

Section 7 - Financial Procedure Rules

4.7.1 Introduction

- 4.7.1.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Director of Resources.
- 4.7.1.2 Authority is delegated to the Head of Financial Services to act on behalf of the Director of Resources in all respects in his/her absence or if requested by the Director to do so.

4.7.2 Background

- 4.7.2.1 Section 151 of the Local Government Act 1972 requires that: *"Every local authority shall make arrangements for the proper administration of their financial affairs"*. The Financial Procedure Rules give effect to this requirement and 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 Part 3 – The Functions Scheme.
 - b Part 4 – Section 3 - The Budget and Policy Framework Rules.
 - c Part 4 – Section 6 – the Contract Procedure Rules.
- 4.7.2.2 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.

4.7.3 General Responsibilities

- 4.7.3.1 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.
- 4.7.3.2 Members, officers and others acting on behalf of the Council are required to have proper regard to the advice and guidance issued by the Director of Resources on the Financial Procedure Rules.
- 4.7.3.3 Every report to Members shall contain a statement setting out the financial implications of the recommendation(s) proposed that has been approved by the Director of Resources.
- 4.7.3.4 The Council's expectation of propriety and accountability is that Members and staff at all levels shall lead by example in ensuring adherence to financial and legal requirements, rules, procedures and practices.
- 4.7.3.5 Members and staff at all levels shall act in accordance with the council's Anti-fraud and Anti-corruption policies.
- 4.7.3.6 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) that it comes into contact with, shall act towards

the Council with integrity and without thought or actions involving fraud or corruption.

4.7.3.7 Appendix A sets out the responsibilities of members and officers relating to the Financial Procedure Rules.

4.7.3.8 The council's scheme of delegation is the formal record of delegation of financial decision making.

4.7.4 Urgent Decisions

4.7.4.1 In exceptional circumstances, where an urgent decision is required, this shall be taken by the relevant Director in consultation with the Director of Resources, the Head of Financial Services and the Assistant Director - Law and Governance. If the matter is outside the scheme of delegation then the matter can only be authorised by the Head of Paid Service and the Cabinet Member responsible for Resources in accordance with the procedures for the taking of urgent decisions set out in the Council's Constitution.

4.7.4.2 Any decisions made under the 'Urgent Decision' arrangements shall be reported to the relevant Director, Cabinet Members and Local Members.

4.7.4.3 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.

4.7.5 Preventing Financial Irregularities

4.7.5.1 The Director of Resources will report financial irregularities to the Head of Paid Service, Cabinet and the Audit and Corporate Governance Committee.

4.7.5.2 The Director of Resources, in conjunction with the Chief Internal Auditor, will determine the scope of any internal enquiries or investigations, subject to consultation with the relevant member of the Joint Management Team.

4.7.5.3 The Director of Resources, in consultation with the relevant member of the Joint Management Team, will decide whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.

4.7.5.4 The Director of Resources will inform the Head of Paid Service and Monitoring Officer if a suspected irregularity occurs involving staff who are his or her responsibility.

4.7.5.5 Directors, Heads of Service and officers will report financial irregularities to the Director of Resources and Chief Internal Auditor.

4.7.5.6 Directors, Heads of Service and officers will instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

4.7.6 Money Laundering

- 4.7.6.1 The Director of Resources shall appoint a Money Laundering Reporting Officer (MLRO). This officer 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.
- 4.7.6.2 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.
- 4.7.6.3 The MLRO shall report any instance of suspected money laundering to the Serious Organised Crime Agency.

4.7.8 Asset Management**Introduction**

- 4.7.8.1 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's asset portfolio is managed effectively to achieve maximum value for money.
- 4.7.8.2 Further detail can be found by referring to the Capital and Asset Management Strategy.

Overarching principles

- 4.7.8.3. A set of overarching principles govern the operation of this section of the Council's Financial Procedure Rules.
- 4.7.8.4 These are:

Property -

- a All property owned or leased by Herefordshire Council is held corporately (including Herefordshire Council-owned schools).
- b The Director of Resources is responsible for ensuring that the occupation of all Herefordshire Council property by Directorates is in the interests of the Council as a whole.
- c Directorates have discretion to manage the operations within 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 has the authority to intervene in property matters to protect Herefordshire Council's overall interests. Directorates will not occupy property without the prior approval of the Director of Resources.
- d Resolution of disputes on property matters is through the Head of Paid Services.
- e All property transactions should be referred to the Director of Resources who shall seek the comments of all interested parties, including 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.

General

- a Capital investment on assets must be linked to HPS priorities identified through the corporate planning process using a clear and objective prioritisation policy.
- b Capital investment must be directed to obtain maximum benefit from available resources, taking account of economy, efficiency and effectiveness.
- c Revenue implications of capital investment must be considered and spend to save funding may be available to pump prime investment that can demonstrate a clear financial pay back.

Acquisitions and improvements to assets

- 4.7.8.5 Before an asset is acquired or improved the need for investment must be clearly identified and appraised.
- 4.7.8.6 Prior to allocation of resources a business case must be prepared and approved by the relevant Director and submitted to the Capital Strategy Working Group (CSWG).
- 4.7.8.7 The CSWG will rank and score business cases based on clear criteria linked to HPS priorities, including affordability using whole life costing, sustainability and value for money.
- 4.7.8.8 The Director of Resources will present the scored business case to JMT. Where the acquisition is part of the annual budget setting process JMT will make recommendations to Cabinet for inclusion in the Medium Term Financial Strategy. Where the proposal is outside of the budget setting process the approval will follow the council's virement procedures.
- 4.7.8.9 The use of compulsory purchase powers must be approved by Cabinet.
- 4.7.8.10 Where appropriate, local members will be kept informed and views sought as outlined in paragraph 4.7.8.4.
- 4.7.8.11 The Director of Resources may action acquisitions for highway purposes provided the scheme is in an approved programme or the property concerned has as a consequence been blighted.
- 4.7.8.12 The Director of Resources shall ensure that acquisitions for highways purposes that are part of a scheme that is not in an approved programme is referred for formal decision in accordance with the Council's Constitution and Financial Procedure Rules.
- 4.7.8.13 Where the value of highways land to be acquired is less than £5,000 this may be approved by the Director of Sustainability or any officer nominated to act on his/her behalf providing that there is a budget to cover the acquisition.

Property

- 4.7.8.14 Property is to be used efficiently, effectively and economically with due regard to legislative requirements. When any property is no longer required for operational purposes it is to be formally declared surplus, at which point its management reverts to the Director of Resources. The budgetary implications of this are to be identified and reported to the Cabinet Member responsible for Resources.
- 4.7.8.15 The occupation and use of property by a Directorate is subject to the Director of Resources responsibility for approving all material changes to property, including change of use, appropriations, granting/taking of interests, alterations or additions. Such changes must be reported to the Head of Financial Services for correct accounting treatment and apportionment of charges.
- 4.7.8.16 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.

Disposals

- 4.7.8.17 Land, property and any other assets which are surplus to operational need are either to be reallocated to meet alternative needs or disposed of in line with statutory requirements and/or Herefordshire Council disposals and asset transfer policies.
- 4.7.8.18 Directorates shall 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. prescribed consultation processes, reference to the Secretary of State, etc.).
 - d Any other issues which need to be considered prior to disposal.
- 4.7.8.19 The Director of Resources may identify any property (or part) that is considered, or could be made, surplus to operational requirements.

Treatment of Capital Receipts

- 4.7.8.20 In general capital receipts from disposals are deemed to be a corporate capital resource available for allocation in line with corporate priorities, excluding schools.

- 4.7.8.21 Use of capital receipts are subject to the following rules:
- a Overspending on schemes dependent on receipts must be contained within the budget allocated to the directorate concerned.
 - b Capital schemes dependent on receipts are included in the Capital Programme only after full vetting and valuation by CSWG and ultimate approval by Cabinet or as appropriate within the virement rules.
 - 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 shall be undertaken by CSWG with Asset Management & Property Services using a traffic light system to assess the level of risk around the receipts.

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- 4.7.8.22 All of the protocols set out in the Council’s Financial Procedure Rules and the Functions Scheme (Part3) and officer 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 4.7.4.

Delegation to Officers

- 4.7.8.23 Subject to the consultation and approval provisions set out in this section of the Council’s Financial Procedure Rules, the Director of Resources is authorised to:
- a Determine and settle the disposal of any land or property, or an interest in land or property.
 - b Determine and settle the terms of a lease (taken or granted) for any land or property.
- 4.7.8.24 As provided by arrangements made in the Constitution for the discharge of 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. The Director of Resources may delegate his/her powers in writing to other officers.

4.7.9 Audit

- 4.7.9.1 The Director of Resources has delegated responsibility for maintaining an adequate and effective internal audit service.
- 4.7.9.2 The Director of Resources shall maintain strategic and annual audit plans that take account of the relative risks of the activities involved. He/she shall liaise with the Joint Management Team on the audit strategy and plan.

- 4.7.9.3 The Chief Internal Auditor is responsible for providing the Audit & Governance Committee with regular assurance reports that highlight any areas of concern regarding the effectiveness or level of compliance with agreed systems of internal control.
- 4.7.9.4 The Chief Internal Auditor shall provide the Chairman of Audit & Governance Committee with a copy of audit review reports with an unsound, unsatisfactory or marginal audit opinion. The Council's procedures for maintaining confidentiality shall apply.
- 4.7.9.5 The Chief Internal Auditor shall submit an annual report to the Audit and Governance Committee detailing internal audit activity for the previous year and reporting significant findings and areas of concern.
- 4.7.9.6 The Chief Internal Auditor shall provide an annual summary to the Leader, Chairman of Audit and Governance Committee and relevant Cabinet Member(s) of audit review reports with a satisfactory or good audit opinion.
- 4.7.9.7 The Director of Resources is responsible for producing an Annual Governance Statement for inclusion with the annual Statement of Accounts based on assurances provided by the Chief Internal Auditor.
- 4.7.9.8 Officers shall ensure that internal and external auditors are provided with:
- a Access at reasonable times to premises or land used by the Council.
 - b Access at reasonable times to any employee or employees.
 - c Access to all assets, records, documents, correspondence and control systems relating to any matter or business of the Council.
 - d Any information and explanation considered necessary concerning any matter under examination.
- 4.7.9.9 Officers must account for cash, stores or any other Council property under their control and produce such items for inspection if required by Audit Services.
- 4.7.9.10 Officers are required to consider and respond to audit reports and audit recommendations within two weeks.
- 4.7.9.11 Officers must ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.
- 4.7.9.12 Where an appropriate response to audit recommendations has not been made within the agreed period, the Director of Resources shall refer the matter to the Head of Paid Service and/or the Audit and Governance Committee.
- 4.7.9.13 Officers are responsible for notifying the Director of Resources or Chief Internal Auditor immediately in writing/electronic medium of any suspected or alleged fraud, theft, irregularity, improper use or misappropriation of Council property or resources. Pending investigation, all necessary steps should be taken to prevent further loss and secure records and documents against removal, destruction or alterations.
- 4.7.9.14 The Director of Resources is to investigate promptly any apparent, suspected or reported irregularity or fraud he/she becomes aware of. He/she shall report his/her findings to the Head of Paid Service to discuss and agree appropriate legal proceedings and disciplinary action, consulting with the relevant member(s) of the Joint Management Team as appropriate.

- 4.7.9.15 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 Director of Resources prior to implementation.
- 4.7.9.16 Officers are responsible for ensuring that all paperwork and systems are up to date, kept securely and are made available for inspection by internal or external audit.
- 4.7.9.17 Officers shall ensure that all fundamental systems as defined by the Chief Internal Auditor and other financial systems are reconciled on a monthly basis and that records are up to date and available for internal or external audit inspection when required.

4.7.10 Imprest Accounts

- 4.7.10.1 The Head of Financial Services will 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.
- 4.7.10.2 The Head of Financial Services will maintain a record of all advances made and reconcile to the Council's main financial system.
- 4.7.10.3 Officers operating an imprest account will comply with the following procedures:
- 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 including vouchers and any other supporting documentation.
 - 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.
 - h Ensure that the only payments into the account are the reimbursement payments and any notes/coinage relating to purchases made by a cash advance from the imprest account.
 - i Ensure income due to the Council is collected and banked as provided in paragraph 4.7.12 of the Council's Financial Procedure Rules and not through an imprest account.
 - j On leaving the Council's employment, ceasing to be entitled to hold an imprest advance or no longer requiring an imprest advance, account to the Head of Service or Head Teacher for the amount advanced to them.
 - k A bank imprest account cannot become overdrawn.
 - l Submit a claim for reimbursement at least monthly.

m Notify the Head of Financial Services of any new signatories.

4.7.10.4 Further information on operating imprest accounts can be found in the Accounting Guidelines for the Petty Cash Imprest Accounts

4.7.11 Income Charging Policy

4.7.11.1 Local authorities have a wide discretion to levy charges for services. Where charges can be set at the discretion of the council Directors should comply with the following principles;

- a Services should raise income wherever there is a power or duty to do so.
- b The income raised should cover the full cost of providing the service, including overheads. Any exception to this must be justified in a transparent manner which links to the council's objectives and priorities.
- c All fees and charges should be transparent and consistently applied.
- d Fees and charges must be set for a specific purpose- either as a policy tool or full cost recovery, or a combination of both.

4.7.11.2 Further details can be found in the council's Income Charging Policy.

4.7.12 Income Collection

4.7.12.1 The Director of Resources shall agree arrangements for the collection of all income and approve procedures and systems. In order to achieve this, the following controls must be followed:

- 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 shall not be cashed out of money held on behalf of the Council.
- g All income received shall be receipted immediately.
- h Officers shall bank all cash received immediately; its use for either personal or official purposes is strictly forbidden.
- i All paying in records shall be retained securely in line with the Council's policies on the retention of documents.

- 4.7.12.2 The Director of Resources has determined the following authorisations for writing off uncollectable debt:
- a Under £150 – individual Service Managers.
 - b Between £150 and £500 – Revenues Manager.
 - c Between £500 and £2,000 – Head of Benefit and Exchequer Services.
 - d Between £2,000 and £20,000 – Director of Resources.
- 4.7.12.3 For write offs of amounts exceeding £20,000 the Director of Resources shall seek agreement from the relevant Cabinet Member responsible for Resources.
- 4.7.12.4 The Director of Resources shall report details of amounts over £2,000 written off to Cabinet twice a year for information purposes.
- 4.7.12.5 Write off of amounts above £2,000 relating to other Directorates require the recommendation of the relevant Director.

4.7.13 Orders for Goods, Works and Services

- 4.7.13.1 Orders shall not be issued for goods, work or services unless the cost is covered by an approved budget.
- 4.7.13.2 All orders given on behalf of the Council shall be in a written or electronic form approved by the Director of Resources. All orders are to be authorised by officers nominated by the appropriate Director who shall be responsible for official orders issued from his or her Directorate. Orders given verbally shall be confirmed by paper or electronic order as appropriate as soon as possible.
- 4.7.13.3 All works, goods or services supplied to the Council are to be subject to formal prior authorisation, in writing and/or electronic medium, as to need and budget cover. Written or electronic orders are to be issued for all work, goods or services to be supplied to the Council unless a written contract is required. An order or contract is not required for 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. All orders and contracts are to be managed in compliance with the Council's Contract Procedure Rules and Financial Procedure Rules.
- 4.7.13.4 Each order shall 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.
- 4.7.13.5 Written orders shall be marked with invoice details when relevant accounts are passed for payment. When an electronic procurement system is in use an appropriate entry shall be made in that system when a payment is authorised.
- 4.7.13.6 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 'Herefordshire Council Records Management Policy'.
- g All expenditure, 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.

4.7.14 Payments

- 4.7.14.1 Individual Directors shall 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.
- 4.7.14.2 Directors shall 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.
- 4.7.14.3 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 (as defined by Head of Service pay grades) 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 authorised by the Director up to £5,000 (excluding VAT).

The above limits apply to officers employed by NHS Herefordshire (the Primary Care Trust) when carrying out functions on behalf of the council under Part 3, section 8 of the council's constitution. (paragraphs 3.8.6 and 3.8.7)
- 4.7.14.4 Authorisation limits for schools will be set by the governing body. Schools shall 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.
- 4.7.14.5 Where an electronic file contains multiple payments, an officer may authorise the whole file with one signature if his or her authorised limit is at least the value of the highest individual amount within that file.

- 4.7.14.6 References to certification and authorisation are deemed to include those made online within a system where the identity of the user is verified using the system's identification protocols.
- 4.7.14.7 Once certified, all accounts paid through the centralised payment system must be passed to the payments section that shall 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.
- 4.7.14.8 Requests for payment shall be rejected by the Payments Manager unless certified by an officer using their full signature who has the appropriate level of authority.
- 4.7.14.9 The use of feeder systems to generate payments will only be allowed if the Director of Resources is satisfied that the data integrity of the corporate financial system would not be compromised and that the feeder system works in accordance with these financial procedures.
- 4.7.14.10 Invoices do not need specific authorisation for payment in an electronic system where the invoice matches the authorised order and goods receipt, and all three are correctly entered into the system.
- 4.7.14.11 All accounts should be paid promptly, having due regard to the Late Payment of Commercial Debts (Interest) Act 1998 and to maximise performance. All accounts received must be date stamped with the day of receipt. In the event of a penalty for late payment, the amount will be charged to the budget of the Directorate responsible.
- 4.7.14.12 The Director of Resources shall ensure that all appropriate payment documentation is retained for the required period of time in accordance with the Herefordshire Council Records Management Policy.
- 4.7.15 Salaries, Wages, Pensions, Travel and Subsistence**
- 4.7.15.1 Directors shall 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.
- 4.7.15.2 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 shall require individual certification by both the Director and the Head of Service.
- 4.7.15.3 The certification of claims by or on behalf of a Director or Head of Service shall 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.
- 4.7.15.4 The Director of Resources shall ensure that all appropriate payroll documents are retained for the required period of time in accordance with the 'Herefordshire Council Records Management Policy'

4.7.16 Revenue Budget Management

- 4.7.16.1 The Head of Financial Services shall 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.
- 4.7.16.2 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.
- 4.7.16.3 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.
- 4.7.16.4 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.
- 4.7.16.5 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.
- 4.7.16.6 The structure and format of the revenue budget should be sufficient to permit effective financial management.
- 4.7.16.7 The overall budget setting process for both revenue and capital is controlled by the Head of Financial Services.
- 4.7.16.8 The Head of Financial Services will produce a Budget Holders' Handbook.
- 4.7.16.9 Budgets will be distributed to budget holders for consultation. Budget holders will work with finance staff to prepare detailed income and expenditure estimates for the forthcoming year taking into account known service level changes, contractual commitments and financial constraints
- 4.7.16.10 Budget holders should provide information on any legislative changes, statutory duties, demographic changes, which impact upon service trends and activity levels to inform the financial planning and budget setting process.

4.7.17 Capital Budget Management

- 4.7.17.1 The Cabinet shall, following the submission of proposals by the Joint Management Team, 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).
- 4.7.17.2 All capital spending proposals should be subject to approval through the Council's capital planning processes.
- 4.7.17.3 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 timescale agreed in the capital programme. Any material variation in cost or timescale shall be reported to the Cabinet.
- 4.7.17.4 If a project has not started within a specified timeframe it may need to be confirmed for it to go ahead.
- 4.7.17.5 Any report for a project or policy of a capital nature shall 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.
- 4.7.17.6 In the first instance, in-year capital requirements will be presented to the CSWG via a business case for ranking and scoring and will be referred to JMT.
- 4.7.18 Budgetary Control**
- 4.7.18.1 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.
- 4.7.18.2 Any new proposal or variation which would materially affect the finances of the council shall require approval by the Cabinet. Any budget virements must comply with the council's scheme of budget virement (section 4.7.19)
- 4.7.18.3 The council operates within an overall annual cash limit. As a result all individual budgets are cash limited. Each budget holder is required to operate within the cash limit.
- 4.7.18.4 Directors shall monitor spend and income against budgets monthly and ensure 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.
- 4.7.18.5 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 shall then report on the matter to the Cabinet.

- 4.7.18.6 Action plans must be put in place by each Directorate at an early stage in the financial year in order to manage potential overspendings (e.g. due to additional spending or below target income). Directors must submit their recovery plans to the Chief Executive and the Director of Resources. Where appropriate the additional spending or below target income should be met by virements from other elements of the Directorate budgets. All Directors are required to manage expenditure within the agreed budget for their areas of responsibility. Compliance with this requirement will be dependent upon the earliest possible implementation of such action plans and rigorous supervision to achieve the required outcome.
- 4.7.18.7 It is the duty of Directors to ensure that responsibility for budgetary control is allocated to appropriate officers in their Directorates. Directors shall nominate a budget manager for each cost centre. As a general principle budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
- 4.7.18.8 Budget Managers are accountable for their budgets and the level of service to be delivered and must understand their financial responsibilities. Budget Managers should be responsible only for income and expenditure that they can influence.
- 4.7.18.9 Budget managers are required to;
- a Follow an approved certification process for all expenditure.
 - b Ensure that income and expenditure are properly recorded and accounted for.
 - c Ensure that expenditure is committed only against an approved budget head.
 - d Monitor performance levels/levels of service in conjunction with the budget and necessary action is taken to align service outputs and budget.
 - e Monitor and control the gross expenditure budget position.
 - f Investigate and report significant variances from approved budgets.
- 4.7.18.10 The Director of Resources shall establish an appropriate framework of budgetary control.
- 4.7.18.11 The Director of Resources shall provide Directors, budget holders and Cabinet Members with monthly financial management information reports.
- 4.7.18.12 The Director of Resources shall ensure that 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.
- 4.7.18.13 The Head of Financial Services shall provide financial management training courses that all budget managers must attend.

4.7.19 Virement

- 4.7.19.1 The Council operates a scheme of budget virement. This enables budget holders to manage budgets with a degree of flexibility within the overall policy framework determined by the Council.

- 4.7.19.2 Directors have authority to vire expenditure between individual budget heads in accordance with the virement policy.
- 4.7.19.3 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 the standard service sub-division as defined by CIPFA. The scheme applies equally to a reduction in income as to an increase in expenditure.
- 4.7.19.4 All virements below £150,000 must be approved by the Head of Financial Services in consultation with the relevant Head of Service or Director. All virements above £150,000 must be approved by the Director of Resources in consultation with the relevant Director. All virements above £250,000 must also be approved by the portfolio Cabinet Member. All virements of above £150,000 shall be reported in the budget monitoring report provided to Cabinet.
- 4.7.19.5 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.
- 4.7.19.6 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.
- 4.7.20 Spend to Save**
- 4.7.20.1 The Capital and Asset Management Strategy aims to encourage innovation and allows officers to draw down funding to pump prime creative projects that demonstrate 'spend to save/mitigate' and funding is available throughout the year.
- 4.7.20.2 The council operates a Spend to Save scheme for budget holders, who want to either pump prime a service initiative, purchase equipment or service and/or realign their current service model, all of which must generate a revenue saving year on year.
- 4.7.20.3 Applications for funding accompanied by a Business Case shall be submitted to the Head of Financial Services.
- 4.7.21 Banking Arrangements and Corporate Credit Cards**
- 4.7.21.1 All arrangements with the Council's bank concerning the Council's bank accounts and for the ordering and issue of cheques shall be made by, or under arrangements approved by, the Director of Resources. The Director of Resources shall be authorised to open and operate such banking accounts, as he or she may consider necessary. This authority shall include the power to give the necessary directions to the bank as to signatures for withdrawals. The Director of

Resources shall report periodically to the Cabinet or Audit & Governance Committee as to the opening or closing of such accounts.

- 4.7.21.2 Apart from payments from corporate cards, petty cash, imprest accounts or schools' own local bank accounts; the normal method of payment due from the council shall be by BACS or cheque. Direct debit and periodical payment arrangements shall require the prior agreement and authorisation of the Director of Resources.
- 4.7.21.3 All cheques and cheque stationery shall be ordered only on the authority of the Director of Resources who shall be satisfied that proper arrangements are in place for their safe custody. Where the signature is printed on the cheque by a Council system, the signature shall be that of the Director of Resources.
- 4.7.21.4 The Director of Resources shall be responsible for authorising the issue of corporate credit cards and determining spending limits. Cardholders are required to comply with the guidance issued by the Director of Resources regulating the use of corporate credit cards. This guidance will include the requirement for cardholders to provide the Payments Manager with a receipt and coding slip for each item purchased using a credit card within 14 days of the monthly card statement being received.
- 4.7.21.5 Schools are permitted by the local management of schools regulations to operate their own bank account independently of the council. In order to take advantage of new ways of purchasing books, supplies and services through the internet, schools are permitted by the council to apply for a credit card provided the card is issued by a UK bank and approved by the office of government commerce. The use of the credit card must be approved by the schools governing body and the monthly card statement must be paid in full by a direct debit from the schools imprest bank account. Schools are required to comply with the guidance issued by the Director of Resources regulating the use of credit cards.

4.7.22 Insurance and Risk Management

- 4.7.22.1 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.
- 4.7.22.2 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 shall benefit from reduced costs of providing insurance cover and shall also avoid the disruption and wasted time caused by losses and insurance claims.
- 4.7.22.3 It is the overall responsibility of the Cabinet to approve the authority's Risk Management Strategy and to promote a culture of risk management awareness through the Council. Monitoring of and reporting on the effectiveness of the Strategy is an essential part of the process.
- 4.7.22.4 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.
- 4.7.22.5 The Director of Resources shall effect all insurance cover and negotiate all claims in consultation with the relevant Monitoring Officer where appropriate.
- 4.7.22.6 Directors shall 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.
- 4.7.22.7 Directors shall 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.

4.7.23 Loans, Leasing and Investments

- 4.7.23.1 The Director of Resources shall report to Cabinet, on an annual basis, with recommendations to Council to determine the limits for the borrowing of monies.
- 4.7.23.2 The Director of Resources shall 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.
- 4.7.23.3 All investments and all borrowing shall be made in the name of the Council
- 4.7.23.4 Directors shall not enter into financial leasing arrangements except with the consent of the Director of Resources. Before entering into any lease agreement Directors shall submit details to the Financial Services Technical Accounting Team to enable a financial appraisal to be undertaken, including alternative financing options and implications for accounting treatment.
- 4.7.23.5 Loans to third parties will only be made in exceptional circumstances.
- 4.7.23.6 The Director of Resources shall arrange the borrowing and investment activities of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Authority's Treasury Policy Statement.
- 4.7.23.7 The Director of Resources shall prepare an annual strategy with regard to investments, borrowing and the repayment of external debt. These are set out in the Treasury Management Strategy approved by full council before the start of the new financial year.

- 4.7.23.8 The Treasury Management Strategy will include the following:
- Prospects for the economy and for interest rates;
 - Borrowing requirement and strategy;
 - Investment policy and strategy;
 - MRP Statement;
 - Prudential Indicators for the next three years providing assurance that the council's capital plans are affordable, prudent and sustainable; and
 - The Treasury Management Policy Statement.
- 4.7.23.9 In addition, Cabinet will receive an annual report after the end of the financial year and will recommend to Full Council for approval.
- 4.7.23.10 Cabinet and the Overview & Scrutiny Committee will also receive quarterly treasury management reports.

4.7.24 Trust Funds

- 4.7.24.1 The Director of Resources shall:
- a Arrange for all trust funds to be held wherever possible in the name 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.

4.7.25 Inventories and Stocks And Stores

- 4.7.25.1 Further advice can be found in the council's 'Guideline for Inventories Stocks and Stores'.
- 4.7.25.2 The Director of Resources shall:
- 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.
- 4.7.25.3 Directors shall:
- a Maintain inventories in a form approved by the Director of Resources to adequately record and describe all 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 are 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 Directors have discretion to write off redundant equipment up to the value of £5,000, but must seek Cabinet Member approval for write-offs in excess of £5,000. Directors shall seek independent quotations where it is not immediately obvious what the market value of the redundant item is.
- f Make arrangements for the care, custody and recording 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 write-off and 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 and Cabinet Member 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.

4.7.26 Working for Third Parties and Shared Services

- 4.7.26.1 Current legislation enables the Council to provide a range of services to certain other bodies. Such work may enable the unit to maintain economies of scale and existing expertise. Arrangements must be in place to ensure that any risk associated with this work is minimised.
- 4.7.26.2 All proposals to work for a third party shall be properly costed in accordance with guidance provided by the Director of Resources. Financial advice should be obtained from the Head of Financial Services on the cost of providing the service.
- 4.7.26.3 All decisions to work for a third party shall be made in accordance with the Council's formal decision making processes as set out in the Scheme of Delegation. Formal approval in line with the Council's Functions Scheme must be obtained before any negotiations to work for third parties are concluded.
- 4.7.26.4 Officers must obtain legal advice on the implications of providing the proposed service to the third party. All contracts for providing work for a third party shall be drawn up using guidance provided by the Assistant Director – Law and Governance.

4.7.26.5 Officers shall ensure that:

- a All contracts are properly documented and a register of all contracts to supply goods and services to third parties is maintained by each Directorate.
- b Appropriate identity checks on the third party are carried out in accordance with the Council's anti money laundering policy and guidance.
- c Appropriate insurance arrangements are in place for the third party work.
- d The Council is not put at any risk of bad debts as a result of any third party work
- e Wherever possible, payment is received in advance of the delivery of the service under a third party contract.

Appendix A

Responsibilities under the Financial Procedure Rules

This appendix provides details of responsibilities under the Financial Procedure Rules. It lists in a single place responsibilities that would otherwise be repeated in various sections of the Financial Procedure Rules. It confirms the overall responsibilities of the Council's Director of Resources, the Cabinet and members of the Senior Management Team (Joint Management Team) within the Financial Procedure Rules.

A1 Cabinet Responsibilities

- A1.1 Cabinet is responsible for overseeing all aspects of the Council's finances. Day to day responsibility for the Council's finances rests with Directors and their managers as set out in these Financial Procedure Rules.
- A1.2 Each Cabinet Member shall oversee compliance with the Council's Financial Procedure Rules for those functions within their terms of reference. Each Director is responsible for ensuring those functions within their terms of reference operate within the Council's Financial Procedure Rules.

A2 Director of Resources' Responsibilities

- A2.1 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.
- A2.2 Reference in these Financial Procedure Rules to the Director of Resources shall be taken to include any officer nominated by the Director of Resources to act on his/her behalf.
- A2.3 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.
- A2.4 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.
- A2.5 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.
- A2.6 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.
- A2.7 The Director of Resources is responsible for issuing advice and guidance to underpin the Financial Procedure Rules.
- A2.8 The Director of Resources is responsible for maintaining adequate and effective audit arrangements for the Council and for ensuring that Audit Services complies with the Chartered Institute of Public Accountancy's Code of Practice for Internal Audit.

- A2.9 The Director of Resources is responsible for ensuring, in conjunction with the relevant member of the Joint Management Team, that the Council's disciplinary procedures are followed where the outcome of an audit or other investigation indicates fraud or irregularity.
- A2.10 The Director of Resources is responsible for 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 shall be dealt with in accordance with the Council's Anti-Fraud and Anti-Corruption policy.
- A2.11 The Director of Resources is responsible for appointing senior officers to be the Council's Money Laundering Reporting Officer and deputy to the Council's Money Laundering Reporting Officer.
- A2.12 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.
- A2.13 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.
- A2.14 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 Services

A3 Joint Management Team Responsibilities

- A3.1 Members of the Joint Management Team 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.
- A3.2 Members of the Joint Management Team 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.
- A3.3 Members of the Joint Management Team are responsible for supplying the Director of Resources with all information necessary for the proper administration of the Council's affairs.
- A3.4 Members of the Joint Management Team shall allow the Director of Resources and his/her authorised representatives access to all documents and records on demand.
- A3.5 Members of the Joint Management Team shall maintain a sound system of internal control.
- A3.6 Members of the Joint Management Team are responsible for ensuring those functions within their terms of reference operate within the Council's Financial Procedure Rules.
- A3.7 Members of the Joint Management Team are responsible for informing Cabinet Members promptly if the Council's Financial Procedure Rules are not being complied with.

Glossary of terms

In the Financial Procedure Rules the words and phrases in the left hand column have the meaning given in the right hand column;

Asset	Something the council owns that has value, such as premises, vehicles, equipment or cash.
Budget	A statement of the Authority's plans for revenue and capital expenditure and income over a specified period of time.
Capital	Spending, usually on major assets like a building, where the benefit of the asset lasts for more than one year.
Capital Programme	A budget generally covering a 3-5 year period relating to items of capital expenditure
Capital receipts	Proceeds from the sale of fixed assets, such as land or buildings.
Cash Limit	The most that can be spent in an area in one year.
CIPFA	The Chartered Institute of Public Finance and Accountancy is the leading professional accountancy body for public services in the UK. CIPFA has responsibility for setting good practice accounting standards for local government.
Cost Centre	A division of an organisation to which costs can be specifically allocated.
Gross Expenditure	The total cost of providing the Council's services before taking into account income from Government grants and Fees and Charges for services.
Imprests	Petty cash floats.
Internal Audit	A specialist section of the Council that examines, evaluates and reports on the adequacy of internal control systems.
Internal Control	The systems of control that help ensure the Council's objectives are achieved in an economical, efficient and effective way and consistent with safeguarding the Council's assets.
Inventory	A list of equipment and furniture
Money Laundering	The practice of engaging in financial transactions in order to conceal the identity, source, and/or destination of money.
Officer	A person employed or appointed as a member of staff
Revenue budget	Budget relating to the day-to-day expenses associated with the provision of services.

Treasury Management	Management of the Council's Cash Balances on a daily basis, to obtain the best return while maintaining an acceptable level of risk.
Treasury Management Strategy	A document stating how the Council plans to borrow and optimise its return on its cash and investments in the coming financial year whilst ensuring the over-riding criterion of security of public money
Virement	Transfers of budgets between one area and another. Virements are subject to strict controls

Clarification of Post titles

Chief Executive	The Council's Head of Paid Service
Director of Resources	The Council's Section 151 officer
Assistant Director – Law and Governance	The Council's Monitoring Officer

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