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Appendix 1

LONDON BOROUGH OF HARROW

FINANCIAL REGULATIONS

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Section 1 Introduction

Status

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 Budget and Policy Framework Procedure Rules, Contract Procedure Rules and Officer Delegations. The role of the Chief Finance Officer is defined in detail in the Council's Constitution.

Compliance with Financial Regulations is mandatory. Failure to comply with these financial regulations could result in disciplinary action.

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Roles and Responsibilities

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Corporate Director of Finance

The Corporate Director of Finance is the Council's Chief Finance Officer under Section 151 of the Local Government Act 1972. The Chief Finance Officer is responsible for the promotion of good financial management throughout the organization, so that public money is safeguarded at all times, and used appropriately, economically, efficiently and effectively.

The Corporate Director of Finance is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organization's objectives for the long term and in the public interest. He/she is actively involved in, and able to bring influence to bear on all material business decisions, to ensure that the immediate and longer term implications, opportunities and risks are fully considered, and consistent with the overall financial strategy.

The particular areas of responsibility are:

- The proper administration of the Council's financial affairs;
- Ensuring that the Council, the Cabinet, Members, and Directors are advised of the financial implications of all proposals as appropriate;
- Setting and monitoring compliance with financial management standards;
- Advising on the Council's financial position and on the key financial controls necessary to secure sound financial management;
- Preparing the Revenue Budget, Medium Term Financial Strategy and Capital Programme;
- Treasury management;
- The Preparation of the Annual Statement of Accounts and the Annual Governance Statement (AGS)in accordance with proper practices ; The AGS is prepared in consultation with the Monitoring Officer;
- Signing contracts on behalf of the Council within the approved Officers Scheme of Delegation and Contract Procedure rules;
- The approval and issuance of the financial scheme of delegation;

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Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Council, the Cabinet and the external auditor after consulting with the Chief Executive and the Monitoring Officer, if it appears that the Council, Cabinet or one of its Officers:

- has made or is about to make a decision which involves or would involve incurring unlawful expenditure; or
- has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency to the Council; or
- is about to make an unlawful entry in the Council's accounts; or
- the expenditure of the authority incurred in a financial year is likely to exceed the resources available to meet that expenditure.

The Corporate Director of Finance is also required to nominate a properly qualified member of staff to deputise for them should they be personally unable to perform their duties under Section 114, and the Council must provide the Corporate Director of Finance with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out their duties under Section 114.

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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 the proposed reserves.

The Corporate Director of Finance 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 Corporate Director of Finance 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.

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

The Corporate Director of Finance is responsible for reporting, where appropriate, breaches of the financial regulations to the Council and/or to the Cabinet. Responsibility for corporate governance is shared between the Corporate Director of Finance and the Director of Legal and Governance Services (the Council's monitoring officer).

Corporate Directors, Directors and Divisional Directors are responsible for:

- ensuring that all staff in their departments including anyone employed as a consultant/external contractor are aware of the existence and content of the authority's financial regulations and other internal regulatory documents and that they comply with them;
- ensuring that the Council, the Cabinet, Members, and Directors are advised of the financial implications of all service related proposals as appropriate and that the financial implications have been agreed by the Corporate Director of Finance;
- consulting with the Corporate Director of Finance and seeking approval on any matter liable to affect the Council's finances materially for both income and expenditure, before any commitments are entered into;
- notifying the Corporate Director of Finance of any situation that may create a contingent liability, potential claim or litigation; (in practice legal do this)

- signing contracts on behalf of the Council within the approved Officers' Scheme of Delegation and Contract Procedure rules.
- complying with any Council wide spending restriction protocol determined by the Corporate Director of Finance.

Corporate Directors, Directors and Divisional 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.

Finance Business Partners

The Director of Corporate Finance shall appoint a Finance Business Partner to each directorate to represent her/him. The Finance Business Partner will advise the Corporate Director on all financial matters, ensure compliance with financial regulations, and that financial controls are in place.

Budget Holders

Budget holders are assigned their budget at cost centre level. They must accept responsibility for the budget and the level of service/performance required to be delivered. The budget must be signed for at the beginning of each financial year and monitored and reported monthly. Budget holders must be informed of and agree to all changes to their budget by finance – these will normally occur as part of the budget process and will only occur in year when absolutely necessary. Roles and Responsibilities for budget holders and finance staff are set out in the supporting guidance notes. It is the responsibility of the Divisional Director of Finance and Procurement to ensure that all budget holders have received training to manage their budget on SAP. It is the responsibility of the Corporate Directors and Directors to ensure that there is an effective management hierarchy which reflects the budget management and that every budget holder is reporting into the management hierarchy. He/she must be able to provide assurance that the management structure ensures that all budget holders are carrying out their budget responsibilities.

Capital budgets are approved as part of the capital programme. Where the budget approved is at overall service level, rather than project level, it will only be assigned to the budget holder once a business case for the specific capital project has been approved. Business cases should be approved (as per the the associated procedure note) before the commencement of the financial year wherever possible. The budget holder becomes responsible for delivery of the capital scheme once the approved budget becomes operational on SAP. The budget holder must monitor and report the performance of the project and the budget on a monthly basis to the capital forum and to their Departmental Management Team (DMT).

Individual's responsibilities

All employees involved with finance should be aware of these rules and must clearly understand those that affect their work area. If an officer is unclear about some aspect of these rules they should seek advice before acting. This may be from their line manager, Finance Business Partner or Head of Internal Audit or Risk Management.

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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

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Risk Management

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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.

Risk can be mitigated by:

- transferring the risk to a third party, e.g. through insurance;
- implementing additional controls to minimise the likelihood of the risk occurring and/or minimising its potential impact (e.g. 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;

The Assistant Chief Executive is responsible in conjunction with the Monitoring Officer for preparing and promoting the authority's risk management policy and strategy, securing the endorsement of the Council, and maintaining the strategic risk register; Corporate Directors, Directors and Divisional 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. It is essential that risk management is incorporated into business processes in line with corporate guidelines. These processes include budget preparation and integrated service and financial planning, budget monitoring and performance management, programme and project management, procurement and contract management.

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Internal Control

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

- achievement of business objectives and performance standards;
- compliance with plans, policies, procedures, codes of conduct, laws and regulations;
- the reliability, integrity, timeliness and usefulness of information;
- the legality of transactions and compliance with approved budgets and procedures; and
- the safeguarding of people, property, finances, services, continued operations and reputation.

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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.

The Corporate Director of Finance in conjunction with the Monitoring Officer 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.

The Account and Audit (England) Regulations 2011, require the publication of an Annual Governance Statement. The statement represents the end result of a review of internal control and risk management, and includes a description and evaluation 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.

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Corporate Directors, Directors and Divisional 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 and for each division. 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 Annual Governance Statement.

Internal Audit

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In accordance with the CIPFA/SOLACE framework and the CIPFA statement on the Role of the Chief Finance Officer in Local Government, the Corporate Director of Finance must support the authority's internal audit arrangements and ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.

Internal audit is an independent appraisal function that advises management on the effectiveness of their systems of internal control. The Divisional Director (Risk, Audit and Fraud) is the Council's Chief Internal Auditor and reports jointly to the Corporate Director of Finance and to the Assistant Chief Executive.

The Chief Internal Auditor:

- is responsible for reviewing financial and management systems and controls throughout the Council in accordance with professional standards prescribed by the CIPFA Code of Audit Practice and the Auditing Practices Board and its operating procedures as set out in its Internal Audit Manual;
- has a duty to act if fraud or corrupt practices are suspected or detected;
- Must report to the Audit Committee on any relevant matter relating to the Council's financial controls.

The key features of internal audit are:

- it is independent of service operations in its planning and operation;
- it has sufficient organisational status to facilitate effective discussion and negotiation of the results of its work;
- it utilises risk based methodologies in planning and delivering its work and does not have undue limitations placed on its scope;
- the Divisional Director (Risk, Audit and Fraud) has direct access to senior managers, elected members and the external auditor as appropriate; and
- Internal auditors comply with guidance issued by professional bodies.

Internal auditors have the authority to:

- access authority premises at reasonable times;
- access all assets, records, documents, correspondence and control systems;
- receive any information and explanation considered necessary concerning any matter under consideration;
- require any employee of the authority to account for cash, stores or any other authority asset under his or her control;
- access records belonging to third parties, such as contractors, when required (note that contracts should specify access rights); and
- directly access the senior managers and elected members where appropriate.

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The Corporate Director of Finance provides professional advice on the strategic and annual audit plans prepared by the Divisional Director (Risk, Audit and Fraud), which take account of the characteristics and relative risks of the activities involved. The Divisional Director (Risk,Audit and Fraud) must consult the Corporate Director of Finance and the Assistant Chief Executive on the Internal Audit Plan and the Internal Audit Reports.

Corporate Directors, Directors and Divisional Directors are required to notify the Divisional Director (Risk, Audit and Fraud) 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.

Corporate Directors, Directors and Divisional 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 Divisional Director (Risk, Audit and Fraud), and report on progress.

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External Audit

The Audit Commission appoints the Council's external auditor.

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 2011 issued by the Audit Commission (the Code). This requires the auditor to review and report upon:

- the Council's Accounts;

- whether the Council has made proper arrangements for securing financial resilience and
- whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

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The Corporate Director of Finance in conjunction with the Assistant Chief Executive advises on the development of the annual audit plan, leads on any negotiations related to the annual audit fee and advises the Cabinet, Corporate Directors, Directors and Divisional Directors on their responsibilities in relation to external audit and issues arising from the Annual Audit and Inspection Letter.

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Corporate Directors, Directors and Divisional 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.

Corporate Directors, Directors and Divisional 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.

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Preventing Fraud and Corruption

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.

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

- the authority has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption;
- internal control systems exist which minimise the risk of fraud and corruption occurring;
- all members and staff act with integrity and lead by example;
- 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;
- high standards of conduct are promoted amongst members by the standards committee;
- a formal code of conduct is established and widely publicised and, as part of this, a register of interests is maintained;
- whistle blowing procedures are in place and operate effectively; and
- Legislation including the Bribery Act 2010, the Public Interest Disclosure Act 1998 and the Freedom of Information Act is adhered to.

The Council's whistle blowing policy can be found on the intranet.

The Divisional Director (Risk, Audit and Fraud) 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.

The Divisional Director (Risk, Audit and Fraud) 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.

Corporate Directors, Directors and Divisional Directors must ensure that where financial impropriety is discovered or suspected, the Corporate Director of Finance and the Divisional Director (Risk, Audit and Fraud) is informed immediately and take all necessary steps to prevent further loss and to secure records and documents against removal or alteration. Corporate Directors, Directors and Divisional 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.

The Bribery Act

- The Bribery Act 2010 officers need to ensure that they comply with all of the councils codes , protocols and procedures particularly the officers code of conduct.

  There are implications for the Council's corporate governance including the Councils Codes of Conduct (for members and officers), its procurement practices and its ant-fraud and corruption policies. The most relevant offences for local authorities are Section 2 (receiving a bribe) and Section 7 (failure of the organisation to prevent a bribe).

  The Act's penalties are severe for individuals and it introduces a corporate offence for commercial organisations who fail to prevent one of its employees bribing or receiving a bribe. The penalty is an unlimited fine.

  The council is required to ensure that all of its policies comply with the act, and that staff are trained where appropriate and adopt suitable compliance and disciplinary measures.

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The act aims to:¶
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<#>provide a more effective legal framework to combat bribery in the public and private sectors.¶
<#>replace fragmented and complex offences at common law and in the Prevention of Corruption Acts 1889-1916.¶
<#>create two general offences covering offering, promising or giving of an advantage, and requesting, agreeing or accepting of an advantage.¶
<#>create an offence of bribery of a foreign public official.¶
<#>create a new offence of failure by a commercial organisation to prevent a bribe being paid (it will be a defence if the organisation has adequate procedures in place to prevent bribery).¶
<#>require the Secretary of State to publish guidance about procedures that relevant commercial organisations can put in place to prevent bribery on their behalf.¶
help tackle the threat that bribery poses to economic progress and development around the world.

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Section 3 Money Laundering

3.1 Money laundering involves the 'cleaning' of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash, are introduced into the financial system where they are laundered enabling them to leave the system appearing to come from a legitimate source.

3.2 The Council enters into thousands of transactions every day and could be subject to money laundering attempts when accepting payments by cash, cheque or credit/debit cards for instance in relation to the purchase of a council house or payment of substantial bills.

3.3 The Corporate Director of Finance is required to have a robust process in place and a programme of awareness raising and training for the detection of money laundering and the reporting of any suspicious related activity. An Anti- Money Laundering Policy is available as a detailed procedure note supporting the Financial Regulations.

3.4 All staff have a duty to report any suspicions to the Money Laundering Reporting Officer (currently the Corporate Director of Finance) or their deputy. There is a template for reports attached to the policy. It is very important that in the process of reporting nothing is done to tip off anyone connected with the transaction.

3.5 Staff that regularly accept payments, or administer payments or the Council's bank accounts, as appropriate and the legal team will receive training on money laundering. It is the responsibility of the Divisional Director of Risk, Audit and Fraud to ensure that these staff are identified and trained.

Section 4 Medium Term Financial Strategy (MTFS) and Capital Programme

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Financial Planning

Harrow Council is a complex organisation responsible for delivering a wide variety of services. The budget is the financial expression of the Council's plans and policies. The Council has adopted an integrated planning framework to ensure that the corporate plan and MTFS are developed in tandem. The corporate priorities provide the framework for the corporate plan. The development of the corporate plan, directorate service plans and MTFS is an iterative process which occurs over 6-9 months during the year. It enables scarce resources to be allocated in accordance with priorities.

The Budget and MTFS, capital programme and Housing Revenue Account are agreed by the Cabinet for consultation with stakeholders in December and, following consultation with all stakeholders, approved by Council in February when council tax and rents are set.

. In broad terms the timetable is as follows:

Activity	Date
Review of vision and priorities Budget guidance is issued	May
Consultation on priorities and specific policy/service decisions. Draft service and financial plans. Update Capital Strategy and Asset Management Plans.	September/October
Commissioning Panels to review and challenge draft service and financial plans, including revenue and capital over the period of the MTFS	October/November
Draft Corporate Plan , Capital Strategy, Corporate Asset Management Plan, MTFS ,HRA and capital programme approved by Cabinet	December
Council Tax base approved by Cabinet	December
Collection Fund surplus/deficit approved by Cabinet Consultation with Stakeholders on budget proposals	January
Information meetings with Stakeholders	January
Final Corporate Plan, Capital Strategy and Asset Management Plan, MTFS, HRA and capital programme approved by Cabinet and Council. Council tax and rent levels set.	February
Final Service Plans	March

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The general format of the Budget will be approved by the Council on the advice of the Corporate Director of Finance. The proposed budget will include allocations to directorates at service level, proposed taxation levels, contingency funds and allocations to reserves and balances.

Budget and MTFS Preparation

The Corporate Director of Finance is responsible for issuing financial planning guidance to corporate directors, co-ordinating the MTFS process, ensuring that it is integrated with service planning and that there is effective consultation with members, officers and other stakeholders. He/she is ultimately responsible for ensuring that a lawful budget is approved by Council.

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Corporate Directors, Directors and Divisional Directors are responsible for responding to the guidance, meeting deadlines, drafting integrated service and financial plans, and identifying issues and risks which have an impact on the budget over the medium term. They should have regard to the integrated planning framework, 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. They must ensure that the guidelines and associated instructions are fully cascaded through their service managers so that all budget managers understand and are involved in the budget setting process from bottom up.

Corporate Directors have overall responsibility for ensuring that their proposals are robust and that they have identified all of the issues and for giving this assurance to the Corporate Director of Finance.

It is unlawful for an authority to set a deficit budget. Under section 25 of the Local Government Act 2003 the Corporate Director of Finance is responsible for advising the Cabinet and the Council on the robustness of the budget and on the adequacy of the levels of reserves.

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The Corporate Director of Finance is responsible for ensuring that detailed controls are established for the creation of new reserves and any disbursements there from.

The Corporate Director of Finance is responsible for providing advice on the available funding options for the budget. This includes advice on central government funding, general grant, area based grant and other grants, options for borrowing and any other opportunities including income generation.

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Preparation of the Capital Programme

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, major items of plant and equipment, vehicles or new technology. Capital assets shape the way services are delivered for the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

The Corporate Director of Finance is responsible for:

- producing an annual capital strategy for approval by Cabinet and Council
- setting up procedures under which capital expenditure proposals are evaluated and appraised to ensure that value for money is being achieved,
- ensuring that a Medium-Term Capital Programme is prepared annually which is derived from the Capital Strategy, the Asset Management Plan, and the evaluation process; ;
- that the capital programme is consistent with corporate ,service and asset management objectives and priorities;
- that there is a robust process for scrutinizing the capital schemes to be added to the capital programme;
- that the programme is fully funded and is affordable and sustainable in accordance with the Prudential Code;
- setting up procedures for corporate monitoring of all sources of capital funding.

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The inclusion of a scheme in the approved Capital Programme does not imply automatic approval to spend. These can be intentions to spend subject to meeting further criteria relating to the objectives, cost or funding confirmed through the governance process. Corporate Directors must ensure that all necessary levels of approval in accordance with the associated financial procedure note, have been obtained for projects to proceed.

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Where a project is dependant on external funding, it must not proceed until there is confirmation that this has been secured and the grant conditions can be met.

In all cases the Procurement Contract Procedure Rules must be followed before expenditure is incurred.

Projects and Programmes

The Director for Customer Service and Business Transformation Programme (BTP) is responsible for issuing guidance on the preparation of business cases and programme management.

Corporate Directors, Directors and Divisional Directors are responsible for ensuring that programmes are conducted using the Council's mandatory project and programme management approach. The degree to which the approach will be applied will be determined according to the limits defined in the procedure guidance notes.

Formal levels of approval

A business case is required for all schemes included in the capital programme.. There is a detailed financial procedure note for gaining approval and sign off for capital schemes. Corporate Directors must obtain the agreement of the Corporate Director of Finance as to the expenditure and funding for all new schemes not included in the approved capital programme and submit to Cabinet' for approval.

Approval Required for schemes in the approved capital programme	Amount £000
Corporate Director of Finance	< 500
Corporate Director of Finance, Leader and Portfolio Holder for Finance	> 500 < £1000
CSB and Cabinet	> £1000

Leasing arrangements

Corporate Directors, Directors and Divisional Directors must not enter into credit arrangements, such as leasing agreements without the prior approval of the Corporate Director of Finance and, if applicable, approval of the scheme should be included as part of the capital programme.

Budget Amendment

Approved revenue budgets may be amended during a financial year in the following circumstances:

a) virements in accordance with the rules set out in the virement section , which have been approved by Council, including transfers from Directorate contingencies unless otherwise specified by the Corporate Director of Finance;

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b) underspendings approved for carry forward from previous years in accordance with approval guidelines;
c) supplementary requests from General Fund reserves or the Council Contingency Funds with the approval of the Cabinet Member for Finance or full Cabinet;.
d) grants; Corporate Directors may only make changes to revenue budgets resulting from additional ring – fenced grant, or external income receivable, with the approval of the relevant Cabinet Member in conjunction with the Corporate Director of Finance and in accordance with virement rules;
e) a proposal to spend additional non ring – fenced revenue grant requires the approval of the relevant Cabinet Member in conjunction with the Corporate Director of Finance and in accordance with virement rules;.
f) capital grants received in year for which projects are added to the capital programme, must go to Cabinet for approval.

A schedule of revenue grants is included as part of the overall budget proposals to Council. Capital grants are shown in relation to the capital programme. All grants including new grants received in year will be reported to the Cabinet via the quarterly financial monitoring.

Maintenance of Reserves

The Corporate Director of Finance is responsible for advising on prudent levels of reserves for the Council when the annual budget is being considered, having regard to assessment of the financial risks facing the authority.

All contributions to, and appropriations from, General Fund reserves must be approved by the Cabinet member for Finance , subject to any limitations set by the Council in the approved budget framework.

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Setting Charges

Corporate Directors are responsible for ensuring that there is as a minimum an annual review of fees and charges, and that proposals for the level of fees and charges are legal and in line with the 2010 updated charging framework, approved by the relevant Portfolio Holder and presented to the Cabinet as part of the Budget and MTFS proposals. It is required that an in depth review of each sevice area's fees and charges is conducted on a rolling three year basis.

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Grants¶
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A schedule of revenue grants is included as part of the overall budget proposals to Council. Capital grants are shown in relation to the capital programme. All grants including new grants received in year will be reported to the Cabinet via the quarterly financial monitoring.¶
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Budget Monitoring and Control

The revenue budget will be presented and approved at service level by full Council following the recommendation by the Cabinet and having considered the advice of the Corporate Director of Finance. The capital programme will be approved by Council based on an individual scheme by scheme breakdown (where available) including the assigned funding source.

A Corporate Budget Book will be published at the start of each financial year. The format of the budget book will be based upon the format agreed by full Council i.e. at service level and determines the level of detail to which financial control and management will be exercised.

Corporate Directors, Directors and Divisional 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.

Corporate Directors, Directors and Divisional 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. The scheme of delegation is included at Appendix A. It sets out the limits for authorising financial transactions. Corporate Directors should ensure that they properly record any local delegations specific to their service area.

The Corporate Director of Finance is responsible for reporting the financial position relative to the revenue budget and capital programme to the Corporate Strategy Board (CSB) 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 (where appropriate and in accordance with the virement rules) during the course of the financial year.

Corporate Directors, Directors and Divisional Directors are responsible for ensuring that they manage expenditure within the budget available. Over spends and under spends 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 over spend in one area can be offset by an under spend in another area a virement is required. They must follow month end procedures and the monitoring process as per the detailed month end and forecasting protocol, and review performance/service levels in conjunction with the budget spend. Budget monitoring should reflect the level of risk associated with particular budgets.

Grant expenditure and income in year

Grant expenditure and income is monitored and reported as part of the monthly monitoring process. All expenditure incurred must be in accordance with the terms and conditions attached to the grant and with Financial Regulations and Contract Standing Orders.

Proper records of expenditure must be kept to allow verification of amounts claimed by the grant giving body and the external auditor.

Wherever possible and appropriate staff employed to meet the grant criteria for spending should be on fixed contracts intended to be terminated when funding ceases.

Capital Monitoring

The delivery of the capital programme is managed through the Capital Forum which is chaired by the Corporate Director of Finance or his/her nominee,, and includes the Head of Property and representatives from each service area and from Corporate Finance. This

Deleted: Head of Property and Infrastructure, Community and Environment group is responsible for ensuring the annual review and update of the Capital Strategy, ensuring that directorates have annually updated asset management plans; and submits the proposed annual and medium term capital programme to CSB based on the Capital Strategy.. It is also responsible for ensuring that all capital proposals are supported by option appraisals; robust costed business cases including whole life costing which are prepared and signed off in accordance with proper governance arrangements as set out in the financial procedures. The size and substance of a capital scheme will determine the degree to which the Council's mandatory project management approach will be applied.

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It monitors project and financial progress on current schemes, and recommends action where slippage or potential overspending is identified. Changes to the approved programme are reported to the Cabinet for approval.

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External Funding

The Corporate Directors and Divisional Directors should consult the Corporate Director of Finance on proposals to bid for external funding to support expenditure that has not already been included in the approved revenue budget or capital programme.

The Financial Implications of Reports

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The Corporate Director of Finance is responsible for monitoring the quality of the financial implications information included in the reports by Corporate Directors and providing financial comments where there are implications such as corporate revenue or capital resources requirements. This is delegated to the Divisional Director of Finance and the Finance Business Partners as required.

Corporate Directors are responsible for ensuring:

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- that an options appraisal is carried out in relation to all significant policy issues;
- that financial implications in the current and future years are identified in all relevant reports and that such financial implications are agreed by or on behalf of the Finance Business Partner and are in accordance with virement rules;
- that where reports impact on other directorates or have implications for corporate resources, financial implications comments are requested from them and/or the Corporate Director of Finance sufficiently in advance of reporting deadlines;
- the financial implications in reports are reflected in current budgetary provisions and in the agreed Budget and MTFS.

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Virement Rules

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4.1.1 Under the Constitution the Council is required to specify the extent of virement within the approved budget which may be undertaken by the Cabinet (Ref 4C-2m). Any other changes to the budget are reserved to the Council, other than any changes necessary to ensure compliance with the law, ministerial direction or government guidance.

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4.1.2 Virement for these purposes is taken to include not only the transfer of budget provision between budget heads (including reserves or contingency provisions if such exist) but also the transfer of funds from general balances by way of a supplementary estimate. Virement rules apply equally to expenditure financed by increased income including grants.

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4.1.3 A temporary virement relates solely to the current year – the changes are only made in the current year and the budget reverts back to its original state in the following financial year. A permanent virement is a permanent change to the budget.

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Virements requiring Council approval

4.1.4 The approval of Council is required for any virement which:

- Is a permanent virement, which creates an ongoing financial commitment over and above the approved budget, and/or involves a major change in policy as described by the Budget and Policy Framework
- Involves the transfer of funds between revenue and capital budgets;
- Is a temporary virement that is greater than £500,000 and represents a major change in policy as described by the Budget and Policy Framework.

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4.1.5 These provisions are subject to annual review as part of the budget setting process.

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Virements for which the Cabinet is responsible

4.1.6 The approval of the Cabinet is required for any temporary virement greater than £100,000;

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4.1.7 The Cabinet may only approve temporary virements which are greater than £500,000 if they have been demonstrated not to represent a major change in policy as described.

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4.1.8 The Cabinet may only approve permanent virements that have been demonstrated not to create an ongoing financial commitment over and above the approved budget or imply a major change in policy.

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4.1.9 The Cabinet delegates approval of temporary virements below £100,000.

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Virements delegated by the Cabinet to officers

4.1.10 For temporary virements less than or equal to £100,000 and greater than £50,000, the relevant Corporate Director and the Director of Finance (or his/her nominated officer) may effect virements, subject to consultation with the relevant Portfolio Holder in each case.

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4.1.11 Temporary virements less than or equal to £50,000 may be approved by the relevant Divisional Director and reported to their Corporate Director as part of the monthly monitoring process. Virements above the specified limits or about which the relevant Portfolio Holder has concerns, must be referred to the Cabinet for approval.

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4.1.12 Budgets may only be transferred between revenue or between capital budget heads provided that they:

- do not involve new policy or policy change;
- do not involve an increasing commitment in current or future years that cannot be contained within existing approved budget allocations; and
- do not conflict with any prior decision made or policy or plan or strategy adopted by the Cabinet.

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Recognition of virements

4.1.13 As part of monthly monitoring procedures directorates should be forecasting the full year outturn position. Where action plans to address potential overspends do not reduce the forecast overspend, temporary virements should be made from underspendings elsewhere to reflect the forecast overspend that is not covered by measures in the action plan. Action plans that address overspends of £100,000 or more should be approved by the Cabinet.

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4.1.14 If directorates do not effect virements in accordance with the virement rules the Corporate Director of Finance has the power to require virements to be effected.

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4.1.15 When virements are reported they will be assumed to be temporary virements unless it is specifically stated that they are permanent virements.

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4.1.16 Where a virement is moving funds from one directorate to another, both Corporate Directors must approve the transfer.

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4.1.17 Where a new capital scheme is to be added to the capital programme or an existing capital scheme is to be deleted from the capital programme Cabinet approval must be sought.

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Cumulative virements

4.1.18 Where successive virements to or from the same budget head result in the cumulative virement reaching the above thresholds, approval should be sought as set out above.

Carry Forward Policy

4.1.19 In general a revenue or capital budget is available for the year in question and unspent balances will not be carried forward. However, the Cabinet may agree to carry forward an unspent balance from one year to the next dependent upon the merits of the case put forward. Unspent balances will only be considered for carry forward where:

- the Council's revenue/capital budget is not overspent in total;
- reserves and balances are at an appropriate level; or
- the item is fully funded from grant and the grant will be lost if the item is not carried forward.
- all other commitments will have to be accommodated within the new year budget.

The Annual Statement of Accounts

The Corporate Director of Finance 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 Corporate Directors, Directors and Divisional Directors each year to ensure that the relevant information is collected and that the statutory deadline is achieved.

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.

The Governance, Audit and Risk Management Committee has specific responsibility for approving the statutory annual statement of accounts.

The Corporate Director of Finance 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 31st March each year.

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Under the Constitution, the Council is required to specify the extent of virements within the approved budget which may be undertaken by the Cabinet (Ref 4C-2 m). Any other changes to the budget are reserved to the Council, other than any changes necessary to ensure compliance with the law, ministerial direction or government guidance.¶
¶
Virements for these purposes is taken to include not only the transfer of budget provision between budget heads (including contingency provisions if such exist) but also the transfer of funds from general balances by way of a supplementary estimate. Virement rules apply equally to expenditure financed by increased income including specific grants.¶
¶
¶
Virements for which the Cabinet is responsible¶
¶
The approval of the Cabinet is required for any virement greater than £100,000.¶
¶
The Cabinet may only approve permanent virements that have been demonstrated not to imply a major change in policy.¶
¶
The Cabinet delegates the approval of temporary virements below £100,000. These virements may subsequently be made permanent through the next budget approval process.¶
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Virements delegated by the Cabinet¶
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For temporary virements ... [2]

Section 5 Financial Systems and Business Processes

Financial & Accounting Policies, Records & Returns

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Sound systems and procedures are essential to an effective framework of accountability and control. The Corporate Director of Finance as the 151 officer is responsible for ensuring there are effective financial sysytems and controls, although the operations may be carried out in another directorate than Corporate Finance .

The Corporate Director of Finance is responsible for:

- the operation of the Council's General Ledger and its accounting systems, the form of accounts and the supporting financial records. 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;
- determining the accounting procedures and records for the authority. Where these are maintained outside the finance department, or outside the Authority, the Corporate Director of Finance must approve the controls to be applied in consultation with the Corporate Director concerned; and
- ensuring there is adequate separation of duties in evidence in the accounting procedures.

Corporate Directors, Directors and Divisional Directors must

- adhere to the accounting policies and guidelines approved by the Corporate Director of Finance, supply information as and when required, and ensure that the advice of the Corporate Director of Finance is sought on the development and implementation of any localised systems of costing, accounting and financial control;
- ensure all local systems are integrated with the central accounting system as far as possible and reconciled to the central accounting system on a regular basis;
- 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;
- 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 Corporate Director of Finance, usually a minimum 6 years;

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- ensure that their staff receive relevant financial training;
- ensure that use of computer and other information systems are registered in accordance with data protection legislation and government connects where relevant; and
- ensure that staff are aware of and comply with freedom of information legislation.

Trading Accounts and charges

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In some areas the Council may operate a trading account. 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.

The Corporate Director of Finance is responsible for ensuring that trading accounts are treated properly in the Council's accounts.

Corporate Directors, Directors and Divisional 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 and annually as a minimum as part of integrated service and financial planning.

Insurance

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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.

The Corporate Director of Finance is responsible for effecting corporate insurance cover, through external insurance and internal funding, and negotiating all claims in consultation with other officers, where necessary.

Corporate Directors, Directors and Divisional Directors should notify the Divisional Director of Risk, Audit and Fraud immediately of:

- Any loss, liability or damage that may lead to a claim being made by/against the Council. Corporate Directors, Directors and Divisional 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; and
- All new risks, properties or vehicles that may require insurance, and of any alterations or disposals affecting existing insurances.

Corporate Directors, Directors and Divisional Directors should consult the Divisional Director of Risk, Audit and Fraud and seek legal advice on the terms of any indemnity that the authority is requested to give.

Income Collection

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Responsibility for the financial systems relating to the collection of all income due to the Council lies with the Corporate Director of Finance. They are responsible for approving

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The Council collects substantial amounts of income (council tax, business rates, rents , service charges and 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. There is an overarching debt management policy which sets out how debt will be collected where a resident may have multiple debts, for example council tax and housing rent. There is also a credit policy for sundry debtors

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.

Corporate Directors, Directors and Divisional 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 Corporate Accounts Receivable team in a timely manner; and
- 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 Corporate Director of Finance, or as he or she directs, to the authority's bank or National Giro account, and properly recorded.

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The Corporate Director of Finance is responsible for writing off bad debts up to £10,000 where necessary. All requests for write off must be accompanied by a brief report giving the reasons for the request and supporting documentation.

Write offs are subject to approval as follows:

Category	Limit (£)
Corporate Director of Finance	0 - 10,000
Portfolio Holder with responsibility for Strategy, Partnership and Finance	10,001 – 25,000
Cabinet	>25,000

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

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Ordering and Paying For Work, Goods and Services

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.

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.

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Purchase Orders

Purchase Orders must be raised on the Corporate Financial System for all works, goods and services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates and petty cash purchases and where specifically otherwise agreed.

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Commitments will be automatically recorded onto the Corporate Financial 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.

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

It is mandatory to raise Purchase Orders prior to procuring goods and services, unless an exemption is approved by the Director of Finance.

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Goods Receipting

Budget Managers are responsible for ensuring that:

- all works, goods or services received are “goods receipted” onto the Corporate Financial System;
- any mismatches between the order and the goods receipt are resolved in a timely fashion in accordance with the procedures;
- any mismatches between the goods receipt and the actual invoices are cleared on the system in a timely fashion in accordance with the procedures; and
- Any blocked invoices notified are dealt with in a timely manner.

Purchasing Cards

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

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.

The Corporate Director of Finance is responsible for issuing guidance on the use of purchasing cards.

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

Corporate Directors, Directors and Divisional 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 Service Manager Corporate Accounts payable and receivable in Shared Services immediately.

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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.

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Payments to Suppliers

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

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

Payment of all invoices and corporate contracts 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.
The Direct Debit payment method is not allowed under normal circumstances. However, this method of payment will be allowed under exceptional circumstances and will have to be authorised by Corporate Director of Finance.

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.

Corporate Directors, Directors and Divisional Directors are responsible for ensuring that any blocked invoices notified to managers are dealt with in a timely manner.
The Corporate Director of Finance is responsible for ensuring that there is a separation of duties between the person authorising the Purchase Order and the person authorising the payment.

Corporate Directors, Directors and Divisional 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.
With regards to contracts for works, Corporate Directors, Directors and Divisional Directors should document and agree with the Corporate Director of Finance the systems and procedures to be adopted in relation to certification of interim and final payments.
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.

Taxation (CIS and VAT)

The Corporate Director of Finance is responsible for providing information to HMRC in relation to the Construction Industry Tax Deduction Scheme as required and advising Corporate Directors, Directors and Divisional Directors of their responsibilities under the scheme.

Corporate Directors, Directors, Divisional Directors and Budget Managers are responsible for ensuring that the appropriate controls and procedures are operated within the Department or relevant service area in relation to taxation issues.

The Corporate Director of Finance is responsible for completing the monthly return of VAT (inputs and outputs) to HMRC.

Payments to Employees and Members

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

The Corporate Director of Finance is responsible for all payments of salaries and wages and expenses to staff, including payments for overtime, honoraria etc and submission of tax returns to HM Revenue and Customs by their due date for the above. The Corporate Director of Finance is also responsible for the timely provision of information, and the maintenance of sound financial controls to meet the responsibilities in connection with taxation issues arising from payments to employees.

Imprest and Petty Cash Accounts

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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 Corporate Directors, Directors and Divisional Directors to ensure that systems are in place to monitor and control this.

Imprest and petty cash accounts can facilitate very minor items of expenditure where it would not be cost effective to use a purchasing card or purchase order. 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.

The council has a single petty cash account operated by Cashiers. There are a number of imprest holders across the Council, where the total held should not exceed £500, except where agreed and authorised by the Corporate Director of Finance. The establishment of and procedures for the operation of imprest accounts is approved by the Divisional Director of Finance and Procurement.

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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.

Where the sum required exceeds £100 in cash or £250 by cheque the voucher is countersigned by a Divisional Director. The maximum sum withdrawn at any one time must not exceed £500.

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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.

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.

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Bank Accounts

The Corporate Director of Finance is responsible for opening all bank accounts and agreeing the associated mandates.

The Divisional Director of Finance and Procurement is responsible for managing the banking contract and the day to day administration and reconciliation of accounts.

Staff must not open accounts in the name of the Council, Members or officers unless they are acting on the instructions of the Corporate Director of Finance. Opening an unauthorized bank account is a disciplinary offence.

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Retention of Documents

Corporate Directors, Directors, Divisional Directors and Head teachers of Schools shall be responsible for ensuring that records are carefully and systematically filed and retained for inspection by the Corporate Director of Finance or agencies (e.g. HM Revenue and Customs).

The advised minimum periods for the retention of financial records are set out below:

- mortgages, bonds, stocks and other holdings, insurance, contracts, pension information and transfer values should be held indefinitely;
- 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; and
- The majority of accounting records should be retained for a period of 6 years following audit.

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Section 6 Property and Resources

Asset Management

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The Corporate Director of Community and Environment is responsible for corporate asset management. Corporate Directors, Directors and Divisional Directors must ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Budget holders are responsible for ensuring that all assets in their control are appropriately maintained.

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.

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.

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.

The Corporate Director of Place Shaping is responsible for all disposals of land and property in conjunction with the portfolio holder for Property and Major Contracts and for identifying any revenue implications arising from the sale of assets. The Corporate Director of Place Shaping in conjunction with the portfolio holder has delegated authority for disposals up to £0.250m. Anything above £0.250m must be reported to the Cabinet for approval.

Budget holders may seek the authority of their Corporate Director, Director or Divisional Director to dispose of revenue assets through sale, donation or scrapping. They must assure themselves that the assets concerned are the property of the council (rather than a leasing company) before disposing of them. Budget holders must be able to demonstrate that value for money is obtained for every disposal and maintain adequate records demonstrating value for money, the reasons for the disposal, and that the assets are obsolete or surplus to requirements. All assets to be disposed of, over the value of £10,000 must additionally be cleared with the Director of Corporate Finance or his/her nominated representative before they can be disposed of.

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Budget Holders must ensure that legal and environmental issues are addressed when disposing of any assets.

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Leasing

The Corporate Director of Finance shall be responsible for the evaluation and arrangement of all Capital financing facilities. This excludes the short term hiring of equipment for periods of less than 12 months.

The Budget Holders must take appropriate advice from Finance and Legal before entering into an operating lease agreement. A finance lease must never be entered into other than through Corporate Finance.

Stocks and Stores

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Corporate Directors, Directors and Divisional Directors are responsible for:

- ensuring that stocks of goods and materials are held at a level appropriate to the business needs of the Council, and that stock levels are checked regularly and as a minimum as part of year end annual stock take procedures;
- ensuring that adequate arrangements are in place for their care and custody; and
- writing off the value of obsolete stock in their Departments in accordance with the procedures.

Treasury Management

The Council has adopted CIPFA's Code of Practice for Treasury Management in Public Services.

The Corporate Director of Finance is responsible for reporting to the Cabinet at least twice in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. He/she is required to produce:

- a proposed treasury management strategy for the coming financial year before the start of each financial year;
- an annual report on the treasury management activity for presentation by 30th September of the succeeding financial year; and
- a mid year report to the December Cabinet.

The Council has delegated responsibility for the implementation and monitoring of its Treasury Management Policies and Practices to the Corporate Director of Finance and for the execution and administration of Treasury Management decisions to the Treasury and Investments Manager, who will act in accordance with the Council's Treasury Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

6.3 Staffing

Corporate Directors, Directors and Divisional Directors are responsible for controlling total staff numbers within their approved establishment. The appointment of staff must be made within budgetary provision and should not create a commitment which cannot be met in future years. Where the existing approved establishment cannot be fully funded from available budget – then an appropriate level of vacancy management in line with operational need should be exercised during the year. Where posts have been vacant for

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periods in excess of 12 months and are deemed not to be required, they should be deleted.

Accurate and effective systems must be in place and the following procedures and regulations must be followed:

- appointments are made in accordance with HR and payroll regulations;
- appointments are in accordance with the approved establishment and grade for the post;
- the organisational structure on SAP must be kept up to date;
- all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, are notified promptly and in accordance with required forms, timescale and authorization;
- payments are only authorized to bona fide employees;
- payments are only made where there is a valid entitlement;
- conditions and contracts of employment are correctly applied; and
- employee's names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

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Use of Consultants

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Corporate Directors, Directors and Divisional 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.

Consultants supplied to the Council indirectly via an agency are unlikely to be employees. However, if a consultant is brought in, not as agency staff 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.

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Where a non – agency 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 for services with the Council 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.

Corporate Directors, Directors and Divisional 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. Corporate Directors, Directors and Divisional Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Payroll Manager and/or Legal (see section on use of consultants below).

Pension Fund Investment

The Corporate Director of Finance 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 Corporate Director of Finance 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

The Corporate Director of Finance 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.

All trust funds, funds held for third parties and other voluntary (unofficial) funds excluding schools must be approved by the Corporate Director of Finance. 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 7 Projects, Partnerships and External Funding

Projects and Partnerships

The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of the Borough.

The Cabinet is responsible for approving delegations, including frameworks for partnerships.

The Corporate Director of Finance must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are proper. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

Corporate Directors, Directors and Divisional Directors must ensure that the full implications of any partnership are explored and that Finance and Legal officers are consulted at an early stage. 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?

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- 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?
- Who employs and manages the staff?
- 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?

Corporate Directors, Directors and Divisional Directors are responsible for appropriate approvals before any commitment or agreement is entered into.

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

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

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.

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 LIFT Co and take back premises on long term leases.

Both PFI and LIFT projects require detailed preparation including for instance development of a business case, option appraisal, and 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 Corporate Director of Finance and Director of Legal Services must be involved at the outset.

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External Funding

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.

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.

Corporate Directors, Directors and Divisional 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 Business Partner 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 Corporate Director of Finance 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
- Check the audit requirements and notify Corporate Finance of any claims that must be audited by the Council's external auditor.

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Work for Third Parties

Corporate Directors, Directors and Divisional 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.

Corporate Directors, Directors and Divisional Directors must provide appropriate information to the Corporate Director of Finance to enable a note to be entered into the Statement of Accounts where necessary.

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Work by Third Parties

Corporate Directors, Directors and Divisional 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.

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Catastrophic Incident in Greater London: Delegation of Functions

In the event of a catastrophic incident being declared, the Director of Corporate Finance is authorised to make emergency payments under the London Councils Gold resolution, to be reimbursed by central government.

Appendix A. Scheme of Delegation for Financial Transactions

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The officers shown below may authorise financial transactions up to the limits indicated in relation to the approved policies and activities of the Council and provided there is adequate budget provision. Where the decision to spend is a key decision then, it will go to the Cabinet for approval.

Key Decisions

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¶
(JF to work on this I am meeting with the leader to suggest that we amend our key decision definition) the current definition of a key decision is as follows: ¶

A Key Decision is an executive decision , other than in relation to the procurement of a contract for which there is existing budgetary provision which:

(i) is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or

(ii) is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough.

A decision is significant for the purposes of (i) above if it involves expenditure or the making of savings of an amount in excess of £1,000,000 for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question.

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Section 8 Appendix A. Scheme of Delegation for Financial Transactions

The officers shown below may authorise financial transactions up to the limits indicated in relation to the approved policies and activities of the Council and provided there is adequate budget provision.

Delegation	**Approval of Orders**	**Approval of Orders Amended**	**Approval of unsupported invoice**	**Contracts**	**Contracts Amended**	**Petty Cash Payment**	**Virements**	***Counter signed**
System Role CE	EBP Approver unlimited	EBP Approver unlimited	Completed Off line unlimited	Completed Off line unlimited	Completed Off line £2m per annum or £5m over life of contract	Completed Off line unlimited	Completed Off line £100,000	
Corporate Directors; Assistant Chief Executive; Monitoring Officer	unlimited	unlimited	unlimited	100,000	£2m per annum or £5m over life of contract	Above £500	£100,000	
Director	£500,000	£500,000	£100,000	£100,000	100,000	£500	£50,000	Corporate Director
Divisional Director (SPM1)	£300,000	500,000	£50,000	£100,000	100,000	£500	£50,000	Corporate Director
SPM 2/3 Head of Service	£100,000	£100,000	£20,000	£50,000	50,000	£100 cash £250 cheque	*£25,000	Divisional Director
SPM 4/5 Service Manager/	£50,000	£50,000	£10,000	£25,000	£25,000	£50 cash £100 cheque	*£10,000	Divisional Director

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Team
Leader

Appendix B. Associated Procedure Notes
Appendix C.

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Financial Regulations section		Procedure Notes	Lead Officer
	General	Continuous review of Financial Regulations	Corporate Director of Finance
1	Roles & Responsibilities	Scheme of Delegation	Corporate Directors, Directors and Divisional Directors
1	Other Financial Accountabilities	Virement Rules	Divisional Director (Finance and Procurement)
1	Other Financial Accountabilities	Closure of Accounts and Accounting Policy	Divisional Director (Finance and Procurement)
2	Risk Management and Internal Control	Risk Management Strategy	Divisional Director (Risk, Audit and Fraud)
2	Risk Management and Internal Control	Anti-Fraud and Corruption Policy	Corporate Director of Finance
2	Risk Management and Internal Control	Whistleblowing Policy and Procedure	Divisional Director (Risk, Audit and Fraud)
2	Risk Management and Internal Control	Fraud Investigation guidelines	Corporate Director of Finance
2	Risk Management and Internal Control	Anti Money – Laundering Policy	Corporate Director of Finance
3	Financial Planning and Management	Financial Planning	Divisional Director (Finance and Procurement)
3	Financial Planning and Management	Capital Programme	Divisional Director (Finance and Procurement)
3	Financial Planning and Management	Fees and Charges Policy	Divisional Director (Finance and Procurement)
3	Financial Planning and Management	Budget Monitoring	Divisional Director (Finance and Procurement)
4	Financial Systems and Business processes	Debt Management overall Policy Sundry Credit Policy	Divisional Director (Shared Services, Collections and Housing Benefit and Housing Services)
4	Financial Systems and Business processes	Goods Receipt and Invoice Receipt	Divisional Director (Finance and Procurement)
4	Financial Systems and Business processes	Payment of Invoices	Divisional Director (Shared Services
4	Financial Systems and Business processes	Purchase Cards	Divisional Director (Shared Services
4	Financial Systems and Business processes	Expenses, travel and subsistence allowances	Divisional Director (Human Resources and Development)
4	Financial Systems and Business	Management of the Banking Contract and	Divisional Director (Shared Services

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Financial Regulations section		Procedure Notes	Lead Officer
	processes	Operation of Bank Accounts	
4	Financial Systems and Business processes	Cash Book	Divisional Director (Shared Services
4	Financial Systems and Business processes	Bank Reconciliation	Divisional Director (Finance and Procurement)
4	Financial Systems and Business processes	Retention of Documents	Divisional Director (Risk, Audit and Fraud)
5	Property and Resources	Asset Management	Head of Property and Infrastructure
5	Property and Resources	Stocks and Stores	Divisional Director (Risk, Audit and Fraud)
5	Property and Resources	Treasury Management policy and practices	Divisional Director (Finance and Procurement)
5	Property and Resources	Use of Consultants	Divisional Director (Human Resources and Development)

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Year Ahead Statement approved by Cabinet	July

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Virement Rules

Under the Constitution, the Council is required to specify the extent of virements within the approved budget which may be undertaken by the Cabinet (Ref 4C-2 m). Any other changes to the budget are reserved to the Council, other than any changes necessary to ensure compliance with the law, ministerial direction or government guidance.

Virements for these purposes is taken to include not only the transfer of budget provision between budget heads (including contingency provisions if such exist) but also the transfer of funds from general balances by way of a supplementary estimate. Virement rules apply equally to expenditure financed by increased income including specific grants.

Virements for which the Cabinet is responsible

The approval of the Cabinet is required for any virement greater than £100,000.

The Cabinet may only approve permanent virements that have been demonstrated not to imply a major change in policy.

The Cabinet delegates the approval of temporary virements below £100,000. These virements may subsequently be made permanent through the next budget approval process.

Virements delegated by the Cabinet

For temporary virements less than and including £100,000, the relevant Director and the Corporate Director of Finance (or his/her nominated officer) may effect virements.

Temporary virements less than and including £50,000 may be approved by the relevant Divisional Director and reported to their Corporate Director/Director as part of monthly monitoring.

Decisions outside the Budget or Policy Framework

Virements above the specified limits or about which any member of the Council or a Committee or sub – committee of the Council wishes to raise a question as to whether any decision made or likely to be made by the Cabinet Is contrary to the policy framework or contrary to or not wholly in accordance with the budget shall refer the question to the Monitoring Officer and/or the Chief Financial Officer as appropriate.

Budgets may only be transferred between revenue or between capital budget heads provided that:

- they do not involve new policy or policy change;
- do not involve an increasing commitment in current or future years that cannot be contained within existing approved budget allocations;
- the budget is not overspent either before or after the proposed virement;
- they do not conflict with any prior decision made or policy or plan or strategy adopted by the Cabinet.

Recognition of virements

As part of monthly monitoring procedures directorates should be forecasting the full year out turn position. Where action plans to address potential overspends do not reduce the forecast overspend, temporary virements should be made from under spends elsewhere to reflect the forecast overspend that is not covered by measures in the action plan. Action plans that address overspends of £100,000 or more should be approved by the Cabinet.

If directorates do not effect virements in accordance with the virement rules the Director of Corporate Finance has the power to require virements to be effected.

When virements are reported it must be made clear whether these are temporary or permanent virements.

Where a virement is moving funds from one directorate to another, both Corporate Directors must approve the transfer.

Cumulative virements

Where successive virements to or from the same budget head result in the cumulative virement reaching the above thresholds, approval should be sought as set out above.

Carry Forward Policy

In general a revenue or capital budget is available for the year in question and unspent balances will not be carried forward. However, the Cabinet may agree to carry forward an unspent balance from one year to the next dependent upon the merits of the case put forward. The detailed forecasting protocol gives guidance on how to manage and report under spends in year. Unspent balances will only be considered for carry forward where:

the Council's revenue budget /capital programme is not overspent in total;
reserves and balances are at an appropriate level;
the Cabinet consider it to be a priority;

Other considerations which may support the case are:

there is a good reason for the delay in carrying out the activity/project;
the cost cannot be accommodated within the new year budget;
The item is fully funded from grant and the grant will be lost if the item is not carried forward.

In particular for capital;

any overspends on individual projects in a Directorate's part of the capital programme have been funded from under spends on other projects in that Directorate's part of the programme;
the budget is not for a rolling programme (such as highways maintenance);

All other commitments will have to be accommodated within the New Year budget.

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Delegation	Approval of Orders	Approval of unsupported invoice	Contracts	Petty Cash Payment	Virements	*Counter signed
SAP Role	EBP Approver	Completed Off line	Completed Off line	Completed Off line	Completed Off line	
CE	unlimited	unlimited	unlimited	unlimited	£100,000	
Corporate Director	unlimited	unlimited	£100,000	Above £500	£100,000	
Director	£500,000	£100,000	£100,000	£500	£50,000	
Divisional Director (SPM1)	£300,000	£50,000	£100,000	£500	£50,000	
SPM 2/3	£100,000	£20,000	£50,000	£100 cash £250 cheque	*£25,000	Divisional Director
SPM 4/5	£50,000	£10,000	£25,000	£50 cash £100 cheque	*£10,000	Divisional Director
