

## THE DETAILED FINANCIAL PROCEDURE RULES

### Important Note

The Council's Financial Procedure Rules should be read in conjunction with other regulations and guidance published by the council, including, but not limited to, the Constitution. Where relevant reference is made to these documents in the rules. Heads of Service are responsible for ensuring that all staff are aware of the existence and content of such documents.

### Version Control

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### Introduction and Status of the Financial Procedure Rules

#### What are Financial Procedure Rules?

These Financial Procedure Rules are a written code of procedures approved by Shepway District Council (the Council) to provide a framework for proper financial management. The Financial Procedure Rules form part of the Council's Constitution and set out rules on accounting, audit, administrative procedures and budgeting systems. Importantly, they will be continuously updated and refined in the context of the Council's changing structure and methods of operating.

To conduct its business efficiently, the Council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process involves the establishment of Financial Regulations that set out the Council's financial policies.

All decisions which have financial implications must have regard to proper financial control. If there is any doubt as to whether a financial proposal is appropriate, or whether a financial action is correct, this must be clarified with the Chief Finance Officer in advance of the decision or action being taken.

Failure to follow Financial Procedure Rules or financial instructions issued by the Chief Finance Officer under Financial Procedure Rules may result in action under the Council's disciplinary procedures.

The Council's governance structure is laid down in its Constitution, which sets out how the Council operates, how decisions are made and the procedures that are to be followed.

As part of authorities' governance arrangements, there is a statutory requirement for each Council to appoint an officer to be responsible for its financial affairs. For Shepway District Council, this officer is the Chief Finance Officer.

## **Who do the Rules apply to?**

The Rules apply to every Councillor and officer of the Council and to trustees, directors and officers of Council related trusts, and of any council related party, trust or company, and to anyone acting on its behalf.

The Head of Paid Service, the Chief Finance Officer and Monitoring Officer should be consulted on all relevant issues.

For the purposes of this document the following posts have delegated responsibility for carrying out the following roles:

- The Chief Executive is the Head of Paid Service
- The Corporate Director - Organisational Change is the Chief Finance Officer, and
- The Head of Democratic Services & Law is the Monitoring Officer

Each section of the Finance Procedure Rules generally follows the format set out below if applicable:

- Why is this important?
- Responsibilities of the Head of Paid Service
- Responsibilities of the Chief Finance Officer
- Responsibilities of the Chief Officers and Heads of Service
- Responsibilities of the Budget Manager

## **Section A - Financial Management**

### **1. Financial Management Standards**

#### **1.1 Why is it important?**

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

#### **1.2 Responsibilities of Chief Finance Officer:**

- To ensure the proper administration of the Council's financial affairs.
- To set the financial management standards and to monitor compliance with them.
- To ensure that proper professional practices are adhered to and to act as the head of profession in relation to the standards, performance and development of finance staff throughout the Council.
- To advise on the key strategic controls necessary to secure sound financial management.

- To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local performance indicators.
- To advise upon financial considerations before any agreement is entered into on behalf of the Council.

### 1.3 Responsibilities of Chief Officers and Heads of Service:

- To promote the financial management standards set by the Chief Finance Officer in their services and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- To promote sound financial practices in relation to the standards, performance and development of staff.

### 1.4 Responsibilities of Budget Managers:

- To adhere to the financial management standards set by the Chief Finance Officer in their services.

## 2. Managing Expenditure

### 2.1 Scheme of virement

#### 2.1.1 Why is it important?

Virement is the switching of resources between approved estimates or heads of expenditure. The scheme is intended to enable the Cabinet, Chief Officers and Heads of Service and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by Full Council, and therefore to optimise the use of resources. For the purposes of the scheme a budget head is considered to be an approved estimate held against a cost centre or as in case of capital the approved estimate held against a capital scheme.

#### 2.1.2 Responsibilities of Chief Finance Officer:

- To administer the scheme of virement within the guidelines of the virement policy set by Full Council.
- To notify Chief Officers and Heads of Service of changes to the scheme of virement.

#### 2.1.3 Responsibilities of Chief Officers and Heads of Service:

- Chief Officers and Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently. For example they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers and Heads of Service must plan to fund such

commitments from within their own budgets as part of the budget setting process.

- To adhere to the scheme of virement within the guidelines of the virement policy.

#### **2.1.4 Responsibilities of Budget Managers**

- **To adhere to the scheme of virement within the guidelines of the virement policy.**

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

#### 2.2.1 Why is it important?

The treatment of year-end balances is administered by the Chief Finance Officer. Guidelines will be issued to cover arrangements for the transfer of resources between accounting years, i.e. a carry forward. Such a scheme is designed to avoid placing artificial pressure on spending decisions as the end of the financial year approaches and to encourage prudence.

#### 2.2.2. Responsibilities of Chief Finance Officer:

- To administer the scheme of carry forwards within the delegated authority approved by Full Council.
- To approve in conjunction with the Cabinet Member for Finance the year end allocation and movement on reserves.

#### 2.2.3 Responsibilities of Chief Officers and Heads of Service:

- To notify the Chief Finance Officer of any actual or potential over or underspendings on their service estimates through the monthly budget monitoring process.
- To acknowledge that the carrying forward of underspendings will only be approved following a review of the Council's overall financial position.
- To ensure that the carry forward request is processed in the manner prescribed by the Chief Finance Officer.

#### 2.2.4 Responsibilities of Budget Managers:

- To process the carry forward request in the manner prescribed by the Chief Finance Officer.

### **2.3 Emergency Expenditure**

#### 2.3.1 Why is this important?

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

#### 2.3.2 General

Chief Officers and in their absence, the Monitoring Officer or Chief Finance Officer shall have the authority to approve expenditure on any item which is essential to meet any immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972, subject to a subsequent report to Cabinet and/or Full Council depending on whether or not the expenditure can be met from within the current budget framework.

### **3. Accounting Policies**

#### **3.1 Why are these important?**

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting (the Code) and CIPFA's Service Reporting Code of Practice (SERCOP)

#### **3.2 Responsibilities of Chief Finance Officer:**

- To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the Statement of Accounts, which is prepared at 31 March each year.

#### **3.3 Responsibilities of Chief Officers and Heads of Service:**

- To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

### **4. Accounting Records and Returns**

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

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

#### **4.2 Responsibilities of Chief Finance Officer:**

- To determine the accounting procedures and records for the Council.
- To arrange for the compilation of all accounts and accounting records under his/her direction.
- To comply with the following principles when allocating accounting duties (these are known as "separation of duties"):

- (a) Separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting and disbursing them.

(b) Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

- To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2011 and any subsequent amendments.
- To ensure that all claims for funds, including grants are made by the due date.
- To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- To administer the Council's arrangements for under-and overspendings.
- To ensure the proper retention of financial documents in accordance with the records management and records retention policy.

#### 4.3 Responsibilities of Chief Officers and Heads of Service:

- To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- To comply with the principles of "separation of duties" as set out in 4.2.
- To maintain adequate records to provide a clear audit trail leading from the source of income or expenditure through to the accounting statements.
- To supply information required to enable the statement of accounts to be completed in accordance with any guidelines issued by the Chief Finance Officer.

## 5. The Annual Statement of Accounts

### 5.1. Why is it important?

The Council has a statutory responsibility to prepare its own accounts to present a true and fair view of its operations during the year. The Audit and Governance Committee is responsible for approving the accounts as a committee of Full Council.

### 5.2 Responsibilities of Chief Finance Officer:

- To select suitable accounting policies and to apply them consistently.
- To make judgements and estimates that are reasonable and prudent.
- To comply with the latest Code of Practice on Local Authority Accounting and CIPFA's Service Reporting Code of Practice.
- To sign and date the statement of accounts, stating that it presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.
- To draw up a timetable each year for the preparation of the accounts and advise staff and external auditors accordingly.

### 5.3 Responsibilities of Chief Officers, Heads of Service and Budget Managers:

- To comply with accounting guidance provided by the Chief Finance Officer and to supply him/her with information when required.

## **Section B – Financial Planning**

### **1. Performance Management**

#### **1.1 Why is it important?**

Sound performance management supports the efficient, effective and economic delivery of council services and ensures that the council is in a position to deliver its corporate priorities as set out in key council documents like the Corporate Plan. The council's Performance Management Framework details how performance is managed in the Council.

Whilst the Government has removed some statutory performance reporting requirements on local authorities like Best Value, the Comprehensive Area Assessment (CAA) and the National Indicator Set, services will need to be mindful of complying with any other (statutory) requirements to report performance information to external bodies like Government departments and external audit. The Government has introduced new requirements on councils to report information to the public on their website through the code of recommended practice for local authorities on data transparency, which the council will comply with.

#### **1.2 Responsibilities of the Head of Paid Service:**

- Deliver effective and efficient services through the council's performance management framework.
- Ensure that service delivery is supported by a comprehensive performance management system that tracks the implementation of corporate priorities and objectives.
- Promote learning and development and support a performance management culture.

#### **1.3 Responsibilities of the Chief Finance Officer:**

- To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- To contribute to the development of corporate and service targets and objectives and performance information.

#### **1.4 Responsibilities of Chief Officers and Heads of Service:**

- To ensure the effective delivery and continuous improvement of services, to develop service plans and challenging performance targets, and to monitor their delivery.
- To contribute to the development of performance plans in line with statutory requirements and the local requirements of the Council.

- To contribute to the development and delivery of corporate objectives and targets and provide the performance information required to effectively monitor delivery.
- To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.
- To achieve in their areas of responsibility the full implementation and continued development of the Council's performance management framework.
- Report on and explain performance indicators for which they are responsible, especially where performance is off track.

## **2. Budgeting**

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

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

### **2.2 Responsibilities of the Chief Finance Officer:**

- To determine the format in which the budget is presented.

### **2.3 Responsibilities of Chief Officers, Heads of Service and Budget Managers:**

- To comply with accounting guidance provided by the Chief Finance Officer.

## **3. Revenue Budget Preparation, Monitoring and Control**

### **3.1 Why is it important?**

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

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

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



### 3.2 Responsibilities of the Chief Finance Officer:

- To establish an appropriate framework of budgetary management and control that ensures that:
  - (a) Budget management is exercised within an annual cash limit unless Full Council agrees otherwise;
  - (b) Each Head of Service has available timely information on receipts and payments on each budget which is sufficiently detailed to enable budget managers to fulfil their budgetary responsibilities.
  - (c) All officers responsible for committing expenditure comply with relevant guidance, Financial Procedure Rules and Contract Standing Orders.
  - (d) Each cost centre has a single named budget manager, determined by the relevant Head of Service. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
  - (e) Significant variances from approved budgets are investigated and reported to Cabinet.
- To administer the Council's scheme of virement. (see 2.1)
- To submit reports to the Cabinet and to Full Council, in consultation with the relevant Head of Service, where a Head of Service is unable to balance expenditure and resources within existing approved budgets under his or her control.
- To prepare and submit reports on the Council's projected income and expenditure compared with the budget as required.

### 3.3 Responsibilities of Chief Officers and Heads of Service:

- To maintain budgetary control within their section, in accordance with the Financial Procedure Rules and guidance as determined by the Chief Finance Officer.
- To ensure that all income and expenditure are properly recorded and accounted for.
- To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Heads of Service (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- To take appropriate action to address projected budget deficits.
- To ensure adherence to the monthly monitoring process as determined by the Chief Finance Officer.
- To seek advice from the Head of Finance upon financial considerations before any agreement is entered into on behalf of the council.
- To ensure prior approval by Full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:
  - (a) create financial commitments in future years.

(b) change existing policies, initiate new policies or cease existing policies.

(c) materially extend or reduce the Council's services.

- To ensure compliance with the scheme of virement (see 2.1 above).
- To agree with the relevant Head of Service where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Head of Service's level of service activity.
- To regularly update the relevant portfolio holder with projected income and expenditure compared with the budget.
- To attend cabinet and other committees of the Council if requested on financial issues relating to individual's service areas.
- To be responsible for the accountability and control of staff and for the security, custody and control of all resources including plant, buildings, materials, cash and stores within their service area.

### 3.4 Responsibilities of Budget Managers:

- Accurate and timely budgetary control within their cost centres, in accordance with the Financial Procedure Rules and guidance as determined by the Chief Finance Officer.
- To ensure where possible that there are only minor variations against monthly budget monitoring projections at year end.
- To ensure that all income and expenditure are properly recorded and accounted for.
- To ensure budgets are profiled correctly across the accounting period in accordance with service income and expenditure trends/patterns where predictable and possible.
- To only incur expenditure if a budget exists for that expenditure.
- To monitor actual spend against profiled budget and advise the Head of Financial Services or representative of coding errors.

## 4. Budgets and Medium Term Planning

### 4.1 Why is this important?

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

A report on new proposals should explain the full financial implications, following consultation with the Chief Finance Officer. The Cabinet will decide whether additional revenue funding is made available for any new proposal, subject to Full Council approval or from within the virement rules.

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

Medium-term planning involves a planning cycle in which Chief Officers and Heads of Service develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.

#### 4.2 Responsibilities of the Chief Finance Officer:

- To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- To determine the detailed form of revenue estimates and the methods for their preparation.
- To prepare and submit reports to the Cabinet on the aggregate spending plans of sections on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- To advise on the medium-term implications of spending decisions.
- To encourage the best use of resources and value for money by working with Chief Officers and Heads of Service to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- To advise Full Council on Cabinet proposals in accordance with his/her responsibilities under section 151 of the Local Government Act 1972.
- To prepare and maintain a Medium-Term Financial Strategy.
- To undertake the responsibilities contained in Section 25 of the Local Government Act 2003 regarding:
  - (a) the robustness of the annual estimates submitted to Council for approval, and
  - (b) the adequacy of the proposed financial reserves.

#### 4.3 Responsibilities of Chief Officers and Heads of Service:

- To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet.
- To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Cabinet. The format should be prescribed by the Chief Finance Officer in accordance with Full Council's general directions.
- To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the Cabinet.
- When drawing up draft budget requirements, to have regard to:
  - (a) spending patterns and pressures revealed through the budget monitoring process.
  - (b) legal requirements.

- (c) policy requirements as defined by Full Council in the approved policy framework.
- (d) initiatives already under way.

## **5. Resource Allocation**

### **5.1. Why is this important?**

A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that the needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

### **5.2. Responsibilities of the Chief Finance Officer:**

- To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- To assist in the allocation of resources to budget managers.

### **5.3. Responsibilities of Chief Officers and Heads of Service:**

- To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

## **6. Capital Programs**

### **6.1. Why is this important?**

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

The Government places strict controls on the financing capacity of a local authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

### **6.2. Responsibilities of the Chief Finance Officer:**

- To prepare 5-year rolling capital programme jointly with the Head of Paid Service and Heads of Service and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to Full Council.
- To prepare and submit budget monitoring reports to Cabinet on the projected expenditure and resources compared with the approved estimates.
- To provide guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements.

- To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than a specified amount.
- To calculate prudential indicators to be used in connection with the Capital Programme.

### 6.3 Responsibilities of Chief Officers and Heads of Service:

- To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- To ensure that all capital proposals are processed through the Council's Capital Appraisal Methodology.
- To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final costs of schemes in the approved capital programme for submission to the Chief Finance Officer .
- To ensure that adequate records are maintained for all capital contracts.
- To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- To prepare and submit reports, jointly with the Chief Finance Officer, to the Cabinet, of any variation in contract costs greater than the approved limits.
- To prepare and submit reports, jointly with the Chief Finance Officer, to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.

## 7. Maintenance of Usable Reserves

### 7.1 What are reserves?

#### Usable

Usable reserves are amounts set aside by the Council as a result of surpluses, deferred expenditure or policy decisions to 'save' towards future expenditure. Reserves can be either specific (earmarked) or general.

#### Unusable

Unusable reserves are those that are kept to manage the accounting processes for non current assets, retirement and employee benefits, council tax income and financial instruments. They do not represent usable resources for the Council. The Chief Finance Officer has the authority to establish unusable reserves in accordance with the latest Code of Practice on Local Authority Accounting and is responsible for the monitoring and control of these.

## 7.2 Why is this important?

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

## 7.3 Responsibilities of the Chief Finance Officer:

- To advise Full Council on prudent levels of reserves for the Council.
- To comment on the adequacy of the proposed financial reserves in accordance with Section 25 of the Local Government Act 2003.
- To seek approval from Full Council to establish any new useable reserve and ensure compliance with the requirements of the latest Code of Practice on Local Authority Accounting and the Protocol .
- To seek approval from Full Council to utilise useable reserves.
- Agreeing the procedures for the treatment of year-end balances including carrying forward under and overspending on budget headings and the creation and transfers to reserves.

## 7.4 Responsibilities of Chief Officers and Heads of Service:

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

## 8. Section 106 Agreements

### 8.1 What are they?

Section 106 (S106) of the Town and Country Planning Act 1990 allows a local planning authority (LPA) to enter into a legally-binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a Section 106 Agreement. The Council can enter into this agreement with the developer where it is necessary to provide contributions to offset negative impacts caused by construction and development. The developer will either be required to carry out certain infrastructure works that are essential to the development going ahead or make contributions to the council for them to be carried out. All Section 106 agreements must be relevant to the development they relate to.

### 8.2 Responsibilities of the Chief Finance Officer:

- To ensure that there is a process in place for negotiating monitoring and accounting for Section 106 monies.

### 8.3 Responsibilities of Chief Officers and Heads of Service:

- To adhere to the process in place for negotiating, monitoring and accounting for Section 106 monies
- To ensure that payments/work are received/completed as per the agreement.
- To ensure agreements are monitored and payments are correctly accounted for.

- To ensure payments/work are spent/completed within the timescales stated in the agreement.
- To ensure payments received are correctly indexed as per the agreement if applicable.
- To provide an annual report on the position of Section 106 agreements to the Planning and Licensing Committee.

## **Section C – Risk Management and Control of Resources**

### **1. Risk Management**

#### **1.1 Why is it Important ?**

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

*It is the overall responsibility of the Cabinet to approve the Council's Risk Management Policy and Strategy, review it on an annual basis and to promote a culture of risk management awareness throughout the Council. Corporate Risks are managed and reported by Corporate Management Team and Heads of Service through the Strategic Risk Register and Operational Risks are managed through the service plans of each service area.*

#### **1.2. Responsibilities of the Head of Paid Service**

- To prepare and promote the Council's risk management policy statement.
- To develop risk management controls, including the maintenance of appropriate risk registers, in conjunction with other Chief Officers and Heads of Service .
- In conjunction with Chief Officers and Heads of Service , to ensure that all staff are given training and guidance as to how to manage risks in their areas of work.

#### **1.3. Responsibilities of the Chief Finance Officer:**

- To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
- To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

- To inspect insurance policies of contractors for building, construction or engineering works and consultants to ensure as far as possible that all necessary cover has been taken out.

#### 1.4. Responsibilities of Chief Officers and Heads of Service:

- To ensure that risk is managed effectively in each service area under their control.
- To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Council's insurers.
- To take responsibility for risk management, having regard to advice from the Head of Paid Service and other specialist officers (eg crime prevention, fire prevention, health and safety).
- To ensure that there are regular reviews of risk within their departments, and that all their staff are given training and guidance as to how to manage risk in their areas of work.
- To manage key corporate risks to the Council through the Strategic Risk Register.
- To maintain operational risk registers for all service areas under their control.
- To notify the Head of Paid Service promptly of all insured risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- To consult the Chief Finance Officer and Monitoring Officer on the terms of any indemnity that the Council is requested to give.
- To ensure that employees, or anyone covered by the Council'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.
- To forward insurance policies of all contractors for building, construction or engineering works and consultants to the Chief Finance Officer or his /her designated representative for that officer to inspect policies and where the end date of the policy precedes the end of the contract or the contract runs over several years updated or renewed policies are passed to the Chief Finance Officer or his/her designated representative for inspection.

## 2. Internal Controls

### 2.1. Why is this important?

The Council is a complex organisation which requires internal controls to manage and monitor progress towards strategic objectives. The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations. The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

The system of internal controls is established in order to provide measurable achievement of:

- efficient and effective operations.



- reliable financial information and reporting.
- compliance with laws and regulations.
- risk management.

## 2.2. Responsibilities of the Chief Finance Officer:

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

## 2.3 Responsibilities of Chief Officers and Heads of Service:

- To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Chief Finance Officer. This includes formally removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- To ensure staff have a clear understanding of the consequences of lack of control.
- To take proactive action to address any issues raised by the Council's auditors.

## 3. **Audit Requirement**

### 3.1 Internal audit

Why is this important?

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2011, regulation 6, more specifically require that “A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Regulation 4 of the Accounts and Audit Regulations 2011 states that “The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk”.

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

### 3.2. Responsibilities of the Chief Finance Officer:

- To ensure that internal auditors have the authority to:
  - (a) access the Council's premises at reasonable times.
  - (b) access all assets, records, documents, correspondence and control systems.
  - (c) receive any information and explanation considered necessary concerning any matter under consideration.
  - (d) require any employee of the Council to account for cash, stores or any other Council asset under his or her control.
  - (e) access records belonging to third parties, such as contractors, when required.
  - (g) directly access the Head of Paid Service, the Monitoring Officer, the Cabinet and any committee which has responsibility for audit.
- To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

### 3.3. Responsibilities of Chief Officers and Heads of Service:

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

## 4. External Audit

### 4.1 Why is this important?

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

The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The updated code of audit practice published in March 2010 sets out the auditor's principal objectives to review and report upon:

- the audited body's financial statements.

- the audited body's financial arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Council's accounts are scrutinised by external auditors, who must be satisfied that the Statement of Accounts presents a true and fair view of the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

4.2. Responsibilities of the Chief Finance Officer:

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

4.3. Responsibilities of Chief Officers and Heads of Service:

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

## 5. Preventing Fraud and Corruption

5.1. Why is it important?

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. The Council's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The Council also expects that individuals and organisations (eg suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and will take reasonable actions to prevent fraud and corruption.

The Council has established an Anti-Fraud and Anti-Corruption Framework within which all members and staff should adhere to. This includes a Whistle Blowing Protocol, Anti Money Laundering Policy and Anti Bribery Policy.

5.2. Responsibilities of the Chief Finance Officer (also the Anti-Money Laundering Officer):

- To maintain adequate and effective internal control arrangements.
- To ensure that all confirmed irregularities are reported to the Head of Paid Service, the Monitoring Officer, Cabinet and Audit and Governance Committee as appropriate.

5.3 Responsibilities of the Monitoring Officer:

- To develop and maintain an anti-fraud and anti-corruption framework including a whistleblowing protocol, an anti money laundering policy and an anti bribery policy.
- To maintain a corporate register of interests, gifts and hospitality.
- To ensure all contractors are informed of the Council's whistleblowing protocol.
- To make a report to the Cabinet and Council where it appears to him/her that the Cabinet or Council and/or officers appointed by them:
  - a) has made or is about to make a decision which contravenes any enactment, or rule of law;
  - b) has made or is about to make a decision that would give rise to maladministration or injustice as is mentioned in Part III of the Local Government Act 1974.

#### 5.4 Responsibilities of Chief Officers and Heads of Service:

- To ensure that all suspected irregularities are reported to the Chief Finance Officer.
- To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- To ensure all gifts and hospitality received by staff are properly recorded within the corporate register maintained by the Monitoring Officer.
- To ensure all staff are aware of the Council's anti-fraud and anti-corruption framework.

## 6. Assets

### 6.1 Security

#### 6.1.1 Why is this important?

The Council holds assets in the form of land and property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

#### 6.2. Responsibilities of the Chief Finance Officer:

- To ensure that an asset register is maintained in accordance with the latest Code of Practice on Local Authority Accounting and other good practice for all fixed assets with a value in excess of £10,000. The function of the asset register is to provide the Council with information about fixed assets so that they are:
  - (a) safeguarded;
  - (b) used efficiently and effectively;

(c) adequately maintained.

- To receive the information required for accounting, costing and financial records from each Head of Service.
- To ensure that assets are valued in accordance with the latest Code of Practice on Local Authority Accounting.
- To act in accordance with the Council's Property and Land Disposal Policy.

6.3. Responsibilities of Chief Officers and Heads of Service:

- To maintain, where appropriate, a property register for all land and buildings owned by the Council and to update records at least quarterly.
- To ensure that lessees and other prospective occupiers of council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Monitoring Officer, has been established as appropriate.
- To ensure the proper security of all buildings and other assets under their control.
- Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a report by the relevant Head of Service or Chief Officer unless the Council's Property and Land Disposal Policy applies.
- Assets other than land should normally be disposed of by competitive tender or public auction, unless the agreement of the Chief Finance Officer is obtained.
- To ensure that no Council asset is subject to personal use by an employee without proper authority.
- To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- To ensure cash holdings on premises are kept to a minimum.
- To ensure that keys to safes and similar receptacles are kept securely; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive, personal or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.
- To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £10,000 in value.
- To make arrangements for the care and custody of stocks and stores in the section.
- To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.

- To investigate and remove from the Council's records (ie write off) discrepancies subject to the approval of the Chief Finance Officer or his/her delegated Officer for write off values up to £10,000 and the Cabinet Member for Finance for values in excess of £10,000.

## **7. Intangible Assets**

### 7.1. Why is this important?

Intangible assets is a generic term that includes inventions, writing and computer software. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.

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

### 7.2 Responsibilities of Chief Officers and Heads of Service:

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

## **8. Asset Disposals**

### 8.1. Why is this important?

It would be uneconomic and inefficient for the cost of holding assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations/policies of the Council.

### 8.2 Disposal of Land and Property ( Non Housing )

The C has the authority to dispose of land and property.

#### 8.2.1 Responsibilities of the Chief Finance Officer (or delegated officer) :

- To provide guidance from time to time on the practice for the disposal of assets, excluding land.
- To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.
- To approve the disposal of assets (other than land) up to £5,000.
- To ensure that Cabinet Member for Finance approves the disposal of assets (other than land) in excess of £5,000.

#### 8.2.2 Responsibilities of Head of Service with responsibility for corporate property:

- To adhere to the Land and Property Disposals and Acquisitions Policy.
- To monitor and review the Councils non housing land and property assets and identify those that are surplus to requirements.
- To obtain maximum proceeds for disposal. Where possible this should be market value or above.

- To ensure that income received for the disposal of an asset is properly banked and accounted for.
- To advise the Chief Finance Officer so that the disposed asset can be deleted from the asset register and insurance schedule.

### 8.3 Disposal of surplus or obsolete materials, stores, plant or equipment

#### 8.3.1 Responsibilities of the Chief Finance Officer or his/her delegated officer:

- To provide guidance from time to time on the practice for the disposal of surplus or obsolete materials, stores, plant or equipment
- To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.
- To approve the disposal of assets up to £5,000.
- To ensure that the Cabinet Member for Finance approve the disposal of assets over £5,000.

#### 8.3.2 Responsibilities of Chief Officers and Heads of Service:

- To adhere to the guidance produced by the Chief Finance Officer for the practice on disposal of surplus or obsolete materials, stores , plant or equipment.
- To ensure that income received for the disposal of an asset is properly banked and accounted for in accordance with guidance from Procurement.
- To advise the Chief Finance Officer so that the disposed asset can be deleted from the insurance schedule and asset register if appropriate.

## 9. Treasury Management

### 9.1. Why is this important?

Many millions of pounds pass through the Council's books each year. To ensure proper control the Codes of Practice aim to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security and liquidity of the Council's money. The Council has adopted the CIPFA "Code of Practice on Treasury Management".

### 9.2. Treasury Management and Banking

#### 9.2.1 Responsibilities of Chief Finance Officer:

- To comply with the requirements of the Treasury Management Policy Statement.
- To open, operate and close such bank accounts as are considered necessary.

#### 9.2.2 Responsibilities of Chief Officers and Heads of Service:

- To follow the instructions on banking issued by the Chief Finance Officer.

### **9.3. Investments and Borrowing**

#### 9.3.1 Responsibilities of Chief Finance Officer:

- To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by Full Council.
- To ensure that all securities that are the property of the Council or its nominees are securely held.
- To effect all borrowings in the name of the Council.
- To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.

#### 9.3.2 Responsibilities of Chief Officers and Heads of Service:

- To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of Full Council or Cabinet as appropriate, following consultation with the Chief Finance Officer .

### **9.4 Trust Funds and Funds Held for Third Parties:**

#### 9.4.1 Responsibilities of Chief Officers and Heads of Service:

- To arrange for all Trust Funds are held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Chief Finance Officer unless the deed otherwise provides.
- To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and to maintain written records of all transactions.
- To ensure that Trust Funds are operated within any relevant legislation and the specific requirements for each trust.

### **9.5 Floats and Imprest Accounts**

These will only be available in exceptional circumstances and only on the authorisation of the Chief Finance Officer.

#### 9.5.1 Responsibilities of the Chief Finance Officer:

- To authorise new requests for floats and imprest accounts.
- To determine the amount of the float or imprest account.

#### 9.5.2 Responsibilities of Chief Officers and Heads of Service:

- To make adequate arrangements for the safe custody of float/imprest cash.
- To ensure that the accounts are closely monitored and reconciled at all times.

## **10. Staffing**

### 10.1 Why is this important?



In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level. The statutory posts of Head of Paid Service, Monitoring Officer and Chief Finance Officer must be established within the Council.

10.2. Responsibilities of the Head of Paid Service:

- To provide overall management to staff.
- To ensure that there is a process for authorising new or replacement posts and variation to existing post.

10.3 Responsibilities of Heads of Service:

- To ensure that budget provision exists for all existing and new employees.
- To produce an annual staffing budget.
- To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- To ensure that the Chief Finance Officer and Head of Paid Service are immediately informed if the staffing budget is likely to be materially over or underspent.
- To adhere to the Council's approved Human Resources policies and practices.
- To ensure that all records relating to sums payable to employees as remuneration or allowances are authorised and to provide specimen signatures to the Chief Finance Officer of all officers to whom this responsibility is delegated.
- To adhere to the process for authorising new or replacement posts and variation of existing post.(staffing resources request).

## **Section D – Financial Systems and Procedures**

### **1. Systems and Procedures**

#### **1.1 Why is it important?**

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

The Chief Finance Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.

1.2. Responsibilities of the Chief Finance Officer:

- To make arrangements for the proper administration of the Council's financial affairs, including to:
  - (a) provide advice, guidance and procedures for officers and others acting on the Council's behalf;
  - (b) determine the accounting systems, form of accounts and supporting financial records;
  - (c) establish arrangements for audit of the Council's financial affairs;
  - (d) approve any new financial systems to be introduced;
  - (e) approve any changes to be made to existing financial systems.

1.3. Responsibilities of Chief Officers and Heads of Service:

- To ensure that accounting records are properly maintained and held securely.
- To ensure that vouchers and documents both paper and electronic with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.
- To ensure that a complete audit trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- To incorporate appropriate controls to ensure that, where relevant:
  - (a) all input is genuine, complete, accurate, timely and not previously processed;
  - (b) all processing is carried out in an accurate, complete and timely manner;
  - (c) output from the system is complete, accurate and timely.
- To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- To ensure that systems are documented and staff trained in operations.
- To consult with the Chief Finance Officer before changing any existing system or introducing new systems.
- To maintain a scheme of delegation identifying officers authorised to act upon the Head of Service behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations.
- To ensure that effective business contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- To ensure that relevant standards and guidelines for computer systems (currently "Use of Computers Policy") are observed.

- To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- To ensure that staff do not divulge their password and do not misuse any computer system. Officers who misuse computer systems may be judged guilty of gross misconduct and may be disciplined.
- To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
  - (a) only software legally acquired and installed by the Council is used on its computers;
  - (b) staff are aware of legislative provisions;
  - (a) in developing systems, due regard is given to the issue of intellectual property rights.
- To ensure officers process and amend data in accordance with the Customer Contact Personal and Third Party Information Policy.

## **2. Income**

### **2.1. Why is it important?**

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and also avoids the time and cost of administering debt recovery.

### **2.2. Responsibilities of the Chief Finance Officer:**

- To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- To agree with Cabinet and be responsible for a Debt Management Strategy and Debt Write off Policy.
- To order and supply to sections all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- To adhere to the requirements of the Accounts and Audit Regulations 2011 with regard to the write off of debts.
- To agree the write off of bad debts up to £10,000 or nominate to delegate this to the specific Head of Service.
- To obtain the approval of the relevant Portfolio Holder for writing off debts in excess of £10,000.
- To ensure that appropriate accounting adjustments are made following write-off action.
- Except where charges are set by statute, to seek Cabinet approval to any new external charges and revisions to existing ones.

### **2.3. Responsibilities of Chief Officers and Heads of Service:**

- To record and accurately account for all sums approved for write off.
- To adhere to the Debt Management Strategy and Write Off Policy.
- To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.

- To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- To issue official receipts or to maintain other documentation for income collection.
- To ensure that there are secure and appropriate controls in place for opening post which may contain payments, so that all income due to the Council is collected and properly accounted for.
- To hold securely receipts, tickets and other records of income for the appropriate period.
- To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail.
- Money collected and deposited must be reconciled to the bank account on a regular basis.
- To ensure income is not used to cash personal cheques or other payments.
- To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, Chief Officers and Heads of Service should use established performance management systems to monitor recovery of income and flag up areas of concern to the Chief Finance Officer . Chief Officers and Heads of Service have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- To keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- To recommend to the Chief Finance Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- To notify the Chief Finance Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.
- To carry out regular reconciliations of income received to source records and retain copies of the reconciliations for future inspection.

### **3. Ordering and Paying for Work, Goods and Services**

#### **3.1. Why is this important?**

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Local authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Contract Standing Orders and Procurement Code of Practice.

Every officer and member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.

Official orders must be in a form approved by the Chief Finance Officer. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, or other exceptions specified by the Chief Finance Officer.

Apart from other payments from advance accounts, the normal method of payment from the Council shall be by Bank Automated Transfer drawn on the Council's bank accounts by the Chief Finance Officer. In exceptional circumstances the Head of Finance will approve cheque or other instrument or approved method of payment. The use of direct debit shall require the prior agreement of the Chief Finance Officer.

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

#### **3.2. Responsibilities of the Chief Finance Officer:**

- To ensure that all the Council's financial systems and procedures are sound and properly administered.
- To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- To approve the form of official orders and associated terms and conditions.
- To notify Chief Officers and Heads of Service from time to time of any exemptions to the need for placing orders.
- To make payments from the Council's funds on the Head of Service's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- To make payments to contractors on the certificate of the appropriate Head of Service, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

- To provide advice and encouragement on making payments by the most economical means.
- To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.
- To ensure there are up to date procedures for administering payments made by bank automated transfer.
- To maintain the authorised signatory list for orders and invoices. To include specimen signatures of the authorisers and the limits of their authority.

### 3.3. Responsibilities of Chief Officers and Heads of Service:

- To adhere to the Council's Contract Standing Orders and the Procurement Code of Practice.
- To ensure that unique pre-numbered official orders are used for all goods and services, other than for exceptions specified by the Chief Finance Officer.
- To ensure that orders are only used for goods and services provided to the section. Individuals must not use official orders to obtain goods or services for their private use.
- To ensure that official orders are raised for goods and services supplied to the Council at the time of order and not issued retrospectively.
- To ensure that orders are only raised where approved budgetary provision exists.
- To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
  - (a) receipt of goods or services
  - (b) that the invoice has not previously been paid
  - (c) that expenditure has been properly incurred and is within budget provision
  - (b) that prices and arithmetic are correct and accord with quotations or contracts and discounts have been taken where available
  - (c) correct accounting treatment of tax
  - (f) that the invoice is correctly coded
  - (g) that appropriate entries will be made in accounting records.
- To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of duplicate payments should be reported to the Chief Finance Officer.

- To encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Chief Finance Officer.
- To ensure that the section obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice principles and guidelines set out in the Council's Procurement Code of Practice.
- To ensure that loans, leasing or rental arrangements (excluding property) are not entered into without prior agreement from the Chief Finance Officer . This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the Final Accounts timetable produced by the Chief Finance Officer.
- To ensure that officers conform to the procedures for administering payments made by bank automated transfer.
- With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Chief Finance Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- To notify the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- To ensure that all appropriate payment records are retained and stored for the defined period.

#### **4. Payments to Employees and Members**

##### **4.1. Why is this important?**

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

##### **4.2. Responsibilities of the Head of Paid Service:**

- To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him/ her, on the due date.
- To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.

- To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.
- The Head of Democratic Services & Law is responsible for publishing` details of allowances paid to members in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.
- To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Records Management and Records Retention Policy.

#### 4.3. Responsibilities of Chief Officers and Heads of Service:

- To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- To notify the Head of Paid Service of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Head of Paid Service.
- To ensure that adequate and effective systems and procedures are operated, so that:
  - (a) payments are only authorised to bona fide employees;
  - (b) payments are only made where there is a valid entitlement;
  - (c) conditions and contracts of employment are correctly applied;
  - (d) employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- To send an up-to-date list of the names of officers authorised to sign records to the Chief Finance Officer, together with specimen signatures. Any payroll provider should have signatures of Human Resources officers and officers authorised to sign timesheets and claims.
- To ensure that payroll transactions are processed only through the payroll system. Chief Officers and Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. Her Majesty's Revenues and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Paid Service.
- To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Head of Paid Service is informed where appropriate.
- To ensure that the Head of Paid Service is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.



- To notify Customer Contact , IT Contractor, Human Resources, Payroll Officer, Accountancy, Procurement and other service areas as appropriate where employment of an officer has been terminated in order for their records to be updated. (eg signatory lists, authorisation rights to systems, security pass etc.)

#### 4.4. Responsibilities of Members:

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

### 5. **Taxation**

#### 5.1. Why is it important?

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

#### 5.2. Responsibilities of the Chief Finance Officer:

- To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- To provide details to HM Revenue and Customs regarding the Construction Industry Tax deduction scheme.
- To maintain up-to-date guidance for Council employees on taxation issues in the accounting manual and the tax manual.
- To review the Council's VAT partial exemption status on at least an annual basis.
- To ensure VAT is accounted for correctly.

#### 5.3. Responsibilities of Chief Officers and Heads of Service:

- To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with Revenue and Customs regulations.
- To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax deduction requirements.
- To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- To follow the guidance on taxation issued by the Chief Finance Officer in the Council's accounting manual and VAT manual.

### 6. **Trading Accounts and Business Units**

#### 6.1. Why is it important?

Trading accounts have become more important as local authorities have developed a more commercial culture. Authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

- 6.2. Responsibilities of the Chief Finance Officer:
- To advise on the establishment and operation of trading accounts and business units.
  - To advise on the reporting requirements for trading accounts.
- 6.3. Responsibilities of Chief Officers and Heads of Service:
- To consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
  - To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged.
  - To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
  - To ensure that each business unit prepares an annual service plan.
  - To adhere to the legislative reporting requirements for trading accounts.

## **Section E – External Arrangements**

### **1. Partnerships**

#### **1.1. Why are they important?**

Partnerships are likely to play a key role in delivering services and the council's place shaping role in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver services, however have a distinctive leadership role to bring together the contributions of the various stakeholders.

Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations.

The main reasons for entering into a partnership are:

- the desire to find new ways to share risk
- the ability to access new resources
- to provide new and better ways of delivering services
- to forge new relationships.

A partnership is defined by the council as a formal working arrangement involving one or more independent bodies, from any sector, who share responsibility and agree to co-operate towards a common goal.

#### **1.2 Corporate Partnership**

The council will maintain, monitor and evaluate its Corporate Partnerships through a partnership register.

Corporate Partnerships are defined where they meet one or both of the following criteria:

- (a) the council has a statutory duty to be involved in the partnership.
- (b) the council makes a financial contribution (£5,000 or more) towards the partnership.

1.3. Responsibilities of the Chief Finance Officer:

- To advise on effective controls that will ensure that resources are not wasted.
- To advise on the key elements of funding a project. They include:
  - (a) a scheme appraisal for financial viability in both the current and future years;
  - (b) risk appraisal and management;
  - (c) resourcing, including taxation issues;
  - (d) audit, security and control requirements;
  - (e) carry-forward arrangements.
- To ensure that the accounting arrangements are satisfactory.

1.4. Responsibilities of Chief Officers and Heads of Service:

- To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Chief Finance Officer.
- To consult with the Chief Finance Officer, as necessary, on a scheme's appraisal for financial viability in both the current and future years.
- To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- To ensure that all agreements and arrangements are properly documented.
- To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Council's statement of accounts concerning material items.

## 2. External Funding

2.1 Why is this important?

External funding is potentially a very important source of income, but funding conditions need to be carefully considered and monitored to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies provide additional resources to enable the Council to deliver services to the local community.

2.2 Responsibilities of the Chief Finance Officer:

- To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- Where he/she is specifically responsible for submitting grant claims, to ensure that all claims for funds are made by the due date.

- To ensure that audit requirements are met.

### 2.3 Responsibilities of Chief Officers and Heads of Service:

- To ensure that Cabinet approval is sought for all external funding bids over £10,000.
- To consult with the Chief Finance Officer on any application for external funding prior to its submission to Cabinet.
- Where he/she is specifically responsible for submitting grant claims, to ensure that all claims for funds are made by the due date.
- To ensure that the project progresses in accordance with the agreed project plan, conditions and project outcomes and that all expenditure is properly incurred and recorded.
- To maintain adequate supporting documentation to enable claims for funding to be fully evidenced and maximised.

## 3. Work for Third Parties

### 3.1. Why is this important?

Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is not *ultra vires*.

### 3.2. Responsibilities of Chief Finance Officer:

- To provide guidance with regard to the financial aspects of third party contracts.

### 3.3. Responsibilities of Chief Officers and Heads of Service:

- To consult with the Chief Finance Officer prior to obtaining the approval of the Cabinet before any negotiations are concluded in regard to third parties arrangements.
- To inform the Chief Finance Officer of all contracts entered into.
- To ensure that appropriate insurance arrangements are made.
- To ensure that the Council is not put at risk from any bad debts.
- To ensure that no contract is subsidised by the Council without the approval of the Cabinet.
- To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- To ensure that the staff has the appropriate expertise to undertake the contract.
- To ensure that such contracts do not impact adversely upon the services provided for the Council.
- To ensure that all contracts are properly documented.
- To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts.