

FINANCIAL PROCEDURE RULES

1. INTRODUCTION

- 1.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Director of Resources.
- 1.2 It should be taken as read that the Head of Financial Services has delegated authority to act on behalf of the Director of Resources in their absence or if requested by the Director to do so.

Background

- 1.3 The Financial Procedure Rules control the way the Council manages its finances and safeguards its assets. They form part of the Council's Constitution and are to be read in conjunction with other sections of the Constitution in particular:
- a) Parts 6–9 inclusive – the delegations to Cabinet, Committees and Sub- Committees.
 - b) Part 12 – the delegations to officers.
 - c) Appendix 3 – the Budget and Policy Framework Procedure Rules.
 - d) Appendix 5 – the Contract Procedure Rules.
- 1.4 The Financial Procedure Rules apply to every Member and officer of the Council and anyone acting on its behalf except where separate arrangements are made under the scheme for the Local Management of Schools.
- 1.5 The Council encourages innovation providing this is within the framework laid down by the Financial Procedure Rules and that the necessary risk management arrangements and approvals are in place.
- 1.6 Every report to Members will contain a statement setting out the financial implications of the recommendation(s) proposed that has been approved by the Director of Resources.

General Responsibilities

- 1.7 Members and officers have a general responsibility for taking reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
- 1.8 Members, officers and others acting on behalf of the Council are required to follow the advice and guidance issued by the Director of Resources on the Financial Procedure Rules.

Cabinet Responsibilities

- 1.9 Cabinet is responsible for regulating and controlling the Council's finances and ensuring that sound financial management policies are in place and are adhered to.
- 1.10 The Cabinet should maintain a written record where decision-making has been delegated.
- 1.11 Each Cabinet Member shall be responsible for the observance of the Council's Financial Procedure Rules for those functions within their terms of reference.

Director of Resources' Responsibilities

- 1.12 The Director of Resources has been appointed under Section 151 of the Local Government Act 1972 as the officer with responsibility for the proper administration of the Council's financial affairs.
- 1.13 Reference in these Financial Procedure Rules to the Director of Resources shall be taken to mean to include any officer nominated by the Director of Resources to act on their behalf. It shall be taken to mean the Head of Financial Services in their absence.
- 1.14 The Director of Resources shall be entitled to attend a meeting of any body on which Members are represented where matters affecting the financial affairs of the Council are being discussed.
- 1.15 The Director of Resources, under the general direction of Cabinet, is responsible for determining the basis for all accounting procedures and financial records for the Council and for exercising a check over all financial matters.
- 1.16 The Director of Resources is responsible for maintaining a continuous review of the Financial Procedure Rules and advising the Council of any additions or changes necessary.
- 1.17 The Director of Resources is responsible for reporting, where appropriate, breaches of the Financial Procedure Rules or any other element of the Constitution that relates to the proper administration of the Council's financial affairs to the Council and / or Cabinet.
- 1.18 The Director of Resources is responsible for issuing advice and guidance to underpin the Financial Procedure Rules.

Corporate Management Board Responsibilities

- 1.19 Members of the Corporate Management Board should maintain a written record where decision-making has been delegated.
- 1.20 Members of the Corporate Management Board are responsible for ensuring that all employees are aware of the content of the Financial Procedure Rules and other internal regulatory documents and that they are complied with.
- 1.21 Members of the Corporate Management Board are responsible for consulting with the Director of Resources on any matter within their area of responsibility that is liable to materially affect the finances of the Council before any provisional or other commitment is incurred or before reporting the matter to a Cabinet Member.
- 1.22 Members of the Corporate Management Board are responsible for supplying the Director of Resources with all information necessary for the proper administration of the Council's affairs.
- 1.23 Members of the Corporate Management Board will allow the Director of Resources and their authorised representatives access to all documents and records they keep on demand.
- 1.24 Members of the Corporate Management Board shall observe the following division of duties in the allocation of financial responsibilities to employees:
 - a) The duty to provide information regarding money due to or from the Council, including calculating, checking and recording, will be separated from the duty of collecting or dispersing such money.

- b) The duty of examining and checking the accounts of each transaction will be separated from the duty of making those transactions.

2. PREVENTING FINANCIAL IRREGULARITIES

- 2.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Director of Resources.
- 2.2 The Council will not tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside the Council.
- 2.3 The Council's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to financial and legal requirements, rules, procedures and practices.
- 2.4 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) that it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud and corruption.
- 2.5 The key controls regarding the prevention of financial irregularities are that:
 - (a) The culture and tone of the Council is one of honesty and opposition to fraud and corruption.
 - (b) All Members and staff act with integrity, and lead by example.
 - (c) All individuals and organisations associated in any way with the Council will act with integrity.
 - (d) Senior managers are required to deal swiftly and firmly with those who defraud the Council or who are corrupt.

Responsibilities of the Director of Resources

- 2.6 The Director of Resources is responsible for:
 - (a) Maintaining adequate and effective audit arrangements for the Council.
 - (b) Ensuring that financial irregularities are reported to the Head of Paid Service, Cabinet and the Audit and Corporate Governance Committee.
 - (c) Determining, in conjunction with the Chief Internal Auditor, the scope of any internal enquiries or investigations, subject to consultation with the relevant member of the Corporate Management Board as appropriate.
 - (d) Deciding, in consultation with the relevant member of the Corporate Management Board as appropriate, whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.
 - (e) Keeping the Head of Paid Service informed if a suspected irregularity occurs involving staff who are the responsibility of the Director of Resources.
 - (f) Ensuring, in conjunction with the relevant member of the Corporate Management Board, that the Council's disciplinary procedures are followed where the outcome of an audit or other investigation indicates fraud or irregularity.

- (g) Ensuring that any case of fraud or loss or financial irregularity or bribery or corruption discovered or suspected to exist which involves the Council's interest will be dealt with in accordance with the Council's Anti-Fraud and Anti-Corruption policy.
- (h) Appointing senior officers to be the Council's Anti Money Laundering Officer and deputy to the Council's Anti Money Laundering Officer.

Responsibilities of Directors, Heads of Service and Officers

2.7 Directors, Heads of Service and officers are responsible for:

- (a) Ensuring that all suspected irregularities are reported to the Director of Resources and Chief Internal Auditor.
- (b) Instigating the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- (c) Being aware of the Council's policies for the prevention of money laundering and other financial irregularities.

Responsibilities of the Anti Money Laundering Officer

- 2.8 The Money Laundering Reporting Officer (MLRO) shall ensure that all staff likely to receive payments from the public, businesses or professions are aware of the Authority's responsibilities under the Proceeds of Crime Act 2002, the Money Laundering Regulations 2003 and any other relevant acts and regulations, such as the Anti-terrorism acts.
- 2.9 The MLRO, or the Deputy MLRO in the MLRO's absence, shall receive reports from staff about suspicious payments of any value for any purpose and payments in cash in excess of £10,000 or €15,000 for property or goods.
- 2.10 The MLRO shall report any instance of suspected money laundering to the appropriate authority.

3. ASSET MANAGEMENT

Introduction

- 3.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Asset Management and Property Services.
- 3.2 The Asset Management section of the Council's Financial Procedure Rules provides a framework of principles, minimum requirements, levels of authority and delegations to ensure that Herefordshire Council property is managed effectively to achieve maximum value for money.

Overarching principles

- 3.3 A set of overarching principles govern the operation of this section of the Council's Financial Procedure Rules. These are:
 - (a) All property owned or leased by Herefordshire Council is held corporately (including Herefordshire Council-owned schools).
 - (b) The Director of Resources (in consultation with the Cabinet Member for Resources) is responsible for ensuring that the occupation of all Herefordshire Council property by Directorates is in accordance with best management practice and in the interests

of the Council as a whole, with the authority to direct the use, disposal or acquisition of any land or property within the Council's budgetary framework and decision-making process.

- (c) Directorates have discretion to manage the property they occupy in order to promote effective service delivery. However, this discretion operates subject to the corporate responsibilities of the Director of Resources, who (in consultation with the Cabinet Member for Resources) has the authority to intervene in property matters to protect Herefordshire Council's overall interests.
- (d) Resolution of disputes on property matters is through the Cabinet Member for Resources and then, if necessary, the Leader of the Council.
- (e) All property transactions should be referred to the Director of Resources who will consult with the Cabinet Member for Resources and seek the comments of all interested parties, including other relevant Cabinet Members, Directorates and local Members, before the decision is taken to proceed. All decisions must be taken in accordance with the delegations set out in this section of the Council's Financial Procedure Rules and the decision making procedures set out in the Council's Constitution.

3.4 This section of the Council's Financial Procedure Rules is organised to reflect the lifecycle of property (acquisition – management in use – disposal) with additional requirements to support specific initiatives and exceptional circumstances.

Acquisitions

3.5 Objective: To ensure that land and property requirements are appropriately identified and appraised and that all acquisitions have the necessary authority and funding, including an assessment of the impact on revenue of funding from borrowing.

3.6 All acquisitions (freehold and leasehold) must be authorised by the Director of Resources (following consultation with the Cabinet Member for Resources, the Head of Financial Services, the Head of Legal & Democratic Services, other relevant Cabinet Members, Directorates and local Members) either in accordance with the delegations set out in paragraphs 3.7 to 3.14 below or the decision making procedures set out in the Council's Constitution.

Non-Highways Acquisitions

3.7 For all non-highways acquisitions, the relevant Directorate will provide the Director of Resources with:

- (a) A definition of the service requirement giving rise to the proposed acquisition.
- (b) A full financial appraisal of options for meeting service delivery requirements (developed as appropriate with support from the Corporate Asset Strategy Group).
- (c) An evaluation of the potential (if any) for joint use.

3.8 The Cabinet Member for Resources will be consulted on all proposed acquisitions and kept informed of their progress.

3.9 Property acquisitions will be dealt with in accordance with the appropriate provisions of this section of the Council's Financial Procedure Rules and decision making procedures set out in the Council's Scheme of Delegation.

- 3.10 The use of compulsory powers for acquisitions must be agreed by Cabinet.

Highways Acquisitions

- 3.11 The Director for Environment will, in the case of all highway acquisitions, seek local Member views as part of the consultation process for highways and traffic schemes.
- 3.12 Highways scheme design and cost (including land acquisition) shall be approved by the Cabinet Member of Environment and the Director for Environment (or officer authorised by them), after considering the views of the Corporate Asset Strategy Group (CASG).
- 3.13 Highways acquisitions may be made by the Director of Resources in consultation with the Cabinet Member for Resources provided the scheme is in an approved programme or falls within blight policies.
- 3.14 All other highways acquisitions (i.e. land not incorporated in the highway) will be referred by the Director of Resources to the Cabinet Member for Resources, who will determine if s/he or an officer will give approval for the acquisition. Once the principle of acquisition of land is agreed, any decision whether or not to use compulsory powers will be made by the Cabinet in accordance with the terms of this section of the Council's Financial Procedure Rules and the decision making procedures set out in the Constitution.

Management and Use

- 3.15 Objective: To ensure that property is used efficiently, effectively and economically with due regard to legislative requirements; and that when it is no longer required for operational purposes it is formally declared surplus, at which point its management reverts to the Director of Resources, and the budgetary implications of this are identified and reported to the Cabinet Member for Resources.
- 3.16 The occupation and use of property by a Directorate is subject to the authority of the Director of Resources (in consultation with the Cabinet Member for Resources) to approve all material changes to property, including change of use, appropriations, granting/taking of interests, reversion to operational use, alterations or additions. Such changes must be reported to the Head of Financial Services for correct accounting treatment and apportionment of charges.

Premises Management

- 3.17 The Director of Resources has the authority to undertake reviews of the property portfolio, or parts of it, to determine if it is optimised in terms of its utilisation, cost and value and within this to challenge the retention or use of existing properties occupied by Directorates.

Building works

- 3.18 Major capital works for properties should be subject to a formal project appraisal and should be consistent with existing financial approval and procurement processes.

Health & Safety

- 3.19 Staff are required to ensure that in respect of all property matters all obligations under health and safety legislation and Herefordshire Council's health and safety policies are followed.

Disposals

- 3.20 Objective: To ensure that land and property surplus to operational need is either reallocated to meet alternative needs or disposed of in line with statutory requirements and/or Herefordshire Council policy.
- 3.21 Directorates will notify the Director of Resources of:
- (a) Any property (or part) that is:
 - Vacant.
 - Held against a future operational need.
 - Not used for the principal purpose for which it is held.
 - Likely to be surplus to requirements (with estimated time-scale).
 - (b) Any operational issues associated with such property (e.g. longer term requirements).
 - (c) Any statutory/process issues relevant to its disposal (e.g. established consultation processes, reference to the Secretary of State, etc.).
 - (d) Any other issues which need to be considered prior to disposal.
- 3.22 The Director of Resources may identify any property (or part) that s/he considers is, or could be made, surplus to operational requirements.
- 3.23 The Director of Resources will consult with the Cabinet Member for Resources on all disposals and inform him/her of the comments of local Members. The Cabinet Member for Resources will determine whether s/he or an officer will give approval for disposal in accordance with this section of the Council's Financial Procedure Rules and the decision making procedures set out in the Council's Constitution.

Treatment of Capital Receipts

- 3.24 Capital receipts from disposals are deemed to be a corporate capital resource available for allocation in line with corporate priorities.
- 3.25 All receipts are agreed through the Capital Strategy & Monitoring Group (CSMG) with no assumption on application to particular schemes.
- 3.26 Use of capital receipts are subject to the following rules:
- (a) Overspending on schemes dependent on receipts must be contained within the portfolio.
 - (b) Capital schemes dependent on receipts are included in the Capital Programme only after full vetting and valuation by CSMG and ultimate approval by Cabinet or Council as appropriate.
 - (c) All dependencies, assumptions and risks to be clearly identified by the project sponsor leading to prudent valuation adopted in project sign-off.

- (d) Scheme assumptions about the quantum, timing and phasing of receipts to be explicit and receipts cannot generally be “counted” until the sale is complete.
- (e) Monitoring will be undertaken by CSMG with Asset Management and Property Services using a traffic light system to assess the level of risk around the receipts.

3.27 The process for planning for the realisation of capital receipts will take a medium term approach (3 years minimum) to allow:

- (a) Asset Management & Property Services to be able to work on projects in good time prior to consideration by CSMG. Larger, complex schemes can need 12-24 months lead-in.
- (b) Asset Management & Property Services to agree the strategy for disposal including timescale, planning, marketing, viewing arrangements, temporary occupation, minimising holding costs, surplus declarations etc. as core components of project justification to CSMG.
- (c) Directorates must deliver vacant possession when required by project plan.
- (d) Risk analysis to be included as part of project plan.

Urgent Decisions

3.28 In exceptional circumstances, where an urgent decision is required on property matters, this will be taken by the Director of Resources in accordance with the provisions of this section of the Council’s Financial Procedure Rules and only after consultation with the Cabinet Member for Resources, the Head of Financial Services and the Head of Legal and Democratic Services. If the matter is outside the delegations set out in paragraph 3.32 below then the matter can only be authorised by the Cabinet Member for Resources in accordance with the procedures for the taking of urgent decisions set out in the Council’s Constitution.

3.29 Any decisions made under the ‘Urgent Decision’ arrangements will be reported to the relevant Director, Cabinet Members and Local Members.

Financial Procedure Rules

3.30 All of the protocols set out in the Council’s Financial Procedure Rules and Schemes of Delegation must be adhered to. No transaction should be approved unless specific budgetary provision is identified, except where the purchase is approved under the authority given in paragraph 3.28 above.

Reporting

3.31 The Director of Resources will prepare each month a schedule of acquisitions and disposals dealt with by the Cabinet Member for Resources or by themselves, and send this to Head of Legal & Democratic Services for publication.

Delegation to Officers

3.32 Subject to the consultation provisions set out in this section of the Council’s Financial Procedure Rules, the Director of Resources is authorised to:

- Determine and settle the acquisition or disposal of any land or property, or an interest in land or property where the consideration (including any associated works) does not exceed the prevailing European procurement limit for supplies and services (currently £144,000) in any single transaction.

- Determine and settle the terms of a lease (taken or granted) for any land or property, not exceeding a period of 20 years or where the consideration does not exceed the prevailing European procurement limit for supplies and services (currently £144,000) per annum in any single transaction.

3.33 As provided by arrangements made in the Constitution for the Leader to discharge executive functions, the Chief Executive may exercise any power delegated under this section of the Council's Financial Procedure Rules to the Director of Resources; and the Director of Resources may delegate his/her powers in writing to other officers.

Supporting Mechanisms

3.34 Whilst having no Constitutional or decision-making status, the management of assets and property will be exercised through a variety of mechanisms which amplify and support this section of the Council's Financial Procedure Rules. The key mechanisms and their purpose are summarised below:

- **Corporate Asset Strategy Group** chaired by the Director of Resources provides a forum to discuss and agree the strategic direction for asset management and key property related initiatives. It provides a mechanism to assess whether this protocol is working in practice and to identify and resolve issues with regard to corporate and service responsibilities.
- **Capital Strategy and Monitoring Group (CSMG)** considers capital projects and significant changes to capital projects and ensures that proper planning and processes have been followed and risk assessments undertaken in line with the Council's Constitution, the project appraisal handbook and associated financial procedures. It makes recommendations to the Cabinet for schemes to be included in Herefordshire Council's capital programme.
- **Asset Management and Property Services Annual Service Delivery Plan** prepared in accordance with Herefordshire Council's planning guidelines identifies the main priorities of the Asset Management and Property Services division and includes as an annex a schedule of properties for disposal. This provides delegated authority to proceed with disposals in line with the provisions of this protocol.
- **Strategic Asset Review Group** assesses the corporate need for land and property to support service delivery. It assists Services and Directorates to achieve a sustainable property asset base which is both sufficient and suitable for service delivery. It considers the opportunities for co-location and shared working with partners in the public sector.
- **Medium Term Financial Management Strategy** sets out Herefordshire Council's spending priorities and/or financial allocations over the medium term. All capital schemes are subject to the appraisal and decision making processes around the Capital Programme and the Medium Term Financial Management Strategy.

Information to the Council and Scrutiny

3.35 The Director of Resources will prepare each month a schedule of property transactions dealt with by the Cabinet Member for Resources or themselves, and send this to Head of Legal & Democratic Services for publication.

3.36 Transactions proposed to be authorised by the Cabinet Member for Resources are subject to the normal processes of publication and scrutiny for Cabinet Member decisions.

4. AUDIT

- 4.1 Further advice on this section of the Financial Procedure Rules can be obtained from the Director of Resources or Chief Internal Auditor.

Responsibilities of the Director of Resources

- 4.2 The Director of Resources has delegated responsibility for maintaining an adequate and effective internal audit service.
- 4.3 Where an appropriate response to audit recommendations has not been made within the agreed period, the Director of Resources will refer the matter to the Head of Paid Service and/or the Audit and Corporate Governance Committee.
- 4.4 The Director of Resources is responsible for ensuring that the Chief Internal Auditor submits an annual report to the Audit and Corporate Governance Committee detailing internal audit activity for the previous year and reporting significant findings and areas of concern.
- 4.5 The Director of Resources is responsible for producing an annual Statement on Internal Control for inclusion with the annual Statement of Accounts based on assurances provided by the Chief Internal Auditor.
- 4.6 The Director of Resources is responsible for ensuring that Audit Services complies with the Chartered Institute of Public Accountancy's Code of Practice for Internal Audit.
- 4.7 The Director of Resources is responsible for maintaining strategic and annual audit plans that take account of the characteristics and relative risks of the activities involved. They must liaise with the Corporate Management Board on the audit strategy and plan. In addition to the statutory requirement, this takes into account the need to seek added value, effective use of resources, improved performance and cost-effective controls.
- 4.8 The Director of Resources is responsible for investigating promptly any irregularity or fraud they become aware of and report to the Head of Paid Service to discuss and agree appropriate legal proceedings and disciplinary action in consultation with the relevant member of the Corporate Management Board as appropriate.

Responsibilities of Directors and Heads of Service

- 4.9 Officers are responsible for ensuring that internal and external auditors have:
- (a) Access at reasonable times to premises or land used by the Council;
 - (b) Access to all assets, records, documents, correspondence and control systems relating to any matter or business of the Council; and
 - (c) Any information and explanation considered necessary concerning any matter under examination.
- 4.10 Officers are responsible for requiring any employee of the Council to account for cash, stores or any other Council property under their control and produce such items for inspection if required by Audit Services.
- 4.11 Officers are responsible for considering and responding within two weeks to recommendations in audit reports.

- 4.12 Officers are responsible for ensuring that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.
- 4.13 Officers are responsible for ensuring that new systems for maintaining financial records, or records of assets, or changes to such systems are discussed and agreed with the Chief Internal Auditor prior to implementation.
- 4.14 Officers are responsible for ensuring that internal and external auditors are provided promptly with any information and explanations they seek in the course of their work.
- 4.15 Officers are responsible for notifying the Director of Resources or Chief Internal Auditor immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of Council property or resources. Pending investigation, all further steps should be taken to prevent further loss and secure records and documents against removal, destruction or alterations.
- 4.16 Officers are responsible for ensuring that all paperwork and systems are up to date and available for inspection by internal or external audit.
- 4.17 Officers are responsible for ensuring all fundamental systems and financial systems are reconciled on a monthly basis and that records are up to date and available for internal or external audit inspection with the minimum of notice.

Responsibilities of the Head of Financial Services

- 4.18 The Head of Financial Services is responsible for drawing up the timetable and issuing guidance for final accounts purposes and to advise employees and the external auditors accordingly.

5. IMPREST ACCOUNTS

- 5.1 Further advice on this section of the Financial Procedure Rules can be obtained from the Head of Benefit and Exchequer Services.

Responsibilities of the Head of Financial Services

- 5.2 To consider requests from Heads of Service and Head Teachers to provide a cash or bank imprest account to meet minor expenditure on behalf of the Council.
- 5.3 To prescribe rules for operating imprest accounts.
- 5.4 To maintain a record of all advances made and reconcile to the Council's main financial system.

Responsibility of the Head of Benefit and Exchequer Services

- 5.5 To reimburse imprest holders as often as necessary to restore the imprest balance.

Responsibilities of Heads of Service and Head Teachers

- 5.6 To ensure that all officers operating an imprest account:
 - (a) Obtain and retain vouchers to support each payment from the imprest account including official VAT receipts where appropriate.
 - (b) Make adequate arrangements in their office for the safe custody of the account.

- (c) Produce upon demand by the Director of Resources cash and all vouchers to the total value of the imprest account.
- (d) Record transactions promptly.
- (e) Reconcile and balance the account at least monthly with reconciliation sheets to be signed and retained by the imprest holder.
- (f) Provide the Head of Financial Services with a certificate of the value of the account held at 31st March by 31st May each year.
- (g) Ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the imprest and change relating to purchases where an advance has been made.
- (h) Income due to the Council is collected and banked as provided in Section 6 of the Council's Financial Procedure Rules and not through an imprest account.
- (i) On leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Head of Service or Head Teacher for the amount advanced to them.
- (j) Do not allow any bank imprest account to become overdrawn.

5.7 To ensure that payments are limited to minor items of expenditure with a maximum transaction value set by the Director of Resources from time to time (set at £50 in November 2007).

5.8 To submit a claim for reimbursement at least monthly.

5.9 To notify the Head of Financial Services of any new signatories.

6. INCOME

6.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Benefit & Exchequer Services.

6.2 The Director of Resources has overall responsibility for the Council's income and collection functions and has sub-delegated this to the Head of Benefit and Exchequer Services who is required to ensure the effective collection and recording of all monies due to the Council.

6.3 The Director of Resources will agree arrangements for the collection of all income and approve procedures and systems. In order to achieve this, the following controls have been put in place:

- (a) All income due to the Council is identified, charged correctly and billed promptly.
- (b) All money received by an employee on behalf of the Council is paid without delay to the Director of Resources or to a nominated officer or into the Council's specified bank account and is properly recorded.
- (c) All receipts given for money should be on an official receipt form.
- (d) All income is collected from the correct person, at the right time using the correct procedures and appropriate stationery and effective recovery action to pursue outstanding sums is taken within defined timescales.

- (e) A formal approval process for write-offs of uncollectable debts using the criteria detailed below.
- (f) Personal cheques must not be cashed out of money held on behalf of the Council.

6.4 The Director of Resources has determined the following authorisations for writing off uncollectable debt:

- Under £150 – individual Service Managers.
- Between £150 and £500 – Revenues Manager.
- Between £500 and £1,000 – Head of Benefit and Exchequer Services.
- Between £1,000 and £20,000 – Director of Resources.

6.5 For write offs of amounts exceeding £20,000 the Director of Resources will seek agreement from the relevant Cabinet Member and Cabinet Member (Resources).

6.6 The Director of Resources will report details of amounts over £1,000 written off to Cabinet twice a year for information purposes.

6.7 Write off of amounts raised on behalf of other directorates require the recommendation of the relevant Director.

7. PAYMENTS

7.1 Further information on this section of the Council's Financial Procedure Rules can be obtained from the Head of Benefit & Exchequer Services.

7.2 The Director of Resources has overall responsibility for making payments on behalf of the Council and has sub-delegated this to the Head of Benefit and Exchequer Services.

7.3 Individual Directors will ensure that payments are authorised by appropriate officers who can certify that goods and services have been received and that price, quantity and quality are in accordance with the initial order, where appropriate.

7.4 Directors will provide the Director of Resources with a list of authorised officers showing their signing levels with specimen signatures. This list should be reviewed at intervals to ensure is up to date and accurate and any changes being reported promptly.

7.5 Unless specifically authorised otherwise by the Director of Resources:

- (a) Directors must authorise all payments in excess of £250,000 (excluding VAT).
- (b) Heads of Service may authorise payments up to £250,000 (excluding VAT).
- (c) Managers who report to Heads of Service may authorise payments up to £100,000 (excluding VAT).
- (d) Other officers as delegated by the Director up to £5,000 (excluding VAT).

7.6 Once certified all accounts paid through the centralised payment system must be passed to the payments section who will ensure that the required payment is made to the correct person by the agreed method of payment and that all expenditure including VAT is accurately recorded against the correct budget.

- 7.7 Requests for payment will be rejected by the Payments Manager unless certified by an officer using their full signature who has the appropriate level of authority.
- 7.8 All accounts should be paid promptly, normally within 30 days unless in dispute, having due regard to the Payment of Commercial Debts (Interest) Act 1998 and to maximise performance measured by the Best Value Performance Indicator for this area. All accounts received must be date stamped on with the day of receipt.
- 7.9 The Director of Resources will ensure that all appropriate payment documentation is retained for the required period of time in accordance with the 'Guidelines on the Destruction of Financial records'.

8. SALARIES, WAGES, PENSIONS, TRAVEL AND SUBSISTENCE

- 8.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Benefit & Exchequer Services.
- 8.2 The Director of Resources is responsible for making payments to employees, former employees and Members on behalf of the Council and has sub-delegated this responsibility to the Head of the Benefit and Exchequer Service.
- 8.3 Directors will provide the Director of Resources with a list of officers authorised to sign claims and other payroll documents showing their signing limits with specimen signatures. This list should be updated and reported promptly to reflect staff changes.
- 8.4 Directors and Heads of Service will ensure that:
- (a) Appointments are made in accordance with Council policies and approved establishments and grades and that there is adequate budget provision for the length of the appointment.
 - (b) The following information is notified to Human Resources within the required timescales:
 - Starters and leavers.
 - Absence.
 - Variations to remuneration, other than annual increments and pay awards.
- 8.5 Directors are responsible for ensuring a record of annual leave entitlement due and the actual leave taken by each employee is maintained for their Directorate in a form recommended by the Head of Human Resources.
- 8.6 All claims for payment of allowances, subsistence, travelling and expenses must be submitted within one month of the period they relate to on the approved form, duly certified in a form approved by the Director of Resources with all required supporting evidence including VAT receipts for fuel and other expenses where appropriate. Any exceptions will require individual certification by both the Director and the Head of Service.
- 8.7 The certification of claims by or on behalf of a Director or Head of Service will be taken to mean that the certifying officer is satisfied that the journeys and the expenses incurred were necessary and authorised as being in line with the Council's policies on travel and subsistence claims.
- 8.8 The Director of Resources will ensure that all appropriate payroll documents are retained for the required period of time in accordance with the 'Guidelines on the Destruction of Financial records'.

9. REVENUE BUDGET MANAGEMENT

- 9.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 9.2 The Cabinet shall recommend an annual budget to Council that includes the following:
- (a) Annual capital and revenue budget.
 - (b) Proposed contingencies, general reserves and specific reserves.
 - (c) Statutory Council tax calculations;
 - (d) Treasury management policy and borrowing limits.
 - (e) The Chief Finance Officer's statutory declaration on budget setting.
 - (f) Virement limits.
 - (g) Scale of fees and charges.
- 9.3 Budget management ensures that resources allocated by Members are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continual process enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget.
- 9.4 By identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved in setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within +1% of the cash limited budget allocated to it.
- 9.5 Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring expenditure from one-off sources of savings or additional income, or create future commitments, including a full-year effect of decisions made part way through a year, for which they have not identified future resources. Directors must plan to fund such commitments from within their own budgets.
- 9.6 The format of the revenue budget determines the level of detail to which budget management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.
- 9.7 The key controls for the budget format are that it:
- (a) Complies with all legal requirements.
 - (b) Complies with CIPFA's "Best Value Accounting – Code of Practice".
 - (c) Reflects the accountabilities of service delivery.
- 9.8 The Director of Resources will advise the Cabinet on the format of the budget that is approved by the full Council.

10. CAPITAL BUDGET MANAGEMENT

- 10.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 10.2 The Cabinet shall, following the submission of proposals by Cabinet Members, recommend to Council:
- (a) A capital programme for each financial year.
 - (b) A future indication of a capital programme over a three year period.
 - (c) The recommended funding method for each capital project (including the use of Prudential Borrowing, capital receipts, revenue or other financing methods).
- 10.3 All capital spending proposals including ICT should be subject to approval through the Council's capital planning processes.
- 10.4 Following the approval of a capital programme, and subject to any conditions specified in that programme, or specified by the relevant Cabinet Member, the relevant Director shall take all appropriate action to carry into effect the approved schemes, within the budget and time scale agreed in the capital programme. Any material variation in cost or time scale shall be reported to the Cabinet.
- 10.5 Any report for a project or policy of a capital nature will include details of:
- (a) The estimated cost of the proposal.
 - (b) Any phasing of the capital expenditure.
 - (c) The proposed method of financing, whether by loan, revenue or otherwise.
 - (d) The effect on the revenue estimates in the first and subsequent years.
 - (e) The additional staff and grades required both initially and ultimately.
 - (f) An assessment and measurement of the need for the scheme and the benefits it will produce.
 - (g) A technical and financial appraisal of the alternative approaches to meeting the need.
- 10.6 In-year decisions on new capital spending requirements not in the approved budget should be dealt with via the Council's Scheme of Delegation (sections 12.4 and 12.5 refer).

11. BUDGETARY CONTROL

- 11.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.

General

- 11.2 Directors will be responsible for budgetary control of the estimates relevant to their Directorate and, after consultation with the Director of Resources, will keep the relevant Cabinet Member informed of any significant variations.

- 11.3 It shall be the duty of every Cabinet Member to monitor the revenue and capital budget throughout each year and to ensure that those budgets are not exceeded.
- 11.4 Inclusion within an approved revenue budget provides authority for expenditure on those approved items, subject to any limitation expressed in the Constitution, the budget or by the relevant Cabinet Member.
- 11.5 Any new proposal or variation which would materially affect the finances of the Council shall require approval by the Cabinet.
- 11.6 Each Director shall be responsible for monitoring the revenue and any capital budget relevant to his/her Directorate to ensure that such budgets are properly spent and not exceeded.
- 11.7 If it appears to a Director that his/her overall cash limited budget may be exceeded, he/she shall report the details as soon as practicable to the Chief Executive, the Director of Resources and to the Cabinet Member. The relevant Cabinet Member will then report on the matter to the Cabinet.
- 11.8 The Council may permit Directorates to carry forward managed underspends into the following financial year provided that all other budget targets have been met. The first call on any underspendings will be to offset any Directorate overspends.
- 11.9 Managed underspends carried forward will be part of the Directorate budget plan for the next financial year and must be used to fund one-off expenditure only. Carrying forward underspendings in order to ensure external funding is received is also allowed.
- 11.10 Windfall reductions in spend or additional income will be transferred into the Council's General Reserves at the end of the financial year.
- 11.11 Action plans must be put in place by each Directorate at any early stage in the financial year in order to manage overspendings (e.g. due to additional spending or below target income). Where appropriate the additional spending or below target income should be met by virements from other elements of the Directorate budgets. If such action plans are put into place at an early stage and properly adhered to there will be no carry forward of the overspendings into the following financial year.
- 11.12 Underspendings where any savings should not accrue to the Council (e.g. schools standards fund, schools sickness absence scheme) can be carried forward.
- 11.13 The Director of Resources will furnish each Director with periodic statements of income and expenditure under each head of approved estimate along with other relevant information.
- 11.14 It is the duty of Directors to ensure that responsibility for budgetary control is allocated to appropriate officers in their Directorates.
- 11.15 Directors shall monitor spend and income against budgets monthly and ensure, so far as practicable, that expenditure in excess of their net approved budgets is not incurred without prior approval. If actual income is expected to be below budget, this must also be actively managed.
- 11.16 Directors will be required to put in place recovery plans for any overspend in excess of 1% of their net budget.

- 11.17 For the purposes of budgetary control by managers a budget will normally be the planned income and expenditure for a service area of cost centre. However, budgetary control may take place at a more detailed level if this is required.
- 11.18 The key controls for managing and controlling the revenue budget are:
- (a) Budget Managers should be responsible only for income and expenditure that they can influence.
 - (b) There is a nominated Budget Manager for each cost centre heading.
 - (c) Budget Managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
 - (d) Budget Managers follow an approved certification process for all expenditure.
 - (e) Income and expenditure are properly recorded and accounted for.
 - (f) Performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.
 - (g) The gross expenditure budget position is monitored and controlled.
- 11.19 The Director of Resources will establish an appropriate framework of budgetary control that ensures that:
- (a) Budgetary control is exercised within annual cash limits unless the full Council agrees otherwise.
 - (b) Each Director has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
 - (c) Expenditure is committed only against an approved budget head.
 - (d) All officers responsible for committing expenditure comply with relevant guidance and the Financial Procedure Rules.
 - (e) Each cost centre has a single named manager, determined by the relevant Director. As a general principle budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
 - (f) Significant variances from approved budgets are investigated and reported by budget managers regularly.
- 11.20 The Head of Financial Services shall provide financial management training courses that all budget managers must attend in order to obtain a 'licence to practice' as a budget manager in Herefordshire Council. Refresher training must also be undertaken every two years or the licence to practice will be removed.

Virement

- 11.21 The Council operates a scheme of virement intended to enable budget holders to manage budgets with a degree of flexibility within the overall policy framework determined by the Council and therefore optimise the use of resources.

- 11.22 Directors have authority to vire expenditure between individual budget heads in accordance with the virement policy.
- 11.23 Key controls for the scheme of virement are:
- (a) That it is administered by the Director of Resources within guidelines set by Council. Any variation from this scheme requires the approval of Council.
 - (b) That the overall budget is agreed by Cabinet and approved by Council. Directors, and budget holders are therefore authorised to incur expenditure in accordance with those estimates. The rules below cover virement, that is switching resources between budget heads. For the purposes of these Rules a budget head is considered to be a line in the Council's budget book which, as a minimum, is at an equivalent level to the standard service sub-division as defined by CIPFA. The scheme applies equally to a reduction in income as to an increase in expenditure.
- 11.24 All virements below £25,000 must be approved by the Head of Financial Services. All virements above £25,000 must be approved by the Director of Resources. All virements of above £25,000 will be reported in the budget monitoring report provided to Cabinet.
- 11.25 The Director of Resources will prepare a report to the Cabinet where virements in excess of £100,000 for capital or revenue are proposed.
- 11.26 The prior approval of the Cabinet is required to any virement of £25,000 or more where it is proposed to:
- (a) Vire between budgets of different portfolio Cabinet Members.
 - (b) Vire between budgets managed by different Corporate Directors.
- 11.27 Virement which is likely to impact on the level of service activity of another Director should be implemented only after consultation with the relevant Director.

12. FINANCIAL PLANNING

- 12.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 12.2 The Head of Financial Services will prepare and review annually a three-year financial plan and strategy to provide an estimate of resources available to the Council and identify budget pressures.
- 12.3 Proposed budgets over periods of one year or longer shall be prepared by Directors, in consultation with the Director of Resources, for submission through the Cabinet to the Council.
- 12.4 Directors shall evaluate the financial implications of any new policy option, initiative or major project in conjunction with the Director of Resources and Head of Financial Services prior to a report to the Cabinet and/or Council.

13. BORROWING APPROVALS

- 13.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 13.2 The Director of Resources will report to Cabinet, on an annual basis, with recommendations to Council to determine the limits for the borrowing of monies

14. EMERGENCIES

- 14.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 14.2 Nothing in these standing orders shall prevent expenditure required to meet immediate needs caused by a sudden emergency to which Section 138 of the Local Government Act 1972 applies, provided that such expenditure shall be reported as soon as possible to the appropriate Cabinet Member and the Cabinet.

15. BANKING ARRANGEMENTS

- 15.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 15.2 All arrangements with the Council's bank concerning the Council's bank accounts and for the ordering and issue of cheques will be made by, or under arrangements approved by, the Director of Resources. The Director of Resources will be authorised to open and operate such banking accounts, as he or she may consider necessary. This authority will include the power to give the necessary directions to the bank as to signatures for withdrawals. The Director of Resources will report periodically to the Cabinet or Audit & Corporate Governance Committee as to the opening or closing of such accounts.
- 15.3 All cheques, including National Giro payment forms will be ordered only on the authority of the Director of Resources who will satisfy himself or herself that proper arrangements are in place for their safe custody. Where the signature is printed on the cheque by a Council system, the signature will be that of the Director of Resources.

16. INSURANCE AND RISK MANAGEMENT

- 16.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services or the Risk & Insurance Manager.
- 16.2 All organisations, whether they are in the private or public sector, face risks to people, property and continued operations. Risk is defined as the chance or possibility of loss, damage or injury caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk.
- 16.3 Insurance has been the traditional means of protecting against loss, but this cannot be seen as the complete answer. By reducing or even preventing the incidence of losses (whether they result from crime or accident), the Council will benefit from reduced costs of providing insurance cover and will also avoid the disruption and wasted time caused by losses and insurance claims.
- 16.4 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 through the Council. Monitoring of and reporting on the effectiveness of the Strategy is an essential part of the process.
- 16.5 The key controls for risk management and insurance are:
- (a) Robust systems are in place to identify, assess, prevent or contain significant operational risks on an integrated basis and these systems are promoted throughout the organisation.

- (b) Acceptable levels of retained risk are identified and evaluated and arrangements are in place for their funding, either by internal provision or external insurance as appropriate.
 - (c) Managers know that they are responsible for managing relevant risks and are provided with appropriate and timely information on claims experience and risk management initiatives relating to their areas of responsibility.
 - (d) Procedures are in place to investigate and process claims within required timescales.
 - (e) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- 16.6 The Director of Resources will affect all insurance cover and negotiate all claims in consultation with the relevant Director and Head of Legal & Democratic Services where appropriate.
- 16.7 Directors will give prompt notification to the Director of Resources of all new risks, properties, vehicles and other assets that are required to be insured or any alterations affecting existing insurances.
- 16.8 Directors will promptly notify the Director of Resources in writing of any actual or potential loss, liability or damage or any event likely to lead to an insurance claim by or against the Council.
- 16.9 The Head of Financial Services will oversee and ensure the preparation of the Council's Risk Management and promote the Strategy throughout the Authority.
- 17. LOANS, LEASING AND INVESTMENTS**
- 17.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 17.2 The Director of Resources will borrow as necessary to finance the approved capital programme and deal with all matters in connection with the raising or repayment of loans and is authorised to borrow for meeting expenses pending the receipt of revenues.
- 17.3 All investments and all borrowing will be made in the name of the Council or the appropriate trust when the Council is acting as trustee and the security will be lodged with the Director of Resources, Head of Legal & Democratic Services or the Council's banker as deemed most appropriate by the Director of Resources.
- 17.4 Directors will not enter into financial leasing arrangements except with the consent of the Director of Resources.
- 17.5 The Director of Resources will arrange the borrowing and investment activities of the Council such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Authority's Treasury Policy Statement.
- 17.6 The Director of Resources will prepare an Annual Treasury Strategy for the forthcoming financial year for approval by Council prior to the start of that financial year including the determination of statutory financing limits in accordance with Section 45 of the Local Government and Housing Act 1989 and report annually to Cabinet on the implementation and effectiveness of the Treasury Strategy.

17.7 The Council has the discretion to provide loan facilities to staff and members that help individuals fulfil their duties. These include car loan facilities, corporate loan facilities and bicycle loan facilities. From time to time government initiatives may bring forward other proposals that will be investigated for suitability.

17.8 Each loan facility will be supported by a written policy developed by the Head of Financial Services and agreed by Corporate Management Board. Variations to the facilities will be delegated to the Head of Financial Services on consultation with the Director of Resources.

18. TRUST FUNDS

18.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.

18.2 The Director of Resources will:

- (a) Arrange for all trust funds to be held wherever possible in the names of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Director of Resources unless the deed otherwise provides.
- (b) Arrange where funds are held on behalf of third parties for their secure administration approved by the Director of Resources and to maintain written records of all transactions.
- (c) Ensure that trust funds are operated within any relevant legislation and the specific requirement for each trust.

19. INVENTORIES AND STOCKS AND STORES

19.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Chief Internal Auditor.

19.2 The Director of Resources will:

- (a) Advise on the form, layout and content of inventory records to be maintained by the Council.
- (b) Advise on the arrangements for the care and custody of stocks and stores in Directorates.

19.3 Directors will:

- (a) Maintain inventories in a form approved by the Director of Resources to adequately record and describe furniture, fittings and equipment, plant and machinery under their control.
- (b) Carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly.
- (c) Ensure attractive and portable items, such as computers, cameras and video recorders should be identified with security markings as belonging to the Council and appropriately controlled and secured.
- (d) Make sure that property is only used in the course of the Council's business unless the Director concerned has given permission otherwise.

- (e) Seek Cabinet Member approval to the write-off of redundant equipment where individual items are valued in excess of £5,000.
- (f) Make arrangements for the care and custody of stocks and stores in Directorates.
- (g) Ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- (h) Ensure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- (i) Write-off discrepancies of up to £5,000 and seek advice from Internal Audit on discrepancies above this limit.
- (j) Authorise or write-off disposal of redundant stocks and equipment by competitive quotations or auction unless, following consultation with the Director of Resources, it is decided otherwise in a particular case.
- (k) Seek approval from the Director of Resources to the write-off of redundant stocks and stores valued in excess of £5,000.
- (l) Record the reasons for the chosen method of disposing of redundant stocks and equipment if not by competitive quotation or auction.

20. ORDERS FOR GOODS, WORKS AND SERVICES

- 20.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services or the Strategic Procurement Manager.
- 20.2 Orders will not be issued for goods, work or services unless the cost is covered by an approved budget.
- 20.3 All orders given on behalf of the Council will be in a written or electronic form approved by the Director of Resources and Head of Legal & Democratic Services. All orders are to be authorised by officers nominated by the appropriate Director who will be responsible for official orders issued from his or her Directorate. Orders given verbally will be confirmed by written or electronic order as appropriate as soon as possible.
- 20.4 Official written or electronic orders will be issued for all work, goods or services to be supplied to the Council except where a written contract is required or is operative for supplies of public utility services, periodical payments such as rent or rates, for petty cash purchases or for such other expenditure as the Director of Resources may approve.
- 20.5 Each order will conform to the directions of the Council with respect to central purchasing and the standardisation of supplies and materials and with respect to Contract Procedure Rules.
- 20.6 Written orders will be marked with invoice details when relevant accounts are passed for payment. When an electronic procurement system is in use an appropriate entry will be made in when payment is authorised.
- 20.7 The key controls for ordering and paying for work, goods and services are:
 - (a) All works, goods and services are ordered only by appropriate persons and recorded.

- (b) All works, goods and services shall be ordered in accordance with the Council's Procurement Strategy and Contract Procedure Rules unless they are purchased from internal sources within the Council.
- (c) Works, goods and services received are checked to ensure they are in accordance with the order.
- (d) Payments are authorised by officers who can certify that goods have been received to price, quantity and quality.
- (e) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
- (f) All appropriate payment documents are retained and stored for the defined period in accordance with the Council's 'Guidelines on the Destruction of Financial Record'.
- (g) All expenditure including VAT, is accurately recorded against the right budget and any exceptions corrected.
- (h) That processes are in place to maintain the security and integrity of data for transacting business electronically.