

**FINANCIAL REGULATIONS**

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# 1 INTRODUCTION

- 1.1 The Financial Regulations and Contract Procedure Rules provide the framework for managing the Council's financial affairs. They apply to all Members and staff of the Council and anyone acting on its behalf.
- 1.2 All Members and staff have a 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.
- 1.3 The Director of Resources is responsible for maintaining a continuous review of Financial Regulations and submitting any additions or changes necessary to the full Council for approval. The Director of Resources is also responsible for reporting, where appropriate, breaches of the Financial Regulations to appropriate committees and/or the Council.
- 1.4 Chief Officers are responsible for ensuring that all staff in their departments are aware of, and comply with, the Council's Financial Regulations and Contract Procedure Rules.
- 1.5 The Director of Resources is responsible for issuing advice and guidance to underpin the Financial Regulations which Members, officers and others acting on behalf of the Council are required to follow.
- 1.6 Staff requiring further advice should contact their line manager. Any failure to comply may lead to action by management in accordance with the Council's disciplinary procedures.
- 1.7 The Financial Regulations and Contract Procedure Rules set out the framework for managing the Council's financial affairs. As such they do not cover every eventuality and therefore the spirit should always be followed. Where there is any uncertainty the Director Of Resources / Monitoring Officer should be consulted.

**Note** Throughout this document the term **Chief Officers** is used and refers to the **Strategic Directors, Chief Officers and Heads Of Service** as per the **Senior Management structure of the Council**.

## **2 FINANCIAL MANAGEMENT**

### **2.1 Why Is this important/?**

2.1.1 Financial Management encompasses all financial accountabilities in relation to the running of the Council, including the budget and policy framework.

### **2.2 Responsibilities of Elected Members**

- The Council: Approves the policy framework and budget within which the Cabinet operates and approves the Constitution.
- The Cabinet: Propose the policy framework and budget to the Council and discharge functions in accordance with the policy framework and budget.
- Executive Members: Individual Executive Members have decision making powers in accordance with the Constitution (including the Financial Regulations and Contract Procedure Rules) and Scheme of Delegation.
- Scrutiny Committee. Scrutinises Cabinet / Executive decisions before or after they have been implemented.
- Audit and Risk Management Committee. An advisory body that reports to the Council having right of access to all information it considers necessary and can consult directly with auditors.

### **2.3 Responsibilities of Statutory Officers**

- Head of Paid Service (Chief Executive) is responsible for the corporate and overall strategic management of the Council and monitoring the performance of the organisation.
- Monitoring Officer (Head of Legal and Member Services). The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct; for reporting any actual or potential breaches of the law or maladministration to the Council and/or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

### **2.4 The Role Of The Director of Resources**

2.4.1 The Director has statutory duties in relation to the financial administration and stewardship of the Council which cannot be overridden. Also appointed as the Council's Money Laundering Reporting Officer and will maintain and advise on Anti-Money Laundering procedures.

2.4.2 The statutory responsibility arises from:

- (i) Section 151 of the Local Government Act 1972.
- (ii) The Local Government and Finance Act 1988.
- (iii) The Accounts and Audit Regulations.

2.4.3 The responsibility is for the proper administration of the Council's financial affairs and includes;

- (i) setting and monitoring compliance with appropriate financial management standards.
- (ii) advising on the corporate financial position and on the key financial controls to secure sound financial management;
- (iii) providing financial information.
- (iv) preparing the revenue budget and capital programme.
- (v) treasury management.
- (vi) ensuring an adequate and effective system of internal audit is in place.

2.4.4 Section 114 of the Local Government Finance Act 1988 requires the Director of Resources to report to the Council, Cabinet and external auditor, if the Council or one of its staff:

- (i) has made, or is about to make, a decision which involves incurring unlawful expenditure.
- (ii) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council.
- (iii) is about to make an unlawful entry in the Council's accounts.

2.4.5 The Director of Resources must also make a report under this section if it appears that the expenditure of the Council (including that which it is proposing to incur) in a financial year is likely to exceed the resources available to meet that expenditure.

## **2.5 The Role of Chief Officers**

2.5.1 Chief Officers are responsible for ensuring that the Cabinet is advised of the financial implications of all proposals and that those implications have been agreed by the Director of Resources.

2.5.2 Chief Officers must consult the Director of Resources and seek his/her approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

## **2.6 Financial Management Standards**

2.6.1 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 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. Therefore all staff and Members should comply with Financial Regulations. Failure to do so may lead to disciplinary action.

2.6.2 The key controls for financial management standards are:

- (i) to ensure their promotion throughout the Council.
- (ii) to have in place a system to review compliance with Financial Regulations.

2.6.3 The Director Of Resources has to:-

- (i) set the financial management standards which should ensure best professional practices and monitors compliance. As the head of the profession in relation to finance staff has responsibility for their standards, performance and development.
- (ii) advise on the key strategic controls necessary to secure sound financial management.
- (iii) ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

2.6.4 Chief Officers have to promote the financial management standards in their departments, and monitor adherence to them, liaising as necessary with the Director of Resources.

## **2.7 Managing Expenditure**

2.7.1 Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. They should 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 must plan to fund such commitments from within their own budgets, in accordance with the Council's scheme for virement.

2.7.2 The format of the budget is approved by the full Council and is based on advice from the Director of Resources. No budget holder is permitted to exceed any budget within their direct control, as agreed by full Council, without specific approval from full Council. However, in pursuance of good financial management and to promote a degree of flexibility Chief Officers may vire resources between budgets.

## **2.8 Virements**

2.8.1 Whilst Council sets a Budget before the 11 March for the following financial year there will inevitably need to be changes to the approved Budget during the year. To ensure there is appropriate control over such changes known as virements the procedures follow. It is stressed that virement from / to Employee budgets to / from All Other Budget Heads is not permitted.

## 2.8.2 Revenue Budget - Changes to Approved Policies/Increase in Expenditure requiring Director and / or Member approval

Where services wish to undertake an activity not originally identified in the approved budget, or there is an overall increase in the cash income or expenditure of the Council, approval must be sought for a supplementary revenue estimate or a virement. The level of approval required will depend on the source of funding. Where the source does not include general reserves, earmarked reserves or contingency provisions, the approval levels are:

<b>Approver</b>	<b>Approval Limit</b>
Directors in consultation with Executive	Up to £250,000
Cabinet Member for Finance	£250,001 to £500,000
Cabinet	£500,001 to £1m
Council	Over £1m.

Changes to be funded wholly or in part from general reserves, regardless of value, must be approved by Full Council. Full Council approval is also required where there are significant implications (as determined by the Director of Resources) for future years' budgets. For supplementary revenue estimates that are to be funded from earmarked reserves, the approval limits are:

<b>Approver</b>	<b>Approval Limit</b>
Director of Resources	Up to £100,000
Director of Resources in consultation with the Cabinet Member for Finance	£100,001 to £500,000
Cabinet	£500,001 to £1m
Council	Over £1m.

Contingency provisions can only be used to fund a supplementary revenue estimate if they were included within the budget agreed at Full Council at the annual budget setting meeting. The approval limits which apply to all contingency provisions, including pay and price contingencies, and will be subject to out-turn for funding from contingency provisions are:

<b>Approver</b>	<b>Approval Limit</b>
Director of Resources	Up to £500,000
Cabinet Member for Finance	£500,001 to £1m
Cabinet	Over £1m.

### 2.8.3 Revenue Budgets - Administrative Changes

Where the virement is essentially of an administrative nature and not involving a change from existing approved policies, Member approval is not required. The Director Of Resources should be consulted where there is uncertainty as to whether a proposed virement constitutes a change of approved policy. Such changes include the following:

- re-analysis of school “one-line” budgets.
- Implementation of restructuring and reorganisation proposals that have already received the appropriate level of officer and member approval.
- Routine changes to the structure of the accounting system.
- Changes to notional accounting budgets which are required for reporting purposes but which do not impact on the Councils cash expenditure such changes to depreciation.

### 2.8.4. Revenue Budgets Carry Forwards

During the course of the financial year, services can request permission to provisionally carry forward a revenue underspend at year end. These must be supported by an appropriate business case demonstrating that the underspend was planned and that the resources carried forward will be earmarked for a specific purpose or issue. Chief Officers should ensure that there are no unfunded overspends within their department. It is extremely unlikely that proposed carry forwards for a service will be approved if there are unfunded overspends elsewhere within the department.

These will be approved in principle as “subject to outturn ” and further approval will not be required unless there is a significant issue that in the view of the Director Of Resources needs to be brought to the attention of Members. The approval limits for these in year revenue carry forwards are:

<b>Approver</b>	<b>Approval Limit</b>
Director of Resources	Up to £100,000
Cabinet Member for Finance	Over £100,001

Any residual overspending on a Service budget at out-turn will be carried forward as the first call on the following year’s budget.

## Capital Programme - requiring Director and / or Member approval

### 2.8.5 Supplementary Capital Estimates (existing schemes)

Where services wish to increase the level of expenditure on an existing allocation and the funding is not going to be vired from another existing allocation (as set out above), approval must be sought for a supplementary capital estimate. The level of approval required will depend on the source of funding. Where the funding does not include use of additional Council resources (includes borrowing, capital receipts and capital reserves) the approval limits are:-

Approver	Approval Limit
Director	Up to £100,000
Directors in consultation with Cabinet Members	£100,001 to £250,000
Cabinet Member for Finance	£250,001 to £500,000
Cabinet	£500,000 to £1m
Full Council	Over £1m.

Changes funded wholly or in part from additional Council resources such as reserves, borrowing and capital receipts, regardless of value, must be approved by Full Council. Full Council approval is also required where there are significant implications (as determined by the Director of Resources) for future years' budgets.

### 2.8.6. Supplementary Capital Estimates (new schemes)

Where services wish to undertake a capital scheme which is not included in the approved capital programme, they must follow the approval process and prepare a business case for review by the Capital Programme Group regardless of value or source of funding. Once approval of the Capital Programme Board has been obtained, Member approval is required before the scheme can commence. The same approval rules (depending on amount and source of funding) apply as for existing schemes (as in section 2.8.5).

### 2.8.7. Capital Programme Reductions

Where services wish to reduce the size of a capital scheme budget funded from Council resources such as borrowing or capital receipts the approval limits set out in section 2.8.5 should be followed. If a budget reduction is required due to a third party decision to withdraw external funding the approval of the relevant Director is sufficient.



### 2.8.8. Capital Carry Forwards

During the course of the financial year, services can request permission to provisionally carry forward a capital underspend on an allocation at year end. These must be supported by an appropriate business case demonstrating this was planned and the resources carried forward will be earmarked for a specific purpose or issue. It cannot be assumed that underspends will automatically roll forward into the following year. In-year, capital carry forwards will be approved in principle as “subject to outturn”. It is extremely unlikely that proposed carry forwards for a capital allocation will be approved if there are unfunded overspends elsewhere within the departmental capital programme. The approval limits are:

<b>Approver</b>	<b>Approval Limit</b>
Director of Resources	Up to £100,000
Cabinet Member for Finance	Over £100,001

It is extremely unlikely that proposed carry forwards for a capital allocation will be approved if there are unfunded overspends elsewhere within the departmental capital programme.

## 2.9 Accounting Policies

2.9.1 The Director of Resources is responsible for the preparation of the Council’s annual Statement of Accounts. These have to be prepared in accordance with current legislation and good practice.

2.9.2 The key controls for accounting policies are:

- (i) systems of internal control are in place to ensure that financial transactions are lawful;
- (ii) suitable accounting policies are selected and applied consistently;
- (iii) accurate and complete accounting records are maintained;
- (iv) financial statements are prepared which present a true and fair view of the financial position of the Council and its income and expenditure.

2.9.3 The Director of Resources has to select suitable accounting policies which are in accordance with best practice and ensure that they are applied consistently. The accounting policies are set out in the annual Statement of Accounts.

#### 2.9.4 Chief Officers are :-

- (i) to consult with, and obtain approval from the Director of Resources before making any changes to accounting records or procedures.
- (ii) to maintain adequate records which provide an audit trail leading from the source of income/expenditure through to the accounting statements, in accordance with Guidelines for Financial Systems, and for supplying information required to enable the Director of Resources to complete the Statement of Accounts.
- (iii) to adhere to the accounting policies and guidelines as approved by the Director of Resources.

### **2.10 Accounting Records and Returns**

2.10.1 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. There is a statutory responsibility to prepare an annual Statement of Accounts, in accordance with proper practice as set out in the format required by the Code Of Practice On Local Council Accounting In The United Kingdom for each financial year ending 31 March. These are subject to external audit, which 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.

2.10.2 The key controls for accounting records and returns are:

- (i) all Cabinet Members, finance staff and budget managers operate within the required accounting standards and timetables;
- (ii) all the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
- (iii) reconciliation procedures are carried out to ensure transactions are correctly recorded;
- (iv) prime documents are retained in accordance with legislative and other requirements;
- (v) procedures are in place to enable accounting records to be reconstituted in the event of systems failure.

2.10.3 The Director Of Resources has to :-

- (i) determine the accounting procedures and records for the Council and arranging for the compilation of all accounts and accounting records under his/her direction, in accordance with best practice.
- (ii) when allocating accounting duties 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 or disbursing them. Staff with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- (iii) preparing the timetable for the Statement and ensures completion in accordance with the statutory timetable. This includes making proper arrangements for the audit of the accounts in accordance with the Accounts and Audit Regulations as updated from time to time;
- (iv) ensuring that all claims for funds, including grants, are made by the due date and that guidance is issued to Chief Officers to ensure that this can be achieved;
- (v) issue guidance on the retention of financial documents relating to minimum periods for retention and ensure that these timescales are complied with.

2.10.4 Chief Officers are responsible for ensuring that staff in their department are aware of, and adhere to, the accounting policies, procedures and guidelines within the set timescales as set by the Director Of Resources.

### **3 FINANCIAL PLANNING**

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

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

- The Corporate Plan – sets out the long term aims and objectives. It is regularly revisited to ensure that the Council's priorities remain relevant to its overall aims and to assess the progress being made in achieving these.
- The Medium Term Financial Strategy - details the scenario over the medium term and the options available. As the Council is a complex organisation responsible for delivering a wide variety of services effective planning is needed to enable scarce resources to be allocated in accordance with priorities. The Strategy and the annual Budget are the financial expressions of the Council's plans and policies.

#### **3.2 Policy Framework**

3.2.1 The Director Of Resources advises the Council on the financial environment, financial policies (including the appropriate levels of reserves and balances, prudential borrowing and treasury management),

3.2.2 Chief Officers support the process by developing service scenario and policy and expenditure options in their area of responsibility in a format determined by the Director Of Resources.

3.2.3 The Cabinet, advised by the Director Of Resources and Chief Officers develop a budget package which is subject to scrutiny before referral to Council. Council determines the final Budget and Council Tax.

#### **3.3 Format of the Budget**

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

3.3.2 The key controls for the budget format are:

- (i) the format complies with all legal requirements
- (ii) the format complies with current best professional practice
- (iii) the format reflects the accountabilities of service delivery.

3.3.3 The Director of Resources is responsible for advising the Council. Members and officers on the format of the budget to be approved by full Council.

3.3.4 Chief Officers are required to comply with accounting guidance issued by the Director of Resources.

### **3.4 Budget Preparation**

3.4.1 The Council produces an annual Revenue Budget and Capital Programme (paragraph 3.7).

#### **Revenue Budget**

3.4.2 The Revenue Budget is the Council approved plan for spending to deliver the agreed priorities and has been prepared in accordance with the policy and format above. Revenue expenditure is broadly defined as any expenditure incurred on the day-to-day running of the Council and includes items such as salaries, energy costs and consumable supplies.

3.4.3 The key controls for budgets and medium-term planning are:

- (i) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Cabinet for their budgets and the level of service to be delivered
- (ii) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

3.4.4 It is the responsibility of the Director of Resources to:-

- (i) prepare and submit reports on budget prospects to the Cabinet, including resource constraints set by the Government;
- (ii) determine the form of revenue estimates and the methods for their preparation after consultation with Chief Officers;
- (iii) prepare and submit reports to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied;
- (iv) calculate income levels from general and specific grants and the proceeds of the Business Rate;
- (v) advise on the medium-term implications of spending decisions, including implications of capital programme decisions;
- (vi) encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness,

- (vii) advise the Council on Cabinet proposals in accordance with his / her responsibilities under Section 151 of the Local Government Act 1972, as amended, and with other relevant legislation. This includes the robustness of the estimates contained within the Budget proposed by Cabinet and the adequacy of the reserves in the proposals.

3.4.5 In conjunction with the Director of Resources, Chief Officers:-

- (i) prepare estimates of income and expenditure, to be submitted to the Cabinet;
- (ii) prepare budgets which are consistent with the Council's annual budget cycle and within the approved Council guidelines;
- (iii) integrate financial plans into service planning, so budgets can be supported by financial and non-financial measures;
- (iv) prepare detailed draft revenue and capital budgets for consideration by the Cabinet, in accordance with the laid-down guidance and timetable having regard to:
  - (a) spending patterns and pressures revealed through the budget monitoring process;
  - (b) legal requirements;
  - (c) policy requirement as defined by the full Council in the approved policy framework;
  - (d) initiatives already under way.

### **3.5 Resource Allocation**

3.5.1 Commonly available resources are not adequate to fulfil all needs and desires. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, fixed assets, money, equipment, goods and materials.

3.5.2 The key controls for resource allocation are:

- (i) resources are acquired in accordance with the law and using an approved authorisation process;
- (ii) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
- (iii) resources are securely held for use when required;
- (iv) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

3.5.3 The Director of Resources advises on methods available for the funding of resources and assists in the allocation of resources to budget managers.

3.5.4 Chief Officers are responsible for working within budget limits and utilise resources allocated in the most efficient, effective and economic way. This includes the identification of opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

### **3.6 Revenue Budget Management**

3.6.1 Budget management is the preparation, monitoring and control of budgets. It ensures that allocated resources are used for their intended purpose 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 provides the mechanism that makes managers responsible for defined elements of the budget.

3.6.2 By continuously reviewing and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council operates within an annual cash limit, approved when setting the overall budget. Each service is required to manage its own expenditure within the budget allocated to it.

3.6.3 Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring revenue expenditure from one-off sources of savings or additional income, or creating future commitments for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets.

3.6.4 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. However, budgetary control with monthly reporting may take place at a more detailed level if this is required.

3.6.5 The key controls for managing and controlling the revenue budget are:

- (i) Expenditure should be prioritised using an appropriate methodology;
- (ii) budget managers should be responsible only for income and expenditure that they can influence;
- (iii) there is a nominated budget manager for each budget heading ;
- (iv) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- (v) budget managers follow an approved certification process for all expenditure;
- (vi) income and expenditure are properly recorded and accounted for;

- (vii) budgets are profiled over the financial year taking account of all relevant factors.
- (vii) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget;
- (viii) specific budget approval is given for all expenditure;
- (ix) budget managers are appropriately trained to carry out their budgetary control responsibilities.
- (x) formal orders for goods and services must be raised in advance through the Accounts Payable system.

3.6.6 The Director Of Resources establishes an appropriate framework of budgetary management and control, with frequent (at least monthly) reports to the Executive Board to ensure that:

- (i) budget management is exercised within annual cash limits unless the full Council agrees otherwise;
- (ii) each Chief Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
- (iii) expenditure is committed only against an approved budget head;
- (iv) all officers responsible for committing expenditure comply with relevant guidance and the Financial Regulations;
- (v) each cost centre has a single, named manager, determined by the relevant Chief Officer. Budget responsibility should be aligned as closely as possible to the decision-making processes which commit expenditure;
- (vi) significant variances from approved budgets are investigated and reported by budget managers regularly.

The Director Of Resources also

- (i) administers the Council's scheme of virement.
- (ii) prepares and submits reports on the Council's projected income and expenditure compared to budget on a regular basis.
- (iii) prepares and submits reports to Cabinet and Council, in consultation with the relevant Chief Officer, when a Chief Officer is unable to balance expenditure and income within their approved budget.

3.6.7 It is the responsibility of Chief Officers:-

- (i) to maintain budgetary control within their departments, in adherence to the principles outlined above, and to ensure that all income and expenditure is properly recorded and accounted for;



- (ii) to ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Officer. Budget responsibility should be aligned as closely as possible to the decision making which commits expenditure;
- (iii) 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;
- (iv) to ensure that an effective monitoring process is in place to review performance levels/levels of service in conjunction with the budget;
- (v) to prepare and submit to the Cabinet, reports on the service's projected expenditure compared with its budget, in consultation with the Director of Resources.
- (vi) To ensure compliance with the scheme of virement.
- (vii) To agree with the relevant Chief Officer where it appears a budget proposal, including a virement proposal, may materially impact upon another service area or level of service activity.
- (viii) To report to Cabinet and to Council, in consultation with the Director Of Resources, when unable to balance expenditure and income within the approved budget.

### **3.7 Capital Programmes**

3.7.1 Capital expenditure is broadly defined as expenditure in excess of £10,000 which involves acquiring or adding to the value of assets (as opposed to merely maintaining the value). This includes land, buildings, major items of plant, equipment or vehicles and IT equipment. 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.

3.7.2 The key controls for capital programmes are:-

- (i) specific approval by the Council for the capital expenditure programme which is based on clearly defined prioritisation criteria;
- (ii) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project;
- (iii) the reporting of the acceptance of tenders for individual schemes to the appropriate committee in accordance with Contract Procedure Rules;
- (iv) the development and implementation of the asset management plan;
- (v) accountability for each proposal is devolved to, and accepted by a named manager;

- (vi) the monitoring and reporting of progress in conjunction with expenditure and comparison with approved budget

3.7.3 The Director of Resources is responsible for:

- (i) the production of the Council's capital programme.
- (ii) the development of corporate prioritisation methodologies to assist the Council in determining the Capital Programme within defined resource limitations;

3.7.4 The Head Of Asset Management is responsible for the production of the Council Asset Management Plan, and the overall management and control of the Council's assets. This includes responsibility for the identification of, and sale of, surplus assets.

3.7.5 Chief Officers are responsible for:

- (i) the development, implementation and monitoring of the capital programme.
- (ii) ensuring that the Cabinet is advised of the financial implications of all proposals, and that these implications have been agreed by the Director of Resources;
- (iii) ensuring that all capital proposals have undergone a project appraisal being presented in the form of a business case showing how the project meets Council objectives, details of how it will be managed, including resource implications and the expected outcomes.

### **3.8 Maintenance of Reserves**

3.8.1 The Council determines the prudent level of general reserves it wishes to maintain having regard to risk levels before it can decide the level of Council Tax. Reserves 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.

3.8.2 The key controls are:-

- (i) To maintain reserves in accordance with the relevant codes of practice on local Council accounting in the United Kingdom and agreed accounting policies.
- (ii) For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

3.8.3 The Director of Resources is responsible for advising the Cabinet and/or the full Council on prudent levels of reserves for the Council.

3.8.4 Chief Officers will ensure that resources are only used for the purposes for which they were intended.

## **4 RISK MANAGEMENT AND CONTROL OF RESOURCES**

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

4.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

### **4.2 Risk Management**

4.2.1 All organisations 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 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.

4.2.2 The key controls for risk management are:

- (i) the Council has a clear Risk Management Strategy;
- (ii) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Council;
- (iii) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis;
- (iv) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.

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

4.2.4 There are two levels to the Risk Register:

Corporate - risks that impact on the Council's overall objectives either because of their frequency of occurrence or the significance of the impact.

Departmental - risks that impact on the service objectives. There should be a movement of risks both upwards and downwards throughout the levels and treatment addressed at the most appropriate level of the Council.

#### 4.2.5 The Director of Resources

- (i) In conjunction with Chief Officers to prepare and promote the Council's risk management policy statement.
- (ii) develops risk management controls in conjunction with other chief officers to ensure that the culture of Risk Management is embedded within the Council.
- (iii) effect corporate insurance cover, through external insurance and internal funding, and to arrange for the negotiation of claims in consultation with other officers where necessary.

4.2.6 Chief Officers are responsible for ensuring Risk Management is carried out at both an operational and strategic level in accordance with the agreed guidance and procedures. Departmental strategic risk assessments will be carried out annually and form the basis of the Directorate element of the Council Risk Register. The corporate risk register will be reported to the Executive Team and the Audit and Risk Management Committee in accord with the budget reporting cycle.

4.2.7 Departmental Risk Registers, and associated actions, will be monitored and reviewed on a regular basis (at least monthly) as part of the performance management process. The Director of Resources should be informed of any Departmental or Service risks that are considered significant enough to raise to the corporate level.

### **4.3 Insurance**

4.3.1 The Director Of Resources (Insurance and Risk Manager) maintains and administers the Council's insurances in accordance with the Risk Management Strategy. This includes authorising the settlement or repudiation of insurance claims and associated costs. Advice will be sought from the Council's appointed insurers and legal advisors.

4.3.2 Chief Officers must notify the Insurance and Risk Manager of:-

- (i) any insurance claims received.
- (ii) events which may result in an insurance claim against the Council.
- (iii) any new risks which require insurance or of alterations to existing insurances. This includes new projects, new ways of working and changes in legislation which require new ways of working.
- (iv) changes to the assets insured by the Council.

4.3.3 Chief Officers must ensure the retention of documents in accord with the Council retention policy and co-operate with the Insurance and Risk Team in providing the correct documentation within the strict timescales of Civil Procedure Rules.

## **4.4 Internal Controls**

4.4.1 As a large, complex organisation the Council requires internal controls to manage and monitor progress towards strategic objectives and to identify, meet and monitor compliance with statutory obligations.

4.4.2 The Council must, on an annual basis, produce an Annual Governance Statement. This Statement must provide a description of the system of internal control within the Council, a description of work undertaken to assess the effectiveness of the internal control framework and any significant internal control weaknesses.

4.4.3 The system of internal control is established in order to provide measurable achievement of:-

- (i) efficient and effective operations;
- (ii) reliable financial information and reporting;
- (iii) compliance with laws and regulations;
- (iv) risk management.

4.4.4 The key controls and control objectives for internal control systems:--

- (i) key controls should be reviewed on a regular basis and the Council make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively. This is the Annual Governance Statement which is signed by the Chief Executive and the Leader of the Council;
- (ii) the presence of managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
- (iii) financial and operational control systems and procedures, which include physical safeguards for assets, separation of duties, authorisation and approval procedures and information systems;
- (iv) an effective internal audit function that is properly resourced. It should operate in accordance with statutory obligations and regulations, and current best professional practice.

4.4.5 The Director of Resources is responsible for ensuring that an appropriate control environment and effective internal controls are in place, which provides reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

4.4.6 The Director of Resources is the designated statutory officer (as set out in Section 151 of the Local Government Act 1972) for the Council's financial affairs.

#### 4.4.7 CIPFA advise that:-

- (i) he/she is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
- (ii) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- (iii) must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

#### 4.4.8 Chief Officers are responsible for:-

- (i) managing 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.
- (ii) reviewing existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Director of Resources. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective, for example, because of duplication.
- (iii) ensuring staff have a clear understanding of the consequences of lack of control.

### **4.5 Audit Requirements**

4.5.1 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

4.5.2 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'. The Accounts and Audit Regulations 2003, Regulation 6, more specifically require that a 'relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control'.

4.5.3 The key controls for internal audit are:

- (i) that it is independent in its planning and operation;
- (ii) the Chief Internal Auditor has direct access to the Chief Executive, all levels of management and directly to elected Members;
- (iii) internal auditors comply with current best professional practice.

4.5.4 The Director of Resources is responsible for maintaining an independent continuous audit of the financial records, operations and systems of control in accordance with current best professional practice.

4.5.5 The Director of Resources is responsible for ensuring that there is effective liaison between external and internal audit and has Council:-

- (i) to enter any premises or land without prior notification to examine all records, documents, correspondence and management systems relating to any financial and other transactions of the Council;
- (ii) to require and receive such explanations as he/she deems necessary in order to satisfy him/herself on any matter under consideration;
- (iii) to require production of any information or items deemed necessary for the efficient and effective conduct of the audit.

4.5.6 The Council must appoint an external auditor within a statutory framework overseen by the National Audit Office. The external auditor has rights of access to all documents and information necessary for audit purposes.

4.5.7 The external auditor's objectives to review and report upon:

- (i) the financial aspects of the audited body's corporate governance arrangements;
- (ii) the audited body's financial statements;
- (iii) aspects of the audited body's arrangements to manage its use of resources in delivering value for money.

4.5.8 The key controls are that the External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Commission prepares a Code of Audit Practice, which external auditors follow when carrying out their audits.

4.5.9 The Director of Resources has 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.



4.5.10 Chief Officers similarly 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. They also ensure that the receipt and action taken in response to the recommendations within external audit reports, relating to services for which they are responsible, are reported promptly to the appropriate committee.

## **4.6 Preventing Fraud and Corruption**

4.6.1 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

4.6.2 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.

4.6.3 The Council also expects that individuals and organisations with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

4.6.4 The key controls regarding the prevention of financial irregularities are:-

- (i) the Council has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption;
- (ii) all Members and staff act with integrity and lead by example;
- (iii) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt;
- (iv) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded;
- (v) whistle blowing procedures are in place and operate effectively
- (vi) all relevant legislation is followed.

4.6.5 The Director of Resources has responsibility to develop and maintain relevant anti-fraud and anti-corruption policies and monitor the effectiveness of internal control arrangements.

4.6.6 Chief Officers must ensure that all suspected irregularities and financial improprieties are reported to the Director of Resources.

## **4.7 Assets**

4.7.1 The Council holds assets in the form of land, buildings, major items of plant, equipment, vehicles, IT equipment 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.

4.7.2 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:-

- (i) resources are used only for the purposes of the Council and are properly accounted for;
- (ii) resources are available for use when required;
- (iii) resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits;
- (iv) an asset register is maintained for the Council, assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset;
- (v) all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's information security and internet security policies;
- (vi) assets for disposal are identified and are disposed of at the most appropriate time, and only when it is the best interests of the Council, and best price is obtained.

4.7.3 The Director of Resources is responsible for:-

- (i) the production of the Council's Capital Programme and associated revenue budgets;
- (ii) the development of corporate prioritisation methodologies to assist the Council in determining the Capital Programme within defined resource limitations;
- (iii) ensuring that an asset register is maintained in accordance with accepted best current professional practice for all fixed assets in excess of a cost of £5,000.

4.7.4 Property is a corporate resource, owned by the Council, and has to be managed proactively to support service delivery and improvement across all areas. The Head of Asset Management is the designated Corporate Property Officer and is responsible for:

- (i) the production of the Asset Management Plan;
- (ii) the overall management and control of the Council's assets;
- (iii) ensuring that an appropriate register is maintained of all land and buildings owned by the Council to ensure that they are;
  - (a) safeguarded;
  - (b) used efficiently and effectively;
  - (c) adequately maintained;
- (iv) the valuation of all land and buildings owned by the Council on a rolling programme at appropriate intervals. This should be carried out in accordance with the relevant codes of practice for local Council accounting, and best professional practice.

4.7.5 Chief Officers must maintain a property database in a form approved by the Director of Resources for all properties, plant and machinery and moveable assets currently owned or used by the Council. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.

4.7.6 Chief Officers have a responsibility to:

- (i) 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 Chief Officer in consultation with the Director of Resources, has been established as appropriate;
- (ii) ensure the proper security of all buildings and other assets under their control;
- (iii) identify land or buildings which are surplus to requirements;
- (iv) pass title deeds to the Head of Legal and Member Services;
- (v) ensure that no Council asset is subject to personal use by an employee without written Council from the Chief officer;
- (vi) ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council;
- (vii) ensure that the Department maintains a register of moveable assets in accordance with arrangements defined by the Director of Resources;
- (viii) ensure that assets are identified, their location recorded and that they are appropriately marked and insured;
- (ix) consult the Director of Resources in any case where security is thought to be defective or where it is considered that special security arrangements may be needed;
- (x) ensure cash holdings on premises are kept to a minimum;
- (xi) ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Director of Resources as soon as possible;
- (xii) arrange for the valuation of assets for accounting purposes to meet requirements specified by the Director of Resources;
- (xiii) ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

4.7.7 Chief Officers are responsible for ensuring that the procedures in respect of assets, detailed in Guidelines for Financial Systems, are followed. It is imperative to:-

- (i) maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery;
- (ii) carry out an annual check of all items on the inventory in order to verify location, review their condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers and cameras should be identified with security markings as belonging to the Council;
- (iii) make sure that property is only used in the course of the Council's business, unless the Chief Officer concerned has given written permission otherwise;
- (iv) to notify the Corporate Procurement Manager of all surplus items and dispose of them in accordance with 'Guidelines for Financial Systems'.

4.7.8 Chief Officers are responsible for making appropriate arrangements for the care and custody of stocks and stores in their department. This should include the keeping of adequate records and regular physical checks

4.7.9 Chief Officers are responsible for establishing controls 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.

4.7.10 The detailed procedures for the disposal of land and property are contained within the Council's Standing Orders and Guidelines for Financial Systems and should be adhered to.

## **4.8 Treasury Management**

4.8.1 As the Council is responsible for multi-million pounds of public money in the course of a year it is essential that this money is properly managed in a way that balances risk with return.

4.8.2 The Council has adopted the CIPFA Code Of Practice For Treasury Management in Local Authorities (the Code). Council approves the Treasury Management Strategy each year at, or before, the start of each financial year.

4.8.3. Accordingly, the Council will create and maintain the following, to ensure effective treasury management:

- (i) a Treasury Management Policy statement, stating the principles and objectives of its treasury management activities;

- (ii) suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve this Policy, and prescribing how it will manage and control those activities. The content of the Policy statement and TMPs follows the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council and will not result in materially deviating from the Code.

4.8.4. The Council (via Cabinet) will receive reports on its treasury management policies, practices and activities. As a minimum an annual Strategy in advance of the year, an annual report after its close.

4.8.5 Responsibility for the implementation and monitoring of treasury management policies and practices is delegated to the Cabinet, and for the execution and administration of treasury management decisions to the Director of Resources. He / she must act in accordance with the Council's policy statement and TMPs and current best professional practice.

4.8.6 Other controls are:-

- (i) no bank account can be opened or operated without the express consent of the Director of Resources;
- (ii) no loans may be made to, or interests acquired in third parties without the approval of the Director of Resources;
- (iii) no income received on behalf of the Council may be paid into an imprest account or used to defray expenditure

4.8.7. The Director of Resources is responsible for:-

- (i) arranging the borrowing and investments of the Council in accordance with the CIPFA 'Code of Practice on Treasury Management' and with the Council's Treasury Management Policy Statement and Strategy;
- (ii) reporting on treasury management activities to the Cabinet and Council at least twice each financial year;
- (iii) opening and operating all bank accounts in the name of Wirral Council, as he / she considers necessary and for the ordering and issuing of cheques. This includes variations in the Council's banking terms and overdraft arrangements. All cheques drawn on behalf of the Council may only be signed by the Director of Resources or specifically approved officers. Such officers are responsible for the safe and proper custody of cheques.
- (iv) providing cash or imprest accounts to meet petty cash payments. The maximum value for payment from petty cash imprest accounts, and the type of payments which may be made, is detailed in Guidelines for Financial Systems.

4.8.8 Any indemnity required by the Council's bankers regarding the signature of cheques by a computer or where the services of a security firm are used for the deposit or receipt of cash at the bank may only be given by the Director of Resources or other duly authorised officer.

4.8.9 It is the responsibility of Chief Officers to:-

- (i) ensure that loans are not made to, or interests acquired in third parties without the approval of the Council following consultation with the Director of Resources;
- (ii) to follow instructions on banking issued by the Director of Resources;
- (iii) to operate imprest accounts in accordance with 'Guidelines for Financial Systems';
- (iv) arrange for all trust funds to be 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 Director of Resources, unless the deed otherwise provides;
- (v) arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Director of Resources and Cabinet, and to maintain written records of all transactions;
- (vi) ensure that trust funds are operated within any relevant legislation and specific requirements for each trust;

## **5 FINANCIAL SYSTEMS AND PROCEDURES**

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

5.1.1 Departments have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. 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.

5.1.2 The Director of Resources has a professional responsibility to ensure that the Council's financial systems are sound and must be notified, in advance, of any new developments or changes

5.1.3 The key controls for systems and procedures are:

- (i) basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated, and for performance information to be communicated to the appropriate managers on an accurate, complete and timely basis;
- (ii) early warning is provided of deviations from target, plans and budgets that require management attention;
- (iii) operating systems and procedures are secure
- (iv) data is backed up on a regular basis

5.1.4 The Director of Resources has responsibility to determine the Council's accounting systems, forms of accounts and supporting records, and to ensure that financial systems are robust. This includes issuing advice, guidance and procedures for staff and others acting on the Council's behalf.

5.1.5 Chief Officers must ensure that:-

- (i) accounting records are properly maintained and are secure;
- (ii) all financial transactions have audit trails, which allow tracing from accounting records to original documents;
- (iii) Arrangements are made for the documentation of systems and relevant staff training and to ensure that effective contingency arrangements exist for computer systems within their scope of activity.

### **5.2 Income**

5.2.1 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 cash flow and also avoids the time and cost of administering debts.

5.2.2 The key controls for income are:

- (i) all income due to the Council is identified and charged correctly, in accordance with an approved charging policy;
- (ii) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
- (iii) all money received by the Council is paid without delay to the Council's bank account, and is properly recorded;
- (iv) proper separation of duties exists between cash collection, identifying the amount due, and for reconciling the amount due to the amount received;
- (v) effective action is taken to pursue non-payment within defined timescales;
- (vi) formal approval for debt write-off is obtained and actioned within defined timescales;
- (vii) all appropriate income documents are retained and stored for the defined period in accordance with guidance issued by the Director of Resources;
- (viii) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

5.2.3 The Director of Resources is responsible for:-

- (i) approving all systems relating to the collection of income on behalf of the Council. These arrangements are detailed in Guidelines for Financial Systems and Business Protocols;
- (ii) establishing and initiating appropriate recovery procedures, including legal action, for debts that have not been paid within the normal timescales;
- (iii) agreeing the write-off of bad debts up to an approved limit or refer larger amounts to the appropriate committee.

5.2.4 Chief Officers are responsible for establishing a charging policy for the supply of goods and services, and, in consultation with the Director of Resources, for reviewing annually the levels of fees and charges relating to services under their control.

5.2.5 Chief Officers are responsible for identifying, billing and collecting income in accordance with the detailed procedures set out in 'Guidelines for Financial Systems' and Business Protocols. In particular they must ensure that the responsibility for identifying amounts due and the responsibility for collection is separated as far as possible.



### **5.3 Expenditure**

- 5.3.1 In terms of expenditure public money should be spent with demonstrable probity and in accordance with the Council's policies. 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 Procedure Rules and with the Guidelines for Financial Systems and 1 Business Protocols. Key Controls
- 5.3.2 The key controls for ordering and paying for work, goods and services are:-
- (i) all goods and services are ordered only by appropriate persons and are correctly recorded;
  - (ii) all goods and services shall be ordered in accordance with the Council's Contract Procedure Rules;
  - (iii) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order;
  - (iv) payments are not made unless goods have been received to the correct price, quantity and quality standards;
  - (v) payments are made to the correct person/supplier, for the correct amount and are properly recorded, regardless of the payment method;
  - (vi) appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with guidance issued by the Director of Resources;
  - (vii) expenditure is accurately recorded against the approved budget;
  - (viii) no expenditure should be incurred where there is no approved budget.
- 5.3.3 The Director of Resources must approve all the systems relating to the making of payments on behalf of the Council. These arrangements are detailed in Guidelines for Financial Systems and 1 Business Protocols.
- 5.3.4 The Director of Resources may examine, so far as he/she considers necessary, all accounts passed to him/her for payment and is entitled to receive any information and explanations as he/she may require. The Director of Resources will pay all accounts which he/she is satisfied represent legal payments and are in order.
- 5.3.5 Chief Officers are responsible for ensuring that all goods and services are properly ordered, received and paid for in accordance with Guidelines for Financial Systems and 1 Business Protocols. In particular they must ensure that:

- (i) goods have been ordered against an appropriate, approved budget;
- (ii) wherever possible, proper segregation of duties is maintained over the ordering, receiving and payment process.

5.3.6 Chief Officers are responsible for ensuring that invoices are processed in sufficient time to enable payment to be made to the supplier within the agreed payment period.

#### **5.4 Payments to Employees and Members**

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

5.4.2 The key controls for payments to employees and Members are:-

- (i) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to: starters, leavers, variations and enhancements, and that payments are made on the basis of timesheets or claims;
- (ii) frequent reconciliation of payroll expenditure against approved budgets and bank accounts;
- (iii) all appropriate payroll documents are retained and stored for the defined period, in accordance with guidance issued by the Director of Resources;
- (iv) all expenditure is accurately recorded against the correct accounts codes, and any errors identified and corrected;
- (v) that HM Revenue and Customs regulations are complied with.

5.4.3 The responsibilities of the Director of Resources are:-

- (i) 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 or her, on the due date;
- (ii) to record and make arrangements for the accurate and timely payment of tax, national insurance, superannuation and other deductions;
- (iii) to make arrangements for payment of all travel and subsistence claims;
- (iv) to make arrangements for paying Members' allowances, travel, and subsistence upon receiving the prescribed form, duly completed and authorised by the Head of Legal and Member Services.

- 5.4.4 The Head of Human Resources with the Director of Resources is responsible for approving the format of timesheets or other pay documents and the associated procedures.
- 5.4.5 The Chief Officers shall provide the Director of Resources with all information necessary to maintain records of service, pensions, income tax, National Insurance, statutory sick pay, etc.
- 5.4.6 Chief Officers have responsibility to ensure that all requests to pay employees are:-
- (i) in respect of employees within authorised establishments or approved redeployments or in respect of temporary or casual employees engaged for periods of sickness or emergency;
  - &ii) at salary and wage rates in accordance with nationally negotiated rates except where otherwise approved.
- 5.4.7 Chief Officers are responsible for notifying the Head Of Human Resources of all appointments, promotions, regradings, resignations, redundancies, dismissals, retirements, suspensions, secondments and absences from duty or any other circumstances affecting the salaries, wages or emoluments of any employee in the Council. The Head Of Human Resources must be consulted on matters relating to the application of salaries and wages scales.

## **5.5 Taxation**

- 5.5.1 The Council is responsible for ensuring its tax affairs are in order. Tax issues are complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all staff to be aware of their role and the current legislation and best practice relating to taxation.
- 5.5.2 The key controls for taxation are:-
- (i) budget managers are provided with relevant information and kept up to date on tax issues;
  - (ii) budget managers are instructed on required record keeping;
  - (iii) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
  - (iv) records are maintained in accordance with instructions;
  - (v) returns are made to the appropriate authorities within the stipulated timescale.

5.5.3 It is the responsibility of the Director of Resources to:-

- (i) to maintain to date guidance for employees on taxation issues;
- (ii) to complete all HM Revenue and Customs returns regarding PAYE, and for providing details to the Inland Revenue regarding the Construction Industry Scheme;
- (iii) to complete the required returns of VAT inputs and outputs to H.M. Revenue and Customs.

5.5.4 It is the responsibility of Chief Officers to:-

- (i) ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with H.M. Revenues and Customs regulations;
- (ii) ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Scheme requirements;
- (iii) 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;
- (iv) follow the guidance on taxation issued by the Director of Resources.

## **5.6 Trading Accounts and Business Units**

5.6.1 Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

5.6.2 The Director of Resources is responsible for the provision of advice on the establishment and operation of trading accounts and business units.

5.6.3 It is the responsibility of Chief Officers to:

- (i) 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;
- (ii) ensure the same accounting principles are applied in relation to trading accounts as for other services or business units;
- (iii) ensure each business unit prepares an annual business plan.

## **5.7 Voluntary and Unofficial Funds**

- 5.7.1 The term 'voluntary' or 'unofficial' fund refers to any fund, other than an official fund of the Council, which is controlled wholly or partly by an officer or teacher employed by the Council, or by the managers or governors of a school maintained by the Council.
- 5.7.2 The Director of Resources has to determine the accounting requirements under which unofficial and voluntary funds shall be held and operated. These shall include a provision for such funds or investments to be held in the names of at least two people. And to determine the audit arrangements for these accounts in consultation with the Chief Officer concerned.
- 5.7.3 Chief Officers must provide the Director of Resources with details of all voluntary or unofficial funds at schools or other establishments. This does not apply to funds which managers or governors of schools are entitled to control.
- 5.7.4 Fund Managers must ensure the accounts of voluntary and unofficial funds are made up annually, if possible by people not directly involved in administering the fund. These accounts shall be published on the notice board of the establishment or school and included in a report to the managers or governors, where appropriate. The appropriate Chief Officer should be informed that the accounts have been audited and published.

## **5.8 Merseyside Pension Fund**

- 5.8.1 The Council is the administering authority of the Merseyside Pension Fund. These Financial Regulations apply to the arrangements for that Fund.

## **6 EXTERNAL ARRANGEMENTS**

### **6.1 Why is it important?**

6.1.1 Partnerships are arrangements with other organisations (public or private) to carry out duties with, or on behalf of, the Council include the delivery and funding of services. They are becoming increasingly common with a range of different options available to help improve the delivery of services.

### **6.2 Partnerships**

6.2.1 The main reasons for entering into a partnership are:-

- (i) the desire to find new ways to share risk;
- (ii) the ability to access new resources;
- (iii) to provide new and better ways of delivering services;
- (iv) to forge new relationships.

6.2.2 Partnerships are playing an increasingly key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.

6.2.3 The Council often takes a key financial management role by agreeing to act as the Accountable Body for externally funded projects. By so doing the Council will champion the needs of their areas and harness the energies of local people and community organisations.

8.2.4 The key controls are

- (i) The nature of the partnership must be clearly stated in a partnership agreement and must include formal agreement and acceptance of each partner's roles and responsibilities. The Head Of Legal And Member Services must be consulted when drawing up any such agreement.
- (ii) The partnership agreement must be subject to a risk management process to establish and manage all known risks.
- (iii) Standards of financial administration must be consistent with those operated by the Council. This may mean that Financial Regulations and tendering/contract procedures need to be shared with partner organisations.
- (iv) A performance monitoring framework must be established to ensure that the objectives of the partnership are met.
- (v) A formal reporting procedure must be established to inform the Council of the financial and performance position.

- (vi) Access protocols to records and documents must be established to ensure effective audit and inspection processes.

#### 6.2.5 The responsibilities of the Director of Resources

- (i) To ensure that accounting arrangements are satisfactory and meet all requirements of the funding agencies.
- (ii) To advise Council partners of their responsibilities under the Council's financial regulations.
- (iii) To advise on the key elements of funding a project.
- (iv) Where the Council is the Accountable Body for an externally funded project, to ensure that all financial management arrangements take full account of the Council's responsibilities, and are approved by the Cabinet.

#### 6.2.6 Responsibilities of Chief Officers

- (i) To maintain a register of all arrangements entered into with external organisations after prior consultation with the Director of Resources.
- (ii) To ensure that all partnership agreements are properly documented, do not impact adversely upon the services provided by the Council and that a risk appraisal has been undertaken, in conjunction with the Director of Resources, prior to entering such agreements.
- (iii) To ensure compliance with the Council's financial regulations where the Council acts as the Accountable Body for any scheme, project or programme.

### **6.3 External Funding**

6.3.1 External funding can come from a variety of sources including Central Government Departments, European Union, National Lottery, Private Sector Companies and individuals. The funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. As the Council works with other agencies and private service providers such funds enable the Council to deliver services to the local community. However, in some instances, this funding is linked to tight specifications and time limits which may not be flexible enough to link to the Council objectives.

6.3.2 The key controls for external funding are:-

- (i) to ensure the conditions of funding and statutory requirements are followed and that the Council responsibilities as the Accountable Body are understood;
- (ii) to ensure funds acquired meet the priorities approved in the corporate plan by the full Council;

- (iii) to ensure any match-funding requirements are given due consideration prior to entering into the agreements and that they are reflected in future revenue budgets;
- (iv) to ensure there is a realistic exit strategy for time limited projects when the external funding ceases.

6.3.3 The responsibilities of the Director of Resources are:-

- (i) to ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts;
- (ii) to ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements;
- (iii) to ensure that time limited projects have a realistic exit strategy,
- (iv) to ensure that any external audit requirements are met;
- (v) where he or she is specifically responsible for submitting grant claims, to ensure that all claims for funds are made by the due date.

6.3.4. Chief Officers must ensure that:-

- (i) adequate supporting documentation is maintained to enable claims for funding to be maximised, in consultation with the Director of Resources;
- (ii) all claims for funds and returns are made by the due date;
- (iii) that all expenditure is properly incurred, authorised and recorded and that the project progress is appropriately recorded.

## **6.4 Work for Third Parties**

6.4.1 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 within the Council's legal powers.

6.4.2 The key controls for working with third parties are:-

- (i) to ensure that proposals are costed properly in accordance with guidance provided by the Director of Resources;
- (ii) to ensure that contracts are drawn up using guidance provided by the Director of Resources and that the formal approvals process is adhered to;
- (iii) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

6.4.3 The Director of Resources will issue guidance on the financial aspects of third party contracts.



#### 6.4.4 Chief Officers must:-

- (i) ensure that such contracts do not impact adversely upon the services provided for the Council;
- (ii) ensure that the department/unit has the appropriate expertise to undertake the contract;
- (iii) ensure that no contract is subsidised by the Council;
- (iv) that appropriate insurance arrangements are made;
- (v) ensure that the Council is not put at risk from any bad debts;
- (vi) ensure that the approval of the Cabinet is obtained before negotiations are concluded to work for third parties;
- (vii) to ensure that all contracts are properly documented;
- (viii) to provide appropriate information to the Director of Resources to enable compliance with best accounting practice;
- (ix) ensure that, wherever possible, payment is received in advance of the delivery of the service;
- (x) maintain a register of all contracts entered into with third parties in accordance with the procedures laid down by the Director of Resources.

Finance Department  
Wirral Council  
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