Financial Regulations

May 2022

SOUTH KESTEVEN DISTRICT COUNCIL

Financial Regulations

Table of Contents

1. Introduction

1.1 Financial Regulations provide the internal framework for managing the Council's financial affairs. They apply to every Member and officer of South Kesteven District Council and anyone in the public or private sector who acts on behalf of the Authority.

1.2 Throughout these Financial Regulations, the title Chief Finance Officer will be used to denote the designated Section 151 Officer of the Council. The responsibilities of the Chief Finance Officer are documented within each of the specific areas listed.

1.3 The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Council for approval.

1.4 It is the responsibility of Directors to ensure that all officers in their directorates are aware of the existence and content of the Council's Financial Regulations, as well as other internal regulatory documents, and also confirm that they comply with them.

1.5 It is the responsibility of the Chief Finance Officer to provide advice and guidance to reinforce the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.

2. The Medium Term Financial Strategy

What is the Medium Term Financial Strategy?

2.1 The **Medium Term Financial Strategy** is the plan which sets out the Authority's commitment to provide services that meet the needs of people locally and that represent good value for money. It sets out what we aim to do over the next three years, having listened to the views of our communities and considers funds available to the Council.

Why is the Medium Term Financial Strategy important?

2.2 The Strategy helps us to meet our statutory responsibilities in respect of financial planning and is critical to ensuring that the Council has a clear understanding of the level of available resources, the costs of delivering existing services and plans for new services. Financial planning facilitates strategic choices around service delivery, efficiency and service reductions.

2.3 The Strategy is approved by Full Council and includes information on the spending plans of all services and the intended level of Council tax.

Key Controls

2.4 The strategy is reviewed every three years in line with the processes for reviewing and updating the Council's Corporate Strategy but updated annually to make sure it reflects:

- the most recent estimate of resources available
- the budget requirement – which may change as a result of updating estimated resources
- updated operational plans for each Council Service

- any changes in the national Local Government Funding

3. Revenue Budget Plan

What is the Budget Plan?

3.1 The Council's budget plan is a three-year income and expenditure plan. It details all known expected expenditure and income from the delivering of Council Services and compares these requirements to the funding available. The budget plan focuses on the priorities set by Council.

Why is the Budget Plan important?

3.2 The budget plan helps us to meet our statutory responsibilities for financial planning. All local authorities are required to prepare a budget annually which is then approved by Full Council. This is supported by a statement by the Chief Finance Officer regarding the robustness of the budget as proposed and the adequacy of general balances and reserves.

3.3 The plan also helps us ensure, at a more detailed level, that resources are allocated towards the delivery of council priorities. The process of developing the budget helps us to assess and balance any gaps between what we estimate it will cost us to deliver plans, and the money available to do this.

Key Controls

3.4 Budget planning begins in July of the preceding financial year and the following year's budget proposals together with an indicative two-year budget is presented to Members in February/March at full Council.

3.5 Detailed estimates of costs and income are developed for each service.

3.6 There may be additional in-year changes agreed in line with the approved levels, if so, both these costs and any ongoing costs will need to be built into the ongoing budget plan.

Responsibilities of Chief Finance Officer

- To develop the budget plan on an annual basis and to ensure a balanced budget is approved.
- To present the budget to Members for approval in February/March prior to the start of each financial year.
- To undertake the budget plan in accordance with accounting/statutory guidance.
- To ensure the impact of any additions to budgets in-year are understood and the impact of this change on the overall financial position of the Council
- To ensure any additions to budgets in-year are built into future budget planning processes.

Responsibilities of Directors

- To provide information that may be requested in relation to the budget plan.
- To support the budget setting process.
- To produce an accurate business case to form part of any request for additional in-year increases to budgets (see Appendix A)

4. Capital Programme

What is the Capital Programme?

4.1 The Capital Programme is the budgeted plan of the capital schemes that the Authority is undertaking or planning to undertake. The development of the Capital Programme is in accordance with the Council's Capital Strategy.
Each year, Directors consider Capital schemes to be included in the Capital Programme, which are then scrutinised through an approval process before being included in the Capital Programme for consideration by Cabinet and ultimately Council.

Why is the Capital Programme important?

4.2 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. It is important that the 'Whole Life Cost' of any capital schemes are considered before approval is given, to ensure adequate funding has been identified. This is an integral part of the budget setting process.

4.3 The Government places strict controls on the financing capacity of the 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.

4.4 Having a structured approach which reviews all capital scheme proposals helps ensure that the Capital Programme links into the Council's priorities.

4.5 The Capital Programme ensures the Authority takes a structured approach to the management of its assets.

4.6 There may be additional in-year changes agreed in line with the agreed levels, if so, both these costs and any ongoing costs will need to be built into the ongoing budget plan.

Key Controls

4.7 All schemes included in the Capital Programme require a business case completing which would cover:

- project overview;
- objectives and critical success factors;
- capital expenditure;

- associated revenue expenditure to be completed;
- the source of funding to be identified.

  - These are subject to a rigorous review process, culminating in approval by full Council.

  - Where appropriate, schedules of individual projects, within large schemes approved by the full Council must be submitted to Cabinet for approval.

  - The capital schemes are developed from asset management plans or invest to save schemes.

  - Accountability for each proposal is accepted by a named manager.

4.8 **Responsibilities of Chief Finance Officer**

- To develop the capital programme on an annual basis for approval.

- To present the budget to Council for approval prior to the start of each financial year.

- To identify the funding sources of the proposed Capital Programme ensuring any revenue consequences are taken account of in the overall budget setting process.

- To determine the definition of 'capital' having regard to government regulations and accounting requirements.

- To ensure the impact of any additions to budgets in-year are understood and the impact of this change on the overall financial position of the Council.

- To ensure any additions to budgets in-year are built into future budget planning processes.

4.9 **Responsibilities of Directors**

- Where a capital scheme is required to be included in or added to the Capital Programme, the responsible officer shall submit a capital business case for the scheme, including possible alternatives with up-to-date estimates of capital and revenue costs;

- To comply with guidance concerning capital schemes and controls.

- To ensure that adequate records are maintained for all capital contracts.

- Ensure that no capital expenditure is incurred on any scheme unless:

  - it is within the approved budget for that scheme
  - the nature of the spend is in line with the original purpose approved for the scheme

- government approval to the scheme has, where appropriate, been obtained
- the source of funding has been identified
- any revenue consequential expenditure which arises from the proposed capital expenditure has been accepted as a commitment by the Council

- Ensuring that the appropriate approval is obtained to incur additional capital expenditure which is to be financed wholly by additional grants or other income (see Appendix A).

- To produce an accurate business case to form part of any request for additional in-year increases to budgets (see Appendix A)

5. Budget Guidance and the Budget Timetable

What is Budget Guidance and the Budget Timetable?

5.1 Budget Guidance sets out what we need to do in order to prepare the Council's annual budget. The Budget Timetable outlines the timeframe against activities which will take place, including the key deadlines we ask all involved in budget preparation to follow.

Why is Budget Guidance and the Budget Timetable important?

5.2 The guidance ensures that budgets are produced accurately and consistently in line with financial procedures. It also ensures that the level of detail and what is included meets legal requirements.
The timetable ensures that the budgets are produced and approved by Council within the dates set out in legislation.

Key Controls

5.3 The budget guidance and timetable are produced on an annual basis

5.4 The guidance and timetable will focus on the following:

- The full year effect of previous year's decisions
- Consequences of the approved capital programme
- Adjustments in relation to specific 'one year only' allocations and other time expired funding
- Other specific Council decisions
- Budget assumptions on:
  - Levels of pay and the price inflation which is to be applied
  - Council Tax increase
  - Funding allocations from Central Government
  - Superannuation contribution rates
  - Levels of Discretionary fees and charges
  - Levels of Levies

- Ensuring approval of budget by full Council

- Ensuring Council Tax is set by statutory dates

- The format complies with legal requirements and reflects the accountabilities of Service Delivery

5.5 **Responsibilities of Chief Finance Officer**

- To determine the format of the budget that is approved by the Council

- To set a balanced budget in order to meet the Section 151 Officers responsibilities

- To produce and distribute the guidance and timetable on an annual basis to officers and Members

- To present the timetable to Members for approval prior to the start of the process

- To ensure returns are made to central government in line with their requirements

5.6 **Responsibilities of Directors**

- To comply with the accounting guidelines and timetable provided.

6. Budget Control and Monitoring

What is Budget Monitoring and Control?

6.1 A budget is the planned income and expenditure for a service area or cost centre. Budgetary control and monitoring is the process used by budget managers, supported by officers within Financial Services, to review revenue and capital expenditure against their budgets, and project estimated spending to the end of the financial year. Accountability is achieved through formal reporting of the budget position, carried out at agreed times, and in line with the risk ratings referred to as RAG (red, amber, green) ratings.

Why is Budget Monitoring and Control important?

6.2 Budget monitoring ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is the process of monitoring financial activity against the financial plan and, where necessary, taking the appropriate action in a timely manner to address any movement from the plan.

6.3 Budget monitoring and control also provides the mechanism that calls to account managers responsible for defined elements of the budget. It is therefore key that effective processes for monitoring of budgets are in place and adhered to.

6.4 To assist with the above it is essential that quality information is available to budget managers to ensure that sound financial decisions can be made, especially where spending may differ from planned expenditure.

6.5 To ensure that the Authority in total does not overspend, each Service is required to manage its own expenditure within the budget allocated to it.

6.6 **Key Controls**

- Budget managers should be responsible only for income and expenditure that they can influence.
- There is a nominated budget manager for each cost centre heading.
- Budget managers accept accountability for their budgets, the level of service to be delivered and understand their financial responsibilities.
- Budget managers follow an approved certification process for all expenditure.
- Income and expenditure are properly recorded and accounted for.
- Performance levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

6.7 **Responsibilities of Chief Finance Officer**

- To establish an appropriate framework of budgetary management and control that ensures that:
    - budget management is exercised within annual cash limits unless the Council agrees otherwise
    - each Director has available timely information on income and expenditure which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- To ensure compliance with the agreed virement procedures
- To prepare and submit reports on the Authority's projected income and expenditure compared to budget on a regular basis and to make recommendations to Members regarding changes to the budget
- To submit reports to Overview & Scrutiny, in consultation with the relevant Director, where a Director is unable to balance expenditure and resources within existing approved budgets under their control

6.8 **Responsibilities of Directors**

- To maintain budgetary control within their service, as outlined above and to ensure that all income and expenditure is 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 Director, 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 budget spending remains within the service's overall budget, and that individual budget heads are not overspent. This may require appropriate corrective action to be taken where significant variations from the approved budget are forecast

- To ensure that a monitoring process is in place to review performance levels of service in conjunction with the budget and that it is operating effectively

- To report and obtain prior approval by Council and Cabinet, where appropriate, before incurring expenditure on schemes of whatever amounts, that:

  - create financial commitments in future years above the budget level (except where if this is wholly offset by external funding or charges for work carried out on behalf of third parties – see sections 33 and 34 respectively)
  - change existing policies, initiate new policies or cease existing policies or
  - materially extend or reduce the Authority's services

- Emergency expenditure – no proposal should be submitted to Cabinet/Council involving expenditure during a financial year where no provision has been made in the current budget. Only in the case of either urgency or on a matter in which the Council is under a legal obligation, any Council director in consultation with the Cabinet Member for Finance, the Chief Executive and Chief Finance Officer, shall have power to agree that the expenditure will be met subject to the action being reported to Cabinet (see Appendix A for limits)

- To ensure compliance with the scheme of virement

- To consult with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another service area

7. Scheme of Virement

What is a Virement?

7.1 A virement is the transfer of budget from one specific area to another. This can either be a transfer within revenue budgets or capital budgets but not between revenue and capital. There are different limits depending on the reason for the change and whether or not it is a one-off transfer or a permanent one. The limits are set out in Appendix A.

Why is the Scheme of Virement important?

7.2 The scheme of Virement is intended to enable the Directors and their officers to manage budgets with a degree of flexibility within the overall framework determined by the Council, and therefore optimise the use of resources.

7.3 **The key controls are:**

- **Revenue and Capital**

  - Virement into a receiving budget may only occur provided that the donating cost centre will not subsequently become overspent;

  - Virements which involve a key decision should be subject to a Cabinet Report and the Council's decision-making process in line with the Council's Constitution; and

  - A record of all virements must be kept.

- **Revenue**
  - Permanent virements can only be processed if the donating cost centre has permanent budget provision to fund the requested virement;

  - Only in year virements can be agreed for Employee budgets unless the virement is linked to a structural change that has received the necessary approvals; and

  - All virements must be authorised in line with the delegated authority approvals.

  - Additions to any revenue or capital budget can be made in accordance with the limits set out in Appendix A.

- **Capital**
  - Provisional budgets into subsequent projects require Cabinet approval;

  - Transfers between schemes require Cabinet approval;

  - Capital Schemes must have a matching expenditure and financing budget; and

  - Transfers that are contained within a scheme must be authorised in line with the delegated authority approvals.

7.4 **Responsibilities of Chief Finance Officer**

- To prepare virement procedures for approval by the Council;

- To monitor compliance with the agreed virement procedures; and

- To report approved virements that change an overall budget.

7.5 **Responsibilities of Directors**

- To ensure compliance with the agreed virement procedures;

- No virement relating to a specific financial year should be made after 31 March in that year;

- To ensure that virements are authorised as per the delegated powers approved by Council;

- A virement that is likely to impact on the level of service activity of another Director, should be progressed only after agreement with the relevant Director; and

- To ensure that requests for virements are not split into a series of smaller virements to circumvent approval requirements.

8. Accounting Policies

What are Accounting Policies?

8.1 Accounting policies are the accounting principles, rules and procedures selected and consistently followed by the Council, which dictate what and how financial information is accounted for and presented in the Council's Annual Statement of Accounts.
The key accounting policy guidelines adopted by the Council are the *CIPFA Code of Practice on Local Authority Accounting.* These interpret International Financial Reporting Standards for local authorities.

Why are Accounting Policies important?

8.2 They are important as they provide:

- a clear and open view of the financial affairs of the Council;
- a level of disclosure which is considered to be relevant, informative and appropriate;
- a consistent standard in the process of preparation and presentation of financial statements; and
- an ability to compare between local authorities as required.

8.3 **Key Controls**

- Systems of internal control are in place to ensure that financial transactions are lawful.

- Accounting policies are reviewed annually to ensure they comply with the latest developments in the CIPFA code of practice.

- Suitable accounting policies are selected and applied consistently and approved by Governance and Audit Committee.

- Proper accounting records are maintained and to the required standard.

- Financial statements are prepared which present fairly the financial position of the Authority and its expenditure and income.

- Inspection of accounts by External Audit.

8.4 **Responsibilities of Chief Finance Officer**

- To select suitable accounting policies and to ensure that they are applied consistently.

- To ensure the accounting policies are reviewed annually and are set out in the Annual Statement of Accounts, which is prepared in line with legislative requirements.

- To present any amendments to the accounting policies to the Governance and Audit Committee.

8.5 **Responsibilities of Directors**

- To comply with the accounting policies and guidelines approved by the Chief Finance Officer and to supply the Chief Finance Officer with the information when required.

- To keep proper accounting records that are in line with accounting policies.

9. Accounting Records and Returns

What are Accounting Records and Returns?

9.1 All of the Council's transactions, commitments, contracts and other essential accounting information must be recorded fully, accurately and on a timely basis. Accounting Records must also provide an audit trail leading from the source of income or expenditure through to the accounting statements.

9.2 The Council's corporate financial information system is considered the prime source of financial information. The Revenue and Capital accounts, balance sheet, and other financial records, are held within the General Ledger, and its sub-systems including Debtors, Creditors and e-Procurement.
Together they form the Council's financial records, from which, along with the Council Tax and Business Rates Systems and the Asset register, the financial statements and financial returns are produced.

Why are Accounting Records and Returns important?

9.3 During the financial year, the Council completes financial returns relating to the Council either as a whole or for certain individual services. These can be for a variety of reasons and to different audiences, including Central Government Departments, Members, Auditors and the general public. The information is mainly required by legislation.
Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibilities for stewardship of public resources. The Authority also has to comply with legislation and statute, International Financial Reporting Standards, grant conditions and discharge its duties in line with Her Majesty's Revenue and Customs (HMRC) requirements.

9.4 The Authority has a statutory responsibility to prepare its annual accounts to present fairly the results of its operations during the year. These are subject to external audit who provide 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 Authority's resources. The auditors do this by examining the accounting records of the Authority.

9.5 **Key Controls**

- The key controls for accounting records and returns are:

  - all Directors, Budget Managers and Finance officers operate within the required accounting standards and timetables as outlined within the guidance issued;

  - all the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;

  - procedures are in place to enable accounting records to be reconstructed in the event of systems failure;

  - reconciliation procedures are carried out to ensure transactions are correctly recorded; and

  - prime documents are retained in accordance with legislative and other requirements.

9.6 **Responsibilities of Chief Finance Officer**

- To issue instructions considered necessary for carrying out the daily financial work of the Council, after consulting with Directors where needed.

- To determine the accounting procedures and records for the Authority.

- To arrange for the compilation of all accounts and accounting records under their direction.

- To ensure the proper retention of financial documents in accordance with the requirements set out in the Authority's document retention schedule.

- To stipulate the date by which all financial records for any financial year shall be completed.

- To prepare and publish the audited Statement of Accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Council to approve the Statement of Accounts before the statutory deadline.

- To make proper arrangements for the audit of the Authority's Annual Statement of Accounts in accordance with the Accounts and Audit Regulations.

- To administer the Authority’s arrangements for under and overspendings to be carried forward to the following financial year,

- To comply with the following principles when allocating accounting duties:

- separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them; and

- officers with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

- To ensure that all claims for funds, including grants, are made accurately and by the due date.

9.7 **Responsibilities of Directors**

- To comply with the principles outlined above when allocating accounting duties.

- To ensure that all claims for funds including grants are made by the due date.

- To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.

- To be responsible for all receipts and claims in relation to salary expenses and disbursements made by staff in their service.

- To supply information required to enable the Statement of Accounts to be completed in accordance with the guidelines issued.

10. Annual Statement of Accounts

What is the Annual Statement of Accounts?

10.1 The Annual Statement of Accounts is a financial summary of the state of the financial affairs of the Council over the course of a year. The Council is required to follow the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards (IFRS). The Accounts and Audit Regulations, as amended from time to time, set out the statutory dates for approval and publication of the Annual Statement of Accounts. The Statement of Accounts is made available for inspection by interested parties and is subject to external audit to ensure that it presents a fair view of the financial position of the Council.

Why is the Annual Statement of Accounts important?

10.2 By legislation, the Council is required to produce an Annual Statement of Accounts each financial year (1 April – 31 March). The Statement of Accounts shows not only a snapshot of the financial position as at the 31 March each year, but also provides the reader with an understanding on how the Council has performed financially during that financial year. After audit, the Statement of Accounts give assurance to key stakeholders that the financial affairs of the Council have been conducted properly and appropriately, and that they give what is considered to be a ‘true and fair’ view of the financial position of the Authority.

10.3 **Key Controls**

The key controls for the Annual Statement of Accounts are:

- The Authority is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Chief Finance Officer;

- To manage the Authorities affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- The Authority’s Statement of Accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in Great Britain: “the code of Practice” (as amended from time to time).*

10.4 **Responsibilities of Chief Finance Officer**

- To comply with the Code of Practice.

- To comply with statute and regulations.

- To draw up the timetable and guidance notes for financial accounts preparation and to advise staff and external auditors accordingly.

- To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the financial year ended 31 March.

- To ensure that the Statement of Accounts are approved by the Governance and Audit Committee.

10.5 **Responsibilities of Directors**

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

- To keep proper accounting records that are up to date.

11. Maintenance of Reserves

What are Reserves?

11.1 Reserves are amounts set aside to fund specific or unexpected expenditure. There are different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves for accounting purposes.

11.2 Useable reserves are analysed into those that are earmarked for specific purposes and those that are held to ensure that the Council can continue to provide services if an unexpected event occurs. It is the responsibility of Council to review the allocation and levels of reserves and may put in place specific delegations with respect to their use during any financial year in accordance with the specific policy of the reserve.

Why is Maintenance of Reserves important?

11.3 By legislation (the Local Government Act 2003), the Chief Finance Officer must report to Council, immediately prior to setting the Budget and Council Tax, on the robustness of the budget as proposed and the adequacy of general balances and earmarked reserves. The Council then agrees on the level of reserves it will maintain before it then decides on 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 are also maintained, such as the insurance reserve, regeneration reserve and local priorities reserve.

11.4 **Key Controls**

- Reserves are reviewed on an annual basis to ensure compliance with the Local Government Act 2003.
- To maintain reserves in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards (IFRS).
- For each reserve clearly establish its purpose, usage and amount to be set aside.
- Authorisation to establish and add to a reserve is by the relevant Committee or Council following advice from the Cabinet Member for Finance and the Chief Finance Officer.

11.5 **Responsibilities of Chief Finance Officer**

- To advise the Council on prudent levels of balances for the Authority.
- To establish guidelines on the setting up of reserves and then to advise Directors accordingly.

11.6 **Responsibilities of Directors**

- To comply with guidance provided by the Chief Finance Officer and ensure that reserves are used only for the purpose for which they were intended.

12. Internal Controls

What are Internal Controls?

12.1 Internal Controls include the policies, processes, tasks, behaviours and other areas of the Council that taken together:

- enable it to react to significant risks in achieving its objectives. This includes protecting anything which is considered valuable to the organisation from misuse or loss and fraud;
- help ensure the quality of internal and external reporting. This requires the maintenance of proper records, and processes which create a flow of timely, relevant and reliable information from both within and outside the organisation; and
- help ensure relevant laws and regulations are followed, as well as internal policies with respect to the conducting of the business.

Why are Internal Controls important?

12.2 The Authority is complex and beyond the direct control of individuals. It requires, therefore, internal controls to manage and monitor progress towards strategic objectives.

12.3 The Authority has statutory obligations, including those set out within the Local Government Act 1972 and Accounts and Audit (England) Regulations 2011, which require internal controls to be established to ensure compliance with these obligations.

12.4 The Authority 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.

12.5 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; and
- risk management.

12.6 **Key Controls**

- Key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that the Authority has a sound system of internal control which facilitates the effective exercise of the Authority’s functions and which includes arrangements for the management of risk.

- 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.

- Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.

- An effective Internal Audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guidelines Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

12.7 **Responsibilities of Chief Finance Officer**

- To direct and assist the Authority to put into 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. This will ensure compliance with Section 151 of the Local Government Act 1972 which requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers (the Chief Finance Officer) has responsibility for the administration of those affairs.

12.8 **Responsibilities of Directors**

- To establish and maintain controls as well as processes which ensure such controls are being adhered to and evaluated, in order to be confident in the proper use of resources, achievement of objectives and management of risks on an ongoing basis.

- To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Chief Finance Officer.

- Ensure that officers have a clear understanding of the consequences of a lack of control or not adhering to agreed processes.

13. Risk Management

What is Risk Management?

13.1 All organisations, whether private or public sector, face risks to people, property and the day-to-day running of the business. Risk is the chance of something going wrong, and the possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted action or event, which we have no control over. Risk can impact upon all officers within the Council as well as the Council's partners and citizens.

13.2 Risk Management is a planned and methodical way of identifying areas of risk, evaluating them and taking a look at how the risks can be controlled. Risk Management looks at the measures which an organisation already has in place to deal with identified risks, the adequacy of these measures and the actions required to control these risks effectively.

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

Why is Risk Management important?

13.4 The challenges that the Authority faces, and the rate of change, puts the organisation under increasing pressure to improve the quality of management at all levels. This means that the Authority needs to make sure that risk management processes are structured, as well as being instinctive and intuitive. If management are to meet these challenges, high quality risk management needs to be at the core of decision making at all levels of the Council.

13.5 There is an ongoing requirement from the Accounts and Audit Regulations to produce an Annual Governance Statement (AGS) which is attached to the Annual Accounts, setting out the processes in place for managing the most significant risks to the achievement of objectives. Risk management processes are an integral part of the AGS.

13.6 All local authorities are increasingly being held to account by external assessors for the way in which risk management has been implemented. The Council needs to continue to demonstrate that all Services have a structured approach, which is embedded into planning and reporting cycles and decision-making processes at all levels.

13.7 **Key Controls**

The key controls for Risk Management are:

- The Council has adopted a Risk Management Strategy which has been approved by Governance and Audit Committee and is regularly updated.

- The Council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigns named individuals to lead on the actions identified to mitigate each risk.

- Procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Authority.

- The Governance and Audit Committee receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being identified and effectively managed.

- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls.

- Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.

- A Risk Register IT system is provided to assist Directors to manage their risks.

- A Risk Management Group meets regularly to co-ordinate and supports all aspects of strategic business risk management.

- Committee reports to support strategic policy decisions must include reference to the risks associated along with the decisions being taken, in both a positive and negative scenario (i.e. the risks of taking the decision as recommended and the risks of doing nothing).

- Documents for all major projects include a risk assessment which must be completed.

- The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained concerning the management of those risks.

13.8 **Responsibilities of Chief Finance Officer**

- To prepare and promote the Authority's Risk Management Strategy.

- To develop risk management controls in conjunction with other Directors.

- To report to Members of the Governance and Audit Committee on the effectiveness of the risk management process and any changes to it in the Annual Governance Statement.

13.9 **Responsibilities of Directors**

- To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers.

- The Risk Management Strategy requires Directors to:

  - Identify corporate and operational risks;
  - Maintain a risk register;
  - Assess the risks for likelihood and impact;
  - Prioritise risks;
  - Identify mitigating controls; and
  - Allocate responsibility for the mitigating controls.

- To ensure that there are regular reviews of all risks within Services.

- To appoint a Service based Risk Champion to report to and work with the Risk Management Group in promoting, co-ordinating and developing risk management initiatives.

- Ensure risk management is a key area of consideration when preparing annual Service Plans.

- Complete an annual Risk Management Self-Assessment and report the outcome to the Risk Management Group.

14. Insurance

What is Insurance?

14.1 Insurance for the Council is, in many ways, similar to the insurance that private individuals take out to protect items that they either:

- cannot replace easily; or
- are required to insure as a condition of purchase, i.e. a house purchased via a mortgage etc.

14.2 The decision to insure an item or not is based on:

- its replacement cost;
- the likelihood of it needing to be replaced; and
- the cost of the insurance.

14.3 The Council has to go through a similar process for the various risks it faces, e.g. the security of physical assets or the work carried out by its officers. Where the Council believes it is not able to manage risks internally, it will take out insurance in the same way a private individual would, e.g. the Council insures its buildings, its officers (employee liability), and cover for members of the public when using Council facilities (public liability) etc.

Why is Insurance important?

14.4 Insurance is a major area within risk management, enabling risks from unfortunate events to have less of a negative effect due to taking out cover policies. However, insurance is not without a cost, and risk prevention is always preferable to paying higher premiums, where this is possible.

14.5 **Key Controls**

- Adequate insurance is in place to cover assets of the organisation.

- Policies are reviewed on an annual basis to ensure that they continue to provide adequate cover for the Authority in line with current risk management strategies and to confirm exclusion clauses are being complied with.

- Procedures are in place to investigate claims within required timescales.

- Acceptable levels of risk are determined and insured against where appropriate.

- The Council has an Insurance Strategy which provides details of the Council's insurance cover and procedures for claims.

14.6 **Responsibilities of Chief Finance Officer**

- To ensure that the Authority has the appropriate insurance cover in place.

- To include all appropriate officers of the Authority in a suitable fidelity guarantee insurance.

- To arrange all insurance cover through external insurance and internal funding and negotiate any claims in consultation with appropriate Directors and outside claims agencies.

- To inform Directors of any conditions affecting insured risks.

- To review all insurances in consultation with appropriate Directors either annually or when necessary.

- To administer any self-funding arrangement set up to run alongside or replace conventional externally provided insurance.

14.7 **Responsibilities of Directors**

- To ensure that all officers are aware of their responsibilities with regard to the use of insurance policies.

- To identify and report to the Chief Finance Officer and Monitoring Officer any amendments which could be required for the insurance of the Authority.

- To notify the Chief Finance Officer and Monitoring Officer immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the Chief Finance Officer or the Authority's insurers.

- To ensure that any conditions affecting insured risks are met and that their actions do not invalidate any claims.

- To notify the Chief Finance Officer and Monitoring Officer promptly of all new risks, properties or vehicles that require insurance and any alterations affecting existing insurances.

- To inform the Chief Finance Officer and the Monitoring Officer of the terms of any indemnity that the Authority is requested to give.

- Do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

15. Treasury Management

What is Treasury Management?

15.1 CIPFA defines Treasury Management as:

"The management of the Council's investments, borrowing and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

15.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

15.3 The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. Any debt previously drawn may be restructured to meet Council risk or cost objectives.

15.4 On an annual basis the Council approves a Treasury Management Strategy that is compiled to meet CIPFA requirements with respect to Treasury Management. During the course of each financial year, Governance and Audit Committee receive monitoring and outturn reports in order to ensure compliance with the Strategy.

Why is Treasury Management Important?

15.5 It is critical that financial resources are properly managed in a way that balances risk with return whilst ensuring the Council can meet its financial obligations. The scale of borrowing, the inter-relationship between capital and revenue cash management and the fact that the Council may have surplus funds for investment require the development of sound borrowing and investment strategies that encompass all of these activities in a safe, efficient and consistent manner.

15.6 The main objectives of the Treasury Management function are:

- To effectively manage and control risks;
- To ensure that sufficient cash is available to enable the Council to discharge its financial obligations when they become due;
- To undertake all borrowing at or below budgeted rates on the basis of best value, and also seek opportunities to reduce the cost of servicing existing debt;
- To plan cash flows and minimise the cost of any temporary borrowing (which is required for day to day cash flow reasons);
- To invest prudently having regard to the security and liquidity of Investments and the predictability of returns; and
- To aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.

15.7 **Key Controls**

The Council has adopted the recommendations of CIPFA's Code of Practice on Treasury Management and the Prudential Code. The Council has developed its own Treasury

Management Strategy in accordance with these documents. The Strategy outlines the Council's:

- Key Treasury Management Principles;
- Scheme of Delegation and Reporting Requirements;
- Key Prudential Indicators – covering financing requirements, borrowing limits, debt maturity / type, cost of borrowing and investment income; and
- Policy for both borrowing and investments.

15.8 **Responsibilities of the Chief Finance Officer**

- To prepare the Council's Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities for approval by Cabinet and Full Council at the Annual Budget Meeting.
- To arrange for all Council borrowing and investment in such a manner as to comply with this Strategy.
- To borrow on behalf of the Council under powers contained in the Local Government Act 1972 and subsequent legislation in accordance with the agreed proactive borrowing strategy.
- To arrange for the investment or utilisation for the Council's own purposes of surplus funds in accordance with agreed creditworthiness criteria.
- To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by Cabinet.
- To ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate officer.
- To undertake 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.
- To ensure that there is adequate monitoring of Treasury Management activities, involving both Members and senior Finance officers.
- To report to Governance and Audit Committee at regular intervals on Treasury Management activities

15.9 **Responsibilities of Directors**

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

- To inform officers with responsibility for Treasury Management of significant movements and changes in the Council's anticipated cash flows.

16. Internal Audit

What is Internal Audit?

16.1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

16.2 The Council is required to have an Internal Audit function in order to comply with section 6 of the Accounts and Audit (England) Regulations 2011 which requires the Authority to "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". Section 151 of the Local Government Act 1972 also requires every local authority to make arrangements for the proper administration of its financial affairs.

16.3 All Internal Audit reviews are reported to and discussed by the Overview and Scrutiny Committee and the Governance and Audit Committee, the latter being the Committee charged with overall responsibility for governance within the Council.

Why is Internal Audit important?

16.4 Internal Audit is a key element of the overall governance structure of the Authority which is designed to ensure that appropriate controls are in place throughout the organisation. Through the provision of a high quality independent appraisal of all of the activities of the Council, Internal Audit aims to improve operational efficiency, risk management and internal control systems, and also provide reliable and effective support to management to ensure that their objectives are achieved.

16.5 **Key Controls**
The key controls for Internal Audit are:

- that it is independent in its planning and operation and determines its own priorities in providing unrestricted coverage of the Council's operations;
- The Head of Internal Audit has direct access to the Chief Executive and all levels of management and Members; and
- The internal auditors comply with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.

16.6 **Responsibilities of Chief Finance Officer**
To ensure that internal auditors have the authority to:

- Access premises when required;
  - Access all assets, records, documents, correspondence and control systems;
  - Require and receive information and explanation considered necessary concerning any matter under consideration;
  - Require any employee of the Authority to account for cash, stores and any other Authority asset under the employee's control;
  - Access records belonging to third parties, such as contractors, when required;
  - Directly access the Chief Executive.

- To approve the strategic and annual audit plans prepared by the Head of Internal Audit, which take account of the current risk profile of all activities undertaken by the Authority.

- To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

- When initial evidence suggests that a criminal offence has been committed, to consult with the appropriate Director about involving the Police, in accordance with the Council's Anti-Fraud and Corruption Policy.

16.7 **Responsibilities of Directors**

- To ensure that Internal Audit are provided with any documents, information and explanations they require during the course of their work;

- To consider and respond to recommendations in audit reports within one month;

- Any agreed actions arising from audit recommendations are carried out as per the agreed timetable;

- New systems for maintaining financial records, records of assets, or changes to such systems, are discussed with, and agreed by, the Head of Internal Audit before implementation; and

- To notify the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources.

17. External Audit

What is External Audit?

17.1 External Audit provides an important contribution to the stewardship of public resources and corporate governance of public services by:

- Giving an independent opinion on whether the public bodies financial statements fairly present its financial position and its expenditure and income for the year in question; and

- Reviewing and reporting on aspects of the arrangements which are put in place by public bodies to ensure the proper conduct of their financial affairs, and for securing economy, efficiency and effectiveness in its use of resources.

17.2 The basic duties of the external auditor are defined by the Audit Commission Act 1998 and the Local Government Act 1999.

Why is External Audit important?

17.3 Independent external audit is a key process of evaluation of governance processes which seek to protect the management of public money. It is, however, the responsibility of management to put arrangements in place to ensure proper governance, and to regularly review the adequacy and effectiveness of these arrangements.

17.4 The Authority’s financial statements are scrutinised by external auditors, who must be satisfied that the statement of accounts ‘presents fairly’ the financial position of the Authority and its income and expenditure for the year in question and complies with all relevant legal requirements.

17.5 **Key Controls**

- External auditors must follow the Code of Audit Practice for Local Government when carrying out their audits.
- External auditors are regulated by the Financial Reporting Council.

17.6 **Responsibilities of 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 the Council, Cabinet and Officers on their responsibilities in relation to external audit.

17.7 **Responsibilities of Directors**

- 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 that all records and systems are up to date and available for inspection.

18. Preventing and detecting Fraud and Corruption (including Bribery)

What is Fraud and Corruption?

18.1 The Fraud Act 2006 defines three separate ways of committing fraud:

- Fraud by false representation;
- Fraud by failing to disclose information; and
- Fraud by abuse of position.

18.2 “Dishonesty” and “intent to make gain or cause loss” are core themes involved in the committing of fraud.

18.3 Corruption is ‘the offering, giving, soliciting, or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly.’ It is an offence under the Prevention of Corruption Acts 1889 – 1916, as amended, and Section 117(3) of the Local Government Act 1972.

18.4 Bribery can be described as giving someone a financial inducement or other form of advantage to encourage that person to perform their functions or activities improperly, or to reward that person for having already done so, in order to gain a personal, commercial, regulatory or contractual advantage.

Why is Fraud and Corruption important?

18.5 There is an expectation and requirement that all Members, officers, consultants, contractors, and service users be fair, honest and act with the utmost of integrity at all times.

18.6 The Council is resolute that the culture and tone of the Authority is one of honesty and opposition to fraud and corruption.

18.7 There is an expectation and requirement that all individuals, businesses and organisations dealing in any way with the Council will act with high standards of probity, openness and integrity and that Council officers or its agent(s) at all levels will lead by example in these matters.

18.8 The Council's Codes of Conduct for Members and officers set out an approach to work that is honest, fair, accountable and, as far as possible, transparent. Members and officers must act in line with the codes at all times.

18.9 **Key Controls**

- The Authority should maintain an effective Anti-Fraud and Corruption Strategy and a culture of zero tolerance to fraud and corruption.

- All Members and officers should act with integrity and lead by example.

- Officers should raise any concerns that they may have about fraud and corruption preferably with their line manager or another senior manager identified in the Anti-Fraud and Corruption Strategy.

- Any information reported by officers will be dealt with fairly and confidentially.

- Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.

- High standards of conduct should be promoted amongst Members.
- The maintenance of a register of interests to record gifts and hospitality received in accordance with the officers' and Members' Codes of Conduct.
- Whistle blowing procedures should be in place and operating effectively.
- All relevant legislation should be complied with including the Fraud Act 2006, the Bribery Act 2010 and the Public Interest Disclosure Act 1998.
- The Authority should maintain an adequate internal control framework.

18.10 **Responsibilities of Chief Finance Officer**

- To develop and maintain an effective Anti-Fraud and Corruption Strategy.
- To develop and maintain an effective Anti-Bribery Policy
- To maintain adequate and effective internal control arrangements
- To ensure that all suspected irregularities are reported to the Head of Internal Audit without delay.

18.11 **Responsibilities of Directors**

- To ensure that all suspected irregularities are reported to the Head of Internal Audit without delay.
- To instigate the Authority's disciplinary procedures where the outcome of an investigation into suspected fraud or corruption indicates that improper behaviour has taken place.
- To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed.
- To take advice and support from relevant parts of the Council e.g. Internal Audit, HR before referring matters to the Police for cases where it is apparent that a criminal offence may have been committed.

19. Anti-Money Laundering

What is Money Laundering?

19.1 Money laundering means:

- Concealing disguising, converting or transferring criminal property or removing it from the UK;

- Entering into, or becoming concerned in, an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- Acquiring, using or possessing criminal property; and
- Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer of nominees, or any other retention or control of terrorist property.

19.2 These are the primary money laundering offences and prohibited acts under the legislation.

Why is Money Laundering important?

19.3 Although the risk to the Council of contravening the legislation is low, it is extremely important that all officers and Members are familiar with the legislation and their legal responsibility as serious criminal sanctions may be imposed for breaches of the legislation. Potentially any officers could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way or do nothing about it.

19.4 The Anti-Money Laundering Policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations.

19.5 **Key Controls**

- A Money Laundering Reporting Officer (MLRO) is appointed to receive disclosures from officers concerning money laundering activity.
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Maintain client identification procedures in certain circumstances.
- Maintain record keeping procedures.

19.6 **Responsibilities of Chief Finance Officer**

- Appoint a Money Laundering Reporting Officer (MLRO) who is to receive disclosures from officers concerning money laundering activity.
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Maintain client identification procedures in certain circumstances.
- Maintain record-keeping procedures.

19.7 **Responsibilities of Directors**

- Be aware of their roles and responsibilities in respect of Anti Money Laundering.
- Ensure they and officers within their service are aware of who is the MLRO.

20. Gifts, Hospitality and Register of Interests

What are gifts, hospitality and a register of Interests?

20.1 During day to day work, there may be times when officers or Members are offered gifts and/or hospitality; for example, a meal, a 'thank you' gift or a trip to a sporting event.

20.2 A register of interests means that arrangements are in place for officers and Members to declare any interests that they have which may be seen to cause a conflict during the course of their work, or when making decisions in Committee meetings. For example:

- an officer or Member being related to a Director of a company that the Council trades or deals with; or
- a committee where a Member serves is being asked to make a decision that would affect the Member, either personally or in relation to a project he/she is supporting.

Why are the receipt of Gifts and Hospitality and the Register of Interests important?

20.3 In order to safeguard officers and Members in terms of independence (and therefore that of the Council) it is necessary for clear rules to be in place and adhered to.
In relation to Register of Interest, there is the possibility of criminal liability in relation to corrupt practises by officers and Members. Under the Public Bodies Corrupt Practises Act 1889 it is an offence:
'*corruptly to solicit or receive for himself or for any other person any gift, loan, fee, reward or advantage whatever as an inducement to, or reward for, or otherwise an account of any member, officer or servant of a public body doing or forbearing to do anything in respect of any matter or transaction whatsoever in which the said public body is concerned.'*

20.4 **Key Controls**

- Small items such as chocolates, pens and diaries need not be declared unless they are offered on a regular basis by the same person or organisation.

- Items over £25 should be recorded within 28 days of the receipt of the gift or hospitality. Written notification must be provided to the Monitoring Officer of the existence and nature of that gift or hospitality.

- Officers must refuse all gifts or hospitality in excess of £100 (if received on one occasion) or in excess of a total of £100 (if received on more than one occasion in same financial year from the same individual or organisation) except with approval from the Chief Executive.

- Officers must declare any interests they have in external organisations and/or partnerships who could potentially influence and are in business with the Authority.

20.5 **Responsibilities of Monitoring Officer**

- To produce and maintain a register of gifts and hospitability received by officers.

20.6 **Responsibilities of Directors**

- To comply with the guidance as provided by the Monitoring Officer.

- To maintain an up to date list of gifts, hospitality and interests within their Service in adherence with the principles in the guidance.

21. Asset Management

What is Asset Management?

21.1 Asset Management is the system of monitoring and maintaining items of value to the Authority. Asset management is a systematic process of operating, maintaining, upgrading and disposing of assets cost-effectively.

21.2 Asset Management relates to land and buildings; furniture, vehicles and equipment; and stocks and stores. It covers their acquisition, disposal, security and recording.

Why is Asset Management important?

21.3 The Authority owns a diverse portfolio of assets in the form of property, vehicles, equipment, furniture and other items. It is important that these assets are safeguarded and used efficiently and effectively in supporting the delivery of services. The development of a comprehensive and effective approach to asset management is key to ensuring that:

- utilisation of assets is maximised
- maintenance expenditure is prioritised
- major capital investment requirements are identified and quantified; and
- surplus property and other assets are identified for rationalisation and/or disposal.

21.4 **Key Controls**

- A corporate asset management strategy is in place.

- Asset Registers / inventories are in place to record all assets.

- Accounting policies are in place to control asset classification, capitalisation, depreciation and disposal.

- Assets are disposed of at the most appropriate time and only when it is in the best interests of the Council and that the best price is obtained.

- Managers are responsible for the care, protection and security of assets within their control.

21.5 **Responsibilities of Chief Finance Officer**

- To maintain an Asset Register which contains details of all assets owned by the Council which exceed the capital de-minimis levels.

- To ensure appropriate accounting entries are made for the addition and depreciation of assets into the Authority's records.

- To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.*

21.6 **Responsibilities of Directors**

- To maintain proper security, care and protection of all building, equipment, vehicles, stocks, stores and cash under their control.
- To inform the Chief Finance Officer and Head of Internal Audit of any missing equipment or significant shortfalls in stock as soon as possible after discovery, together with explanations for the loss, if known.

Land & Buildings

21.7 **Key Controls**

- Land & Buildings are acquired in accordance with the Property Asset Management Strategy.

- Land & Buildings are purchased only following appropriate authorisation and approval.

- A terrier of all land and buildings owned is maintained, with assets recorded when they are acquired and this record is updated as changes occur.

21.8 **Responsibilities of Chief Finance Officer**

- Ensuring that all acquisitions are properly recorded within accounting records.

21.9 **Responsibilities of Directors**

- The Director for Growth shall maintain a terrier of all land and buildings owned by the Council. The terrier will record the holding Service, purpose for which each property/site is held, location and purchase details.

- The Director for Growth shall arrange for condition surveys to be carried out

- Arranging for the valuation of land and buildings as necessary to meet the accounting requirements of the Chief Finance Officer.

- To ensure the proper security of all land & buildings under their control.

Furniture, Equipment & Vehicles

21.10 **Responsibilities of Directors**

- The Head of Street Scene will maintain appropriate records of the vehicles held by the Council.

- The Head of ICT will maintain appropriate records of the ICT equipment held by the Council.

- Directors will maintain appropriate records of all other furniture and equipment held or deployed by their service. This will include maintaining an up to date inventory of all individual items with a purchase value in excess of **£100.**

- Directors should arrange for the accuracy of the inventory to be verified periodically at a frequency appropriate to the risk of loss of the individual items recorded.

- To ensure that Council property (owned or hired) should not be removed other than in the ordinary course of the Council's business except in accordance with directions issued by the Director concerned.

- To ensure the safe custody of furniture, equipment and vehicles.

Stocks & Stores

21.11 **Responsibilities of Directors**

- To make arrangements for the maintenance of reasonable levels of stocks and stores in their control.

- To ensure that appropriate up to date records of the level and value of stocks and stores held are maintained.

- To ensure periodical physical examinations of stocks and stores held, against the stock records, should be carried out at a frequency based on the value and vulnerability of the stock.

- To ensure proper security is maintained at all times for all stocks & stores.

Disposal of Assets

21.12 **Responsibilities of Chief Finance Officer**

- To ensure appropriate accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds if appropriate.

21.13 **Responsibilities of Directors**

- Once land and buildings have been declared surplus to requirements, to arrange for the disposal of these assets in accordance with the Council's strategy.

- Details of any vehicles which are deemed surplus to requirements shall be advised to Fleet Services. Where the vehicle is considered no longer suitable for use within the Council, the Fleet Services Manager shall arrange for its suitable disposal.

- Details of any ICT equipment which a Director deems surplus to requirements shall be advised to the Head of ICT. ICT equipment can only be disposed of by ICT Services, and if it is considered redundant in accordance with the ICT Strategy.

- The Head of ICT is responsible for ensuring that the standards, policies and guidelines of decommissioning of ICT equipment are well defined and communicated to all staff within the Council. The Data Protection Act must be a key consideration in the decommissioning of IT equipment.

- To identify assets which are deemed surplus to requirements.
- To secure the best price obtainable for the sale of assets.
- To record all disposals of assets.
- To ensure that income received for the disposal of an asset is properly banked and coded.
- To consult with the Chief Finance Officer to ensure all financial implications, including accounting for Value Added Tax, are fully considered.

22. Intellectual Property

What is Intellectual Property?

22.1 Intellectual Property is a generic term that includes inventions and writing. 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.

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

Why is Intellectual Property important?

22.3 Like any assets, Intellectual Property is an essential factor in ensuring business continuity within the Council, and the effective delivery of Council services. It is critical, therefore that the Council puts in place adequate controls over the ownership, storage and use of all Intellectual Property.

22.4 The Council holds a large quantity of information for a variety of purposes. As such, it is essential that an overall strategy is in place and implemented for the management of such information to ensure consistency, value for money, accuracy and that any relevant laws are followed.

22.5 **Key Controls**

- In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the authority's approved intellectual property procedures.
- The Data Protection Act must be considered in relation to the creation, storage and distribution of Intellectual Property.

22.6 **Responsibilities of Chief Finance Officer**

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

22.7 **Responsibilities of Directors**

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

23. Staffing

What are Staff?

23.1 Council staff are an essential part of providing the highest level of quality services. Staff are the greatest single item on which the Council spends its budget. It therefore carries not only one of the highest degrees of risk but is also one of the most complex areas. It is therefore crucial that procedures and guidance issued by Human Resources are followed precisely. Examples of areas where procedures exist are:

- recruitment;
- pay and rewards;
- attendance management;
- health and safety;
- discipline; and
- grievances

Why are Staff important?

23.2 In order to provide the highest level of service, it is crucial that the Authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level within the resources available.

23.3 **Key Controls**

- The key controls for staffing are:
- procedures are in place for forecasting staffing requirements and cost
- controls are implemented to ensure that officer's time is used efficiently and to the benefit of the Authority
- checks are undertaken prior to employing new officers to ensure that they are appropriately qualified, experienced and trustworthy
- managers communicate all changes to staff (including starters and leavers) to Human Resources and Payroll as soon as possible to ensure financial and operational records are kept up to date

23.4 **Responsibilities of Chief Finance Officer**

- To ensure that budget provision exists for all existing and new officers.

23.5 **Responsibilities of Directors**

- 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.
- To monitor officers' activity to ensure adequate control over such costs as sickness, overtime, training and temporary officers.
- 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.
- The Head of Human Resources to act as an advisor to Directors on areas such as national insurance and pension contributions, as appropriate.
- To ensure that the Head of Human Resources and the Chief Finance Officer are informed if the staffing budget is likely to be materially over or under spent.
- To ensure that all changes to staff (including starters and leavers) are communicated to Human Resources and Payroll as soon as possible to ensure financial and operational records are kept up to date and that appropriate check lists are completed.

24. Financial Systems

What are Financial Systems?

24.1 Financial systems are all computerised systems that directly or via interface are responsible for generating payments to or from the Council.

Why are Financial Systems Important?

24.2 Financial Systems are where details of all transactions with the Council are held. It is important that these are accurate so that the underlying transactions are correct.

24.3 **Key Controls**

- Access control and security of the Council's Financial systems should be maintained.
- Systems should be reconciled periodically to ensure consistency of data stored within.

24.4 **Responsibilities of Chief Finance Officer**

- Approve any new financial systems and interfaces to be introduced.

- Ensure appropriate testing of new financial systems and testing of interfaces between systems prior to their introduction.

- Ensure appropriate reconciliation between all financial systems.

- For all corporate financial systems:
  - Ensure all input is genuine, complete, accurate, timely and not previously processed
  - All processing in carried out in a complete, accurate and timely manner
  - Output from all systems is complete, accurate and timely in an agreed format
  - Effective contingency and disaster recovery arrangements exist for all computerised systems, to include; back-up / rollback and processes to deal to an interruption to the system
  - Ensure systems are documented and staff trained in the operation of them
  - Correct any errors identified during the interfacing or reconciliation processes

24.5 **Responsibilities of Directors**

- Seek approval of the Chief Financial Officer before changing any existing system or introducing any new financial system.

- For all business area specific financial systems:
  - Ensure all input is genuine, complete, accurate, timely and not previously processed
  - All processing in carried out in a complete, accurate and timely manner
  - Output from all systems is complete, accurate and timely in an agreed format
  - Effective contingency and disaster recovery arrangements exist for all computerised systems, to include; back-up / rollback and processes to deal to an interruption to the system
  - Ensure systems are documented and staff trained in the operation of them
  - Correct any errors identified during the interfacing or reconciliation processes

25. Income Collection and Management

What is Income Collection and Management?

25.1 Some Services have the facility to charge for the services provided as part of their day to day operations. All charges must ensure compliance with the relevant statutes governing local authority activities. Charges may be levied in advance when a service is booked, at the point of sale or by the raising of a debtors invoice after the service has been delivered. Examples of these include:

- **Charges at point of sale:**
  - entrance fees;
  - cultural activities
  - car parking; and
  - professional fees e.g. Local Search fees and Planning Permission Fees.

- **Debtor Invoices**
  - sundry debtors.

25.2 The Council also collects income arising from local taxation, namely Council Tax and Business Rates, and income from parking penalty notices.

Why is Income Collection and Management important?

25.3 The collection of income is a significant part of the Council's business and is a vulnerable asset. Effective revenue collection systems are necessary to ensure that all revenue due is identified, collected, receipted and banked securely and effectively. It is preferable to obtain revenue in advance of supplying goods or services as this improves the Authority's cash flow and also avoids the time and cost of administering debts.
In order to ensure that cash flow is maximised and costs are minimised, it is essential that income is collected in as complete and timely manner as is possible. This would normally be at the point of sale or service.

25.4 **Key Controls**

- All debtor invoices must be raised via the Corporate Debtors system. Invoices raised need to be appropriate and legitimate and are calculated correctly.

- All income due to the Authority is legitimate, recorded and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.

- Value Added Tax (VAT) at the appropriate rate must be levied and collected in line with VAT guidance.

- All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery. Appropriate supporting documentation is retained in the event of debt recovery procedures being invoked.

- All money received by an employee on behalf of the Authority is banked in a timely manner, to the Authority's bank and is properly recorded in the Council's financial system.

- There is adequate separation in duties in identifying amounts due and the responsibility for collection, as far as is practicable.

- All debtor invoices must be raised via the Corporate Debtors system or other authorised debtor systems.

- Effective action is taken to pursue non-payment within defined timescales.

- Formal approval in accordance with the authorised limits (see Appendix A), for debt write-off is obtained.

- Appropriate accounting adjustments are made following write-off action.

- All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.

- Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

25.5 **Responsibilities of 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 and accounting for VAT.

- To approve the design of controlled stationery and arrangements for its control and security.

- To agree the write-off of bad debts in accordance with the Scheme of Delegation. To develop and maintain a Corporate Debt Management Policy.

- To develop and maintain up to date procedural guidance for the collection of income due to the Council.

- To ensure that appropriate accounting adjustments are made following write off action.

- To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

- To seek approval from Council on an annual basis for discretionary fees which will apply to transactions in the following financial year.

25.6 **Responsibilities of Monitoring Officer**

- To provide guidance on the retention and storage of income related documents.

- To provide guidance to ensure compliance with the relevant statutes governing local authority activities.

- To arrange appropriate insurance for all Council safes, as necessary.

25.7 **Responsibilities of Directors**

- To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it annually, in line with corporate policies.

- To determine where charges can be made at point of sale and where there is a need to raise a debtors invoice.

- To establish adequate procedures and controls to ensure that all staff entrusted with Council money are properly accountable.

- To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable and ensure staff are clear of their roles and responsibilities.

- To issue official receipts or to maintain other documentation for income collection. Officers must issue machine printed or official receipt forms or tickets when receiving all monies due to the Council. All official receipt forms (miscellaneous receipt books) shall be pre-printed, and Officers must sign all such receipts when issued.

- To ensure that at least two employees are present when post is opened so that money is received by post is properly identified and recorded under arrangements agreed with the Chief Finance Officer.

- To hold securely receipts, tickets and other records of income for the appropriate period.

- To order and issue all controlled stationery (receipt forms, books or tickets and similar items). The design of controlled stationery and arrangements for its control and security should be approved by the Chief Finance Officer.

- 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 Authority bank account in the form in which it is received.

- To reconcile monies collected to evidence bankings in accordance with procedures determined by the Chief Finance Officer.

- To keep a record of all overs and shorts so that any necessary adjustments can be made by arrangement with the Chief Finance Officer.

- 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 a sundry debtor invoice to be raised in a form approved by the Chief Finance Officer.

- To ensure that sundry debtor invoices are raised promptly and within seven calendar days of supply and the debt is supported by sufficient documentary evidence.

- To ensure that VAT is appropriately applied and the correct VAT category is used.

- Directors have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information that may be requested by the debtor or by Legal Services in the event of Court action.

- To ensure that cash held on premises does not exceed approved limits and adequate insurance coverage has been obtained.

- To keep a record of every transfer of money between employees of the Authority. 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 limits. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note can only be issued in relation to a debt in order to correct a factual inaccuracy or administration error in the calculation and/or billing of the original debt.

- To obtain the approval of the Chief Finance Officer when writing off debts in excess of the approved limit, and the approval of Cabinet where required.

- To notify the Chief Finance Officer of outstanding revenue relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.

26. Ordering and Payment of Works, Goods and Services

What is Ordering and Payment for Goods and Services?

26.1 Every day officers within the Council will order and/or authorise payments for goods and services. An order is a formal instruction requesting goods and services for which a payment will be given. An order should be electronic, represent a commitment on behalf of the Council, and form a contract with suppliers.

26.2 The Council has Contract Procedure Rules in place which aim to achieve value for money in the purchase of goods and services. These rules set the framework to ensure that procurement delivers value for money across all services and directly contributes to the achievement of our corporate priorities.

Why is ordering and payment important?

26.3 Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority'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 Contract Procedure Rules.

26.4 **Key Controls**

- All goods and services are ordered only by appropriate persons and are correctly recorded.

- Only authorised officers set up in the E-procurement system can authorise unless in exceptional circumstances as approved by the Chief Finance Officer.

- Goods and services received are checked to ensure they are in accordance with the order.

- Payments are not made unless a valid purchase order is provided, goods have been received by the Authority to the correct prices, quantity and quality standards unless in exceptional circumstances as agreed by the Chief Finance Officer.

- All payments are made to the correct supplier, for the correct amount and are properly recorded, regardless of payment method.

- Normal method for all payments is via BACS.

- All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention guidelines.

- All expenditure, including VAT is accurately recorded against the right budget and any exceptions are corrected. If VAT is being re-claimed there is a need to ensure that it is appropriate to do so and a VAT invoice is provided.

- All invoices with Construction Industry Tax liability are accurately processed in accordance with the scheme.

- All invoices are addressed to South Kesteven District Council.

- In addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

26.5 **Responsibilities of Chief Finance Officer**

- To ensure that the Authority’s main 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 make payments from the Authority’s funds on the authorisation of officers in line with the Authorised Limits (see Appendix A) that the expenditure has been duly incurred in accordance with financial regulations.

- To ensure the security, safe keeping and maintenance of blank cheques.

- To ensure that payments are authorised in accordance with the bank mandate.

- To ensure payments are processed for the correct amount.

- To make payments, whether or not provision exists within the estimate, where the payment is specifically required by statute or is made under a court order.

- To make payments to contractors based on the certification of the appropriate Director or nominated representative which must include details of the value of work, retention money, amount 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.

26.6 **Responsibilities of Directors**

- To ensure that officers use e-procurement for the raising of purchase orders and details of goods/services receipted are recorded in the system unless there are exceptional circumstances as approved by the Chief Finance Officer.

- To ensure that goods and services are purchased in accordance with the Council's Contract Procedure Rules.

- To ensure orders for goods and services are correctly addressed.

- To ensure that orders are only used for goods and service provided to the department or are purchased for recharge to voluntary organisations providing services that complement those provided by the Council.

- To ensure individuals do not use official orders to obtain goods or services for their private use.

- Each order sent to a supplier must include the contract price or quotation obtained as well as the contract/quotation reference.

- All invoices are in the name of South Kesteven District Council and contain accurate information in line with the order.

- To ensure invoices are processed in a timely manner.

- To ensure that where access to the computerised ordering system is available it is used to create a commitment to be shown against the budget head. Any exemption from this requirement to be subject to the approval of the Chief Finance Officer.

- To ensure that there are sufficient officers authorised to act on the Directors behalf for approving orders and paying invoices without orders. The approval limits should not exceed the Authorised Limits (see Appendix A).

27. Grant Payments

What are Grant Payments?

27.1 South Kesteven District Council recognises and values the contribution that community and voluntary organisations make to their communities. Accordingly, grants are given to them to deliver services and activities that are in line with the Council's priorities, aims and objectives. This funding supports a range of activities including grants to the third sector.

Why are Grant Payments important?

27.2 Grant payments are important as they are designed to help and support those organisations, often those who may have access to only limited resources, who provide services and organise activities for the local community. As this funding is sourced from public sources, it is important to ensure that it is spent in an appropriate way.

27.3 **Key Controls**

- Checks are undertaken on the integrity and financial standing of organisations to be funded.
- All applications are facilitated through a standard application form which requires various information including up to date accounts, bank statements, constitution, DBS information and child protection policies (where applicable) and expected outcomes which will arise from the funding provided. The amount of information requested will be proportionate to the amount of funding granted.
- Procedures are in place for the review and approval of grant applications, ensuring that expected outcomes align with Council priorities, aims and objectives.
- Funding agreements are signed off by both parties to confirm the terms and conditions on which the provision of funding is based. This will include the outcomes expected, performance indicators, and reporting requirements.
- Monitoring arrangements are established to ensure that evidence is provided by the organisation on a periodic basis to confirm that outcomes have been achieved in line with the grant funding agreement and that systems, processes and financial controls remain appropriate.

27.4 **Responsibilities of Chief Finance Officer**

- To ensure that all grant payments are properly recorded in the Council's accounts.

27.5 **Responsibilities of Directors**

- To ensure that grant awards are consistent with Council priorities, aims and objectives.
- To ensure grants awarded are in line with available budgets.
- To ensure that appropriate monitoring arrangements are in place, thereby obtaining assurance that funding has been applied for the purposes intended.

- To ensure that all grant payments are subject to annual consideration and approval.

28. Purchase Cards

What are Purchase Cards?

28.1 Purchase cards are a form of company charge card that allows goods and services to be procured. Purchase cards are issued directly to employees.

Why are Purchase Cards important?

28.2 Purchase cards provide the Council with another method of payment for goods and services and reduces the need for cash within the Authority. Purchase cards also provide the Authority with greater visibility of ad-hoc transactions.

28.3 **Key Controls**

- All purchase card transactions must be logged on the financial system.
- All purchase card transactions must be matched to the bank transaction and authorised by the authorising manager.
- Cards must be held securely and not shared.
- Purchase cards must not be used for personal transactions.
- Purchase cards must only be used by the individual who it is assigned to.
- Purchase cards will only be issued to individuals who have received appropriate training.
- Individual transaction and monthly limits must be agreed by the authorising manager.
- Purchase cards must only be used in accordance with the prevailing policy.

28.4 **Responsibilities of Chief Finance Officer**

- To provide guidance to all officers on the proper use of Purchase Cards within the Council.
- To ensure that appropriate accounting guidelines are in place for transactions where the purchase card is used, including the accounting for VAT.

- To approve purchase cards to be issued to individual officers and approve individual and monthly transaction limits.

- To arrange cancellation of the Purchase Cards when an officer leaves the Authority.

- To provide guidance on receipt retention.

28.5 **Responsibilities of Directors**

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

- To set the individual and monthly transaction limits.

- To ensure that officers who are allocated Purchase Cards and their Managers are aware of their responsibilities regarding this (and further detail contained within the Purchase Card User Guide).

- To ensure that the card is returned to the Exchequer team, in person, in the event the cardholder leaves the Authority.

- To ensure that VAT receipts are retained for the appropriate period.

29. Payments to Employees and Members

What are Payments to Employees and Members?

29.1 As part of main Council business, the Council has to pay officers their salaries. In addition, payments can be made for other expenses which they have occurred on behalf of their duties.

29.2 Salaries and wages are paid in accordance with the approved Establishment List for the Council. Salaries are paid on the third Friday of each month, partly in advance and partly in arrears. All payments are made by BACS.

29.3 Members' allowances are paid monthly through the payroll system.

Why are Payments to Employees and Members important?

29.4 Officer costs are the largest item of expenditure for most Councils. It is, therefore, important that payments are made accurately, timely, made only when they are due and that payments accord with individuals' conditions of services.

29.5 It is also important that all payments are made accurately, recorded and accounted for and that Members allowances are authorised in accordance with the scheme adopted.

29.6 **Key Controls**
Key controls are:

- Proper authorisation procedures are in place and that there is adherence to corporate timetables and procedures in relation to the prompt notification of all changes including:

    - Starters;
    - Leavers;
    - Variations; and
    - Enhancements.

- All payments are made in accordance with the terms and conditions of employment, and approved timesheets and claims where appropriate;

- Frequent reconciliation of payroll expenditure against approved budget and bank account;

- All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule; and

- HMRC regulations are complied with.

29.7 **Responsibilities of Chief Finance Officer**

- To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former officers, and to determine and approve the associated procedures.

- To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions complying with statutory requirements.

- 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 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.

29.8 **Responsibilities of Directors**

- To ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available.

- To notify the HR Service of all matters affecting payments as soon as possible and in the required manner. In particular:

- appointments, resignations, dismissals, suspensions, secondments and transfers;
- absences for sickness or other reason, apart from approved leave;
- changes in pay rates, other than pay awards and agreements of general application; and
- information necessary to maintain records of service for superannuation, income tax and national insurance.

- To ensure that adequate and effective systems and procedures are operated so that:

  - payments are authorised to bona fide officers only;
  - payments are only made where there is a valid entitlement;
  - conditions and contracts of employments are correctly applied; and
  - officer's names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

- To ensure all officers' expenses are paid via payroll.

- 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 allowance are properly payable by the Authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Finance Officer is informed where appropriate.

- Officers' claims submitted more than six months after the expenses were incurred will be assessed and determined, for payment or otherwise, by the Director. The Chief Finance Officer will provide guidance on which the assessments and determination can be made.

- To ensure that the Chief Finance Officer is notified of the detail of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

- To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention guidelines.

30. Taxation

What is Taxation?

30.1 There are five types of taxation which the Council will be aware of and take account of when it carries out its business. These are:

- Value Added Tax (VAT);
- Income Tax and National Insurance;

- Construction Industry Scheme (CIS) Tax;
- Insurance Premium Tax; and
- Corporation Tax (on companies it controls)

30.2 Each has its own rules and relates to different areas of the Council's business.

Why is Taxation important?

30.3 Like all organisations, the Authority 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.

30.4 Detailed consideration of future spending is required to ensure that the Council can continue to recover all the VAT it incurs, both on new schemes and on its existing expenditure. It is therefore important for all officers to be aware of their role in ensuring the Council's compliance with and adherence to HMRC's VAT Regulations and the requirements of the Council's VAT guidance.

30.5 It is important that the Council does not waste resources through under recovery of VAT, failing to identify taxable transactions and account for VAT due at the correct time, unnecessarily incurring non-UK VAT that is generally unrecoverable, or by making poor decisions due to inadequate information.

30.6 **Key Controls**

- Budget Managers are provided with the relevant information and kept up to date on tax issues.
- Budget managers are instructed on required record keeping.
- All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- Records are maintained in accordance with instructions.
- Returns are made to the appropriate Authorities within the stipulated timescale.

30.7 **Responsibilities of Chief Finance Officer**

- To ensure that there are proper arrangements in place for the administration and accounting of the four areas of taxation.
- To ensure that all arrangements comply with the Council's statutory responsibilities.
- To complete a monthly return of VAT input and outputs to HMRC.
- To provide details to HMRC regarding the CIS Tax deduction scheme.
- To maintain up-to-date guidance for officers on taxation issues in the taxation manual on the Intranet with updates on significant changes.

- Complete the Council's annual partial exemption calculation and ensure that, as far as possible, this is not exceeded.

- Provide VAT advice, both strategically and operationally.

- To complete all HMRC returns regarding PAYE, on a timely basis.

30.8 **Responsibilities of Directors**

- To ensure that the correct VAT liability is attached to all income due.

- To ensure that all VAT recoverable on purchases complies with HMRC regulations.

- To ensure that all capital work and revenue development is notified to the Council's VAT Officer at the earliest opportunity where any of the following apply:
  - significant VAT is incurred;
  - any VAT-exempt income is generated; or
  - there are non-cash benefits, e.g. Land swap or provision of services at below market price.

- To fund any interest charges or penalties falling upon the Council from HMRC that result from their Directorate's failure to account for the correct VAT at the correct time.

- To retain all VAT-related documents in accordance with the Council's document retention policy.

- To ensure that, as far is possible, tax is accounted for in the correct tax accounting period.

- 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 Authority are added to the Authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised agency.

- To ensure officers are aware of and follow the guidance on taxation issued by the Chief Finance Officer in the Authority's Tax manual.

- To ensure that officers are aware of their responsibilities in relation to self-billing (see self-billing regulation).

31. Document Retention

What is Document Retention?

31.1 Laws and best practice provide requirements and guidelines for the retention and maintenance of documents, along with details as to how long they should be kept. A Document Retention Policy provides a systematic way of deciding to keep or destroy documents which have been received or created in the course of business. It gives guidance on how documents should be kept and how they should be destroyed.

Why is Document Retention important?

31.2 Document Retention is important as it provides a means of supplying evidence which verifies that income and expenditure recorded in the Council's financial statements is valid, accurate and complete. External organisations also require such confidence. There are strict guidelines and legal requirements in place to satisfy bodies such as HMRC.

31.3 A document retention policy will help to simplify the running of a Service by promoting efficiency and freeing up valuable storage space. Also, a document retention policy can protect you, ensuring you have evidence for your practice when required, and help makes sure laws are being followed.

31.4 **Key Controls**

- An understandable and clearly communicated Document Retention Policy is in place.
- All key areas of the Councils operations are covered within the policy.

31.5 **Responsibilities of Chief Finance Officer**

- To ensure that a comprehensive Document Retention Policy is in place and this is in line with statutory guidance.

31.6 **Responsibilities of Directors**

- To ensure compliance with the guidance within their services.
- To ensure that any amendments to the guidance are reported to the Records Manager on a timely basis.

32. Partnerships (including Joint Ventures and Companies)

What are Partnerships?

32.1 Partnerships provide alternative arrangements for the Council to ensure services are delivered to the local community. This may be better than providing the services directly or by procuring a service from another agency.

Why are Partnerships, Joint Ventures and Wholly Owned Companies Important?

32.2 The distinctive role of the Council is one of leadership to bring together the contributions of the various agencies. We therefore need to deliver a shared vision of services based on user wishes. Partnerships play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. The Council can work in partnership with others - public agencies, private companies, community groups and voluntary organisations.

32.3 There are many reasons to enter into partnerships including:

- Providing new and better ways of delivering services to our residents
- Creating formal structures to bind partners to work together long-term for shared objectives
- Sharing risk with others
- Accessing new resources, including funding
- Forging new relationships

32.4 **Key Controls**

- All partnerships should be appropriately constituted, with clear and unambiguous rules for decisions, expenditure, goals and responsibilities.
- All partnerships should file accurate annual returns in a timely manner, in an appropriate form to the nature of the partnership.
- The key aims of the partnership should be agreed and committed to from all partner agencies.

32.5 **Responsibilities of Chief Finance Officer**

- To ensure that the accounting arrangements to be adopted for each partnership are satisfactory.
- To ensure that corporate governance arrangements and legal issues have been considered.
- To ensure that risks are fully appraised and reported before agreements are entered with external agencies.
- To ensure that any specific insurance is considered for any officers or members acting formally as a Director to any formally constituted company.
- To ensure that the Council's share of any financial impact is appropriately fed into the financial statements, medium term financial planning and budget planning processes.

32.6 **Responsibilities of Directors**

- To develop a suitable business case setting out the purpose of each partnership proposed and why the proposed route is the best to meet the Council's objectives.
- To ensure appropriate approvals are obtained before any negotiations are concluded with external agencies.
- To ensure that appropriate processes are put in place to represent the interests of the Council, in line with their stake in any partnership arrangement.

- To monitor the Council's share of any financial impact of the partnership is incorporated into the Council's budget monitoring processes.

- To monitor all other performance aspects of the partnership.

33. External Funding including Grant applications

What is External Funding?

33.1 Sources of external funding provide additional resources to enable the Council to deliver services to the local community. This can be provided by the in-house service, or by commissioning partners or other agencies. Care needs to be taken, to ensure that the funding conditions meet the aims and objectives of the Council.

33.2 Smaller organisations may be prohibited from bidding for directly accessing some sources of external funding, relying on the Council to effectively sponsor their business case. If the Council accepts, then it becomes the accountable body for the grant; making it ultimately responsible for its correct use.

Why is External Funding important?

33.3 External funding is a very important source of income, especially at a time when the Council's resources are limited and scarce. However, funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Authority.

33.4 Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other organisations and private service providers. Funds from external agencies provide additional resources to ensure that the Council objectives are achieved. By acting as Accountable Body for others, the Council may enable projects to proceed and support the achievement of wider objectives within its area.

33.5 **Key Controls**
The key controls for external funding are:

- to ensure that the key conditions of funding are understood and complied with; including planning and approval for any match funding and revenue costs associated with any capital grant (such as ongoing maintenance costs).

- to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council;

- to ensure that risks associated with the funding are known and mitigated – particularly around the potential future clawback of external funding

- to ensure any long-term constraints on assets is understood, recorded and adhered to, which arise from conditions attached to accepted grants.

- to assign a service area responsible for oversight of performance of any agency where the Council is acting as Accountable Body for external funding.

- to have a developed exit strategy for when the grant concludes.

33.6 **Responsibilities of Chief Finance Officer**

- To ensure that all funding applications are reviewed prior to submission

- To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

- To ensure that any match funding requirements are considered prior to entering into agreements and the future revenue budgets reflect these requirements.

- To ensure that the revenue implications that arise from one off capital grants are understood before the grant is applied for..

- To ensure that any necessary claims or returns are made within the deadlines set.

- To ensure that audit requirements are met.

- To include the income and expenditure in the Council's Annual Statement of Accounts.

- To advise on requirements for ensuring that the Council's duties as Accountable Body for external funding are met

- To adjust the budgets in line with appropriately approved and awarded grants.

33.7 **Responsibilities of Directors**

- To ensure all applications for funding are consistent with the Council's priorities and have been reviewed by the Chief Finance Officer prior to submission

- To seek appropriate approval to accept any external funding in line with the authorised limits (see Appendix A).

- To ensure risks, constraints and any ongoing funding commitments are documented and fully considered against the benefits of any grants received.

- To ensure that all claims for funds and other returns are made accurately and duly signed by the due date.

- To ensure that the project progresses in accordance with the agreed programme and that all expenditure is properly incurred and recorded.

- To ensure that the appropriate approval is obtained prior to incurring additional expenditure on schemes, projects, programmes etc. which is to be financed wholly by additional grants or other income.

- To ensure that relevant documentation is retained in accordance with the terms of the grant as per the Council's document retention scheme.

- To provide on an annual basis details of external funding which have been agreed.

- To provide a breakdown of projected income and expenditure each year so that these can be properly budgeted for in the Council's financial system.

- To ensure appropriate performance monitoring of any funding where the Council is acting as Accountable Body.

34. Work for External Parties

What is Work for External Parties?

34.1 Legislation enables the Council to provide a range of goods services to both individuals and organisations. Various pieces of legislation cover whether costs can be recovered, the extent a surplus can be earned and whether there are restrictions on the use of any income received. The requirements may be directly agreed with the Council, or it may choose to bid to provide a service via a tender process.

Why is Work for External Parties important?

34.2 Work may be chargeable and enable a unit to maintain economies of scale and existing expertise. Depending on the service and the recipient then the income may contribute to the Council's central running costs.

34.3 **Key Controls**

- Ensure that the work falls within the Council's statutory powers.

- Ensure all parties are clear about what services are being provided and the basis of any such provision.

- Ensure risks associated with the work are known, documented and appropriately managed.

- Ensure proposals are costed properly and any charges are within Council's statutory powers.

34.4 **Responsibilities of Chief Finance Officer**

- Ensure that all income and expenditure relating to External parties is contained within the Council's Annual Statement of Accounts.

- Support business areas to calculate costs associated with any service offered.

- Adjust budgets in line with any agreed changes in income and expenditure resulting from any approved works for External Parties.

34.5 **Responsibilities of Directors**

- Ensure that appropriate approval is sought in advance of any formal agreement to proceed in line with the Authorised Limits (see Appendix A).

- Ensure that the business area has the appropriate expertise and capacity to undertake any work before committing the Council into provision.

- Ensure that appropriate documentation is agreed between the parties including what services are being provided, charges, timing and trigger points of payments.

- Ensure risks are identified in advance and a risk management plan put in place; this could include:
  - Appropriate insurance provision
  - Appropriate timing of payments
  - Appropriate contract management

- To provide a breakdown of any projected income and any additional expenditure each year so that these can be properly budgeted for in the Council's financial system and included within the Statement of Accounts.

Appendix A

Authorised Limits

Operationally there are a series of decisions that are required to allow the Council to operate efficiently without seeking approval from Council each time (for example moving budgets, accepting grants or writing off bad debt). This appendix sets out limits and responsibilities for these matters. The amounts provided are the limits per scheme or project. The Chief Finance Officer is responsible for maintaining this document to maintain operational effectiveness (with any changes to limits taken in consultation with the Cabinet Member responsible for Financial matters). Any changes to limits should be included within the next financial monitoring report.

Nothing contained within this Appendix prohibits formal delegation by Full Council or Cabinet to delegate greater limits or a project, scheme or area basis.

Virements - Revenue Budgets (sections 6, 32 and 33 of Financial Regulations)

Virements (adjustments) to revenue budgets can take place under a range of circumstances:

- Revenue (current year only) – can be between employee to employee budgets or non-employee to non-employee budget lines (see section 6 of Financial Regulations) *
- Revenue (grant funded) – note such changes will only be for the period of the grant (see section 32 of Financial Regulations)
- Revenue (external income) – this should only be for the duration of any contract, unless there is an expectation that income will be sustainable (see section 33 of Financial Regulations)

* One-off virements should only be used when moving budgets from one area of responsibility to another. If they are maintained within one service area, consider reporting an underspend in one area, offset by an overspend in the other.

The table below sets out as a minimum the approval required from the business, finance and members depending on the size of the change:

Business Lead	Finance Lead	Member Lead	Consultation	Revenue (in-year and grant funded)	Revenue (external income)
Head of Service	Team Leader	N/A	Assistant Director	Up to £25,000	Up to £25,000
Assistant Director	Chief Finance Officer or deputy	N/A	Director	£25,001 - £50,000	£25,001 - £50,000
Director	Chief Finance Officer	N/A	Cabinet Member	£50,001 - £100,000	£50,001 - £100,000
Director	Chief Finance Officer	Cabinet Member	N/A	£100,001 - £150,000	£100,001 - £250,000
Director	Chief Finance Officer	Cabinet	N/A	£150,001 - £250,000	£250,001 - £500,000
Director	Chief Finance Officer	Full Council	N/A	Over £250,000	Over £500,000

Capital Budgets Amendments (Section 3 of Financial Regulations)

Virements to capital budgets can take place under a range of circumstances:

- Capital (grant funding) – if we have successful in securing grant funding
- Capital (external contribution) – if we have received income from another external source (such as a developer contribution)
- Capital (intra-scheme transfer) – if a scheme is going to overspend and this can be contained by transferring from another scheme in the same financial year without a risk that this will lead to an overspend in that scheme

The table below sets out as a minimum the approval required from the business, finance and members depending on the size of the change:

Business Lead	Finance Lead	Member Lead	Consultation	Capital
Head of Service	Team Leader	N/A	Assistant Director	Up to £25,000
Assistant Director	Chief Finance Officer (or deputy)	N/A	Director	£25,001 - £50,000
Director	Chief Finance Officer	N/A	Cabinet Member	£50,001 - £100,000
Director	Chief Finance Officer	Cabinet Member	N/A	£100,001 - £150,000
Director	Chief Finance Officer	Cabinet	N/A	£150,001 - £500,000
Director	Chief Finance Officer	Full Council	N/A	Over £500,000

Additions to Budgets (Sections 2 (Capital) & 3 (Revenue) of Financial Regulations)
Additions to the approved budget framework where no external funding has been secured (including creation of new service areas) can be agreed by Cabinet or Full Council as per the limits in the following table::

Approval Body	Revenue and Capital
Cabinet	Up to £150,000 per addition up to £600,000 cumulative per financial year
Full Council	Over £150,000 per addition and over £600,000 cumulative (per year)

Note that these limits do not apply if being fully funded from an external contribution or grant – see the virements section for approach and limits in these circumstances.

Approval to use discretionary reserves with the exception of the Local Priorities Reserve and Regeneration Reserve
Accessing reserves to fund specific one-off expenditure can be agreed by the Chief Finance Officer or Cabinet Member as per the limits in the following table:

Business Lead	Finance Lead	Member Lead	Consultation	Limit
Director	Chief Finance Officer	N/A	Cabinet Member for Finance	Up to £100k
Director	Chief Finance Officer	Cabinet Member		Over £100k

Authorised Signatories (Section 26 of Financial Regulations)
The following table sets out the limit per transaction for raising orders, approving invoices (without an order), approving expenses to employees and approving lease agreements; noting that no payment should be split into smaller components to circumvent these limits.

<table>
<tr><th>Authorised By:</th><th>Authorised Limit for Orders & Invoices</th><th>Authorised Limit for Payroll & Expenses</th><th>Authorised Period for Lease Agreements</th></tr>
<tr><td>Staff below Team Leader Level</td><td>Up to £1,000</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Team Leaders or equivalent</td><td>£1,001 - £10,000</td><td>Up to £500</td><td>Less than 12 months</td></tr>
<tr><td>Heads of Service</td><td>£10,001 - £30,000</td><td>£501 - £2,000</td><td>Less than 12 months</td></tr>
<tr><td>Assistant Directors</td><td>£30,001 - £200,000</td><td rowspan="2">Over £2,000</td><td rowspan="2">Less than 12 months</td></tr>
<tr><td>Director</td><td>Over £200,000</td></tr>
<tr><td>Chief Finance Officer</td><td>Over £200,000</td><td>Over £2,000</td><td>12 months and over</td></tr>
</table>

The Chief Finance Officer can, based upon a satisfactory explanation of need, agree an increase for officer(s) within a business area, for any amount up to the Chief Finance Officer’s current limit.

Bad Debt Write-Off (Section 25 of Financial Regulations)
Any debit or credit balance under £50 per individual debt can be written-off by a Head of Service (or equivalent) without the need to be counter-signed. In all other cases, each write-off will be countersigned by the Chief Finance Officer or their deputy as appropriate as laid out in the table below.

Proposed by:	Authorised By:	Delegated Limit (per debt)
Heads of Service (or equivalent)	Assistant Director	£50 - £2,000
Assistant Director	Director & Deputy S151	£2,001 – £5,000
Director/ Chief Finance Officer	Chief Finance Officer	£5,001 – £25,000
Chief Finance Officer	Chief Finance Officer & Cabinet for Finance	Over £25,000

Emergency Payments under the Emergency Plan (Section 5 of Financial Regulations)

Director (in consultation with Chief Executive or Chief Finance Officer) up to £100,000
Leader and Chief Executive in excess of £100,000

Definition of Roles

Throughout the document references are made to job titles and roles. During the period of the Regulations it is possible that titles will change. Therefore the updated title shall be equivalent (in terms of the management structure) to the title used in this document.

Appendix B

Recommended Periods For The Retention Of Records

Type of Document	Retention Period (Years)
Accountancy/Financial	
Abstract of accounts	6
Audited accounts	Retain indefinitely
Budgetary control records	6
Costing records	6
Estimate working papers	2
Financial ledgers	6
Grant claim records	6
Investment records	2
Journals	6
Leasing records	2
Loans records	Retain indefinitely
Records re closing ledgers	6
Telephone call records	2
VAT claims	6
VAT records	3
Voluntary fund accounts	6

Bank Related Records

Bank paying-in books/slips	6
Bank reconciliation	6
Bank statements	6
Cancelled cheques	2
Cheque books and counterfoils	6
Cheque lists (creditors/payrolls)	2
Loan records and correspondence	2
Paid cheques	4
Returned cheque records	2

Contracts

Final accounts of contracts executed under hand	6
Final accounts of contracts executed under seal	12
Successful tenders	3 years after final payment
Unsuccessful tenders	Retain until final payment is made

Creditor Records

Copy orders	2
Credit notes	6
Creditor invoices	6
Delivery notes	2
Imprest documentation	2
Periodic payment records	6

External Funding	
Funding documentation and associated invoice/payment details	6 years or in accordance with the terms of the individual grant requirements
Income Records	
Cash books	6
Correspondence (income)	2
Debtor accounts (records non-current)	2
Income posting slips and tabulations	2
Periodic income records	2
Receipt books	2
Record of receipt books issued	2
Registrar's quarterly returns	2
Sales records	2
Miscellaneous Records	
Annual report	Retain indefinitely
Bound copies of minutes	Retain indefinitely
Capital works tabulations	2
Car leasing and mileage records	3
Car loans	3
Computer system documentation	2
Inland Revenue documentation	6
Inventory records	6

Land searches	6
Member allowances	2
Minutes	2
Postal remittance registers	2
Stock lists	2
Travel claims	6
Valuation lists	Retain indefinitely
Vehicle logs	2

Insurance Records

Expired insurance contracts	Retain indefinitely
Insurance claims	6
Insurance policy documentation	Retain indefinitely
Insurance register	Retain indefinitely

Payroll

BACS amendments and output	3
Building society tabulations	3
Copy payslips	6
Correspondence	6
Life certificates (pensions)	2
Monthly BACS listing	3
NI file cashbook	2

NI number changes	2
Payroll adjustment documentation	6
Part time employees' claim forms	6
Pensions personal records	Retain indefinitely
SSP records	4
Staff transfer records	6
Starters' forms	2
Superannuation Records	Retain indefinitely
Tax and NI records	6
Tax code notifications	2
Timesheets	6
Union documentation	2
Weekly BACS listings	3

Note:

- The period of years shown, relates to a complete period following the end of the financial year to which the record relates.
- No documents or records should be disposed of until notification has been received from the District Auditor of the completion of the audit of accounts for the year to which the records relate.
- If a suitable period of retention is in doubt, please refer to the Chief Finance Officer.