

## **Part 8 – Financial Procedure Rules**

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## 1. Status of Financial Procedure Rules

- 1.1 The Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and to all workers including interims and consultants. Failure to abide by the Financial Procedure Rules may lead to action under the disciplinary procedure.
- 1.2 All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control. They are also responsible for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.3 The Financial Procedure Rules do not directly apply to maintained schools and Pupil Referral Units (PRUs). Schools must adopt their own financial policy and procedures based on the principles within the Financial Procedure Rules and taking account of more specific guidance issued by the Director of Finance.
- 1.4 The Financial Procedure Rules identify the financial responsibilities of all staff and elected Members, and in particular;-
  - the full Council;
  - the Cabinet;
  - the Leader;
  - the Audit and Governance Committee;
  - the Head of Paid Service (Chief Executive);
  - the Chief Financial Officer – Section 151 Officer (Director of Finance);
  - the Monitoring Officer (Director of Governance);
  - the Chief Audit Executive (Head of Internal Audit);
  - Directors, Divisional / Assistant Directors, , Heads of Service and other Budget Holders;
- 1.5 The Director of Finance is responsible for the maintenance and regular review of the Financial Procedure Rules., The Director of Finance has delegated authority for any additions or changes to them.
- 1.6 The Director of Finance is responsible for issuing advice and guidance to underpin the Financial Procedure Rules to which Members, Officers and others acting on behalf of the Council are required to have regard.
- 1.7 The Director of Finance is also responsible for reporting, where appropriate, breaches of Financial Procedure Rules to the Council and/or to Cabinet.
- 1.8 The Financial Procedure Rules are supported by a detailed Financial Control Manual, setting out how the Financial Procedure Rules will be implemented. All staff and Members must ensure that they read and follow these procedures.

### Financial Control Framework

- 1.9 The financial administration framework of the Council is organised in accordance with Section 151 of the Local Government Act 1972, requiring that every local Authority in England and Wales should “make arrangements for the proper administration of their financial affairs and shall secure that one of their Officers has responsibility for the administration of those affairs.” The framework comprises:
  - **Constitution:** The principal rules governing the Council's affairs, including financial affairs and the delegation of authority to Members and Officers.

- **Financial Procedure Rules:** Forms part of the Council's Constitution, to provide a framework for its financial procedures.
- **Financial Control Manual:** Sets out controls and responsibilities of all staff and Members
- **The General Scheme of Delegation:** Sets out the Council's decision making framework
- **Medium Term Financial Strategy:** Sets out the Council's medium term plans for managing its finances
- **Contracts Procedure Rules:** Forms part of the Council's Constitution, to provide a framework for its procurement procedures.
- **Procurement Manual:** Sets out the processes to be used for the different types of procurement
- **Property Procedure Rules:** Forms part of the Council's Constitution, to provide a framework for its property procedures
- **Capital Strategy:** Sets out the processes and decision making framework for capital expenditure
- **Programme and Project Management Framework:** Sets out the framework for managing projects and programmes

The financial administration framework of the Council must also adhere to the Accounts and Audit Regulations 2015. These regulations impose a range of duties in respect of internal control which:

- facilitates the exercise of their functions; and the achievement of their aims and objectives;
- ensures the financial and operational management of the Authority is effective;
- includes effective arrangements for the management of risk.

The Regulations also make provision, in relation to each type of authority, for their accounting records and control systems; including how they are to be:

- prepared and certified by the authorities Director of Finance
- approved by full Council or a committee
- published; including publication on the authorities website

### Financial Delegation Levels

- 1.10 The Financial Delegation Levels form part of the General Scheme of Delegation and sets out the financial authorisation limits for staff. The Scheme of Delegation is administered by the Director of Governance, in conjunction with the Director of Finance. The Audit and Governance Committee must approve all amendments to the scheme.

## 2. Other Financial Accountabilities

### Virements

- 2.1 Virement is the term used to transfer (or vire) budgetary provision from one budget heading to another. All virements must be approved according to the authorisation matrix and must not be fragmented to circumvent those thresholds:-

<b>Authorisation Matrix</b>	<b>&lt;£10,000</b>	<b>£10,000-£100,000</b>	<b>£100,000-£500,000</b>	<b>&gt;£500,000</b>
	Level D	Level C	Level B	Level A

### Treatment of year-end balances

- 2.3 Under and overspending on budget headings has to be agreed by the Chief Executive and the Director of Finance, prior to being approved by Cabinet as part of the revenue outturn for the year. Where there is a sound business case to carry forward an underspend to the next financial year it can only be approved as part of this process.

### Accounting policies

- 2.4 The Director of Finance is responsible for selecting the Council's accounting procedures, records and policies, including any changes to those policies, and ensuring that they are applied accurately and consistently.

### The Annual Statement of Accounts

- 2.5 The Director of Finance is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The Audit and Governance Committee is responsible for approving the annual statement of accounts.
- 2.6 The Director of Governance is responsible for overseeing the preparation and publication of an Annual Governance Statement (AGS), following an annual review of the Council's systems of internal control and governance, and ensuring that it conforms to the CIPFA/SOLACE guidance. The AGS forms part of the Council's annual financial statements and is signed by the Chief Executive and the Leader, prior to being approved by the Audit and Governance Committee.

### Trading Accounts

- 2.7 A trading account is established where there are significant operations being delivered on a commercial basis. Trading accounts are established to match income with expenditure and allow for the carry forward of losses and surpluses over a set time period. They are not set up where there is a simple recharge of costs between services.
- 2.8 It is the responsibility of the Director of Finance to advise on the establishment and operation of trading accounts.

## 3. Financial Planning and Budgeting

- 3.1 This section deals with the frameworks and processes by which the financial situation of the Council is planned, controlled and reported. The Strategic Budget process can be summarised as below:

The full Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the Cabinet at the council tax setting meeting at the end of February.

In terms of financial planning, the key elements are:

- the medium term financial strategy;
- the budget;
- the capital strategy;
- the capital programme; and
- The Council tax resolution.

### Policy Framework

- 3.2 The Chief Executive is responsible for proposing the Corporate Plan to the Leader and Cabinet for consideration before its submission to the full Council for approval. The Corporate Plan sets out how the Council will achieve its organisational objectives.
- 3.3 Each year, each Director should ensure that there is a service plan for their department in the format required by the Council.
- 3.4 Each budget holder must obtain approval from their Director for the quantum and standard of the services to be delivered by his/her service area in the next financial year, which would be detailed in the service plan and supported by the budget.

### Budgeting

- 3.5 Each year, the Director of Finance produces budget guidance, which sets out the budget preparation process. The Director of Finance is responsible for ensuring that the council sets a balanced and sustainable revenue budget on an annual basis and considers the medium term requirements. In addition the Council has a five year rolling capital programme which is updated annually and matched against available capital resources. The draft budget includes allocations to different services and projects, proposed taxation levels and recommends appropriate levels of contingency and reserves to manage and mitigate risks. It is the responsibility of all Directors to ensure that budget estimates for their services reflect their agreed service plans and priorities of the Council.
- 3.6 On the advice of the Director of Finance, Cabinet will propose the overarching budget framework to Full Council for their consideration and approval. Full Council may amend the budget or ask the Leader and Cabinet to reconsider it before approving it and setting the council tax for the forthcoming year.
- 3.7 The Director of Finance will issue details of the agreed Council budget to Directors following approval by Full Council. Each Director will be expected to formally sign that they accept their detailed budget and spending will remain within their overall budget allocation.
- 3.8 The Director of Finance will provide a detailed budget book in April each year. The total for the Directorate budget book must equal the budget agreed by Full Council. Where budget headings are over spending, Directors should propose appropriate management action to ensure spending remains within their overall budget allocation.

### Financial Management Process

- 3.9 The Director of Finance is responsible for the financial management process enabling capital and revenue budgets to be monitored effectively.

- 3.10 The Director of Finance is responsible for monitoring and controlling expenditure against budget allocations and reports the actual position in comparison to the budget, projected out-turn position and any proposed action to be taken by departments to deal with any variances. The revenue monitoring report is presented to Management Board and Cabinet on a monthly basis
- 3.11 Directors are responsible for:
- controlling income and expenditure within their area and monitoring performance, taking account of financial information provided by the Director of Finance and / or their own systems;
  - reporting monthly, in accordance with the agreed corporate format and timetable, on variances within their own areas;
  - taking any action necessary to avoid exceeding their budget allocation and alerting the Director of Finance if this cannot be achieved;
  - ensure that fees and charges are reviewed annually as a minimum and changes reflected through the budget planning process

### Maintenance of Balances, Provisions and Reserves

- 3.12 It is the responsibility of the Director of Finance to advise the Leader and Cabinet and/or the full Council on prudent levels of balances, provisions and reserves for the Council. The Director of Finance will review the level and purpose of all provisions and reserves on an annual basis.
- 3.13 The Director of Finance has the delegated authority to use the Budget Strategy Reserve for the purposes agreed by Cabinet, and can use any other balances, provisions and reserves for the management of the Council's overall budget.
- 3.14 Where Directors and Heads of service propose to use service related reserves they will need to set out their proposals in a business case that must be submitted to the Director of Finance for approval before the reserves can be allocated for use.

### Capital Expenditure

- 3.15 Capital expenditure refers to expenditure used to purchase, develop, construct or add value to current assets, where those assets have a useful life extending beyond one year and is outside of the revenue expenditure required for the normal running of the Council. Capital expenditure can be financed from many different sources such as government grants, external funding agencies, receipts from the sale of capital assets, section 106 agreements, and borrowing.
- 3.16 The Council manages its capital expenditure through a rolling five-year capital programme that is underpinned by the Capital Strategy. The capital strategy sets out how Waltham Forest allocates finances and manages the delivery of its investments to secure the long-term strategy for growth and development in the borough and achieve its key priorities and objectives. The Capital Strategy also sets out the governance arrangements for the capital programme.
- 3.17 Before capital schemes can commence they are subjected to a five stage gateway process prior to being submitted to the Cabinet and full Council who must agree the inclusion of the scheme in the capital programme. Cabinet approves the capital programme on an annual basis including any necessary carry forward of budgets where there is slippage in the delivery of capital schemes

- 3.18 All Directors are responsible for managing the capital schemes in their service areas within the resources available. Where services forecast an underspend in a capital scheme (as opposed to slippage) this should be reported to the Director of Finance and the surplus funding released back to corporate resources to support the overall capital programme. Where there is forecast to be an overspend that cannot be contained within the capital funding allocated in the programme, the relevant Director should identify funding through their revenue budget to address the overspend.
- 3.19 Capital expenditure against the scheme budgets is reported to Cabinet on a quarterly basis, together with progress against the programme and reasons for significant variances and how these will be addressed. Cabinet must approve changes to the capital programme budget, together with how they are to be financed.

## **4. Imprest Accounts**

- 4.1 Imprest accounts may consist of a cash holding which is reimbursed or a bank account where expenditure is paid by cheque.
- 4.2 The Director of Finance will provide imprest accounts as appropriate for such officers that need them.
- 4.3 The responsible budget holder and/or account holder will be responsible for ensuring that imprest accounts are maintained in the manner prescribed in the Finance Control Manual. The Chief Operating Officer is responsible for providing the Director of Finance with assurance that all imprest accounts have been maintained in the manner prescribed in the Finance Control Manual.

## **5. Banking Arrangements and Cheques**

- 5.1 All arrangements with the Council's bankers concerning the Council's bank accounts will be made through the Director of Finance. At least two authorised signatories approved by the Director of Finance must make the opening of new bank accounts.
- 5.2 All bank accounts should be reconciled with the financial ledger at least at the end of each month.
- 5.3 Cheque books and cheque stationery will be ordered via the relevant supplier only on authority from the Director of Finance who will make adequate arrangements for their safe custody and use. Sheets are sequentially numbered and a recording system retains details of those used and any that are spoilt to ensure a complete record.
- 5.4 Cheques on the Council's accounts will bear the facsimile signature of or be signed by the Director of Finance or as delegated by the Director of Finance. Under no circumstances should an account be opened in the name of an individual officer.
- 5.5 Where funds are held on behalf of third parties, Directors will arrange for their secure administration, approved by the Director of Finance, and shall ensure that written records of all transactions are maintained.

## **6. Risk Management and Insurance**

- 6.1 The Council is committed to establishing an effective risk management framework and culture to enable management at all levels to deliver their objectives in the light of those risks. The Director of Finance has responsibility for establishing and delivering corporate risk management arrangements across the Council.

- 6.2 The Director of Finance is responsible for preparing the Council's risk management policy statement and strategy, and for promoting them throughout the Council.
- 6.3 The Audit and Governance Committee is responsible for reviewing the Council's risk management policy statement and strategy and is responsible for reviewing the effectiveness of risk management via a quarterly review of the high level risks on the Council's risk register.
- 6.4 At a departmental level, Directors and Heads of Service should ensure that risk assessments are conducted followed by appropriate work to manage the risks identified and to monitor current and emerging risks.
- 6.5 The Director of Finance shall periodically review all insurance cover in consultation with other Directors and Heads of Services who shall provide such information as may be required.
- 6.6 Directors shall promptly notify the Director of Finance of all new risks and any alterations, terminations, loss or liabilities that affect existing insurances.
- 6.7 Directors shall consult the Director of Finance and the Director of Governance in respect of the terms of any indemnity, which the Council is required to obtain or provide.
- 6.8 For further guidance on Risk Management, please consult the Risk Management Strategy

## 7. Internal Control

- 7.1 Internal control refers to the systems of controls devised by management to help ensure that the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources, and its assets and interests are safeguarded.
- 7.2 The Director of Finance is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- 7.3 Directors are responsible for establishing sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness, for achieving their financial performance targets, and safeguarding Council resources.
- 7.4 Directors are also responsible for informing the Head of Internal Audit of any serious break down of internal control and frauds in their services. The Head of Internal Audit is responsible for keeping the Director of Finance advised of any serious break down of internal control and frauds and advising on the proposed course of action to resolve the issues raised.

### Audit Requirements

#### External Audit and Inspection

- 7.5 Public Sector Audit Appointments Ltd is responsible for appointing external auditors to each local authority in accordance with the powers contained in the Local Audit and Accountability Act 2014.

- 7.6 From time to time, the Council may be subject to audit, inspection or investigation by external bodies that have statutory rights of access, such as HM Revenue and Customs.

### Internal Audit

- 7.7 The Director of Finance is responsible for arranging an adequate and effective internal audit to examine the accounting records and systems of internal control of the Council. The Director of Finance is also responsible, for ensuring that internal audit is adequately resourced.
- 7.8 Directors, Divisional / Assistant Directors and Heads of Service are responsible for ensuring that all agreed actions arising from internal audit recommendations are implemented within agreed timescales.
- 7.9 The Head of Internal Audit is responsible for ensuring that the Internal audit service conforms to the requirements of the Public Sector Internal Audit Standards (2013), the Internal Audit Charter and Strategic Statement on Internal Audit, and fulfills its responsibilities under the Accounts and Audit Regulations 2015.
- 7.10 The Head of Internal Audit is also responsible for ensuring that sufficient work has been undertaken to form an opinion on the adequacy and effectiveness of the Council's internal control, governance and risk management arrangements.
- 7.11 The Head of Internal Audit will advise the Director of Finance, the Governance Board and the Audit and Governance Committee of instances where agreed audit recommendations have not been implemented.
- 7.12 The Internal Audit function has unrestricted access to all Council records and information, both manual and computerised, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities.
- 7.13 Internal Audit also has unrestricted access to enter Council property and has unrestricted access to all locations and officers where necessary, on demand and without prior notice. Internal Audit's rights of access to other bodies funded by the Council should be set out in the conditions of funding.
- 7.14 Contracts let for the provision of services and works on behalf of the Council must ensure that the Council's internal and external auditors have right of access to any of the contractor's / delivery partner's records associated with the supply of goods or provision of services to the Council.

### Preventing Fraud and Corruption

- 7.15 The Director of Finance is responsible for:
- advising the Cabinet and Directors on the maintenance and implementation of an anti-fraud and anti-corruption policy
  - associated arrangements for appropriate treatment and registration, by employees and members, of relevant interests, gifts and hospitality.
- 7.16 All Council Members and employees are personally responsible for ensuring integrity in the conduct of the Council's business and in particular by ensuring that they (and any subordinates) are aware and abide by:
- The Council's anti-fraud and anti-corruption policies and procedures

- The whistleblowing policy
- The Council's Code of Conduct
- The Anti-Money Laundering Policy
- The correct reporting procedures to alert the Head of Internal Audit or the Director of Governance of any suspected breaches of the afore-mentioned policies

7.17 Director of Finance and Directors are responsible for:

- Ensuring that managers have adequate systems of internal control to prevent or detect fraudulent activity
- Immediately notifying the Head of Internal Audit of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources.

## 8. Assets

### Property Assets

- 8.1 The Head of Corporate Asset Management is responsible for ensuring that the acquisition, transfer and disposal of the Council's property assets and leases are undertaken in accordance with the Council's Property Procedure Rules. The Property Procedure Rules form part of the Council's Constitution.
- 8.2 The Head of Corporate Asset Management has delegated authority to deal with the acquisition, transfer and disposal of the Council's property assets and leases unless the transaction is regarded as a key decision for the Authority or where the property is acquired or disposed of for investment purposes only in accordance with the Investment Property Portfolio Policy. Where the acquisition, transfer or disposal is a key decision the transaction must be approved by Cabinet, in accordance with Article 13 of the Constitution and the financial thresholds for key decisions set out in Part 5 of the Constitution. Where the property is acquired or disposed of for investment purposes only the transaction must be approved by the Director of Finance in accordance with the Investment Property Portfolio Policy and these Financial Procedure Rules.
- 8.3 The Head of Corporate Asset Management must notify the Director of Finance before entering into any lease to ensure that the correct accounting treatment can be applied to the lease.
- 8.4 For further guidance on Assets please consult the Property Procedure Rules.

### Heritage Assets

- 8.5 Heritage assets are defined as assets that are held and maintained principally for their contribution to knowledge and culture. The Council recognises war memorials, civic regalia and its historic artefacts and museum stocks under this category. Directors are responsible for the management and safe keeping of all heritage assets that fall under the control of their directorate.

- 8.6 Directors are responsible for ensuring that heritage asset registers are maintained for their respective directorates or, in the case of museum stocks, for each establishment that holds the heritage asset, including those assets that are held in storage.
- 8.7 Heritage assets must be recorded on the asset registers when they are acquired by the Council. The heritage asset registers must be updated as changes occur with respect to the location, value and condition of the heritage asset.
- 8.8 Any additions, disposals or transfers of heritage assets must be made in accordance with the Council's Constitution, General Scheme of Delegation, and Financial Control Manual. Directors must inform the Director of Finance of any such additions, disposals or transfers so that the Council's insurance portfolio is maintained up to date and appropriate insurance cover is in place.
- 8.9 Directors are responsible for ensuring that periodic stock checks of the heritage assets are undertaken, usually on an annual; basis. In conjunction with the Director of Finance, Directors must also arrange for the periodic valuation of their heritage assets to ensure that they are correctly valued for accounting and insurance purposes.

### Other Assets

- 8.10 Other assets are all assets that are not deemed to be property or heritage assets. Directors are responsible for ensuring that asset registers are maintained for their respective directorates and establishments, and assets are recorded on the asset registers when the Council acquires them. The asset registers must be updated as changes occur with respect to the location and condition of the heritage asset, and periodic asset checks are undertaken, usually on an annual basis.
- 8.11 Any additions, disposals or transfers of assets must be made in accordance with the Council's Constitution, General Scheme of Delegation, and Financial Control Manual. Directors must inform the Director of Finance of any such additions, disposals or transfers so that the Council's insurance portfolio is maintained up to date and appropriate insurance cover is in place.

## 9. Procurement and Contracts

### Procurement Using Official Orders

- 9.1 Directors are responsible for ensuring that all purchases of goods and services comply with the Council's Contract Procedure Rules and the Council's Financial Control Manual. Directors should also ensure that officers make use of existing Council contracts for supplies and services before commencing new procurements.
- 9.2 Directors are also responsible for ensuring that all goods and services purchased are for the benefit of the Council, and are ordered only by appropriate persons. They are also responsible for ensuring that orders are authorised by an appropriate person and are correctly recorded.

### Procurement Cards

- 9.3 The Council uses three types of purchasing cards: - Government Procurement Cards, Pre-paid Cards, and Precision Payment virtual cards.

- 9.4 Government Procurement Cards are issued directly to authorised employees for the procurement of goods and services (generally high volume, low value transactions). Controls are in place to exclude specific transaction types and to control the value of individual transactions and monthly spend. The authorising manager must agree individual transactions. The authorising manager is also responsible for ensuring that valid VAT receipts / invoices have been obtained and the transactions are allocated to an appropriate cost code.
- 9.5 Pre-paid Cards are purchasing cards that have been pre-loaded with a monetary value and are primarily used to replace low value cash transactions that would ordinarily have been processed through petty cash. Like the Government Procurement Cards, officers can only use the cards for approved transactions, which must be agreed by the authorising manager, and they are also responsible for ensuring that valid VAT receipts / invoices have been obtained and the transactions are allocated to an appropriate cost code.
- 9.6 Precision Payment is a virtual procurement card pre-approved on-line. A unique card number is created for each transaction or a specific set of transactions, with automatic reconciliation against a unique account number / cost code.
- 9.7 Business Support (Accounts Payable) are responsible for maintaining the rules relating to the use of Government Procurement cards, Pre-Paid cards, and Precision Payment virtual-cards; processing applications for cards; providing training and undertaking monthly reconciliation activities. The Chief Operating Officer is responsible for providing the Director of Finance with assurance that all Government Procurement cards, Pre-Paid cards, and Precision Payment virtual-cards have been used in accordance with the Council's Financial Control Manual and other relevant procedures.
- 9.8 Staff are responsible for applying for purchasing cards through the appropriate channel; ensuring compliance with Council policies and procedures for the correct use of the cards and ensuring valid VAT receipts and/or invoices are obtained for all transactions. The Authorising Manager is responsible for authorising transactions, monitoring the use of the cards, and coding transactions.

### Contracts

- 9.9 Corporate Procurement will maintain a contracts register in the form of electronic copies of all contracts issued and entered into by the Council.
- 9.10 All procurement must be carried out in accordance with the Council's Contract Procedure Rules (CPRs). The CPRs detail the processes and approvals required for entering into contracts including:
- The use of the Council's e-tendering portal
  - When to obtain quotes/tenders
  - Approval to proceed for high value procurements through the Strategic Board
  - Awarding contracts
  - Form of contracts
  - Variations
  - Waivers and exceptions
- 9.11 Failure to comply with the CPRs may result in disciplinary action. For further guidance on Procurement & Contracts please consult the Contract Procedure Rules.

## 10. Treasury Management

- 10.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Sector 2011 Edition. The Council has also agreed its own Investment Property Portfolio Policy.
- 10.2 The full Council is responsible for approving the Treasury Management policy statement setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in Public Services. The Cabinet proposes the policy statement to the full Council. The Director of Finance has delegated responsibility for implementing and monitoring the statement.
- 10.3 All money, which the Council physically holds, is controlled by the Officer designated for the purposes of Section 151 of the Local Government Act 1972, for the Council's purposes this is the Director of Finance.
- 10.4 The Director of Finance is responsible for reporting a proposed Treasury Management Strategy for the coming financial year to Cabinet and Council at or before the start of each financial year. Adoption of the strategy is by full Council.
- 10.5 All Council decisions on borrowing, investment or financing are delegated to the Director of Finance who is required to act in accordance with the CIPFA Code of Practice for Treasury Management in the Public Sector 2011 Edition. The acquisition or disposal of property for investment purposes only are delegated to the Director of Finance and/or the Chief Executive in consultation with the Leader of the Council in accordance with the financial thresholds set out in the Investment Property Portfolio Policy.
- 10.6 The Director of Finance is responsible for reporting to the Audit and Governance Committee on the activities of the treasury management operation and on the exercise of his delegated treasury management powers.

One such report will comprise an annual report on treasury management for presentation by 30th September of the succeeding financial year.

### Leasing Arrangements and PFI/PPP Funding Arrangements

- 10.7 Before entering into any finance or operating lease, or lease rental agreement, or PFI/PPP arrangements, Directors must obtain agreement from the Director of Finance to ensure that the arrangement is financially advantageous to the Council. Directors should take appropriate legal advice from the Council's Solicitor and Corporate Finance to ensure that they meet the revised guidance for finance and operating leases under IFRIC4, as this may alter the treatment of the income.

## 11. Systems and Procedures

- 11.1 Sound systems and procedures are essential to an effective framework of accountability and control.
- 11.2 The Director of Finance is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Directors to the existing financial systems or the establishment of new systems must be approved by the Director of Finance. However, Directors are responsible for the proper operation of financial processes in their own departments.

- 11.3 Any changes to agreed procedures by Directors to meet their own specific service needs should be agreed with the Head of Finance for that department.
- 11.4 Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Directors must ensure that members of staff are aware of their responsibilities under Data Protection and Freedom of Information legislation and the Computer Misuse Act.
- 11.5 The Government Transparency Code requires all councils to publish data each month on all payments over £500 and payment/credit card transactions of any value. The Chief Operating Officer is responsible for ensuring that the Council conforms to the code and the data is published on the Council's web site. For reasons of privacy, personal information is omitted from the published data; these include payments to individuals including foster carers, children and adult carers, staff salaries and pensions.

## 12. Income and Expenditure

- 12.1 The Scheme of Delegation identifies staff authorised to act in respect of placing orders for goods and service, making payments, and income collection, together with the limits of their authority.
- 12.2 It is the responsibility of all Directors to ensure that the scheme of delegation is operating effectively within their area and the responsibility of all staff on the scheme to ensure that they operate within the limits defined by the Scheme.

### Income

- 12.3 The Cabinet, having regard to the advice of the relevant Director and the Director of Finance, is responsible for determining charges for Council services and for writing off sums due to the Council above the level set out in the scheme of delegation. The Cabinet is also responsible for delegating authority to officers to write off lesser value sums due to the Council and to vary the income of the Council within prescribed limits.
- 12.4 It is the responsibility of Directors to ensure that all charges for Council services are reviewed at least once a year having regard to their appropriateness in relation to relevant Council policies.
- 12.5 It is also the responsibility of all Directors to ensure that all income due to the Council is identified, charged correctly, and administered in accordance with the Council's Financial Control Manual. They must ensure that effective action is taken to pursue non-payment within defined timescales and formal approval for debt write-off is obtained without delay.

### Expenditure

- 12.6 Directors are responsible for ensuring that all procurement that has been undertaken complies with the Contract Procedure Rules and Financial Control Manual. Directors are also responsible for ensuring that payments are not made unless goods have been received by the Council, for Council purposes, and are to the correct price, quantity and quality standards. They are also responsible for ensuring that all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.

- 12.7 All staff with payment responsibilities must ensure that they read and abide by the Council's Financial Control Manual.
- 12.8 For further guidance on expenditure please consult the Financial Control Manual.

### Payments to Employees and Members

- 12.9 The Chief Operating Officer is responsible for making all payments of salaries and wages to all employees, including payments for overtime, and for payment of allowances to Members. The Chief Operating Officer is also responsible for providing the Director of Finance with assurance that all such payments have been made in accordance with the Council's Financial Control Manual and are accurately recorded in the Council's financial systems.

## 13. Taxation

- 13.1 The Director of Finance is responsible for advising the Chief Executive, Directors, the Leader and Cabinet, and full Council, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.
- 13.2 All Directors and their service Budget Holders are responsible for ensuring that the appropriate controls and procedures are operated within the department or relevant service areas in relation to taxation issues. Budget holders must ensure that they retain all necessary documentation to allow the Council to reclaim VAT where applicable.
- 13.3 The Director of Finance is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns to HM Revenue and Customs by their due date as appropriate.
- 13.4 All Directors are responsible for ensuring that any 'off payroll' labour used by their directorates have made proper arrangements for the payment of taxation and national insurance contributions to HM Revenue and Customs. The Chief Operating Officer is responsible for providing the Director of Finance with assurance that Directors have appropriate controls are in place to ensure this happens and to safeguard the Council from the liability for any outstanding taxes, interest or penalties should these individuals fail to meet their obligations to HM Revenue and Customs.

## 14. External Co-operation

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

### Partnerships

- 14.2 The Cabinet is responsible for approving delegations for executive functions, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- 14.3 The Cabinet may delegate executive functions, including those relating to partnerships, to Officers. These are set out in the scheme of delegation that forms

part of the Council's constitution. Where functions are delegated, the Cabinet remains accountable for them to the full Council.

- 14.4 The Director of Finance is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council. The Director of Finance must also ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are proper and conform to all relevant legislation, regulations and guidance.
- 14.5 The Director of Finance and the Director of Governance must consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must also ensure that all risks have been fully appraised and appropriate arrangements are in place to manage the residual risks before agreements are entered into with external bodies.
- 14.6 Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are commenced in relation to work with external bodies.

### External Funding

- 14.7 External funding describes any funding that does not come from core government grants, Council taxes, business rates, or fees, charges and contributions. This type of funding generally comes from European, national and regional bodies, and is allocated on a predominantly competitive basis.
- 14.8 It is the responsibility of Directors to ensure that:-
- external funding bids are robust and will maximise income streams for the Authority;
  - any match funding required from the Council has been agreed in accordance with the Council's scheme of delegation and the Financial Control Manual;
  - the External Funding Officer is informed of all bids for external funding prior to submission of the bid;
  - all returns and requests for draw down of funds are submitted promptly and within the time scales set by the funding body;
  - the Head of Internal Audit has been informed of all external funding streams that will require an audit during the financial year and sufficient resources have been set aside to meet the cost of those audits.
- 14.9 The Director of Finance is responsible for ensuring that all external funding notified by the funding bodies is received and properly recorded in the Council's accounts.

### Work for Third Parties

- 14.10 The Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies, which are key decisions under the Council's Constitution.

### Work by Third Parties

- 14.11 Directors must ensure that work carried out by third parties for the Council is approved in accordance with the Council's scheme of delegation, and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial and legal advice should be sought at an early stage from the Director of Finance and the Director of Governance respectively. This will ensure that the organisation only carries out work that is within the relevant legal powers, and that

financial issues such as responsibility for managing budgets, insurance and taxation are properly considered.

## **15. Retention of Records**

- 15.1 Records held locally in establishments shall be retained in accordance with approved local information management schemes, which in turn must meet the Council's standards.
- 15.2 Directors are responsible for ensuring that financial records are carefully and systematically filed and retained, in line with the approved local management information schemes that meets relevant statutory requirements, and are available for inspection by the Director of Finance, Internal Audit, external auditor or other external agencies (e.g. HM Revenue and Customs).
- 15.3 The advised minimum periods for the retention of financial records are set out in the Retention Guidelines for Local Authorities. The list is not exhaustive and, where there is uncertainty, the Information Manager must be sought. Periods referred to for the majority of financial records are six year plus the current financial year.
- Financial records should be retained in accordance with the Financial Records Retention Schedule.
- 15.4 The Director of Finance and the Director of Governance shall have access to documents as deemed necessary.

## **16. Devolution of Financial Management**

- 16.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

### **The Full Council, Cabinet and Members**

- 16.2 The roles and responsibilities of these bodies are set out in the Articles Part 3 of the Constitution.

### **The Statutory Officers**

- 16.3 The Chief Executive is responsible for the corporate and overall strategic management of the authority as a whole. He must report to and provide information for the executive, the full Council, and other committees. The Chief Executive is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Chief Executive is also responsible, together with the Director of Governance, for the system of record keeping in relation to all the full Council's decisions.
- 16.4 The Director of Governance is responsible for promoting and maintaining high standards of financial conduct and for reporting any actual or potential breaches of the law or maladministration to the full Council. The Director of Governance is also responsible for maintaining an up to date constitution.
- 16.5 The Director of Governance (together with the Director of Finance) is responsible for advising full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget or the policy framework.
- 16.6 The Director of Finance is the Council's Section 151 Officer (under Section 151 of the Local Government Act 1972) and has statutory duties in relation to the financial

administration and stewardship of the authority. This statutory responsibility cannot be overridden.

- 16.7 To ensure that all financial implications of all reports are agreed and approved with the Heads of Finance prior to their submission to the Cabinet, Council Leadership Team or other bodies within and external to the Council.
- 16.8 To ensure that all appropriate financial controls and systems are in place where not specified above.
- 16.9 The Director of Finance is responsible, in relation to these regulations for:
- the proper administration of the Council's financial affairs; and in accordance with the Accounts and Audit Regulations 2015
  - setting and monitoring compliance with financial management standards;
  - amendments to the Financial Procedure Rules;
  - advising on the corporate financial position and on the key financial control necessary to secure sound financial management;
  - providing financial information;
  - approval of financial schemes of delegation;
  - preparing the revenue budget and capital programme;
  - Treasury management;
  - Internal Audit;
  - Anti-Fraud;
  - Risk Management;
  - Insurance
- 16.10 Section 114 of the Local Government Finance Act 1988 requires the Director of Finance to report to the full Council, the Cabinet and the External Auditor of the Council if one of its Officers:
- has made, or is about to make, a decision which involves incurring unlawful expenditure;
  - has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficit to the Council;
  - is about to make an unlawful entry in the Council's accounts.
- 16.11 Section 114 of the Local Government Finance Act 1988 also requires:
- the Director of Finance to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally – this is the Deputy Chief Finance Officer or in their absence a suitably qualified person;
  - the Council to provide the Director of Finance with sufficient staff, accommodation and other resources, including legal advice where this is necessary, to carry out the duties under Section 114.
- 16.12 Directors are responsible for ensuring that Cabinet and Committee Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Director of Finance.
- 16.13 It is the responsibility of Directors to consult with the Director of Finance and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

16.14 The Strategic Advisers for the services should report to the Director of Finance and where appropriate to the service Directors:

- any unlawful expenditure immediately it is realised that it is about to take place or has taken place;
- any area where a loss or deficiency is about to occur;
- any concerns as regards the slow or non-banking of cash immediately;
- any significant loss of stock or concerns to the Director of Finance immediately;
- any other matter of financial significance.

16.15 The Budget Holder is responsible for managing the budget and the financial affairs of the service area.

The responsibilities of the role include:

- compliance with all financial and contract procedures
- ensuring there are adequate risk management arrangements in accordance with the council's risk management strategy
- ensuring there are adequate governance arrangements reporting suspected fraud, corruption and irregularities using the correct reporting procedures
- leading the production of revenue and capital programme budgets for the service area ensuring all plans have appropriate and necessary budget provision;
- ensuring plans and realistic prudent profiled budgets exist for the delivery of the Medium Term Financial Strategy and to report year to date variances and forecast outturn adverse or favourable variances immediately they exist;
- ensuring that appropriate financial controls exist and are maintained properly within the service area and report on any deficiencies to the Strategic Adviser;
- providing appropriate financial information to the Strategic Adviser and their respective teams in a timely, accurate and appropriate form and level of detail;
- actively seeking additional income or savings opportunities, including grant and new financing opportunities, and reporting to the Strategic Adviser;
- ensuring that appropriate financial controls exist and are applied within the service area and report on any deficiencies to the Strategic Adviser;
- ensuring that the appropriate financial controls are in place to ensure that all the Council's cash is paid into its bank accounts quickly and efficiently;
- ensuring value for money is obtained for the whole Council when undertaking any procurement activity
- reconciling all cash received by the service area on a regular basis (at least monthly);
- ensuring all monies due to the council are recorded accurately and recovered promptly;
- ensuring that all accounts payable are settled within 30 days unless special terms have been agreed by Director of Finance

16.16 The Budget Holder should report to their Strategic Adviser:

- any unlawful or inappropriate expenditure immediately it is realised that it is about to take place or has taken place;
- any area where a loss or deficiency is about to occur;
- any concerns as regards the slow or non-banking of cash immediately;
- any significant loss of stock or concerns immediately.

- 16.17 To confidentially advise the Director of Finance, Internal Audit or the Director of Governance of any fraudulent activity and other losses through error and mismanagement by any party connected with or employed by the Council.
- 16.18 To ensure that all financial implications of all reports are agreed and approved with the Strategic Adviser prior to their submission to the Cabinet, a Committee, Council Leadership Team or other bodies within and external to the Council.

To ensure that all appropriate financial controls and systems are in place where not specified above.