Harrow Council
Financial Regulations

SECTION 1: INTRODUCTION

Status

1. Financial regulations provide the framework for managing the authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf. They are an integral part of the Council's Constitution and should be read in conjunction with those sections of the Constitution that cover Contract Procedure Rules and Officer Delegations.

2. Failure to comply with these financial regulations may result in disciplinary action.

Roles and Responsibilities

3. The Director of Financial and Business Strategy is the Council's Chief Finance Officer under Section 151 of the Local Government Act 1972. The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs.

4. Under Section 114A of the Local Government Finance Act 1988 the Chief Finance Officer must make a report if it appears that

   - the executive is about to make a decision which involves or would involve unlawful expenditure
   - the executive or person on behalf of the executive has taken or is about to take a course of action which would be unlawful and likely to cause a loss or deficiency on the part of the authority
   - the executive is about to enter an item of account the entry of which is unlawful
   - the expenditure of the authority incurred in a financial year is likely to exceed the resources available to meet that expenditure

5. Such a report (S. 114A(4)) should be prepared in consultation with the Chief Executive and the Monitoring Officer.

6. In relation to the budget, under Section 25 of the Local Government Act 2003 the Chief Finance Officer must report to the authority on the robustness of the estimates and the adequacy of proposed reserves. There is also a requirement to carry out budget monitoring and to take action to deal with any matter arising.

7. The role of the Chief Finance Officer is defined in detail in the Council's Constitution.

8. The Director of Financial and Business Strategy is responsible for maintaining a continuous review of financial regulations and submitting any material additions or changes necessary to the full Council for approval. The Director of Financial and Business Strategy will also issue and maintain more detailed notes of guidance and practice notes from time to time, as required to supplement these Financial Regulations, with which all Members and staff of the Council shall comply.

9. In particular the Financial Regulations are supported by detailed guidance on budget preparation, budget monitoring, closure of accounts, and the use of purchasing cards. See Appendix 1 for more details.

10. The Financial Regulations are also supported by a detailed scheme of delegation which sets out limits for authorising financial transactions.

11. The Director of Financial and Business Strategy is responsible for reporting, where appropriate, breaches of the financial regulations to the Council and/or to the Executive members.

12. Responsibility for the day to day management of financial services and related activities is located as follows:

Director of Financial and Business Strategy	Director of Business Services	Director of Professional Services
Budget strategy Accounting Treasury management Pension investment Procurement Audit and Risk Management	Corporate Accounts Payable Corporate Accounts Receivable Corporate Fraud Cashiers Revenues, Benefits, Assessments and	Asset Management

Insurance Payroll Pension Administration	Student Finance Mortgages	

13. Responsibility for corporate governance is shared between the Director of Financial and Business Strategy, the Director of Corporate Governance (the Council's monitoring officer).and the Director of Legal Services.

14. The Director of Business Services is responsible for the collection of council tax and business rates, the operation of the Housing Benefit system assessments and Corporate Accounts Payable and Receivable functions.

15. Executive Directors and Directors are responsible for ensuring that all staff in their departments are aware of the existence and content of the authority's financial regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their departments. Where a Chief Officer employs a consultant or external contractor to undertake any function which might otherwise be undertaken by a direct employee of the Council, the individual(s) concerned must act in accordance with these Regulations and must be made aware by the appropriate Chief Officer of this requirement.

16. Executive Directors and Directors may delegate responsibilities set out in these regulations, but remain accountable for their operation. Delegations must be in writing and maintained in line with the corporate standard.

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

SECTION 2: RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

1. All organisations face risks to their people, property, finances, services, reputation and continued operations. Risk management is about systematically identifying and actively managing these risks. It is an integral part of good business practice and is essential to securing the Council's assets and to ensuring continued financial and organisational well being.

2. Risk can be mitigated by

   - transferring the risk to a third party, eg through insurance

   - implementing additional controls to minimise the likelihood of the risk occurring and/or minimising its potential impact (eg through regular inspection and continuous monitoring of identified key risk areas)

   - establishing and regularly testing business continuity and disaster recovery procedures to deal with the consequences of events and minimise potential disruption.

3. Harrow Council has identified its key strategic risks and is developing detailed risk registers and action plans for each Directorate. These will be monitored on a regular basis.

4. The Director of Financial and Business Strategy is responsible for preparing and promoting the authority's risk management policy and strategy, securing the endorsement of the Council, and maintaining the strategic risk register.

5. Executive Directors and Directors are responsible for ensuring that there is a continuous review of exposure to risk within their departments, maintaining detailed risk registers and action plans, and maintaining business continuity plans.

6. It is essential that risk management is incorporated into business processes in line with corporate guidelines. These processes include budget preparation and service planning, budget monitoring and performance management, programme and project management, procurement and contract management.

Internal Control

7. Internal control refers to the systems devised by management to guard against risk and promote achievement of objectives. More specifically, internal controls promote:

   (a) achievement of business objectives and performance standards.

   (b) compliance with plans, policies, procedures, codes of conduct, laws and regulations.

   (c) the reliability, integrity, timeliness and usefulness of information.

   (d) the legality of transactions and compliance with approved budgets and procedures.

   (e) the safeguarding of people, property, finances, services, continued operations and reputation.

8. Internal controls are an essential part of the Council's risk management arrangements and should be reviewed on a regular basis. Control systems should provide for clarity of policies, objectives, targets, responsibilities and accountabilities, and appropriate authorisations and approvals, separation of duties, level of internal check, management information and physical safeguards.

9. The Director of Financial and Business Strategy is responsible for assisting the authority in putting 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 all applicable statutes, regulations and codes of practice.

10. The Account and Audit Regulations 2003 (S33) (as amended) require the publication of a Statement of Internal Control with the financial statements from 2003/04 onwards. The statement represents the end result of a review of internal control and risk management, and includes a description of the internal control environment, the review process, and any significant issues. The Committee responsible for internal control should seek to satisfy itself that it has obtained sufficient, relevant and reliable evidence to support the disclosures made. Following approval the statement is signed by the Chief Executive and the Leader of the Council.

11. Executive Directors and Directors are responsible for establishing, maintaining, monitoring and reporting on systems of internal control which guard against risk and promote the achievement of objectives. On an annual basis they are required to complete a management assurance statement for each Directorate and Department of the Council. The statements and supporting evidence will be "reality checked" by Internal

Audit, evaluated by the Corporate Governance Group and results fed into the Council's Statement on Internal Control.

Internal Audit

12. Internal audit is an independent appraisal function that advises management on the effectiveness of their systems of internal control. The Group Manager (Audit and Risk) is the Council's Chief Internal Auditor.

13. The key features of internal audit are:

    (a) it is independent of service operations in its planning and operation.

    (b) it has sufficient organisational status to facilitate effective discussion and negotiation of the results of its work.

    (c) it utilises risk based methodologies in planning and delivering its work and does not have undue limitations placed on its scope.

    (d) the Group Manager (Audit and Risk) has direct access to senior managers, elected members and the external auditor as appropriate.

    (e) internal auditors comply with guidance issued by professional bodies.

14. Internal auditors have the authority to:

    (a) access authority premises at reasonable times.

    (b) access all assets, records, documents, correspondence and control systems.

    (c) receive any information and explanation considered necessary concerning any matter under consideration.

    (d) require any employee of the authority to account for cash, stores or any other authority asset under his or her control.

    (e) access records belonging to third parties, such as contractors, when required (note that contracts should specify access rights)

    (f) directly access the senior managers and elected members where appropriate.

15. The Director of Financial and Business Strategy provides professional advice on the strategic and annual audit plans prepared by the Group Manager (Audit and Risk), which take account of the characteristics and relative risks of the activities involved.

16. Executive Directors and Directors are required to notify the Group Manager (Audit and Risk) of new areas of risk which may need to be subject to audit review and ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets and provided with information and explanations that the auditors consider necessary for the purposes of their work.

17. Executive Directors and Directors are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the timescale agreed with the Group Manager (Audit and Risk), and report on progress.

External Audit

18. The Audit Commission appoints the Council's external auditor.

19. The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. Duties are carried out in accordance with the code of audit practice issued by the Audit Commission. This requires the auditor to review and report upon:

    (a) the financial aspects of the audited body's corporate governance arrangements.

    (b) the audited body's financial statements which must 'present fairly' the financial position of the authority.

    (c) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the BVPP.

20. The Director of Financial and Business Strategy facilitates the development of the annual audit plan, leads on any negotiations related to the annual audit fee and advises the full Council, Executive and Executive Directors and Directors on their responsibilities in relation to external audit and issues arising from the annual audit letter.

21. Executive Directors and Directors are required to ensure that external auditors are given access at all reasonable times to premises, personnel, documents, and assets, and provided with information and explanations which the external auditors consider necessary for the purposes of their work.

22. Executive Directors and Directors are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and

efficient fashion and in line with the timescale agreed with the external auditor, and report on progress.

Preventing Fraud And Corruption

23. The Council is responsible for substantial public funds and other assets and has a duty to demonstrate the highest standards of probity and stewardship in the day to day management of its affairs. It is therefore essential to develop and maintain an anti-fraud culture and to create a working climate in which all staff and elected members remain alert to the potential for fraudulent or corrupt behaviour against the Council from outside or inside the organisation and are aware of the mechanisms available for the confidential reporting and investigation of any reported instances.

24. The key controls regarding the prevention of financial irregularities are that:

    (a) the authority has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption.

    (b) internal control systems exist which minimise the risk of fraud and corruption occurring.

    (c) all members and staff act with integrity and lead by example.

    (d) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are found to be corrupt.

    (e) high standards of conduct are promoted amongst members by the standards committee.

    (f) a formal code of conduct is established and widely publicised and, as part of this, a register of interests is maintained.

    (g) whistle blowing procedures are in place and operate effectively.

    (h) legislation including the Public Interest Disclosure Act 1998 is adhered to.

25. The Council's whistle blowing policy can be found on the intranet under Business Development, HR Policies.

26. The Director of Financial and Business Strategy is responsible for developing and maintaining an anti-fraud and corruption policy and ensuring that effective internal controls are in place to minimise the risk of fraud, corruption and financial irregularities.

27. The Director of Business Services is responsible for the corporate fraud team and ensuring that effective procedures are in place to identify fraud and investigate promptly any suspected fraud. The team investigates cases of both internal fraud and external fraud.

28. Executive Directors and Directors must ensure that where financial impropriety is discovered or suspected, the Director of Business Services and the Group Manager (Audit and Risk) is informed immediately and take all necessary steps to prevent further loss and to secure records and documents against removal or alteration. Executive Directors and Directors must ensure the full co-operation of senior management in any investigation and instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

Section 3: BUDGET PREPARATION AND MANAGEMENT

Medium Term Revenue and Capital Budget Strategy

1. Harrow Council is a complex organisation responsible for delivering a wide variety of services. The budget is the financial expression of the authority's plans and policies and it is essential that resources are directed towards service priorities.

2. The Council prepares a medium term revenue and capital budget strategy each year which covers a three year period. The budget preparation cycle commences in the summer. The medium term capital and revenue budget strategies and Housing Revenue Account are agreed by Cabinet for consultation in December and, following consultation, approved in February when council tax and rents are set.

3. The budget preparation process is aligned to service planning. In broad terms the timetable is as follows:

May/June	Budget guidance issued
June/July	High level service plans prepared
September	Current medium term budget strategy revised Development of capital programme including preparation of business cases and feasibility studies as appropriate
October	Critical challenge
December	Draft medium term capital and revenue budget strategies and draft medium term HRA reported to cabinet, based on estimated resources available
January	Consultation with stakeholders
February	In year revenue budget, capital programme and HRA approved, together with medium term plans. Council tax and rent levels set

4. The Director of Financial and Business Strategy is responsible for issuing guidance to Executive Directors and Directors, co-ordinating the budget process, and ensuring that it is integrated with service planning and that there is effective consultation with Members, officers and other stakeholders. The Director of Financial and Business Strategy is ultimately responsible for ensuring that a lawful budget is approved by the Council. It is illegal for an authority to budget for a deficit. Under the Local Government Act 2003 the Director of Financial and Business Strategy is required to comment on the robustness of the budget and adequacy of reserves.

5. The Director of Financial and Business Strategy is responsible for ensuring that detailed controls are established for the creation of new reserves and any disbursements there from.

6. The Director of Financial and Business Strategy is responsible for providing advice on available funding options including central government grants, options for borrowing and other ad hoc opportunities as they arise.

7. Executive Directors and Directors are responsible for responding to the guidance, meeting deadlines, and identifying issues and risks which have an impact on the budget over the three year planning period. They should have regard to Corporate priorities, statutory requirements, spending patterns and pressures revealed through the budget monitoring process, and should ensure that the revenue costs of proposed capital schemes and any capital costs relating to revenue decisions are identified.

Budget Management and Budget Monitoring

8. The general format of the revenue budget will be approved by the full Council following recommendation by the Cabinet and having considered the advice of the Director of Financial and Business Strategy. The capital programme including a list of schemes and the source of funding will be approved by the Cabinet.

9. A Corporate Budget Book will be published at the start of each financial year. The format of the budget book determines the level of detail to which financial control and management will be exercised. In addition Local Budget Books will be published where there is a page for each service area, for instance Street Cleansing, that analyses the budget by subjective headings such as employees, premises and supplies and services.

10. Executive Directors and Directors must ensure that there is a clear allocation of responsibility for revenue budgets at cost centre level and capital schemes within their areas. Budget responsibility should be

aligned as closely as possible to the decision making that commits expenditure.

11. Executive Directors and Directors have authority to incur expenditure on the approved policies and activities of the Council where financial provision exists in the approved budget for the year.

12. In general a revenue budget is available for the year in question and overspends or unspent balances will not be carried forward. However, in exceptional circumstances the Cabinet may agree to carry forward an overspend or unspent balances from one year to the next. Unspent balances will only be carried forward where:

    - The Council's revenue budget is not overspent in total
    - The item in question is a high priority
    - There is a good reason for delay in carrying out the activity/project
    - The cost cannot be accommodated within the new year budget
    - If the activity/project is grant funded, the terms and conditions allow the unspent/unclaimed grant to be carried forward

13. In general a capital budget is available for the year in question and any unspent balances will not be carried forward. However, in exceptional circumstances the Cabinet may agree to carry forward an unspent balances from one year to the next. Unspent balances will only be carried forward where all of the following apply:

    - The Council's capital programme is not overspent in total
    - Any overspends on individual projects in a Directorate's part of the capital programme have been funded from underspends on other projects in that Directorate's part of the programme
    - The budget is <u>not</u> for a rolling programme (such as highways maintenance)
    - The project has commenced on site; or a contractor(s) has been appointed (contract signed) to deliver the entire scheme and there is an agreed start date which is before 31 May
    - The cost cannot be accommodated within the new year budget

- If the activity/project is grant funded, the terms and conditions allow the unspent/unclaimed grant to be carried forward

Virement Policy

13. A virement is a transfer during the year between the budget headings shown in the budget books. For instance a virement is a transfer between premises and supplies and services in a particular service area or between service areas.

14. Adjustments within a particular subjective heading in a particular service area do not constitute virements (eg, transfer from stationery to printing within Street Cleansing). Adjustments to one particular budget line across cost centres in the same Directorate do not constitute virements (eg, transfer from stationery in Street Cleansing to stationery in Public Conveniences).

15. The Council's virement policy for revenue budgets and capital schemes is set out below:

Virement	Approval Required
Revenue virements and changes to approved capital schemes up to £100,000	Executive Director
£100,000 and above	Cabinet (or Portfolio Holder Decision where the matter is urgent)

Notes:

i) where a virement is moving funds from one Executive Directorate to another, both Executive Directors must approve the transfer

ii) where a virement exceeds both £10,000 and 25% of either of the budgets concerned the Director of Financial and Business Strategy should be notified

iii) where a new capital scheme is to be added to the programme or an existing capital scheme is to be deleted from the programme Member approval must be sought

16. Where new grants/funds are secured during the year the relevant expenditure and income budgets should be adjusted and significant changes (over £100,000) should be included in the budget monitoring reports to Cabinet. Such adjustments do not constitute virements.

Budget Monitoring

17. The Director of Financial and Business Strategy is responsible for reporting the financial position relative to the revenue budget and capital programme to the Corporate Management Team and the Cabinet on a regular basis. However, budgetary control is a continuous process that holds designated managers accountable for defined elements of the budget and enables ongoing review and adjustment of budget targets during the course of the financial year.

18. Executive Directors and Directors are responsible for ensuring that they manage expenditure within the budget available. Overspends and underspends relative to the approved budget may occur for a variety of reasons but should be closely monitored and corrective action taken by managers as soon as a potential problem is identified. Where an overspend in one area can be offset by an underspend in another area a virement is required.

19. Executive Directors and Directors should ensure that a monitoring process is in place to review performance levels/ levels of service in conjunction with the budget and is operating effectively. Budget monitoring should reflect the level of risk associated with particular budgets.

20. The draft development and delivery of the capital programme is managed through the Capital Forum which is chaired by the Director of Strategy, Urban Living, and includes representatives from each service area, the Director of Financial and Business Strategy, and corporate finance representatives. This group develops the draft programme for future years relative to the Council's asset management plans, monitors progress on current schemes, and recommends action where slippage or potential overspending is identified.

21. Executive Directors and Directors should ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Director of Financial and Business Strategy and, if applicable, approval of the scheme through the capital programme.

22. Executive Directors and Directors should consult the Director of Financial and Business Strategy on proposals to bid for external funding to support expenditure that has not already been included in the approved revenue budget or capital programme (see section on External Funding).

Section 4: ACCOUNTING AND FINANCIAL SYSTEMS

Financial & Accounting Policies, Records & Returns

1. Maintaining appropriate financial systems and proper accounting records is one of the ways in which the authority discharges its responsibility for stewardship of public resources. All the authority's transactions, material commitments and contracts and other essential accounting information must be recorded completely, accurately and on a timely basis. All prime documents must be retained in accordance with legislative and other requirements.

2. The Director of Financial and Business Strategy is responsible for the preparation of the authority's statement of accounts, in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March. Detailed guidance is issued to Executive Directors, Directors, Group and Service Managers each year to ensure that the relevant information is collected and that the statutory deadline is achieved.

3. The accounts are subject to external audit, the objective of which is to provide assurance that the accounts have been prepared properly, that proper accounting practices have been followed and that high quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources.

4. The Council will appoint an Audit Committee with specific responsibility for approving the statutory annual statement of accounts. This may be an ad hoc committee.

5. The Director of Financial and Business Strategy is responsible for implementing appropriate accounting policies which comply with statutory requirements and codes of practice and ensuring that they are applied consistently. The accounting policies are set out in the statement of accounts which is prepared as at 31 March each year. The Director of Financial and Business Strategy is also responsible for determining the accounting procedures and records for the authority. Where these are maintained outside the finance department, or outside the Authority, the Director of Financial and Business Strategy must approve the controls to be applied in consultation with the Executive Director concerned.

6. The Director of Financial and Business Strategy is responsible for ensuring there is adequate separation of duties in evidence in the accounting procedures.

7. Executive Directors and Directors must adhere to the accounting policies and guidelines approved by the Director of Financial and Business Strategy, supply information as and when required, and ensure that the advice of the Director of Financial and Business Strategy is sought on the development and implementation of any localised systems of costing, accounting and financial control. All local systems must be integrated with the central accounting system as far as possible and reconciled to the central accounting system on a regular basis.

8. Executive Directors and Directors must ensure that the organisational structure reflects an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.

9. Executive Directors and Directors should maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements and ensure the secure retention of all documents and vouchers with financial implications for the periods stipulated by the Director of Financial and Business Strategy.

Trading Accounts

10. In some areas, for instance financial services provided to Schools, the Council operates trading accounts. This means that the costs and income from charges relating to the service are ring-fenced in the accounts. Any surplus or deficit is added to a reserve each year.

11. The Director of Financial and Business Strategy is responsible for ensuring that trading accounts are treated properly in the Council's accounts.

12. Executive Directors and Directors are responsible for ensuring that, in line with the Local Government Act 2003, charges are set to recover costs without building up significant surpluses, and that any changes in take up of the service which could result in a deficit are reported at an early stage. All charges must be reviewed on a regular basis.

Insurance

13. The Council maintains insurance cover to deal with the financial consequences of any incident which may give rise to a claim being made by/against the Council or result in financial cost or loss which may not otherwise be provided for. The extent to which the council "self insures" is informed by the perceived risk and the Council's claims history.

14. The Director of Financial and Business Strategy is responsible for effecting corporate insurance cover, through external insurance and internal

funding, and negotiating all claims in consultation with other officers, where necessary.

15. Executive Directors and Directors should notify the Director of Financial and Business Strategy immediately of any loss, liability or damage that may lead to a claim being made by/against the Council. Executive Directors and Directors should ensure that employees, or anyone covered by the authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim. It is imperative that officers comply with the timescales for investigating claims and the insurer's conditions. Failure could directly affect the authority's ability to make or defend a claim or could result in financial penalties being imposed on the authority.

16. Executive Directors and Directors should notify the Director of Financial and Business Strategy promptly of all new risks, properties or vehicles that may require insurance, and of any alterations or disposals affecting existing insurances.

17. Executive Directors and Directors should consult the Director of Financial and Business Strategy and seek legal advice on the terms of any indemnity that the authority is requested to give.

Income

18. Responsibility for the collection of all income due to the Council lies with the Director of Business Services. Recovery processes are covered by the Corporate Debt, Housing Rents, Penalty Charge Notices, Housing Benefit Overpayment and Council Tax/NNDR Recovery Policies (March 2006 versions)

19. The Council collects substantial amounts of income from fees and charges and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly, and that VAT is correctly accounted for.

20. Wherever possible and appropriate income should be obtained in advance or at the point of supplying goods or services as this improves the authority's cash flow and also avoids the time and cost of administering debts. Any such systems must be approved by the Director of Business Services.

21. The Corporate Account Receivables Section (Business Services) issues all invoices and credit notes - credit notes 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.

22. The Director of Business Services, together with the relevant Executive Director or Director where appropriate, is responsible for ensuring that there is a separation of duties between the person responsible for identifying income due and the person responsible for collecting the income.

23. The Corporate Account Receivables Section (CARS) issues reminders at key stages in the process. Where income is outstanding after at least 30 days the Income Team may consider legal action, using bailiffs or referring the case to a debt recovery agent. The Corporate Account Receivables Section (CARS) should notify the relevant officer in the Directorate of the proposed action. All costs for legal action, bailiffs or debt recovery agents should be recovered from the debtor wherever possible – if this is not possible recovery costs will be charged to the originating service.

24. Staff in Directorates must not agree to amend invoices or issue credit notes without the prior knowledge/involvement of the Income Team. Any changes must be implemented by the Income Team. Similarly, staff in the Income Team must not agree to amend invoices or issue credit notes without consulting the Directorate.

25. The Director of Business Services is responsible for writing off bad debts where necessary. All requests for write off must be accompanied by a brief report giving the reasons for the request and supporting documentation.

26. Write offs are subject to approval as follows:

For each item up to £10,000	Director of Business Services
For each item up to £25,000	Portfolio Holder with responsibility for Finance
For items above £25,000	Cabinet

27. A quarterly report will be submitted to Cabinet summarising write offs below £25,000.

28. Where invoices are written off , the cost will be met by the originating service.

29. Executive Directors and Directors are responsible for ensuring that all income due is identified and that either the invoice details are input into the system or a request to raise a Sundry Debtors Invoice is submitted to the income team in Business Services in a timely manner.

30. Executive Directors and Directors are responsible for ensuring that any cash or cheques received by their staff are stored securely whilst in their possession and passed as soon as possible to the Director of Business Services, or as he or she directs, to the authority's bank or National Giro account, and properly recorded.

31. Income must not be used to cash personal cheques.

32. Income must not be used to make other payments on behalf of the Council.

33. Executive Directors and Directors must notify the Director of Financial and Business Strategy of any contracts, leases or other arrangements entered into, which involve the payment of money to the Council.

Ordering And Paying For Work, Goods And Services

34. The authority's procedures are designed to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the authority's procurement policy and contract procedure rules.

35. The Council has set a local target for the payment of supplier invoices within 30 days of receipt and this is monitored as a performance indicator. Suppliers may impose penalties for late payment where certain conditions are satisfied.

36. Every officer and member of the authority must declare any links or personal interests that they may have with suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.

<u>Purchase Orders</u>

37. The Council's preferred method for buying works, goods and services is to raise a purchase order from an approved supplier on the corporate financial system.

38. Official orders must be in a form approved by the Director of Financial and Business Strategy and must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified or agreed by the Director of Financial and Business Strategy. Standard terms and conditions must not be varied without the prior approval of the Director of Financial and Business Strategy.

39. Executive Directors and Directors are responsible for ensuring that orders are raised on the corporate financial system for all goods and services, other than where specific exceptions have been formally agreed; for ensuring that no orders are issued for goods or services where the cost is not covered by an approved budget; and for maintaining proper records to support all transactions.

40. Commitments will be automatically recorded onto the Corporate Finance System through the approval of the purchase order. This ensures that the finance system gives a true picture of the amount of expenditure incurred and the balance remaining against each budget head.

41. Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

<u>Goods Receipt</u>

42. Executive Directors and Directors are responsible for ensuring that all works, goods or services received are "goods receipted" onto the Corporate Financial System. Executive Directors and Directors are responsible for ensuring that any mismatches between the order and the goods receipt are resolved in a timely fashion.

<u>Purchasing Cards</u>

43. Purchasing cards are available for use by council staff for buying small (petty cash) value items and for travel and subsistence expenses.

44. Each Directorate has a number of card holders and authorisers. Key controls are built into the system through card limits, merchant categories, defined suppliers, and other measures.

45. The Director of Business Services is responsible for issuing guidance on the use of purchasing cards, issuing the cards themselves, and, together with the relevant Executive Director or Director where appropriate, ensuring that there is a separation of duties between the person authorising the transaction and the cardholder.

46. Misuse of a purchasing card would normally constitute gross misconduct and could result in dismissal.

47. Executive Directors and Directors are responsible for ensuring the cards are operated in a responsible manner and that they are only used where there is sufficient budget available to cover the cost of the transaction. All lost or stolen cards must be reported to the Group Manager (Exchequer Services) immediately.

48. The purchasing card accounts are settled through the bank on a monthly basis. Detailed statements are provided to enable cardholders to check transactions and coding.

Creditor Payments

49. As noted above the purchase card accounts are settled directly with the bank.

50. Where a purchase order has been raised, the supplier will normally send an invoice to the Corporate Accounts Payable Department. Any invoices received elsewhere in error should be forwarded to the Corporate Accounts Payable Department.

51. For large Corporate contracts (eg, BT), the supplier sends a spreadsheet to Exchequer Services listing all transactions in place of individual invoices. The spreadsheet is forwarded to the Payments team and uploaded into the creditors system.

52. Payment to Agencies for temporary staff will be self billed following goods receipt by the Agency in the Corporate Finance System and approval by the manager.

53. Self billing will also be used to make grant and early years payments once they have been goods receipted in the Corporate Finance system.

54. Payment of all invoices, corporate contracts and self billing is made by the Corporate Accounts Payable Team. The preferred method of payment for invoices is BACS and all suppliers/contractors are asked to complete a BACS form.

55. The Corporate Accounts Payable Team will issue vouchers to contractors as required under the Construction Industry Scheme.

56. Payment will not be made unless a proper VAT invoice quoting the appropriate purchase order (or spreadsheet in an approved format) has been received, Corporate Accounts Payable will be responsible for entering all invoices into the Corporate Finance System and matching against purchase orders raised and the Goods Received Note. Any blocked invoices will be automatically notified to the relevant manager responsible for the purchase order.

57. Executive Directors and Directors are responsible for ensuring that any blocked invoices notified to managers are dealt with in a timely manner.

58. The Director of Business Services, together with the relevant Executive Director or Director where appropriate, is responsible for ensuring that

there is a separation of duties between the person authorising the invoice and the person authorising the payment.

59. Executive Directors and Directors are responsible for ensuring that suppliers are requested to provide invoices for goods, services and works in a timely manner quoting the purchase order number.

60. With regards to contracts for works, Executive Directors and Directors should document and agree with the Director of Financial and Business Strategy the systems and procedures to be adopted in relation to certification of interim and final payments.

61. Where a payment under a contract varies from the value specified in the contract, documentation must be obtained to explain the variation, approved as necessary, and retained on file to provide a full audit trail.

Use of Consultants

62. Executive Directors and Directors must ensure that their staff are familiar with the Council's guidelines on use of consultants and understand the distinction between employment and a contract for consultancy services. If a consultant is brought in to cover a vacant post or carry out a role similar to that of a member of staff then it is likely that the Council will be required to treat them as employed for tax purposes and pay them via the payroll. In these circumstances the Council's recruitment policies should be applied.

63. Where a consultant is required to carry out a project which has a clear start and end date and is described in a brief or specification, and where the consultant will be taking on the risk and providing their own premises, equipment and insurance etc, then it is likely that the work will be governed by a contract and the consultant will be paid via the Corporate Accounts Payable system through the raising of an official order and goods receipt. In these circumstances the Council's contract procedure rules should be applied. The insurance requirements must be clear in the documentation supporting the contract and evidence that the policy is in place should be obtained from the consultant.

64. Executive Directors and Directors must ensure that where payments are to be made to consultants other than through the Council's payroll system, that there is a clear justification for this and that there are no tax implications that may arise.

65. In circumstances where it is unclear whether the use of a consultant is employment or a contract for services, Executive Directors and Directors must consult the Payroll Manager.

Taxation (CIS and VAT)

66. The Director of Financial and Business Strategy is responsible for providing information to the Inland Revenue in relation to the Construction Industry Tax Deduction Scheme as required and advising Executive Directors and Directors of their responsibilities under the scheme.

67. The Director of Financial and Business Strategy is responsible for completing the monthly return of VAT (inputs and outputs) to HM Customs & Excise.

68. Loans, leasing or rental agreements must not be entered into without prior agreement from the Director of Financial and Business Strategy.

Payments To Employees And Members

69. Staff costs are the largest item of expenditure for most services. It is therefore important that payments are accurate, timely, made only where they are due for services to the authority and that payments accord with individuals' conditions 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 full Council.

70. In addition, the Council is accountable to the Inland Revenue for making accurate deductions from payments to staff and may be subject to penalties for non-compliance.

71. The Director of Financial and Business Strategy is responsible for payroll and pension administration. This includes:

- ensuring that arrangements are in place for the secure and reliable payment of salaries, wages, pensions, compensation or other emoluments to existing and former employees on the due date and in accordance with agreed certification procedures

- recording and making arrangements for the accurate and timely payment of tax, superannuation and other deductions; and completing Inland Revenue returns

- ensuring that arrangements are in place for payment of all travel and subsistence claims or financial loss allowance.

- ensuring that arrangements are in place for paying members travel or other allowances upon receipt of the prescribed form, duly completed and authorised.

72. The Council will pay all reasonable expenses necessarily incurred by employees in the performance of their official duties. These expenses may arise because the employee is required to carry out duties, attend training courses, seminars, workshops, etc or to represent the Council, or the Council's interests, at a location away from their normal place of work or outside their normal hours of work. The general principle of reasonableness underlies the payment of expenses and employees have a responsibility to ensure that costs to the Council are kept to a minimum without unduly reducing the efficiency with which they carry out their duties.

73. Expenses will be paid using the standard ordering process or using a purchase card where possible. Where no other options exist and employees use their own resources they will be reimbursed through payroll.

74. Executive Directors and Directors are responsible for ensuring that

- appointments are made in accordance with the regulations of the authority and approved establishments, grades, scales of pay and approved budget levels.

- all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, are notified promptly and in the form and to the timescale required and properly authorised by the line manager and staff nominated by the Director of Financial and Business Strategy

- adequate and effective systems and procedures are operated, so that:
  - payments are only authorised to bona fide employees.
  - payments are only made where there is a valid entitlement.
  - conditions and contracts of employment are correctly applied.
  - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

75. Executive Directors and Directors 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 Payroll Manager. (see section on use of consultants above)

Imprest And Petty Cash Accounts

76. An imprest or petty cash account must only be used where it is not appropriate to use a purchase order or purchasing card for the goods or services in question. It is the responsibility of Executive Directors and Directors to ensure that systems are in place to monitor and control this.

77. Imprest and petty cash accounts can facilitate:

- urgent purchases where officers are unable to obtain goods or services in a timely manner to allow the continued delivery of the service
- Very minor items of expenditure where it would not be cost effective to use a purchasing card or purchase order

78. Imprest and petty cash accounts must not be used to reimburse employee expenses which will be made through Payroll where it is not possible to use a purchase order or purchasing card.

79. The council has a single petty cash account operated by Cashiers (Business Services). There are a number of imprest holders across the Council. The establishment of, and procedures for the operation of, imprest accounts must be approved by the Director of Business Services.

80. Officers must complete an official petty cash voucher to draw cash or a cheque from petty cash or an imprest account. Supporting documentation must be attached including VAT receipts and the voucher should be authorised to confirm that the expenditure is reasonable and there is sufficient budget provision to cover the expenditure.

81. Where the sum required exceeds £100 in cash or £250 by cheque the voucher must be countersigned by a Director. Where the sum required exceeds £500 the voucher must be countersigned by the Director of Business Services. .

82. All reimbursements of employee expenses will be made through Payroll irrespective of whether the expense is taxable. Detailed advice on taxable benefits can be obtained from the payroll manager.

83. Imprest holders must reconcile their accounts on a monthly basis or prior to seeking reimbursement. Imprest holders should seek reimbursement from the main petty cash account through Cashiers using the standard documentation and attaching supporting information. A certificate of value must be completed once a year and the cash/receipts must be produced on demand.

84. Imprest accounts must never be used to cash personal cheques or to make personal loans and the only payments into the account should be the reimbursement of the float and change relating to purchases where an advance may have been made on an exceptional basis.

Bank Accounts

85. The Director of Financial and Business Strategy is responsible for opening all bank accounts and agreeing the associated mandates.

86. The Director of Business Services is responsible for managing the banking contract and the day to day administration and reconciliation of accounts.

87. Staff must not open accounts in the name of the Council, Members or officers unless they are acting on the instructions of the Director of Financial and Business Strategy. Opening an unauthorised bank account is a disciplinary offence.

Retention of Documents

88. Documents such as orders, supplier invoices, sales invoices, statements, vouchers, and working papers should be filed promptly and in a logical order (by date, reference number, or alphabetically as appropriate) such that they can be easily located. Documents that are to be archived must be stored in the boxes provided and the boxes must be clearly marked with the contents, date of archiving, and destruction date so that they can be easily retrieved if required.

89. Certain records such as mortgages, bonds, stocks and other holdings, insurance, contracts, pension information and transfer values should be held indefinitely. Documentation relating to PFI contracts should be retained for the period of the contract plus 12 years. Other contract documents including the final account where the contract is under seal should be retained for 12 years. The majority of accounting records should be retained for a period of 6 years following audit.

Section 5: PROPERTY AND RESOURCES

Asset Management

1. The authority holds substantial assets in the form of property, vehicles, equipment, furniture and other items.

2. Each year the Council produces asset management plans (AMPs) for Schools, Housing and Corporate assets. These plans show the number and value of the assets held, how assets are used and whether they are operational or non-operational, running costs, the condition of assets and the maintenance required. The plans inform the Council's capital and revenue budget strategy and disposals policy.

3. The Asset Management Plans are supported by detailed asset registers. The registers are used as a day to day management tool and to provide information for the Council's accounts and insurance purposes.

4. 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.

5. Equally important are the arrangements for the disposal of assets at the end of their useful lives, partly in order to ensure that the best price is obtained where an asset may have some residual value but, more importantly, to ensure that legal and environmental issues are addressed, especially in relation to redundant computer equipment.

6. The Director of Property Services, Urban Living, is responsible for corporate asset management. Although, as noted above separate asset management plans are produced for Schools and Housing. Executive Directors and Directors must ensure that a detailed asset register is maintained; ensure the proper security of all buildings and other assets under their control and maintain an effective system of stock control where appropriate.

7. The Director of Financial and Business Strategy provides guidance on the form of records to be kept for stocks and stores and write-off and disposal procedures to be followed when assets are disposed of at the end of their useful lives.

8. All Council assets should be clearly identified, and marked as property of the Council where appropriate. No Council asset should be subject to personal use by an employee without prior authorisation.

Treasury Management

9. The Council has adopted the CIPFA Code of Practice on Treasury Management. An annual strategy is prepared and approved by the Cabinet, and a half year position and outturn report are also provided to Cabinet. The objective is to minimise risk whilst maximising the return on investments.

10. Within the approved strategy the Director of Financial and Business Strategy is responsible for treasury management decisions on a day to day basis. In particular the Director of Financial and Business Strategy is responsible temporary borrowing, investing or financing and the management of all money and capital market transactions in connection with cash and funding resources of the council. The Director of Financial and Business Strategy is also responsible for raising, repaying and renewing loans as required. All money in the hands of the Council is aggregated for the purposes of treasury management.

11. The Director of Financial and Business Strategy is responsible for putting in place proper arrangements for the preparation, authorisation and implementation of treasury management transactions.

12. Executive Directors and Directors should 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 Director of Financial and Business Strategy who will be responsible for seeking approval of the Executive where appropriate.

Pension Fund Investment

13. The Director of Financial and Business Strategy is responsible for pension fund investment and makes recommendations to the Pension Fund Investment Panel about the appointment of the actuary, investment adviser, and external fund managers. The Director of Financial and Business Strategy provides regular reports to the Pension Fund Investment Panel on the performance of the fund and any regulatory matters.

Trust Funds, Funds Held For Third Parties And Other Voluntary Funds

14. The Director of Financial and Business Strategy is responsible for trust funds and ensures that funds are only drawn down for the purposes intended by the Trustees and that accounts are prepared and audited each year.

15. All trust funds, funds held for third parties and other voluntary (unofficial) funds excluding schools must be approved by the Director of Financial and Business Strategy. A voluntary fund is defined as any fund, other than an official fund for the Council, which is controlled wholly or in part by an officer by reason of his or her employment by the Council. Such funds should be separately identified but managed in line with the Council's financial regulations.

Section 6: PROJECTS, PARTNERSHIPS AND EXTERNAL FUNDING

Projects and Partnerships

1. It is essential that detailed financial and legal advice is sought at an early stage for all major projects and partnerships. This will ensure that the full implications for the Council are taken into account.

2. Executive Directors and Directors should ensure that their staff are familiar with the Project Management guidelines.

3. The Council participates in a number of partnerships with other public agencies, private companies, community groups and voluntary organisations. Some partnerships are formally constituted and some are less formal. However, it is essential that the full implications are explored and approval is obtained before any commitment or agreement is entered into. The following issues should be addressed

    - Is a partnership the best vehicle for achieving the desired outcome?
    - What are the objectives of the partnership and are they consistent with the Council's priorities?
    - What is the legal status of the partnership and how will it be governed?
    - What is the liability of the Council and the other partners?
    - Are the roles and responsibilities clear?
    - What are the risks and how will they be managed and monitored?
    - How will the performance of the partnership be monitored and how will success be measured?
    - How will the partnership be funded and who is responsible for the financial management, accounts and audit arrangements?
    - Are there any taxation issues?
    - Is there a robust business case?

- How will goods and services required by the partnership be procured?

- What are the resource implications in terms of staff, premises etc?

4. Once a full appraisal of the proposed partnership arrangements has been conducted Executive approval should be obtained.

5. A partnership arrangement must not be used as a means of avoiding the procurement rules.

6. Executive Directors and Directors must ensure that the full implications of any partnership are explored and that Finance and Legal staff are consulted at an early stage.

Public Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT)

7. A PFI scheme is one where the local authority is purchasing a capital intensive service from the private sector over the period of a long term contract, normally between 25 to 30 years. The authority pays for the service as and when it is received in accordance with the contract. Payments will vary depending on the contractor's performance and or the usage/delivery of the service. The contractor takes responsibility for investing in the capital asset, financing that investment and then managing the facility. The balance of risk between the provider and the local authority is determined such that the risk lies with the party that can best control it, but there should be sufficient risk transfer to the provider to ensure that the asset should not be included on the balance sheet of the local authority. The Government provides revenue support through PFI credits for the funding of the capital element of the project through an annual grant.

8. A LIFT scheme involves the establishment of a company by local authorities and health authorities. The aim of LIFT is to replace old and inadequate buildings with new and refurbished health related services. LIFT is specifically designed to encourage greater integration of service delivery within the primary and community care sector. LIFT is fundamentally about engaging a partner to deliver a stream of accommodation and related services through a supply chain established following a competitive tendering exercise. Local authorities may transfer facilities by transferring land to the LIFTCo and take back premises on long term leases.

9. Both PFI and LIFT projects require detailed preparation including for instance development of a business case, option appraisal, legal advice. Both should be identified at an early stage, built into the medium term budget strategy, and developed through using robust project management framework. The Director of Financial and Business Strategy and Director of Legal Services must be involved at the outset.

External Funding

10. The Council bids for funds from a number of UK and European programmes. Each funding regime is subject to rules and regulations and the process for submitting applications and drawing down funding varies.

11. It is important to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the Council are clearly understood.

12. Executive Directors and Directors should:

    - Ensure that all applications for funding are consistent with the Council's priorities and approve them in principle before detailed work commences

    - Ensure that the Council's project management framework is applied and that a project initiation document (start form) is completed where appropriate

    - Consult the relevant Directorate Finance Manager when preparing applications to ensure that full costs are identified including any match funding required, and ongoing commitments are taken into account

    - Notify the Funding Officer of all applications for £100,000 and above to be submitted

    - Ensure that the application is signed off by the Director of Financial and Business Strategy or an appropriate officer in the Directorate

    - Where applications are successful, ensure that the expenditure and income budgets are amended as necessary (adjustments in excess of £100,000 should be reported to Cabinet as part of the regular budget monitoring)

    - Ensure that the rules and regulations for the particular funding stream are complied with at application stage and throughout the life of the project

- Ensure that all requirements relating to the delivery of outputs and spend are met in line with the approved bid or project plan

- Ensure that all funding notified by external bodies is claimed, received and properly recorded in the authority's accounts; and notify the Income Team of receipts due to the Authority as appropriate

- Check the audit requirements and notify Corporate Finance of any claims that must be audited by the Council's external auditor

Work For Third Parties

13. Executive Directors and Directors must ensure that work for third parties is approved and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial and legal advice should be sought at an early stage. This will ensure that the Council only carries out work that is within its legal powers, and that financial issues such as insurance and taxation are properly considered.

14. Where work for third parties is approved, the expenditure and income budgets should be amended as necessary (adjustments in excess of £100,000 should be reported to Cabinet as part of the regular budget monitoring).

15. Executive Directors and Directors must provide appropriate information to the Director of Financial and Business Strategy to enable a note to be entered into the Statement of Accounts where necessary.

Work by Third Parties

16. Executive Directors and Directors must ensure that work carried out by third parties (for instance the Arms Length Management Organisation) for the Council is approved and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial, legal and procurement advice should be sought at an early stage. This will ensure that the organisation only carries out work that is within the relevant legal powers, and that financial issues such as responsibility for managing budgets, insurance and taxation are properly considered.

17. Where work by third parties is approved, the expenditure budgets should be amended as necessary (adjustments in excess of £100,000 should be reported to Cabinet as part of the regular budget monitoring).

Appendix 1 – Associated Policies and Detailed Guidance

<u>Associated Policies</u>

Financial Regulations section		Policy	Lead Officer
	General	Continuous review of Financial Regulations	Director of Financial and Business Strategy
1	Roles & Responsibilities	Scheme of Delegation	Executive Directors and Directors
2	Risk Management and Internal Control	Risk Management Strategy	Group Manager (Audit and Risk)
2	Risk Management and Internal Control	Anti-Fraud and Corruption Policy	Director of Business Services
2	Risk Management and Internal Control	Whistleblowing Policy and Procedure	Group Manager (Audit and Risk)
2	Risk Management and Internal Control	Fraud Investigation guidelines	Director of Business Services
3	Budget Preparation and Management	Medium term budget strategy	Director of Financial and Business Strategy
4	Accounting and Financial Systems	Accounting Policy	Director of Financial and Business Strategy
4	Accounting and Financial Systems	Employee Expenses	Group Manager (Human Resources)
5	Property and Resources	Asset Management	Director - Professional Services (Urban Living)
5	Property and Resources	Treasury Management policy and practices	Group Manager (Corporate Finance)

Detailed Guidance

Financial Regulations section		Guidance	Lead Officer
2	Roles & Responsibilities	Scheme of Delegation	Executive Directors and Directors
3	Budget Preparation and Management	Budget preparation	Director of Financial and Business Strategy
3	Budget Preparation and Management	Budget Monitoring (revenue and capital)	Group Manager (Corporate Finance)
4	Accounting and Financial Systems	Closure of Accounts	Group Manager (Corporate Finance)
4	Accounting and Financial Systems	Debt Management Policy	Group Manager (Exchequer)
4	Accounting and Financial Systems	Use of Purchasing Cards	Group Manager Exchequer
4	Accounting and Financial Systems	Payment of Invoices	Group Manager (Exchequer)
4	Accounting and Financial Systems	Imprest and Petty Cash	Group Manager (Exchequer)
4	Accounting and Financial Systems	Employment of Consultants	Group Manager (Operational HR)
4	Accounting and Financial Systems	Expenses and travel and subsistence allowances	Group Manager (Operational HR)
4	Accounting and Financial Systems	Management of the Banking Contract and Operation of Bank Accounts	Group Manager (Exchequer)
4	Accounting and Financial Systems	Retention of documents	Group Manager (Audit and Risk)
5	Property and	Stocks and stores	Group Manager

	Resources		(Audit and Risk)