



THANET DISTRICT COUNCIL

Financial Procedure Rules

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THE STATUS OF THE FINANCIAL PROCEDURE RULES

1. What are Financial Procedure Rules?

- 1.1** Financial Procedure Rules (the Rules) are a set of regulations which provide the framework for managing the Council's affairs. They identify the financial responsibilities of Full Council, the Cabinet, the Section 151 Officer, Heads of Service and other employees.

2. Who do the Rules apply to?

- 2.1** They apply to every Member and officer of the Council, and anyone acting on the Council's behalf.

3. What are the general responsibilities under the Rules?

- 3.1** Financial management covers all financial accountabilities in relation to the running of the Council including the policy framework and budget. It is not possible to draft regulations or rules that cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility, and accountability, as set out in the Rules, should be applied in all circumstances, even where any particular circumstance is not specifically referred to.

- 3.2** All Members and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

- 3.3** Cabinet Members and Heads of Service must maintain a written record where decision making has been delegated to others, including any seconded staff. Where decisions have been delegated or devolved to any other person, references to the Head of Service in the Rules should be read as referring to them.

- 3.4** The Section 151 Officer is responsible for reviewing the Rules and for submitting any additions or changes necessary to Full Council for approval. The Section 151 Officer is also responsible for reporting, where he/she thinks appropriate, breaches of the Rules to the Council and/or to the Cabinet.

- 3.5** The Section 151 Officer is responsible for issuing procedure notes, advice and guidance to underpin the Rules that Members, officers and others acting on behalf of the Council are required to follow.

- 3.6** Heads of Service are responsible for ensuring that all staff in their departments are aware of the existence of, and, in consultation with the Section 151 Officer, trained in the use and content of the Rules and other internal regulatory documents and that they are complied with at all times. They must also ensure that an adequate number of copies are available for reference within their departments.

- 3.7 If a Member or officer is unclear about any aspect of these rules they should seek advice before acting. Normally they should seek guidance from their line manager, but are also free to approach their Head of Service, Section 151 Officer, Head of Resources or the Financial Services Manager direct.
- 3.8 The Rules also place specific responsibilities on :
- Line Managers, for the day to day financial operation of their section;
 - The Resources service, for promoting high financial standards;
 - Heads of Service, for monitoring the overall financial state of their business group and advising the appropriate Cabinet Member on proposals that have a financial impact.
- 3.9 All Members and officers have a duty to act if they believe there is a possibility of fraud, corruption or poor value for money taking place or if the Rules are being broken. In such cases they must inform their line manager (unless that person is suspected of being involved) **and** the Monitoring Officer and the Section 151 Officer.

4. What happens if the Rules are broken?

- 4.1. The Section 151 Officer's approach is that **all** Members and officers must exhibit the highest standards of probity when they deal with the Council's finances. These Rules present the processes that should be followed, and individuals are expected to exercise their common sense and judgement, particularly in any unusual or urgent situation. Breaches may however be serious enough to warrant disciplinary action.
- 4.2. Heads of Service must report any breaches to the Section 151 Officer.
- 4.3. The Section 151 Officer has a responsibility to report breaches of the Rules where he/she thinks appropriate to the Council or the Cabinet.

5. What happens in an emergency situation?

- 5.1. On rare occasions, officers are faced with an emergency and may need to act swiftly. It is recognised that in these circumstances officers need to use their best judgement, balancing the need of the service, severity of the emergency and the financial consequences of their actions. Detailed notes of actions taken must be kept and wherever possible officers should seek clearance from their Head of Service or the Section 151 Officer before proceeding.
- 5.2. Officers must seek retrospective approval for their actions. They must contact their Head of Service who will be responsible for co-ordinating such information, and report the matter to the Section 151 Officer.

REGULATION A - FINANCIAL MANAGEMENT

INTRODUCTION

- A.1** Financial Management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

FULL COUNCIL

- A.2** Full Council is responsible for adopting the Council's Constitution and Members' Code of Conduct and for approving the policy framework and budget within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Constitution. Full Council is also responsible for monitoring compliance with the agreed policy and related Cabinet decisions.
- A.3** Full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council and its committees, details of which are set out in the Constitution.

THE CABINET

- A.4** The Cabinet is responsible for proposing the policy framework and budget to Full Council, and for discharging Cabinet functions in accordance with the policy framework and the budget.
- A.5** Cabinet decisions can be delegated to a committee of the Cabinet, an individual Cabinet Member, an officer or a joint committee.
- A.6** The Cabinet is responsible for establishing protocols to ensure that individual Cabinet Members consult with relevant officers before taking a decision within his/her delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

COMMITTEES OF THE COUNCIL

Overview and Scrutiny Committees (see Article 6 of Constitution)

- A.7** The Overview and Scrutiny Committees are responsible for scrutinising executive (both Member and officer) decisions before or after they have been implemented and for holding the Cabinet to account. These committees are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Council.
- A.8.** The Finance, Best Value and Performance Review Panel is responsible for scrutinising the Budget and financial management arrangements of the Council.

Standards Committee (see Article 9 of Constitution)

A.9 The Standards Committee is established by Full Council and is responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Members' Code of Conduct and for monitoring the operation of the Code.

Regulatory and other Committees (see Article 8 of the Constitution)

A.10 The Governance and Audit Committee is a sub Committee of Full Council and is responsible for:

- Receiving and approving the annual Internal Audit Plan.
- Receiving regular reports on progress against the Plan.
- Receiving reports on "unsatisfactory" audits.
- Approving the Council's Financial Statements.

THE STATUTORY OFFICERS

The Head of Paid Service (Chief Executive)

A.11 The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole. He/she must report to and provide information for the Cabinet, Full Council, the Overview and Scrutiny committees and the other committees. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all Council's decisions.

The Monitoring Officer

A.12 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to Full Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

A.13 The Monitoring Officer must ensure that executive decisions and the reasons for them are made public. He/she must also ensure that Council Members are aware of decisions made by the Cabinet and of those made by officers under delegated authority.

A.14 The Monitoring Officer is responsible for advising all Councillors and officers about who has the authority to make a particular decision. Should a situation arise whereby the Section 151 Officer is not a member of the Corporate Management Team, then an appropriate protocol will be submitted for approval by Council to facilitate access to this group to allow him/her to fulfil his/her statutory duties.

- A.15** The Monitoring Officer is responsible for advising the Cabinet or Full Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the policy framework.
- A.16** The Monitoring Officer is responsible for advising the Cabinet or Full Council about whether a decision is likely to be considered contrary to, or not wholly in accordance with the budget. Actions that may be “contrary to the budget” include:
- Initiating a new policy.
 - Committing expenditure in both the current and future years to above the budget level.
 - Incurring transfers above the virement limits.
- A.17** The Monitoring Officer is responsible for maintaining an up-to-date constitution.

The Section 151 Officer

- A.18** The Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the Council. **This statutory responsibility cannot be overridden.** The statutory duties arise from:
- Section 151 of the Local Government Act 1972
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Local Government Act 2003
 - The Accounts and Audit Regulations 2003
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- A.19** The Section 151 Officer is responsible for:
- The proper administration of the Council's financial affairs
 - Setting and monitoring compliance with financial management standards
 - Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - Providing financial information
 - Preparing the revenue budget and capital programme.
- A.20** Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to Full Council, Cabinet and the Council's external auditor if the Council or one of its officers:
- Has made, or is about to make, a decision which involves incurring unlawful expenditure
 - Has taken, or is about to take, an unlawful action which has resulted, or would result in a loss or deficiency to the Council
 - Is about to make an unlawful entry in the Council's accounts.

Section 114 of the 1988 Act also requires:

- The Section 151 Officer to nominate a properly qualified member of staff to deputise should he/she be unable to perform the duties under Section 114 personally
- The Council to provide the Section 151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114. Should a situation arise whereby the Section 151 Officer is not a member of the Corporate Management Team, then an appropriate protocol will be submitted for approval by Council to facilitate access to this group to allow him/her to fulfil his/her statutory duties.

HEADS OF SERVICE

A.21 Heads of Service are responsible for:

- Ensuring that Cabinet Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Section 151 Officer
- Signing contracts on behalf of the Council.
- Controlling and monitoring income and expenditure within the approved budget.

A.22 It is the responsibility of Heads of Service to consult with the Corporate Director (Finance) and seek approval on any matter liable to affect the Council's finances materially, before any commitments are made.

OTHER FINANCIAL ACCOUNTABILITIES

Virement

A.23 Full Council is responsible for agreeing procedures for virement of expenditure between budget heads. The approved scheme is:

Budget Holders can (subject to the conditions outlined in the Budget Holders Handbook) vire up to £10,000 within a budget heading.

Heads of Service can (subject to the conditions outlined in the Budget Holders Handbook) vire funds within a budget heading without the requirement to seek Cabinet approval. Where the virement transfers money between different services under their control, there is a limit of £20,000.

Section 151 Officer in consultation with the Corporate Management Team can (subject to the conditions outlined in the Budget Holders Handbook) authorise any transfer between budget headings of between £20,000 and £50,000.

Cabinet approval should be sought for all virements between budget headings which are in excess of £50,000.

For the purposes of this, a budget heading is a line in the estimates, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA in its Service expenditure Analysis. For capital schemes, the budget headings are considered to be the scheme budgets.

Virements will only be permitted where the expenditure is in accordance with the Budget and Policy Framework agreed by Full Council, unless Full Council agrees the virement. There can be no virements between the General Fund and the Housing Revenue Account or from reserves, building maintenance budgets or central recharges.

Treatment of year-end balances on budgets

- A.24** The Section 151 Officer is responsible for agreeing any procedures for carrying forward under and overspendings on budget heads.

Accounting Policies

- A.25** The Section 151 Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting Records and Returns

- A.26** The Section 151 Officer is responsible for determining the accounting procedures and records for the Council

The Annual Statement of Accounts

- A.27** The Section 151 Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with *the 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice'* (CIPFA/LASAAC) and the *'Best Value Accounting Code of Practice'* (BVACOP), which constitute proper practices as set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.
- A.28** The Governance and Audit Committee, a sub-committee of Full Council, is responsible for approving the annual Statement of Accounts.

PROCEDURE NOTE

- A.29** A Procedure Note in relation to Regulation A is attached as Appendix A and forms part of the Rules.

REGULATION B: FINANCIAL PLANNING

INTRODUCTION

- B.1** Full Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:
- The Community Plan.
 - The Corporate Plan.
 - The Medium Term Financial Strategy and Capital Investment Strategy.
 - The General Fund and Housing Revenue Account (HRA) Budget and the Capital Programme.

POLICY FRAMEWORK

- B.2** Full Council is responsible for approving the policy framework and budget. The policy framework comprises those plans and strategies set out in Article 4 of the Constitution.
- B.3** Full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.
- B.4** Full Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

Preparation of the Community and Corporate Plans

- B.5** The Head of the Paid Service is responsible for proposing the Community Plan and Corporate Plan to the Cabinet for consideration before its submission to Full Council for approval.

Preparation of the Best Value Performance Plan (BVPP)

- B.6** The Head of Improvement and Performance is responsible for proposing the BVPP to the Cabinet for consideration before its submission to Full Council for approval.

BUDGETING

Budget Format

- B.7** The general format of the budget will be approved by Full Council and proposed by the Cabinet on the advice of the Section 151 Officer. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Budget Preparation

- B.8** The Section 151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis for consideration by the Cabinet, before submission to Full Council. Full Council may amend the budget or ask the Cabinet to reconsider it before approving it. The Section 151 Officer also has a responsibility under Section 25 of the Local Government Act 2003 to comment on:
- The robustness of the annual estimates submitted to Council for approval, and
 - The adequacy of the proposed financial reserves.
- B.9** The Section 151 Officer is responsible for issuing guidance on the general content of the budget as soon as possible following approval by Full Council.
- B.10** It is the responsibility of Extended Corporate Management Team to ensure that the budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

Budget Monitoring and Control

- B.11** The Section 151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He/she must arrange for expenditure and income to be controlled and monitored against budget allocations and report to the Cabinet on such regular basis as it may determine.
- B.12** It is the responsibility of Heads of Service to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Section 151 Officer. They must report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer of any problems, or potential problems, at the earliest opportunity

Resource Allocation

- B.13** The Section 151 Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of Full Council's policy framework.

Preparation of the Capital Programme

- B.14** The Section 151 Officer is responsible for ensuring that a rolling 5 year Capital Programme is prepared on an annual basis for consideration by the Cabinet before submission to Full Council. Full Council may amend the Capital Programme or ask the Cabinet to reconsider it before approving it.

Budget guidelines

B.15 Guidelines on budget preparation are issued to Members and Heads of Service by the Cabinet following agreement with the Section 151 Officer. The guidelines will take account of:

- Legal requirements
- Medium-term planning prospects
- The Corporate Plan
- Available resources
- Spending pressures
- Best value and other relevant Government guidelines
- Other internal policy documents
- Relevant cross-cutting issues.

MAINTENANCE OF RESERVES

B.16 It is the responsibility of the Section 151 Officer to advise Full Council on prudent levels of reserves for the Council in accordance with Section 25 of the Local Government Act 2003.

PROCEDURE NOTE

B.17 A procedure note in relation to Regulation B is attached as Appendix B and forms part of the Rules.

REGULATION C: RISK MANAGEMENT AND CONTROL OF RESOURCES

INTRODUCTION

- C.1** It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.
- C.2** Regulation 4 of the Accounts and Audit Regulations 2003 requires the Council to be responsible for ensuring that its financial management is adequate and that it has a sound system of internal control which facilitates the effective exercise of its functions including arrangements for the management of risk.

RISK MANAGEMENT

- C.3** The Cabinet is responsible for approving the Council's Risk Management Policy and Strategy, reviewing it on an annual basis and for reviewing the effectiveness of risk management. The Cabinet is also responsible for designating a Member to act as a 'risk management champion' to support the integration of risk management into the culture of the Council.
- C.4** The Cabinet is also responsible for ensuring that proper insurance exists, where appropriate, to mitigate any risks identified.
- C.5** The Section 151 Officer is responsible for preparing the Council's risk management policy statement, for promoting it throughout the Council and for advising the Cabinet on proper insurance cover where appropriate.

INTERNAL CONTROL

- C.6** Internal Control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C.7** The Section 151 Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.8** It is the responsibility of Heads of Service to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

AUDIT REQUIREMENTS

- C.9** The Accounts and Audit Regulations 2003 require every local authority to maintain an adequate and effective internal audit.
- C.10** The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by Section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- C.11** The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise, the Inland Revenue and Government offices or personnel working on their behalf, who have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

- C.12** The Section 151 Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

ASSETS

- C.13** Heads of Service must ensure that records and assets are properly maintained and securely held. They must also ensure that contingency plans for the security of assets and continuity of service in the event of a disaster or system failure are in place.

TREASURY MANAGEMENT

- C.14** The Council has adopted CIPFA's '*Code of Practice for Treasury Management in Local Authorities*' (the Code)
- C.15** Full Council is responsible for approving the Treasury Management Policy Statement, recommended by Cabinet, setting out the matters detailed in paragraph 15 of the Code. The Section 151 Officer has delegated responsibility for implementing and monitoring the Statement.
- C.16** All money in the hands of the Council is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972.
- C.17** All executive decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with the Code.
- C.18** The Section 151 Officer is responsible for submitting a report to the Cabinet on the proposed treasury management strategy for the coming financial year at, or before, the start of each financial year and, at least once in each financial year, on the activities of the treasury management operation and the exercise of his/her delegated treasury management powers.

STAFFING

- C.19** Full Council is responsible for determining how officer support for executive and non-executive roles within the Council will be organised.
- C.20** The Chief Executive as Head of Paid Service is responsible for providing overall management to staff, and for ensuring compliance with the Council's employment policies.
- C.21** Heads of Service are responsible for controlling total staff numbers by:
- Advising the Cabinet on the budget necessary in any given year to cover estimated staffing levels
 - Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs
 - The proper use of appointment procedures.

PROCEDURE NOTE

- C.22** A Procedure Note in relation to Regulation C is attached as Appendix C and forms part of the Rules.

REGULATION D: SYSTEMS AND PROCEDURES

INTRODUCTION

- D.1** Sound systems and procedures are essential to an effective framework of accountability and control.

GENERAL

- D.2** The Section 151 Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Heads of Service to the existing financial systems or the establishment of new systems must be approved in advance by the Section 151 Officer. Heads of Service however are responsible for the proper operation of financial processes in their individual departments.
- D.3** Any changes to agreed procedures by Heads of Service to meet their own specific service needs must be agreed in advance with the Section 151 Officer.
- D.4** Heads of Service must ensure that their staff receive relevant financial training that has been approved by the Section 151 Officer.
- D.5** Heads of Service must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Heads of Service must also ensure that their staff are aware of their responsibilities under Data Protection and Freedom of Information legislation.

INCOME AND EXPENDITURE

- D.6** It is the responsibility of Heads of Service to ensure that a proper scheme of delegation has been established within their department and that it is operating effectively. The scheme of delegation must identify staff authorised to act on the Head of Service's behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority.

The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

PAYMENTS TO EMPLOYEES AND MEMBERS

- D.7** The Section 151 Officer is responsible for making all payments of salaries, wages and allowances to all staff, and for making payments of allowances to Members.

TAXATION

- D.8** The Section 151 Officer is responsible for advising Heads of Service, in the light of guidance issued by appropriate bodies and relevant legislation, on all taxation issues that affect the Council.

- D.9** The Section 151 Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving any tax credits and submitting tax returns by their due date.

TRADING ACCOUNTS/BUSINESS UNITS

- D.10** It is the responsibility of the Section 151 Officer to advise on the establishment and operation of any trading accounts and business units within the Council.

PROCEDURE NOTE

- D.11** A Procedure Note in relation to Regulation D is attached as Appendix D and forms part of the Rules.

REGULATION E: EXTERNAL ARRANGEMENTS

INTRODUCTION

- E.1** The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of the area.

PARTNERSHIPS

- E.2** The Cabinet is responsible for approving delegations, including frameworks for partnerships, which the Council is involved in. The Cabinet is the focus for forming partnerships with other public, private, voluntary and community sector organisations to address local needs.
- E.3** The Cabinet can delegate functions – including those relating to partnerships – to officers. Those that exist are set out in the Scheme of Delegation within Part 3 of the Council's Constitution. Where functions are delegated, the Cabinet remains accountable for them to Full Council.
- E.4** Representation of the Council on partnerships and external bodies will be decided in accordance with the Scheme of Delegation.
- E.5** The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.
- E.6** The Section 151 Officer must ensure that the accounting arrangements to be adopted in relation to partnerships and joint ventures are satisfactory. The Chief Executive in consultation with the Section 151 Officer must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. The Section 151 Officer in consultation with the relevant Head of Service must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.7** Heads of Service are responsible for ensuring that the Section 151 Officer is consulted on the progress of negotiations and that the appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

EXTERNAL FUNDING

- E.8** The Cabinet is responsible for approving all applications for external funding unless otherwise provided for within the Council's external funding strategy.
- E.9** The Section 151 Officer is responsible for the preparation of an external funding protocol which shall be submitted to the Cabinet for approval.

- E.10** The Section 151 Officer has overall responsibility for external funding and is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- E.11** The Section 151 Officer also has overall responsibility for ensuring that appropriate records and supporting documentation in relation to any output measures are kept to enable him/her to submit funding claim forms at the relevant times.

WORK FOR THIRD PARTIES

- E.12** The Cabinet is responsible for approving the contractual arrangements for any work undertaken for third parties or external bodies unless this is delegated to officers in accordance with the Scheme of Delegation.

PROCEDURE NOTE

- E.13** A Procedure Note in relation to Regulation E is attached at Appendix E and forms part of the Rules.

FINANCIAL PROCEDURE NOTE – FINANCIAL MANAGEMENT

1. FINANCIAL MANAGEMENT STANDARDS

1.1 General

All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

1.2 Responsibilities of Section 151 Officer:

- To ensure the proper administration of the Council's financial affairs.
- To set the financial management standards and to monitor compliance with them.
- To ensure that proper professional practices are adhered to and to act as the head of profession in relation to the standards, performance and development of finance staff throughout the Council.
- To advise on the key strategic controls necessary to secure sound financial management.
- To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local performance indicators.
- To advise upon financial considerations before any agreement is entered into on behalf of the Council.

1.3 Responsibilities of Heads of Service:

- To promote the financial management standards set by the Section 151 Officer in their services and to monitor adherence to the standards and practices, liaising as necessary with the Section 151 Officer.
- To promote sound financial practices in relation to the standards, performance and development of staff in their departments.
- To submit monthly forecasts in line with the Council's budget monitoring arrangements.
- To ensure budgetary provision exists for all expenditure incurred.
- To seek advice upon financial considerations before any agreement is entered into on behalf of the Council.

2. MANAGING EXPENDITURE

2.1 Scheme of virement

2.1.1 Virement is the switching of resources between approved estimates or heads of expenditure. The scheme is intended to enable the Cabinet, Heads of Service and their staff to manage budgets with a degree of flexibility within the overall policy

framework determined by Full Council, and therefore to optimise the use of resources. For the purposes of the scheme a budget head is considered to be a line in the approved estimates, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis.

2.1.2 Responsibilities of Section 151 Officer:

- To administer the scheme of virement within the guidelines set by Full Council.
- To notify Heads of Service of changes to the scheme of virement.

2.1.3 Responsibilities of Heads of Service:

- Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently. For example they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full year effects of decisions made part way through a year, for which they have not identified future resources. Heads of Service must plan to fund such commitments from within their own budgets.
- A Head of Service may exercise virement on budgets under his/her control for amounts up to a limit that is notified to them from time to time by the Section 151 Officer.

2.2 Treatment of year-end balances

The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry forward. For the purposes of this a budget heading is a line in the estimates, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA in its Service expenditure Analysis.

2.2.1. Responsibilities of Section 151 Officer:

- To administer any scheme of carry forward.

2.2.2 Responsibilities of Heads of Service:

- To notify the Section 151 Officer of any actual or potential over or underspendings on their service estimates immediately they become evident.

3. ACCOUNTING POLICIES

- 3.1 The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the '*Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice*' and the '*Best Value Accounting Code of Practice*' for each financial year ending 31 March.

3.2 Responsibilities of Section 151 Officer:

- To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the Statement of Accounts, which is prepared at 31 March each year.

3.3 Responsibilities of Heads of Service:

- To adhere to the accounting policies and guidelines approved by the Section 151 Officer.

4. ACCOUNTING RECORDS AND RETURNS

4.1. Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

4.2 Responsibilities of Section 151 Officer:

- To determine the accounting procedures and records for the Council.
- To arrange for the compilation of all accounts and accounting records under his/her direction.
- To comply with the following principles when allocating accounting duties (these are known as "separation of duties"):
 - (a) Separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting and disbursing them;
 - (b) Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2003.
- To ensure that all claims for funds, including grants are made by the due date.
- To prepare the accounts, have them approved by Full Council and publish the audited accounts in accordance with statutory timetables.
- To administer the Council's arrangements for under- and overspendings.
- To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention schedule.

4.3 Responsibilities of Heads of Service:

- To consult and obtain the approval of the Section 151 Officer before making any changes to accounting records and procedures.
- To comply with the principles of "separation of duties" as set out in 4.2.
- To maintain adequate records to provide a clear audit trail leading from the source of income or expenditure through to the accounting statements.

- To supply information required to enable the statement of accounts to be completed in accordance with any guidelines issued by the Section 151 Officer.

5. THE ANNUAL STATEMENT OF ACCOUNTS

5.1. The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Governance and Audit Committee is responsible for approving the accounts as a sub-committee of Full Council.

5.2 Responsibilities of Section 151 Officer:

- To select suitable accounting policies and to apply them consistently.
- To make judgements and estimates that are reasonable and prudent.
- To comply with the SORP and the BVACOP.
- To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.
- To draw up a timetable each year for the preparation of the accounts and advise staff and external auditors accordingly.

5.3 Responsibilities of Heads of Service:

- To comply with accounting guidance provided by the Section 151 Officer and to supply him/her with information when required.

FINANCIAL PROCEDURE NOTE- FINANCIAL PLANNING

1. PERFORMANCE PLANS

1.1 General

Each local authority has a statutory responsibility to publish various performance plans, including best value performance plans, crime reduction strategies, community strategies, etc. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The Council is required to publish annually the best value performance plan (BVPP), which summarises its performance and position in relation to best value. The BVPP is a key element in the Council's programme of engaging with the public. External audit is required to report on whether the Council has complied with statutory requirements in respect of the preparation and publication of the BVPP.

1.2 Responsibilities of the Section 151 Officer:

- To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- To contribute to the development of corporate and service targets and objectives and performance information.

1.3 Responsibilities of the Head of Improvement and Performance:

- To produce and publish the Best Value Performance Plan which summarises its performance and position in relation to best value.

1.4 Responsibilities of Heads of Service:

- To contribute to the development of performance plans in line with statutory requirements.
- To contribute to the development of corporate and service targets and objectives and performance information.
- To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

2. BUDGETING

2.1 Format of the budget

The format of the budget determines the level of detail to which financial control and 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.

2.2 Responsibilities of the Section 151 Officer:

- To advise the Cabinet on the format of the budget that is approved by Full Council.

2.3 Responsibilities of Heads of Service:

- To comply with accounting guidance provided by the Section 151 Officer.

3. REVENUE BUDGET PREPARATION, MONITORING AND CONTROL

3.1 General

Budget management ensures that once the budget has been approved by Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget (budget holders).

By continuously 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 when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre.

3.2 Responsibilities of the Section 151 Officer:

- To establish an appropriate framework of budgetary management and control that ensures that:
 - (a) budget management is exercised within annual cash limit unless Full Council agrees otherwise;
 - (b) each Head of Service 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 regulations;
 - (e) each cost centre has a single named manager, determined by the relevant Head of Service. 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 to Members by budget managers regularly.
- To administer the Council's scheme of virement.
 - To submit reports to the Cabinet and to Full Council, in consultation with the relevant Head of Service, where a Head of Service is unable to balance expenditure and resources within existing approved budgets under his or her control.
 - To prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis.

3.3 Responsibilities of Heads of Service:

- To maintain budgetary control within their departments, in accordance with the Financial Procedure Rules, and to ensure that all income and expenditure are properly recorded and accounted for.
- To ensure that an accountable budget holder is identified for each item of income and expenditure under the control of the Head of Service (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- To prepare and submit to the Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the portfolio-holder.
- To ensure prior approval by Full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:
 - (a) create financial commitments in future years
 - (b) change existing policies, initiate new policies or cease existing policies
 - (c) materially extend or reduce the Council's services.
- To ensure compliance with the scheme of virement.
- To agree with the relevant Head of Service where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Head of Service's level of service activity.

4. BUDGETS AND MEDIUM-TERM PLANNING

4.1 General

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.

A report on new proposals should explain the full financial implications, following consultation with the Section 151 Officer. The Cabinet will decide whether additional revenue funding is made available for any new proposal, subject to Full Council approval or from within virement rules.

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of Full Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a local authority to budget for a deficit.

Medium-term planning (5 year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.

4.3 Responsibilities of the Section 151 Officer:

- To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by Full Council, and after consultation with the Cabinet and Heads of Service.
- To prepare and submit reports to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- To advise on the medium-term implications of spending decisions.
- To encourage the best use of resources and value for money by working with Heads of Service to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- To advise Full Council on Cabinet proposals in accordance with his/her responsibilities under section 151 of the Local Government Act 1972.
- To prepare and maintain a Medium-Term Financial Strategy.
- To undertake the responsibilities contained in Section 25 of the Local Government Act 2003 regarding:
 - (a) the robustness of the annual estimates submitted to Council for approval, and

- (b) the adequacy of the proposed financial reserves.

4.4 Responsibilities of Heads of Service:

- To prepare estimates of income and expenditure, in consultation with the Section 151 Officer, to be submitted to the Cabinet.
- To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Cabinet. The format should be prescribed by the Section 151 Officer in accordance with Full Council's general directions.
- To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- In consultation with the Section 151 Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the Cabinet.
- When drawing up draft budget requirements, to have regard to:
 - (a) spending patterns and pressures revealed through the budget monitoring process
 - (b) legal requirements
 - (c) policy requirements as defined by Full Council in the approved policy framework
 - (d) initiatives already under way.

5. RESOURCE ALLOCATION

5.1. General

A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

5.2. Responsibilities of the Section 151 Officer:

- To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- To assist in the allocation of resources to budget managers.

5.3. Responsibilities of Heads of Service

- To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

6. CAPITAL PROGRAMMES

6.1. General

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

The Government places strict controls on the financing capacity of a local authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

6.2. Responsibilities of the Section 151 Officer:

- To prepare 5-year rolling capital estimates jointly with Heads of Service and the Head of Paid Service and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to Full Council.
- To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
- To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques and the Capital Protocol. The definition of 'capital' will be determined by the Section 151 Officer, having regard to government regulations and accounting requirements.
- To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than a specified amount.
- To calculate prudential indicators to be used in connection with the Capital Programme.

6.3 Responsibilities of Heads of Service:

- To comply with guidance for example the Capital Protocol concerning capital schemes and controls issued by the Section 151 Officer.
- To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Section 151 Officer.
- To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final costs of schemes in the approved capital programme for submission to the Section 151 Officer .
- To ensure that adequate records are maintained for all capital contracts.
- To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Section 151 Officer, where required.
- To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet, of any variation in contract costs greater than the approved limits.
- To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.

- To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the and, if applicable, approval of the scheme through the capital programme.
- To consult with the Section 151 Officer and to seek Cabinet and where appropriate Full Council approval where the Head of Service proposes to bid for supplementary credit approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme.

7. MAINTENANCE OF RESERVES

7.1. General

The Council must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

7.2. Responsibilities of the Section 151 Officer:

- To advise the Cabinet and/or Full Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.
- To comment on the adequacy of the proposed financial reserves in accordance with Section 25 of the Local Government Act 2003.

7.3 Responsibilities of Heads of Service:

- To ensure that resources are used only for the purposes for which they were intended
- To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local performance indicators.

FINANCIAL PROCEDURE NOTE: RISK MANAGEMENT AND CONTROL OF RESOURCES

1. RISK MANAGEMENT

1.1. General

All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives 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. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

It is the overall responsibility of the Cabinet to approve the Council's Risk Management Policy and Strategy, review it on an annual basis and to promote a culture of risk management awareness throughout the Council. The Cabinet is also responsible for designating a Member to act as a 'risk management champion' to support the integration of risk management into the culture of the Council.

1.2. Responsibilities of the Section 151 Officer:

- To prepare and promote the Council's risk management policy statement.
- To chair any officer working group which has responsibility for risk management.
- To develop risk management controls, including the maintenance of appropriate risk registers, in conjunction with other Heads of Service.
- In conjunction with Heads of Service, to ensure that all staff are given training and guidance as to how to manage risks in their areas of work.
- To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
- To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

1.3. Responsibilities of Heads of Service:

- To ensure that risk is managed effectively in each service area under their control.
- To notify the Section 151 Officer immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Council's insurers.
- To take responsibility for risk management, having regard to advice from the Section 151 Officer and other specialist officers (eg crime prevention, fire prevention, health and safety).

- To ensure that there are regular reviews of risk within their departments, and that all their staff are given training and guidance as to how to manage risk in their areas of work.
- To maintain operational risk registers for all service areas under their control.
- To notify the Corporate Governance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- To consult the Section 151 Officer and the Legal Services Manager on the terms of any indemnity that the Council is requested to give.
- To ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

2. INTERNAL CONTROLS

2.1. General

The Council is a complex organisation which requires internal controls to manage and monitor progress towards strategic objectives. The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations. The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

The system of internal controls is established in order to provide measurable achievement of:

- efficient and effective operations
- reliable financial information and reporting
- compliance with laws and regulations
- risk management.

2.2. Responsibilities of the Section 151 Officer:

- To assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

2.3 Responsibilities of Heads of Service:

- To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Section 151 Officer. This includes formally removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- To ensure staff have a clear understanding of the consequences of lack of control.

3. AUDIT REQUIREMENTS

3.1 Internal audit

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 1996 (SI 1996/590), regulation 5, more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.

Regulation 4 of the Accounts and Audit Regulations 2003 states that “the relevant body shall be responsible for ensuring that the financial management of the body is adequate and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”

Accordingly, internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. In Thanet the internal audit function is currently provided under a partnership agreement with Dover and Shepway District Councils.

3.2. Responsibilities of the Section 151 Officer:

- To ensure that internal auditors have the authority to:
 - (a) access the Council’s premises at reasonable times
 - (b) access all assets, records, documents, correspondence and control systems
 - (c) receive any information and explanation considered necessary concerning any matter under consideration
 - (d) require any employee of the Council to account for cash, stores or any other Council asset under his or her control
 - (e) access records belonging to third parties, such as contractors, when required
 - (f) directly access the Head of Paid Service, the Cabinet and any committee which has responsibility for audit.
- To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

3.3. Responsibilities of Heads of Service:

- To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- To consider and respond promptly to recommendations in audit reports.
- To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

- To notify the Section 151 Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Head of Service should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Section 151 Officer prior to implementation.

4. EXTERNAL AUDIT

4.1 General

The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.

The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in March 2000 sets out the auditor's objectives to review and report upon:

- the financial aspects of the audited body's corporate governance arrangements
- the audited body's financial statements
- aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the BVPP.

The Council's accounts are scrutinised by external auditors, who must be satisfied that the Statement of Accounts 'presents fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

4.2. Responsibilities of the Section 151 Officer:

- To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- To ensure there is effective liaison between external and internal audit.
- To work with the external auditor and advise Full Council, Cabinet and Heads of Service on their responsibilities in relation to external audit.

4.3. Responsibilities of Heads of Service:

- To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- To ensure that all records and systems are up to date and available for inspection.

5. PREVENTING FRAUD AND CORRUPTION

5.1. General

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. The Council's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The Council also expects that individuals and organisations (eg suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and will take reasonable actions to prevent fraud and corruption.

5.2. Responsibilities of the Section 151 Officer:

- To develop and maintain an anti-fraud and anti-corruption policy.
- To maintain adequate and effective internal control arrangements.
- To ensure that all confirmed irregularities are reported to the Head of Paid Service, the Cabinet and any committee with responsibility for audit.

5.3 Responsibilities of Heads of Service:

- To ensure that all suspected irregularities are reported to the Section 151 Officer.
- To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- To ensure that where financial impropriety is discovered, the Section 151 Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- To maintain a departmental register of interests, gifts and hospitality.

6. ASSETS

6.1. Security

The Council holds assets in the form of land and property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

6.2. Responsibilities of the Section 151 Officer:

- To ensure that an asset register is maintained in accordance with the SORP and other good practice for all fixed assets. The function of the asset register is to provide the Council with information about fixed assets so that they are:

- (a) safeguarded
- (b) used efficiently and effectively
- (c) adequately maintained.
- To receive the information required for accounting, costing and financial records from each Head of Service.
- To ensure that assets are valued in accordance with the “Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice”(CIPFA/LASAAC).

6.3. Responsibilities of Heads of Service:

- The Head of Development Services shall maintain a property database in a form approved by the Section 151 Officer for all properties, plant and machinery and moveable assets currently owned or used by the Council. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- The Head of Development Services must arrange for this database to be physically checked on an annual basis to ensure that the records are up to date.
- To ensure that lessees and other prospective occupiers of council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Head of Development Services in consultation with the Section 151 Officer, has been established as appropriate.
- To ensure the proper security of all buildings and other assets under their control.
- Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a report by the Head of Service, incorporating the Section 151 Officer’s comments.
- To pass title deeds to the appropriate Head of Service who is responsible for custody of all title deeds.
- To ensure that no Council asset is subject to personal use by an employee without proper authority.
- To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- To ensure that the department maintains a register of moveable assets in accordance with arrangements defined by the Section 151 Officer.
- To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- To consult the Section 151 Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- To ensure cash holdings on premises are kept to a minimum.
- To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Section 151 Officer as soon as possible.
- Assets should normally be disposed of by competitive tender or public auction, unless the agreement of the Section 151 Officer is obtained.
- To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Section 151 Officer .

- To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.
- To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £5,000 in value.
- To 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. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- To make sure that property is only used in the course of the Council's business, unless the Head of Development Services has given permission otherwise.
- To make arrangements for the care and custody of stocks and stores in the department.
- To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- To investigate and remove from the Council's records (ie write off) discrepancies as necessary, or to obtain Cabinet approval if they are in excess of £5,000.

7. INTANGIBLE ASSETS

7.1. General

Intangible assets is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.

Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intangible assets.

7.2. Responsibilities of the Section 151 Officer:

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

7.3. Responsibilities of Heads of Service:

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

8. ASSET DISPOSAL

8.1. General

It would be uneconomic and inefficient for the cost of holding assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Council.

8.2. Responsibilities of the Section 151 Officer:

- To issue guidance from time to time on the practice for the disposal of assets.
- To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.

8.3. Responsibilities of Heads of Service:

- To seek advice when appropriate from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.
- To ensure that income received for the disposal of an asset is properly banked and accounted for.
- To advise the Corporate Governance Officer so that the disposed asset can be deleted from the insurance schedule.

9. TREASURY MANAGEMENT

9.1. General

Many millions of pounds pass through the Council's books each year. To ensure proper control the Codes of Practice aim to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's money. The Council has adopted the CIPFA "Code of Practice on Treasury Management".

9.2. Responsibilities of Section 151 Officer – Treasury Management and Banking:

- To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA "Code of Practice on Treasury Management" and the Council's Treasury Management policy statement and strategy, CIPFA's Standard of Professional Practice on Treasury Management and the Council's agreed Treasury Management practices.
- To report to the Cabinet annually regarding:
 - (a) The treasury management performance in the previous year, and
 - (b) The Treasury Management Policy Statement for the forthcoming year.
- To report at least once a year on treasury management activities to the Cabinet.
- To open, operate and close such bank accounts as are considered necessary.

- 9.3. Responsibilities of Heads of Service – Treasury Management and Banking:
- To follow the instructions on banking issued by the Section 151 Officer .
- 9.4. Responsibilities of Section 151 Officer – Investments and Borrowing:
- To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by Full Council.
 - To ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate Head of Service.
 - To effect all borrowings in the name of the Council.
 - To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.
- 9.5. Responsibilities of Heads of Service – Investments and Borrowing:
- To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of Full Council, following consultation with the Section 151 Officer .
- 9.6. Responsibilities of Heads of Service – Trust Funds and Funds Held for Third Parties:
- To arrange for all Trust Funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Section 151 Officer unless the deed otherwise provides.
 - To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Section 151 Officer , and to maintain written records of all transactions.
 - To ensure that Trust Funds are operated within any relevant legislation and the specific requirements for each trust.
- 9.7. Responsibilities of the Section 151 Officer – Imprest Accounts:
- To provide employees of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Expenditure should not exceed the prescribed amount.
 - To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
 - To reimburse imprest holders as often as necessary to restore the imprests, but normally less than monthly.

9.8. Responsibilities of Heads of Service – Imprest Accounts:

- To ensure that employees operating an imprest account:
 - (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained.
 - (b) make adequate arrangements for the safe custody of the account.
 - (c) produce upon demand the cash and all vouchers to the total value of the imprest amount.
 - (d) record transactions promptly.
 - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder.
 - (f) provide the Section 151 Officer with a certificate of the value of the account held at 31 March each year.
 - (g) ensure that the float 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 float and change relating to purchases where an advance has been made.
 - (h) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Section 151 Officer for the amount advanced to him or her.

10. STAFFING

10.1. General

In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level. The statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer must be established within the Council.

10.2. Responsibilities of the Head of Paid Service:

- To provide overall management to staff.

10.3. Responsibilities of the: Section 151 Officer:

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

10.4. Responsibilities of Heads of Service:

- To produce an annual staffing budget.
- To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- To ensure that the Head of Paid Service and the Section 151 Officer are immediately informed if the staffing budget is likely to be materially over or underspent.

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- To adhere to the Authority's approved Human Resources policies and practices.
- To ensure that all records relating to sums payable to employees as remuneration or allowances are authorised and to provide specimen signatures to the Section 151 Officer of all officers to whom this responsibility is delegated.

FINANCIAL PROCEDURE NOTE – FINANCIAL SYSTEMS AND PROCEDURES

1. SYSTEMS AND PROCEDURES

1.1. General

Departments have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Departments are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

The Section 151 Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.

1.2. Responsibilities of the Section 151 Officer:

- To make arrangements for the proper administration of the Council's financial affairs, including to:
 - (a) issue advice, guidance and procedures for officers and others acting on the Council's behalf
 - (b) determine the accounting systems, form of accounts and supporting financial records
 - (c) establish arrangements for audit of the Council's financial affairs
 - (d) approve any new financial systems to be introduced
 - (e) approve any changes to be made to existing financial systems.

1.3. Responsibilities of Heads of Service:

- To ensure that accounting records are properly maintained and held securely.
- To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Section 151 Officer .
- To ensure that a complete audit trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

- To incorporate appropriate controls to ensure that, where relevant:
 - (a) all input is genuine, complete, accurate, timely and not previously processed
 - (b) all processing is carried out in an accurate, complete and timely manner
 - (c) output from the system is complete, accurate and timely.
- To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- To ensure that systems are documented and staff trained in operations.
- To consult with the Section 151 Officer before changing any existing system or introducing new systems.
- To establish a scheme of delegation identifying officers authorised to act upon the Head of Service's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- To supply lists of authorised officers, with specimen signatures and delegated limits, to the Section 151 Officer, together with any subsequent variations.
- To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- To ensure that relevant standards and guidelines for computer systems issued by the Head of Service are observed.
- To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- To ensure that staff do not divulge their password and do not misuse any computer system. Officers who misuse computer systems may be judged guilty of gross misconduct and may be disciplined.
- To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
 - (a) only software legally acquired and installed by the Council is used on its computers
 - (b) staff are aware of legislative provisions
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.

2. INCOME

2.1. General

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and also avoids the time and cost of administering debt recovery.

2.2. Responsibilities of the Section 151 Officer:

- To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- To order and supply to departments all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- To ensure that appropriate accounting adjustments are made following write-off action.

2.3. Responsibilities of Heads of Service:

- To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- Except where charges are set by statute, to seek Cabinet approval to any new external charges and revisions to existing ones in consultation with the Section 151 Officer.
- To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- To issue official receipts or to maintain other documentation for income collection.
- To ensure that there are secure and appropriate controls in place for opening post which may contain payments, so that all income due to the Council is collected and properly accounted for.
- To hold securely receipts, tickets and other records of income for the appropriate period.
- To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- To ensure income is not used to cash personal cheques or other payments.
- To supply the Section 151 Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Section 151 Officer to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, Heads of Service should use established performance management systems to monitor recovery of income and flag up areas of concern to the Section 151 Officer. Heads of Service have a responsibility to assist the Section 151 Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf. Only up to approved levels of cash can be held on the premises.
- To keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.

- To recommend to the Section 151 Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- To notify the Section 151 Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Section 151 Officer.

3. ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

3.1. General

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Local authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Procurement Code of Practice on tenders and contracts.

Every officer and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.

Official orders must be in a form approved by the Section 151 Officer. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Section 151 Officer.

Apart from petty cash and other payments from advance accounts, the normal method of payment from the Council shall be by cheque or other instrument or approved method, drawn on the Council's bank accounts by the Section 151 Officer. The use of direct debit shall require the prior agreement of the Section 151 Officer.

Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

3.2. Responsibilities of the Section 151 Officer:

- To ensure that all the Council's financial systems and procedures are sound and properly administered.
- To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- To approve the form of official orders and associated terms and conditions.
- To notify Heads of Service from time to time of any exemptions to the need for placing orders.

- To make payments from the Council's funds on the Head of Service's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- To make payments to contractors on the certificate of the appropriate Head of Service, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- To provide advice and encouragement on making payments by the most economical means.
- To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

3.3. Responsibilities of Heads of Service:

- To adhere to the Council's Contract Procedure Rules and the Procurement Code of Practice
- To ensure that unique pre-numbered official orders are used for all goods and services, other than for exceptions specified by the Section 151 Officer.
- To ensure that orders are only used for goods and services provided to the department. Individuals must not use official orders to obtain goods or services for their private use.
- To ensure that official orders are raised for goods and services supplied to the Council at the time of order and not issued retrospectively.
- To ensure that only those staff authorised by him/her sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary.
- To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
 - (a) receipt of goods or services
 - (b) that the invoice has not previously been paid
 - (c) that expenditure has been properly incurred and is within budget provision
 - (d) that prices and arithmetic are correct and accord with quotations or contracts and discounts have been taken where available
 - (e) correct accounting treatment of tax
 - (f) that the invoice is correctly coded
 - (g) that appropriate entries will be made in accounting records.

- To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Section 151 Officer.
- To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of duplicate payments should be reported to the Section 151 Officer.
- To encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Section 151 Officer.
- To ensure that the department obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice principles and guidelines set out in the Council's Procurement Code of Practice.
- To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Section 151 Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- To notify the Section 151 Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the Final Accounts timetable produced by the Section 151 Officer.
- With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Head of Financial Services the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- To notify the Section 151 Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Council's document retention policies.

4. PAYMENTS TO EMPLOYEES AND MEMBERS

4.1. General

Staff costs are the largest item of expenditure for most local authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by Full Council.

4.2. Responsibilities of the Section 151 Officer:

- To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him/ her, on the due date.
- To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.
- To publish details of allowances paid to Members in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

4.3. Responsibilities of Heads of Service:

- To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- To notify the Section 151 Officer of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Section 151 Officer .
- To ensure that adequate and effective systems and procedures are operated, so that:
 - (a) payments are only authorised to bona fide employees
 - (b) payments are only made where there is a valid entitlement
 - (c) conditions and contracts of employment are correctly applied
 - (d) employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- To send an up-to-date list of the names of officers authorised to sign records to the Section 151 Officer, together with specimen signatures. Any payroll provider should have signatures of personnel officers and officers authorised to sign timesheets and claims.
- To ensure that payroll transactions are processed only through the payroll system. Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Section 151 Officer.
- To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Section 151 Officer is informed where appropriate.

- To ensure that the Section 151 Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

4.4. Responsibilities of Members:

- To submit claims for Members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the year end.

5. TAXATION

5.1. General

Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

5.2. Responsibilities of the Section 151 Officer:

- To complete all Revenue and Customs returns regarding PAYE.
- To complete a monthly return of VAT inputs and outputs to Revenue and Customs.
- To provide details to Revenue and Customs regarding the Construction Industry Tax deduction scheme.
- To maintain up-to-date guidance for Council employees on taxation issues in the accounting manual and the tax manual.
- To review the Council's VAT partial exemption status on at least an annual basis.

5.3. Responsibilities of Heads of Service:

- To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with Revenue and Customs regulations.
- To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax deduction requirements.
- To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- To follow the guidance on taxation issued by the Section 151 Officer in the Council's accounting manual and VAT manual.

6. TRADING ACCOUNTS AND BUSINESS UNITS

6.1. General

Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the BVPP.

6.2. Responsibilities of the Section 151 Officer:

- To advise on the establishment and operation of trading accounts and business units.

6.3. Responsibilities of Heads of Service:

- To consult with the Section 151 Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- To ensure that each business unit prepares an annual business plan.

FINANCIAL PROCEDURE NOTE – EXTERNAL ARRANGEMENTS

1. PARTNERSHIPS

1.1. General

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.

Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

The main reasons for entering into a partnership are:

- the desire to find new ways to share risk
- the ability to access new resources
- to provide new and better ways of delivering services
- to forge new relationships.

A partner is defined as either:

- an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or
- a body whose nature or status give it a right or obligation to support the project.

Partners participate in projects by:

- acting as a project deliverer or sponsor, solely or in concert with others
- acting as a project funder or part funder
- being the beneficiary group of the activity undertaken in a project.

Partners have common responsibilities:

- to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
- to act in good faith at all times and in the best interests of the partnership's aims and objectives
- be open about any conflict of interests that might arise
- to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors
- to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
- to act wherever possible as ambassadors for the project.

1.2. Responsibilities of the Section 151 Officer:

- To advise on effective controls that will ensure that resources are not wasted.

- To advise on the key elements of funding a project. They include:
 - (a) a scheme appraisal for financial viability in both the current and future years
 - (b) risk appraisal and management
 - (c) resourcing, including taxation issues
 - (d) audit, security and control requirements
 - (e) carry-forward arrangements.
- To ensure that the accounting arrangements are satisfactory.

1.3. Responsibilities of Heads of Service:

- To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Section 151 Officer.
- To consult with the Section 151 Officer, as necessary, on a scheme's appraisal for financial viability in both the current and future years
- To maintain a register of all contracts and service level agreements entered into with external bodies in accordance with procedures specified by the Section 151 Officer.
- To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- To ensure that all agreements and arrangements are properly documented.
- To provide appropriate information to the to enable a note to be entered into the Council's statement of accounts concerning material items.
- To ensure that Cabinet approval is sought for all external funding bids.
- To comply with the External Funding Protocol.

2. EXTERNAL FUNDING**2.1. General**

External funding is potentially a very important source of income, but funding conditions need to be carefully considered and monitored to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the Single Regeneration Budget provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's Corporate Plan.

2.2. Responsibilities of the Section 151 Officer:

- Maintain and review of the Council's External Funding Protocol.
- To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- Where he/she is specifically responsible for submitting grant claims, to ensure that all claims for funds are made by the due date.
- To ensure that audit requirements are met.

2.3. Responsibilities of Heads of Service:

- To consult with the Section 151 Officer on any application for external funding prior to its submission to Cabinet in accordance with the Council's external funding strategy.
- Where he/she is specifically responsible for submitting grant claims, to ensure that all claims for funds are made by the due date.
- To ensure that the project progresses in accordance with the agreed project plan, conditions and project outcomes and that all expenditure is properly incurred and recorded.
- To maintain adequate supporting documentation to enable claims for funding to be fully evidenced and maximised.
- To comply with the External Funding Protocol.

3. WORK FOR THIRD PARTIES

3.1. General

Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is not *ultra vires*.

3.2. Responsibilities of Section 151 Officer:

- To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

3.3. Responsibilities of Heads of Service:

- To consult with the Section 151 Officer prior to obtaining the approval of the Cabinet before any negotiations are concluded in regard to third parties arrangements.
- To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Section 151 Officer .
- To ensure that appropriate insurance arrangements are made.
- To ensure that the Council is not put at risk from any bad debts.
- To ensure that no contract is subsidised by the Council without the approval of the Cabinet.
- To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- To ensure that the department/unit has the appropriate expertise to undertake the contract.
- To ensure that such contracts do not impact adversely upon the services provided for the Council.
- To ensure that all contracts are properly documented.
- To provide appropriate information to the Section 151 Officer to enable a note to be entered into the Statement of Accounts.