that systems are documented and staff trained in operations.
- 5.10 To establish a scheme of delegation identifying Officers authorised to act upon the Chief Executive's or Director's behalf in respect of payments, income collection and placing orders, including variations, and defining the limits of their authority.
- 5.11 To supply lists of authorised Officers, with specimen signatures and delegated limits, for both ordering and payments and also for transferring monies by journal transfers between accounts in the Council's accounting system, to the Corporate Resources Director for approval, together with any subsequent variations.
- 5.12 To ensure that, where appropriate, computer systems are registered in accordance with the Data Protection legislation and that Officers and Members are aware of their responsibilities in accordance with the Council's Data Protection Policy.
- 5.13 To ensure that the Council's Information Technology Strategy covering the future use of computing facilities, business continuity planning and the role of the departments is followed.
- 5.14 To ensure that standards and guidelines set out in the Council's Information

Technology Policy, governing the use and security of information and communications technology facilities, and in particular intranet, e-mail and copyright, designs and patents legislation are followed.

## INCOME AND EXPENDITURE

### (a) Income

#### **Why is this important?**

Income can be a vulnerable resource and 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 Council's cashflow and also avoids the time and cost of administering debts.

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

- 5.15 To be responsible for maintaining a system for recording and collecting all credit income.
- 5.16 To approve all arrangements for the collection, receipt, recording, banking and safe-keeping of Council income.
- 5.17 To satisfy himself regarding the arrangements for the control, order and supply of all receipt forms, order books or tickets and similar items issued direct to the departments.
- 5.18 To write off:
  - (a) all debts arising from bankruptcies and liquidations, which are not covered by distributions from liquidators, receivers or administrators; and
  - (b) any other single amount due to the Council up to £5,000. Any outstanding debt in excess of this amount can only be written off with the consent of the Value for Money Portfolio Holder.
- 5.19 To approve the waiver or variation of any legal charge taken as security in respect of individual transactions and to seek approval of Cabinet to waivers or variations in excess of the approved write-off limit.
- 5.20 To ensure that appropriate accounting adjustments are made following any write-off action.

#### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 5.21 To review all scales of charges annually in conjunction with the Corporate Resources Director or at such other times as the Corporate Resources Director deems necessary. No alteration to such scales may be made, or new scales introduced, except:
  - (a) upon a joint report by the Chief Executive or Director concerned and the Corporate Resources Director to Cabinet unless such powers of alteration have been previously delegated to an officer:

or following a report to the Corporate Resources Director,

(b) where charges cover specified costs; or

(c) following changes in VAT or other government taxes.

- 5.22 To separate the duties of Officers providing information about sums due to or from the Council and calculating, checking and recording these sums from those of the Officers responsible for collecting or disbursing them.
- 5.23 To ensure that employees with the duty of examining or checking the accounts of cash transactions are not themselves engaged in these transactions.
- 5.24 To ensure that employees with responsibility for authorising orders and receiving orders shall not both authorise and receipt the same order
- 5.25 To establish and initiate appropriate recovery procedures, in conjunction with the Corporate Resources Director, including legal action where necessary, for debts that are not paid promptly. Chief Executive, Directors and Heads of Service have a responsibility to assist the Corporate Resources Director in collecting debts in respect of contracts or arrangements that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- 5.26 To be responsible for making satisfactory and secure arrangements for the order, control and supply of all receipt forms, order books or tickets and similar items obtained direct from the Print Room.
- 5.27 To issue official receipts or to maintain other documentation for income collection.
- 5.28 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 5.29 To hold securely, receipts, tickets and other records of income for the appropriate period as specified by the Corporate Resources Director.
- 5.30 To lock away all income, tickets etc to safeguard against loss or theft, and to ensure the security of remittances handling until banked or paid to the Corporate Resources Director.
- 5.31 To ensure that income is paid fully and promptly to the Council or appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail.
- 5.32 To ensure that staff receiving money on behalf of the Council comply with the following rules, unless the Corporate Resources Director approves other arrangements:
- (a) cross cheques immediately upon receipt and endorse them payable to Sevenoaks District Council;

- (b) acknowledge receipt of the money by giving a receipt, ticket or voucher. Receipts are not required for cheque payments unless the cheque payer requests them;
  - (c) record details of cheque payments in a format decided by the Corporate Resources Director;
  - (d) keep the money secure until banked or passed to the Corporate Resources Director;
  - (e) pass the money over to the Corporate Resources Director or to the Council's banking or Girobank accounts; and
  - (f) keep a record of collections and deposits in a format approved by the Corporate Resources Director.
- 5.33 To ensure cash income is not used to encash personal cheques or other payments.
- 5.34 To supply the Corporate Resources Director with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Corporate Resources Director to record correctly the sums due to the Council and to ensure accounts due statements are sent out promptly.
- 5.35 To advise the Corporate Resources Director about any contracts, leases or other arrangements which involve the receipt of money and to provide, upon request, any relevant documentation.
- 5.36 Revisions to the rents payable under the terms of any lease, concession or grazing right or other agreement shall be approved by Cabinet following a report by the Chief Executive, unless specifically delegated to an Officer to determine.
- 5.37 To keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transferee and the transferor must retain a copy.
- 5.38 To recommend to the Corporate Resources Director all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 5.39 To notify the Corporate Resources Director of all debts, which it is recommended are written off.
- 5.40 To record all sums written off and to adhere to the requirements of the Accounts and Audit Regulations.
- 5.41 To notify the Corporate Resources Director of any outstanding income not invoiced relating to the previous financial year as soon as possible after 31<sup>st</sup> March in line with the timetable determined by the Corporate Resources Director but not later than 30<sup>th</sup> April.

(b) Ordering and Paying for Work, Goods and Services

**Why is this important?**

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that its services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Contracts Procedure Rules (Appendix E - Contracts Procedure Rules.doc).

**General**

- 5.42 Every Officer and Member of the Council has a responsibility to declare any personal interests that they may have with regard to purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate code of conduct.
- 5.43 Official purchaser orders must be in a form approved by the Corporate Resources Director. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Corporate Resources Director.
- 5.44 All goods, works and services must have an official order, except cash payments from imprest accounts and payments of contracts.
- 5.45 All orders up to £25,000 will be subject to this Financial Procedure Rules, except when a written contract is required. They will then be subject to the Contract Procedure Rules (Section 1,6 and 7) (Appendix E – Contracts Procedure Rules.doc).
- 5.46 All orders over £25,000 will be subject to the Contract Procedure Rules (Appendix E - Contracts Procedure Rules.doc)

**Quotes/Tenders Requirements**

| <i>Estimated Value of Purchase</i> | <i>Minimum competition and documentation requirements</i> | <i>Governed by</i>   |
|------------------------------------|---|--|
| Zero to £10,000                    | At least one quote in advance                             | Finance Procedure Rules unless a written contract is required when the Contracts Procedure Rules (Sections 1,6 & 7) would apply. |
| £10,000 up to £74,999              | At least three written quotes In advance                  | Contracts Procedure Rules  |

|   |  |                           |
|---|--|---------------------------|
| Over £75,000 up to the EU Procurement Limit | At least three written tenders, formal opening procedures, Cabinet approval and a written contract     | Contracts Procedure Rules |
| At the EU Procurement Limit and above       | Advertisement and tenders in accordance with EU requirements, Cabinet approval and a written contract. | Contract Procedure Rules  |

- 5.47 Where, in cases of extreme urgency, it is not practicable to issue an official order at the time of placing an order, the Head of Service may issue an oral or faxed, telephone or e-mail order. A **confirmatory** official order clearly marked as such shall be made out and dispatched as soon and as possible.
- 5.48 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.
- 5.49 The normal method of payment of remittances shall be by cheque or electronic payment drawn on the Council's banking accounts by the Corporate Resources Director. Paragraphs 4.70 to 4.91 (Treasury Management, Banking and Petty Cash) of these Rules deals with an alternative using imprest accounts. The Corporate Resources Director may agree other methods of payment, including those made by corporate credit cards, and the rules to be applied to them.

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

- 5.50 To approve the form of Official Purchase Order to be used.
- 5.51 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.
- 5.52 To make payments from the Council's funds on the authorisation of a Head of Service that the expenditure has been duly incurred in accordance with Financial Procedure Rules.
- 5.53 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.
- 5.54 To make payments to contractors on the certificate of the appropriate Head of Service The authorisation must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 5.55 To ensure that prior to any payment being made to a building contractor the appropriate CIS certificate has been presented and validated. To make deduction of tax from the labour element of any invoice where appropriate.
- 5.56 Arrangements for issue of certificate of tax deduction to any building contractor

to whom payments have been made subject to deduction of tax.

5.57 To be responsible for:

- (a) identifying those items of expenditure to be financed using leasing arrangements;
- (b) all lease negotiations and subsequent payments; and
- (c) undertaking central purchasing for office supplies.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 5.58 To ensure that official orders, which must have been approved in advance by the Corporate Resources Director, are used for all goods and services, other than the exceptions specified in paragraph 5.43.
- 5.59 To ensure that orders are only used for goods and services provided to the department and that staff are aware that they must not use official orders to obtain goods or services for their private use.
- 5.60 To ensure that only those staff agreed by him or her and authorised by the Corporate Resources Director sign orders, to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their Council and to supply a copy to the Corporate Resources Director.
- 5.61 To ensure that all Purchase Orders shall bear the personal signature of the Chief Executive, appropriate Director or an Officer designated by him and approved in writing by the Corporate Resources Director in respect of a defined class of order.
- 5.62 To ensure that before signing any purchase order the responsible Officer shall:
  - (a) be satisfied that the order will obtain the best value for the price to be paid;
  - (b) ensure the correctness of the official order and that it has been prepared in compliance with these Financial Procedure Rules and the Contracts Procedure Rules (Appendix E - Contracts Procedure Rules.doc);
  - (c) ensure that the cost is covered by the approved estimates or is otherwise provided for in accordance with the Council's Procedure Rules (Appendix E - Contracts Procedure Rules.doc); EC Regulations; and
  - (d) that the commitment entered into does not conflict with the Council's policies.
- 5.63 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order; this check should, where possible, be carried out by a different Officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- 5.64 To ensure that only those staff authorised by the Corporate Resources Director under paragraph 5.11 make payments, to maintain an up-to-date list of such

authorised staff, including specimen signatures identifying in each case the limits of their Council and to supply a copy to the Corporate Resources Director.

- 5.65 To ensure that an up to date register of period payments is maintained.
- 5.66 To supply a copy of each order to the Corporate Resources Director as soon as possible which shall:
- (a) include provision for specifying the nature and/or quantity of goods, works or services required and any contract or agreed price and other terms of sale relating to them;
  - (b) specify that goods must be accompanied by delivery notes;
  - (c) ask the supplier to send their invoices to the Corporate Resources Department as soon as possible after the despatch of goods or completion of works or services;
  - (d) include a requirement for a guarantee or warranty to be provided where appropriate; and
  - (e) have, where appropriate, a serial number/s.
- 5.67 To ensure that:
- (a) written authorisation is provided for payments where there is no supporting invoice; and that
  - (b) the Corporate Resources Director is advised about all leases, agreements, contracts and obligations where money payable for which there is no invoice.
- 5.68 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- (a) that the goods or services have been received and have has been recorded in the accounting system;
  - (b) that the invoice has not previously been paid;
  - (c) that expenditure has been properly incurred and is within budget provision except expenditure under the provision of paragraph 5.55;
  - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
  - (e) that tax has been correctly accounted for;
  - (f) that the invoice is correctly coded;
  - (g) that discounts have been taken where available;
  - (h) that appropriate entries will be made in accounting records;
  - (i) the item is a proper liability of the Council; and

- (j) payments are not made against a supplier's statement.
  - (k) CIS certificate when necessary
- 5.69 To ensure:
- (a) the receipt of goods or services,
  - (b) the checking of the prices and arithmetic, and
  - (c) the certification for payment of invoices
- are carried out by different persons.
- 5.70 To ensure that:
- (a) all invoices and vouchers contain the initials or other reference of the persons who have carried out the various checks prior to payment; and
  - (b) if in exceptional circumstances payment is required in advance of delivery of the goods or services. 'Payment in Advance' is noted on the invoice.
- 5.71 To be responsible for ensuring that, where goods or services have been paid for in advance, they are subsequently received and that any subsequent invoice is clearly marked "paid" and sent to the Corporate Resources Director to support the original payment.
- 5.72 To be responsible for maintaining a system to prevent duplicate payments of invoices.
- 5.73 To ensure that when a photocopied, e-mailed or faxed invoice is passed for payment, it clearly certified that it is a true copy of the original invoice and that the amount due is still outstanding.
- 5.74 To ensure that when any part of an invoice (except the VAT element) is amended by a Council employee, the amendment is made in non-erasable ink, is signed by the employee and states briefly the reason for the change.
- 5.75 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Corporate Resources Director. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 5.76 To notify the Corporate Resources Director of outstanding expenditure relating to the previous financial year as soon as possible after 31<sup>st</sup> March in line with the timetable determined by the Corporate Resources Director and, in any case, not later than 30<sup>th</sup> April.
- 5.77 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Corporate Resources Director 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.

- 5.78 To notify the Corporate Resources Director immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 5.79 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

(c) Payments to Employees and Members

**Why is this important?**

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' Contract of Employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by the Council.

**Responsibilities of the Corporate Resources Director**

- 5.80 To be responsible for the calculation and payment of salaries, wages and all other emoluments unless other arrangements are agreed by the Corporate Resources Director.
- 5.81 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- 5.82 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 5.83 To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 5.84 To be responsible for approving the format of the expenses/allowances claim forms for staff and Members.
- 5.85 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

**Responsibilities of the Head of Finance and Human Resources**

- 5.86 To be responsible for making an advance of pay if the employee's Director gives prior approval.
- 5.87 To be responsible for:
- (a) approving the format of time records or pay documents;
  - (b) keeping personnel records about pay, pensions, statutory sick pay, national insurance and income tax; and
  - (c) paying to the appropriate agencies any sums deducted from employees' pay; together with any employee contributions.

**Responsibilities of Chief Executive, Directors and Heads of Service**

- 5.88 To ensure appointments are made in accordance with the procedure rules of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 5.89 To notify the Head of Finance and Human Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Corporate Resources Director. To also notify all changes of Members of the Council, including election, resignation, termination of office and appointments as Chairman/Vice-Chairman.
- 5.90 To be responsible for the accuracy of all information passed to the Corporate Resources Director, which is used for making such payments to staff.
- 5.91 To send an up-to-date list of the names of Officers authorised to sign timesheets, overtime claims etc to the Corporate Resources Director, together with specimen signatures.
- 5.92 To ensure that payroll transactions are processed only through the payroll system. Chief Executive, Directors and Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Corporate Resources Director.
- 5.93 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and ensuring that the Corporate Resources Director is informed where appropriate.
- 5.94 To ensure that when making claims for payment of motor vehicle allowances, subsistence allowances, travelling and other incidental expenses, all members and employees shall:
- (a) claim on a monthly basis;
  - (b) use the proper form;
  - (c) make claims on the correct date each month;
  - (d) obtain approval from an authorised officer;
  - (e) send their claims to the Corporate Resources Director; and
  - (f) make claims for a financial year within one month of 31<sup>st</sup> March.

This rule does not apply where employees have claimed their expenses from an imprest account (See Treasury Management, Banking and Petty Cash paragraphs 4.70 to 4.91).

- 5.95 To personally authorise, in writing, all claims that are more than one month old.

- 5.96 To ensure that the Corporate Resources Director is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 5.97 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

(d) Appointment of Consultants

**Why is this important?**

The cost of consultants is considered to be an expensive commitment. It is important that a proper decision is taken before these are engaged.

**General**

- 5.98 Any architect, engineer, surveyor or other consultant (not being an Officer of the Council) may only be appointed with the specific authority of the Cabinet, save that Chief Executive, Directors, in conjunction with the Corporate Resources Director are empowered to appoint consultants, subject to the fee for any one contract not exceeding £10,000 and subject to paragraph 5.62 and to the expenditure being already approved by the Full Council within the contract or other approved estimate.

**Responsibilities of Chief Executive, Directors and Heads of Service**

- 5.99 The Chief Executive or appropriate Director must consult with the Corporate Resources Director prior to the appointment of any consultant subject to the criteria set out in paragraph 5.98.
- 5.100 The Chief Executive or appropriate Director must consult with the Corporate Resources Director on fees to be paid to and the insurance status of any consultants before the appointment is made.
- 5.101 It shall be a condition of the appointment of any consultant who is responsible to the Council for services in respect of works on its behalf that in relation to those works he shall:
- (a) comply with Section 5 of these Financial Procedure Rules relating to Financial Systems and Procedures and also the Council's Contract Procedure Rules (Appendix E – Contracts Procedure Rules.doc) as though he were a Director of the Council;
  - (b) at any time during the carrying out of the works, produce to the Chief Executive or appropriate Director, or his representative, on request, all the records maintained by him in relation to the works; and
  - (c) on completion of the works, transmit all such records or copies thereof to the appropriate Head of Service.

**TAXATION**

**Why is this important?**

The Council 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.

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

- 5.102 To complete all Inland Revenue returns regarding PAYE by the appropriate deadlines.
- 5.103 To complete monthly returns of VAT inputs and outputs to HM Customs and Excise by the appropriate deadlines.
- 5.104 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- 5.105 To maintain up-to-date guidance for Council employees and members on taxation issues in the accounting manual and the VAT tax manual.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 5.106 To ensure that the correct VAT liability is attached to all income due in liaison with the Corporate Resources Director and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- 5.107 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 5.108 To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 5.109 To follow the guidance on taxation issued by the Corporate Resources Director.

## **TRADING ACCOUNTS AND BUSINESS UNITS**

### **Why is this important?**

Trading accounts and business units have become more important as Local Authorities have developed a more commercial culture. Under 'best value' authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the Best Value Performance Plan.

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

- 5.110 To advise on the establishment and operation of trading accounts and business units.

### **Responsibilities of Chief Executive, Directors and Heads of Service**

- 5.111 To consult with the Corporate Resources Director where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds

the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.

- 5.112 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- 5.113 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 5.114 To ensure that each business unit prepares an annual business plan.

## **6 External Arrangements**

### PARTNERSHIPS

#### **Why is this important?**

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes. Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others

#### **General**

- 6.1 The main reasons for entering into a partnership are:
  - (a) the desire to find new ways to share risk;
  - (b) the ability to access new resources;
  - (c) to provide new and better ways of delivering services; and
  - (d) to forge new relationships.
- 6.2 A partner is defined as either:
  - (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or
  - (b) a body whose nature or status give it a right or obligation to support the project.
- 6.3 Partners participate in projects by:
  - (a) acting as a project deliverer or sponsor, solely or in concert with others;

- (b) acting as a project funder or part funder; and
- (c) being the beneficiary group of the activity undertaken in a project.

6.4 Partners have common responsibilities:

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

6.5 Financial matters relating to arrangements whereby one Council administers funds jointly on behalf of itself and others shall be subject to the Financial Procedure Rules of the administering Council, unless these Rules are more stringent

**Responsibilities of the Corporate Resources Director**

6.6 To advise on effective controls that will ensure that resources are not wasted.

6.7 To advise on the key elements of funding a project. They include:

- (a) a scheme appraisal for financial viability in both the current and future years;
- (b) risk appraisal and management;
- (c) re-sourcing, including taxation issues;
- (d) audit, security and control requirements; and
- (e) carry-forward arrangements.

6.8 To ensure that the accounting arrangements are satisfactory.

**Responsibilities of Chief Executive, Directors and Heads of Service**

6.9 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Corporate Resources Director.

6.10 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Corporate Resources Director.

- 6.11 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- 6.12 To ensure that all agreements and arrangements are properly documented.
- 6.13 To provide appropriate information to the Corporate Resources Director to enable a note to be entered into the Council's Statement of Accounts concerning material items.

**EXTERNAL FUNDING**

**Why is this important?**

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the single regeneration budget provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

**Responsibilities of the Corporate Resources Director**

- 6.14 To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 6.15 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 6.16 To ensure that all specified audit requirements are met.

**Responsibilities of Chief Executive, Directors and Heads of Service**

- 6.17 To ensure that all claims for funds are made by the due date.
- 6.18 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

**WORK FOR THIRD PARTIES**

**Why is this Important?**

Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires (i.e. legal).

**Responsibilities of Corporate Resources Director**

- 6.19 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

## **Responsibilities of Chief Executive, Directors and Heads of Service**

- 6.20 To ensure that the approval of Cabinet where necessary is obtained before any negotiations are concluded to work for third parties.
- 6.21 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Corporate Resources Director.
- 6.22 To ensure that appropriate insurance arrangements are made.
- 6.23 To ensure that the Council is not put at risk from any bad debts.
- 6.24 To ensure that no contract is subsidised by the Council.
- 6.25 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 6.26 To ensure that the department/unit has the appropriate expertise to undertake the contract.
- 6.27 To ensure that such contracts do not impact adversely upon the services provided for the Council.
- 6.28 To ensure that all contracts are properly documented.
- 6.29 To provide appropriate information to the Corporate Resources Director to enable a note to be entered into the statement of accounts.

## **7 Miscellaneous**

### GIFTS AND HOSPITALITY

#### **Why is this important?**

Some members of the public and organisations may claim that they have been treated unfairly by the Council and may suggest that staff have received inducement to give preference to others. Therefore a register of all gifts and hospitality received should be maintained.

#### **General**

- 7.1 Guidance Notes relating to the receipt of gifts and hospitality can be found in Appendix 2 to these rules.

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

- 7.2 To ensure that details of all gifts in kind and hospitality received by Members and Officers are recorded.

#### **Responsibilities of the Chief Executive**

- 7.3 To maintain an open register of all gifts in kind and hospitality received by Members or Directors. Internal Audit or the Council's external auditors can inspect this register.

## **Responsibilities of the Directors**

- 7.4 To maintain a register of all gifts in kind and hospitality received by Officers in their Department. Internal Audit or the Council's external auditors can ask to inspect this register.

## **INFORMATION TECHNOLOGY (IT)**

### **Why is this important?**

It is essential that the Council has strategies to ensure the security of all computerised data and that data is used for the proper purpose.

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

- 7.5 To be responsible for making arrangements for Council wide IT data security.
- 7.6 To ensure that Information Technology strategies reflecting current legislation, are drawn up by the Head of Information and Customer Services.

## **Responsibilities of the Head of Information and Customer Services**

- 7.7 To be responsible for:
- (a) drawing up an IT Security Policy and ensuring that it reflects current legislation;
  - (b) making arrangements for Council wide IT data security;
  - (c) maintaining proper security and privacy of information held in Council computers;
  - (d) ensuring that information held on Council computer facilities is only used for proper purposes;
  - (e) ensuring adequate safeguards exist for security of data held in Council computers;
  - (f) drawing up emergency plans to maintain essential IT services in the event of a "disaster";
  - (g) maintaining usage records of central facilities to enable fair redistribution of costs to departments; and
  - (h) maintaining records of all computer systems. This is required to comply with the Data Protection Act.

## **Responsibilities of Chief Executive, Directors and Heads of Service**

- 7.8 To be responsible for:
- (a) the safe custody and administration of IT systems within their own departments; and
  - (b) supplying the Data Protection Co-ordinator with such information as required to co-ordinate the computerisation of data, to minimise the duplication of data, and to facilitate the registration and compliance with the provisions of the Data Protection Act.
- 7.9 To ensure that all staff in their departments are aware of the IT Security Policy, and that they follow the various ICT strategies.

**SEVENOAKS DISTRICT COUNCIL**  
**TREASURY MANAGEMENT POLICY STATEMENT**

(as approved by the Council

on the 18<sup>th</sup> November 2003)

- A. This organisation defines its treasury management activities as:
- “The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- B. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- C. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

## **GIFTS AND HOSPITALITY GUIDELINES**

### **A. THE REASONS FOR THESE GUIDELINES**

- i) The main reason for having these guidelines is ensure that Members and Officers maintain the highest standards of corporate governance. These high standards are expected of Local Government generally and their maintenance is necessary to uphold the integrity and reputation of the Council.

In some areas these standards are more rigorous than those applying to the private sector. This has to be recognised and accepted by all Members and Officers of the Council. The fact that Local Authorities are moving towards more businesslike methods of providing services; this does not mean the standards will be compromised..

- ii) All Members and Officers are subject to the provision in the Finance Procedure Rules relating to gifts and hospitality. Officers are also subject to the provisions of their Conditions of Service relating to such matters. All Members and Officers are also subject to their respective Codes of Conduct. The purposes of these guidelines is to reiterate the Finance Procedure Rules and Conditions of Service and to provide practical guidance.
- iii) The most important reason for these guidelines is that failure to follow the rules puts individual Officers at personal risk of disciplinary action and, in certain circumstances, of criminal prosecution. Failure to comply with the Finance Procedure Rules will give rise to disciplinary action that may include dismissal. Criminal proceedings may arise as a failure to declare a pecuniary interests in accordance with the Local Government Act 1972 and under the Prevention of Corruption Acts is a criminal offence. Any criminal proceedings resulting in a conviction could give rise to a term of imprisonment and would inevitably give rise to disciplinary action including dismissal.
- iv) Members can be subject to sanctions imposed by the Standards Board for England and the Council's Standards Committee. In addition, Members can be subject to criminal and civil liability resulting from breach of fiduciary duty.

### **B. SEEK ADVICE/BE OPEN/APPLY COMMONSENSE**

There may be occasions when the hospitality offered is acceptable and will not breach standards. Similarly, there will be occasions when hospitality offered appears to come within the guidelines but nevertheless should be refused. These are guidelines and are not meant to be a substitute for judgement and commonsense. If in doubt seek advice from the Monitoring Officer and always be open about such matters. If you are not prepared to seek advice or be open it is highly likely that whatever it is, you should not be doing it.

## C. POTENTIAL CONFLICT BETWEEN PERSONAL AND JOB ROLES

It is sometimes difficult to differentiate between personal and job roles. On some occasions an offer of hospitality will clearly be personal in that there is no connection whatsoever with your job. On other occasions an offer of hospitality will be clearly made to you in your job role. However, there is an area in which the two roles merge, particularly with senior Officers. It is difficult to give guidance that will cover all circumstances, but the following are examples:

- i) If there is an offer of hospitality purporting to be personal, ask yourself whether it would have been made if you did not hold your office with the Council. If not, than almost certainly it should be treated as job related.
- ii) Does the person or organisation making the offer have any connection or potential connection with the Council? If so, treat it as job related.

If you are in doubt the only safe course is to treat an offer as job related. At the very least seek advice from the Monitoring Officer. If an offer of hospitality is job related these guidelines should be applied to it and the Finance Procedure Rules and your Conditions of Service apply.

## D. ACCEPTANCE OF GIFTS

Gifts should not be accepted other than items of very small intrinsic value such as business diaries and calendars which should be used in the work place. There are few permissible exceptions to this general rule, but there are occasionally special circumstances such as:-

- i) Civic Occasions

From time to time there are civic occasions on which personal gifts may be given to Members and Officers. For example, a Member or Officer may be given a personal gift by a delegation from abroad which is here as part of a twinning arrangement. To refuse it would cause unnecessary offence. Therefore, in such circumstances, it is permissible for a Member or Officer to accept the gift provided that its value is not excessive. If it is a gift which is not personal, it should be treated as belonging to the Council and dealt with accordingly.. The important point is that such matters should be dealt with openly and, if need be, advice sought.

- ii) Unsolicited Gifts of Value

You may get unsolicited gifts of more than small but still modest value, for example, bottles of spirits at Christmas. If you do you should consider whether they should be returned immediately, if need be, with a note explaining why you cannot accept. If this is impracticable or would cause unnecessary offence, consider presenting the gift for charitable purposes, or take similar appropriate action. In such circumstances, tell the donor what you have done and why. In any event, valuable gifts must be returned.

## E. ACCEPTANCE OF HOSPITALITY

Reasonable hospitality may be accepted where it is secondary to a specific working arrangement (i.e. an integral part of the working arrangement). Caution should be exercised where the invitation is predominantly of a social nature unless it falls into one of the exceptions mentioned later in this guidance.

A test which Members and Officers should apply in considering any offers of hospitality is that of public scrutiny. Would the acceptance of such hospitality, if made public, be open to misrepresentation or doubt as to the integrity and motives of the provider and the recipient?

### i) Lunches, Dinners and Drinks

They must only be of a reasonable value. Extravagance must be avoided.

### ii) Civic Hospitality

It is permitted to accept Civic hospitality provided by other Local Authorities and similar hospitality provided by other public organisations. On such occasions Members and Officers will receive formal invitations and any such hospitality is open and above board. Similarly, it is acceptable if you are invited in your official capacity to represent the Council at a function or event unless it falls into one of the excluded categories in these guidelines.

### iii) Commercial Organisations

This is an area which requires the utmost care. It can conveniently be divided into two parts.

Firstly, hospitality provided by a commercial organisation with whom the Council has an existing business relationship. Here, modest hospitality is an accepted courtesy of a business relationship. This is likely to fall into two categories.

(a) The kind which is secondary to specific Council business.

(b) The kind which is not specifically business related but which is provided for representatives of the Council as a client. It is reasonable to accept this kind of hospitality as long as it is not extravagant unless:-

- the renewal of the firm's contract with the Council is imminent;  
or
- the firm is or is likely to be seeking other contracts with the Council in the immediate future.

However, as a general rule business relationship should not become too cosy or too close and a proper distance should be kept.

Another general rule must be to refuse hospitality provided by a commercial organisation with whom the Council does not have an existing business

relationship. There may be possible exceptions, for example, a local connection such as a firm with its Headquarters based in Sevenoaks having a Centenary Dinner to which it invites leading Members and Chief Officers of the Council. However, any exceptions should be carefully considered and, if need be advice sought from the Monitoring Officer of the Council.

#### F. CONFERENCES/SEMINARS

It is the practice at some Conferences/Seminars for the sponsors or interested organisations to lay on hospitality/entertainment for those participating. Generally it is permissible for Members and Officers to accept this kind of hospitality but a distinction needs to be drawn between such hospitality which is generally provided (i.e. all the participants or a large group of them invited) and individual hospitality, for example, you alone are invited by a sponsor or firm. The former is acceptable but the latter would be unlikely to be acceptable.

#### G. STUDY TRIPS

If these are promoted by commercial organisations or involved commercial organisations they should be dealt with under Paragraph F. Generally you should participate only if the invitation to join is one which is general and not confirmed to you and a select few.

#### H. EXHIBITIONS/DEMONSTRATIONS

Care should be exercised before accepting offers to visit Exhibitions and Demonstrations at the expense of other organisations. If there is a good reason to inspect equipment etc. which the Council is considering purchasing the invitation may be acceptable. Even in such circumstances you should give consideration to the Council meeting the costs. An invitation which is made to a wide range of people is more likely to be acceptable than one which is made to you alone. Hospitality provided in such cases must not be extravagant.

#### I. ENTERTAINMENT

Generally the guidance given above relating to the acceptance of hospitality also applies to the acceptance of invitations coming under the heading of Entertainment, such as invitations at someone else's expense to sporting occasions, theatre trips etc. Generally such invitations should not be accepted unless you are able to justify them under one of the various headings in these guidelines.

#### J. TRIPS ABROAD

If you are invited to go abroad at the expense of someone else, for example, a study visit or conference, and wish to accept, you must obtain the approval of the Committee.

#### K. PRESSURE SELLING

Be aware of the possibility of personal inducements being offered by companies in order to achieve orders for goods. The acceptance of such a personal inducement would lay you open to criminal prosecution and disciplinary action including dismissal. Any such offers should be reported to your line Manager who, in appropriate cases will alert the Customer Services Director and other

relevant senior Officers. Care needs to be taken if the Council still wishes to purchase the goods from the firm concerned, notwithstanding that the personal inducement has been refused and reported. It would be appropriate for written representations to be made to the firm concerned to make them aware that the practice was unacceptable and should cease.

## L. REGISTER

The Chief Executive and each Director maintains a register on behalf of Officers in their departments (including themselves) to record:-

- i) Hospitality received. This should cover hospitality whenever and wherever it is received.
- ii) Gifts received (other than items of very low value such as business diaries, pens, pencil, calendars etc.)
- iii) Entertainment, study trips, visits to exhibitions/demonstrations at the expenses of others.
- iv) Conferences and Seminars. Any hospitality or entertainment received during the course of conference and seminar should be recorded in the register.

In addition, the Chief Executive maintains a register on behalf of Members to record similar information

The register entry should contain the name of the Member or Officer, the date of receipt, the name of the person/organisation providing the gift, hospitality etc. and a brief description of the gift, hospitality etc.

Members are also under an obligation to register with the Monitoring Officer financial interests and gifts and hospitality worth over £25 that Members receive in connection with their official duties.

The registers are subject to review by the Council's External Auditor, and the Chief Executive may consult with the Chairman of the Council over any entry of concern.