

## APPENDIX

# Financial Procedure Rules

## Introduction

### 1 Status of Financial Procedure Rules

The Financial Procedure Rules provide the framework for managing the Council's financial affairs. They provide the platform on which the implementation of the Council's Budget Framework is based.

The Financial Procedure Rules ensure that there are rules to govern how the Council's money and other assets are looked after and how its spending is controlled. This enables the Council to ensure that it makes the most effective use of the resources available to it in delivering value for money services to the local community.

The Financial Procedure Rules focus on an overview of the key financial areas and responsibilities. Details, clarifying and explaining the processes involved, are set out in greater depth in the Council's Financial Framework. The Financial Framework sets out the detailed procedures that need to be followed and provides more detailed guidance than the Rules.

The Rules identify the responsibilities for financial matters within the Council. They apply to every member and officer of the Council and anyone acting on its behalf. Compliance with both the Rules and the Financial Framework is a requirement for all Council employees.

CMT members are responsible for ensuring that they and all staff in their services are aware of the existence and content of the Council's Financial Procedure Rules and other internal regulatory documents and that they comply with them.

The Group Director Finance & Commerce is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Members, officers and others acting on behalf of the Council are required to follow.

The Group Director Finance & Commerce is responsible for maintaining a continuous review of these Rules and for submitting any additions or changes necessary to Council for approval. The financial limits contained within these Procedure Rules will be subject to an annual review by the Group Director Finance & Commerce.

The Group Director Finance & Commerce is also responsible for reporting, where appropriate, breaches of the Rules to the Council and/or to Cabinet.

**In these rules, the term "Responsible Officers" means the Group Directors, Assistant Chief Executive and Heads of Service, whilst "CMT members" means the Group Directors and Assistant Chief Executive.**

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### 2 Financial Responsibilities

The Group Director Finance & Commerce has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- (a) Section 151 of the Local Government Act 1972
- (b) The Local Government Finance Act 1988
- (c) The Local Government and Housing Act 1989
- (d) The Accounts and Audit Regulations 1996.

The Group Director Finance & Commerce is responsible for:

- (a) the proper administration of the authority's financial affairs
- (b) setting and monitoring compliance with financial management standards
- (c) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- (d) providing financial information
- (e) preparing the budget
- (f) treasury management.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer (the Group Director Finance & Commerce) to report to the Council, Cabinet and external auditor if the authority or one of its officers:

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

Section 114 of the 1988 Act also requires:

- (a) the Chief Finance Officer to nominate a properly qualified member of staff (the Head of Financial & Procurement) to deputise should he or she be unable to perform the duties under section 114 personally
- (b) the authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out their duties under section 114.

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### **Financial Planning & Financial Management**

#### **3 Accounting and Accounting Policies**

The Group Director Finance & Commerce is responsible for:

- (a) selecting accounting policies and ensuring that they are applied consistently
- (b) determining the accounting procedures and records for the Council and how accounting information will be compiled and maintained
- (c) the operation of the Council's accounting systems, the form of accounts and the supporting financial records
- (d) approving the use and operation of all financial systems.

Any changes made by Responsible Officers to the existing financial systems or the establishment of new systems within their services must be approved by the Group Director Finance & Commerce. However, the Responsible Officers will ensure the proper operation of financial processes in their own services.

#### **4 Budgets**

The form and content of revenue and capital budgets will be determined by the Group Director Finance & Commerce.

The Group Director Finance & Commerce is responsible ensuring that the following are prepared in compliance with the budget framework:

- (a) a revenue budget on an annual basis
- (b) a Medium Term Financial Strategy on a three-yearly basis (or such other basis as Cabinet determines)
- (c) a Capital Strategy on an annual basis
- (d) a Treasury Management Strategy on an annual basis, but subject to ongoing review and revision where appropriate.

Responsible Officers must ensure that budget estimates:

- (a) reflect agreed service plans
- (b) reflect the Medium Term Financial Strategy and Capital Strategy
- (c) are prepared in line with guidance issued by the Group Director Finance & Commerce.

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No expenditure can be incurred unless:

- (a) it is contained within the Council's approved budget (subject to virement rules), or
- (b) external funding sufficient to meet it is available and approval has been given via an executive decision.

It is the responsibility of the Group Director Finance & Commerce to advise Cabinet and/or Council on prudent levels of reserves for the Council.

### 5 **Budget Management**

The Group Director Finance & Commerce is responsible for providing appropriate financial information to enable budgets to be monitored effectively. Responsible Officers must monitor and control expenditure against budget allocations and report to CMT on the overall position on a regular basis, highlighting material variances where these occur.

The Responsible Officers control income and expenditure within their services and produce forecasts and monitor financial performance, taking account of financial information provided by and in accordance with guidance issued by the Group Director Finance & Commerce. They must ensure that officers responsible for budget management are appropriately trained and competent.

The Responsible Officers must report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation. There is no authority to spend in excess of such allocation.

The Group Director Finance & Commerce must be consulted by Responsible Officers as soon as they become aware of any matters in their service areas, which could materially affect the Council's budget and which cannot be contained within existing approved budgets of the service area.

The Group Director Finance & Commerce is responsible for ensuring that Cabinet is suitably informed of the financial position during the course of the year.

The Responsible Officers are responsible for all expenditure funded through grants from external departments and bodies, and for ensuring that monies are expended in a timely manner and in accordance with grant conditions. No commitment should be given to incurring expenditure beyond that contained within approved budget allocations.

### 6 **Budget Virements**

Budget virements are required when a change to Council policy and/or service delivery requires resources to be reallocated, or when additional resources are received, or to meet any anticipated budgetary shortfalls.

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Revenue virements are subject to the following authorisation process:

- (a) Virements in excess of £1 million will require Cabinet approval.
- (b) Virements between £500,000 and up to £1 million will require approval by the relevant Cabinet Members.
- (c) Virements between £250,000 and up to £500,000 that are key decisions will require approval by the relevant Cabinet Members.
- (d) Virements between £250,000 and up to £500,000 that are not key decisions will require approval by the CMT member and the Group Director Finance & Commerce.
- (e) All other virements will need to comply with procedures specified by the Group Director Finance & Commerce.

Capital virements are subject to the following authorisation process:

- (a) Virements in excess of £1 million will require Cabinet approval.
- (b) Virements between £500,000 and up to £1 million will require approval by the relevant Cabinet Members.
- (c) Virements between £250,000 and up to £500,000 between CMT members will require approval by the relevant Cabinet Members.
- (d) Virements between £250,000 and up to £500,000 within a single CMT member's service area will require approval by the CMT member and the Group Director Finance & Commerce.
- (e) All other virements will need to comply with procedures specified by the Group Director Finance & Commerce.

The definition of a Key Decision is set out in Executive Procedure Rules. All virements are subject to those Rules. All virements in excess of £500,000 are key decisions, whilst a revenue virement between £250,000 and £500,000 may be a key decision.

The cumulative value of virements for the year should be considered when deciding whether the various thresholds have been reached. The Group Director Finance & Commerce will take the final decision as to whether a number of smaller virements need to be grouped together for threshold calculation purposes.

### 7 **Closedown of Accounts**

The Group Director Finance & Commerce will make arrangements to close the accounts in accordance with legislative arrangements, the overall strategy and their duties/powers as Chief Finance Officer.

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The Group Director Finance & Commerce 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 2011 – based on International Financial Reporting Standards (IFRSs)* or such version of the Code that supercedes this.

The Group Director Finance & Commerce is responsible for establishing procedures for carrying forward under- and overspendings on budget headings, and for their subsequent use.

The Group Director Finance & Commerce is responsible for establishing procedures for the creation and use of earmarked reserves.

The relevant Cabinet member will consider and agree the setting up of any specific earmarked reserves, including the purpose for which they have been created.

### **Risk Management and Control of Resources**

#### **8 Internal control**

The Group Director Finance & Commerce is responsible for:

- (a) establishing adequate systems to monitor and control the Council's financial transactions
- (b) ensuring that such systems are adequately maintained and reviewed
- (c) advising on effective systems of internal control and giving advice and guidance accordingly
- (d) ensuring compliance with all applicable statutes and regulations, and other relevant statements of best practice
- (e) ensuring that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

It is the responsibility of Responsible Officers to:

- (a) maintain and promote sound arrangements for internal control, including appropriate authorisation arrangements
- (b) comply with the advice and guidance of the Group Director Finance & Commerce
- (c) ensure that they take due account of risk in the management of their functions
- (d) ensure that they allocate resources to appropriately manage that risk.

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### 9 Risk management

The Group Director Finance & Commerce is responsible for:

- (a) reviewing and making recommendations on the Council's approach to risk management, including the risk management strategy
- (b) promoting the strategy throughout the Council
- (c) advising and instructing Responsible Officers accordingly.

Responsible Officers will ensure the regular identification, review and management of risk within their services, having regard to the Council's risk management strategy and associated advice and instructions from the Group Director Finance & Commerce and other specialist officers (e.g. crime prevention, business continuity, health & safety).

They are also responsible for promoting and implementing the risk management strategy within their service areas, for ensuring that service risk registers are compiled and regularly reviewed, and for taking appropriate mitigating action to reduce risk levels within their area.

### 10 Insurances

The Group Director Finance & Commerce is responsible for ensuring that proper insurance exists where appropriate.

Responsible Officers shall consult the Group Director Finance & Commerce and the Assistant Chief Executive Legal & Democratic Services on:

- (a) any terms of any indemnity that the Council is requested to give
- (b) appropriate contract conditions for contractors to indemnify the Council and suitable minimum insurance levels for inclusion in contracts
- (c) appropriate indemnities and minimum insurance cover for partnership arrangements.

Responsible Officers will be responsible for ensuring that they acquire additional professional indemnity insurance for any areas of work that they take on voluntarily, and for ensuring that staff in their service areas are similarly insured.

### 11 Treasury management and trust funds

The Council has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities (the CIPFA code)*.

The Group Director Finance & Commerce is responsible for:

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- (a) implementing and monitoring the Council's treasury management policy and statement and ensuring its compliance with the CIPFA code.
- (b) controlling all money in the hands of the Council
- (c) all decisions on borrowing, investment or financing, provided these are in accordance with the CIPFA Code
- (d) holding in custody all securities, other than title deeds, contracts legal agreements mortgages, and trust funds, which are the property of or in the name of the Council or its nominees
- (e) acting as the Council's registrar of stocks, bonds and mortgages.

Investments must be made only in the name of the Council or its approved nominees.

All trust funds must be in the name of the Council. The Group Director Finance & Commerce must be informed of all trust funds administered by employees as part of their Council duties.

All employees acting as trustees by virtue of their official position shall deposit for safe-keeping, all securities etc. relating to any trust fund, with the Assistant Chief Executive Legal & Democratic Services unless the deed otherwise provides.

### 12 **Internal and external audit**

The Group Director Finance & Commerce is responsible for arranging for a continuous audit examination of accounting, financial and other operations of the Council.

The Group Director Finance & Commerce is responsible for ensuring:

- (a) the maintenance of an adequate and effective internal audit function that is sufficient in its coverage and independent in its planning and operation
- (b) that the Internal Audit & Corporate Risk Manager has direct access to the Chief Executive, all levels of management and the Audit Committee and the Value Overview & Scrutiny Committee
- (c) that the internal auditors are trained to comply with professional good practice.

The Audit Commission is responsible for appointing external auditors to the Council to review and report upon:

- (a) the financial aspects of the Council's corporate governance arrangements



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- (b) the Council's financial statements, to be satisfied that the statement of accounts presents fairly the financial position of the Council, and its income and expenditure for the year in question and complies with the legal requirements
- (c) aspects of the Council's arrangements to manage its performance, including the preparation and publication of specified performance information.

The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues & Customs, who have statutory rights of access.

The Group Director Finance & Commerce or their authorised representative, including the appointed external auditor, or other external body, shall have authority to:

- (a) enter at any time any Council premises or land (subject to the rights of any occupier)
- (b) have unrestricted access to all records, documents and correspondence relating to any financial and other transactions of the Council where so required in connection with normal audit work
- (c) remove and /or secure any record, document and correspondence of the Council as considered necessary
- (d) make site visits during the course of a contract and examine any records or information relating to the contract, and examine contract final accounts and review supporting records and documentation in order to form a view on the accuracy of such accounts
- (e) have unrestricted access to employees and require and receive such information and explanations as are necessary concerning any matter under examination
- (f) require any employee of the Council to produce cash, stores or any other Council property under that employee's control.

It is the responsibility of Responsible Officers to:

- (a) ensure that internal auditors, external auditors, and other authorised inspectors, are given access at all reasonable times to premises, personnel, documents, records and assets, and are provided with any information and explanations that they consider necessary for the purposes of their work
- (b) consider and respond promptly to requests for information and to recommendations in audit reports

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- (c) ensure any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

To ensure the independence of the Council's external auditors, Responsible Officers should not seek or receive personal financial or tax advice from them. Any other officers who may receive such advice from the Council's external auditors, or who may also act as director for another audit or advisory client of them, should advise the Group Director Finance & Commerce.

### 13 Preventing fraud & corruption

The Group Director Finance & Commerce is responsible for ensuring an annual review is undertaken of the anti-fraud & corruption policy and strategy and for advising the Audit Committee and Responsible Officers on its implementation.

The Group Director Finance & Commerce is responsible for ensuring an annual review is undertaken of the anti-money laundering policy and strategy and for advising the Audit Committee and Responsible Officers on its implementation.

Responsible Officers are responsible for notifying the Group Director Finance & Commerce (or the Head of Internal Audit, Insurance & Corporate Risk Manager) immediately of any suspected irregularities (including fraud), and to instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

### 14 External arrangements

The Group Director Finance & Commerce will ensure that the accounting arrangements adopted in relation to partnerships and joint ventures are subject to financial control procedures which reflect those of the Council.

CMT members have a responsibility to take appropriate professional advice when entering into partnership arrangements and to ensure that any such arrangements do not impact adversely on Council services.

Responsible Officers are also responsible for ensuring that any governance arrangements comply fully with the Constitution and the Financial Framework, and that any negotiations are in accordance with the Contract Procedure Rules.

CMT members are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

Responsible Officers are responsible for ensuring that appropriate management arrangements are put in place to deal with the ongoing governance of any partnerships, taking into account financial and legal advice.

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CMT members must ensure that all financial risks have been fully appraised and appropriate mitigation is taken before contracts and other relationships are entered into, and that arrangements exist to continue to manage risks throughout the duration of the relationship.

CMT members will ensure that appropriate exit strategies are in place for partnership arrangements where these are time-limited.

The Group Director Finance & Commerce is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

### **Financial Systems & Procedures**

#### **15 Banking arrangements and cheques**

The Group Director Finance & Commerce is responsible for:

- (a) the operation of the Council's bank accounts and associated procedures
- (b) any arrangements that need to be made with the Council's bankers, including the withdrawal of funds or transfer from one account to another
- (c) making proper arrangements for the ordering, safe custody, use, and control of cheques (except those for authorised imprest and advance accounts).

The Group Director Finance & Commerce must be notified of all bank accounts operated by any of the Council's employees in connection with the business of the Council or unofficial funds held by the Council.

Cheques on the Council's main banking and National Giro accounts shall bear the pre-printed signature of the Group Director Finance & Commerce or be signed by the Group Director Finance & Commerce or other officer authorised by them to do so.

Cheques over £100,000 in amount must also be counter-signed by the Group Director Finance & Commerce or designated Officers.

The Responsible Officers will ensure that all financial transactions are processed through the Council's main banking account, unless approval has been given by the Group Director Finance & Commerce for other arrangements to be in place.

#### **16 Purchasing of and payments for works, goods and services**

The procurement of works, goods and services is governed by the Contract Procedure Rules, which set out the procedure and, dependent on the procurement process, the relevant financial limits. Any procurement must comply with the Contract Procedure Rules and any more detailed procedures laid down in the Procurement Framework.

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Purchasing arrangements should comply with any advice, guidance and instructions issued by the Group Director Finance & Commerce.

Payment arrangements should comply with any advice, guidance and instructions issued by the Group Director Finance & Commerce.

Petty cash and imprest arrangements should comply with any advice, guidance and instructions issued by the Group Director Finance & Commerce.

### **17 Financial administration of contracts**

For contracts with a value in excess of £156,000, Responsible Officers shall have in place and document adequate systems and procedures in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

The Responsible Officers will ensure that all such systems and procedures, and any exceptions from them, are approved by the Group Director Finance & Commerce.

For all other contracts, the Responsible Officers will maintain systems and procedures as specified by the Group Director Finance & Commerce.

### **18 Payments to employees and Members**

All payments to employees or former employees and Members of the Council shall be made under the direction of the Head of Shared Services in consultation with the Group Director Finance & Commerce, to include salaries, pensions, compensation and other emoluments, travelling & subsistence, expenses claims, and travel loans.

Responsible Officers will notify the Group Director Finance & Commerce as soon as possible of all matters affecting such payments, in accordance with any procedures specified by the Group Director.

### **19 Taxation**

The Group Director Finance & Commerce shall maintain and make available up to date guidance on the proper treatment and accounting for VAT and shall ensure that the net VAT payments are fully and promptly recovered from HM Revenue & Customs. The Group Director Finance & Commerce shall prepare and implement a timetable for the preparation and submission of VAT claims

Responsible Officers shall comply with the timetable and associated procedures for VAT claims. They shall also ensure that the VAT implications of fees and charges levied by the Council, capital projects, all purchasing transactions and any consideration of alternative means of service provision are properly considered and recorded after due consultation with the Group Director Finance & Commerce.

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### **20 Income**

The Group Director Finance & Commerce shall approve all procedures for the collection of monies due to the Council regardless of the services within which they are collected.

The Responsible Officers will establish appropriate and secure arrangements for ensuring that the income receivable, in their services, is promptly identified, billed and collected; through the corporate debtors service, or by staff in the service area. All income and VAT must be correctly accounted for.

Where the corporate system is not used, systems and processes for identifying, billing and collecting income require approval from the Group Director Finance & Commerce.

The level of fees and charges should be kept under review by Responsible Officers. Charges shall be reviewed at least annually to coincide with the approval of the revenue budget.

Any changes to fees and charges within a financial year shall be made as soon as practicable, subject to approval by the relevant Cabinet member.

### **21 Write off of irrecoverable debts**

Responsible Officers shall ensure that every effort is made to recover debts due to the Council. The corporate debtor system/service should be used as appropriate.

No material arrangement should be made to any procedures for billing or recovery of monies due to the Council without prior consultation and agreement with the Group Director Finance & Commerce.

Write off of debts can only be approved by the Group Director Finance & Commerce in accordance with any limits set within the Constitution and where it can be demonstrated that all cost effective efforts have been made to recover the debt and the appropriate procedures for recovering debt have been followed.

### **22 Safeguarding and controlling assets**

The Responsible Officers will ensure that records and assets are properly maintained and securely held.

The Responsible Officers will ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

### **23 Administration of Private Funds**

Private Funds are defined as financial assets held in an official capacity by Council officers on behalf of third parties such as trust funds, voluntary

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grant aided funds or receivership accounts. Where private funds exist in connection with Council activities, the appropriate Assistant Director/Head of Service must ensure appropriate procedures are in place to manage such a fund.

The administration of these funds must comply with any guidance issued by the Group Director Finance & Commerce. Financial records should be maintained to a standard so as to achieve an unqualified audit, and relevant year end treatment applied.

Responsible Officers shall ensure that finance and legal advice is sought to ensure that legal issues are considered and tax responsibilities defined. A comprehensive risk appraisal must be carried out prior to entering into any form of private fund arrangement and due consideration should be given to any necessary measures to safeguard both the funds and the Council's interests.