

# **THANET DISTRICT COUNCIL - FINANCIAL REGULATIONS**

The council is committed to providing good quality services to the residents of the area and has a requirement for strong financial governance and must ensure that we deliver value for money.

The Financial Regulations provide clarity about the financial accountabilities of individuals - Members, the Head of Paid Service, the Monitoring Officer, the Section 151 Officer (Chief Financial Officer), other Directors and all staff in general. These Regulations are therefore formally endorsed by the Council as a key part of its Council's Constitution.

Another key purpose is to support and protect Members and staff in the performance of their duties where financial issues are involved. These Regulations need to be read in conjunction with the remainder of the Constitution and any other regulatory documents of the Council. Please address queries or comments regarding the Council's Financial Regulations to the Deputy Chief Executive (the Section 151 Officer).

# THANET DISTRICT COUNCIL - FINANCIAL REGULATIONS

<b>CONTENTS</b>	<b>PAGE</b>
<b>Status of Financial Regulations</b>	<b>4</b>
Section 1: General	4
Section 2: Internal Controls	5
<b>Financial Planning and Budgeting</b>	<b>13</b>
Section 3: Revenue Budget	13
Section 4: Capital Programme	15
Section 5: Reserves and Balances Policy	17
Section 6: Reports to Members	20
<b>Financial Monitoring and Control</b>	<b>21</b>
Section 7: Budgetary Control	21
<b>Financial Procedures and Systems</b>	<b>25</b>
Section 8: Accounting Records	25
Section 9: Procuring and Paying for Works, Supplies and Services	27
Section 10: Income	30
Section 11: Banking, Cheques & Money Laundering	32
Section 12: Security and Inventories	34
Section 13: Stocks and Stores	35
Section 14: Treasury Management and Leasing	36
Section 15: Value Added Tax	38
Section 16: Insurances	40
Section 17: Pay and Conditions of Employment	42
<b>Risk Management and Audit</b>	<b>44</b>
Section 18: Internal Audit	44
Section 19: External Audit and Inspection	46
Section 20: Risk Management	47
<b>External Arrangements</b>	<b>49</b>
Section 21: External funding, partnership arrangements, third party grant payments and projects	49
Section 22: Work carried out for others	52
Section 23: Trading Arrangements	53

# Status of Financial Regulations

## Section 1: General

### (1) Application of Financial Regulations

Financial regulations provide the framework for managing the Council's financial affairs. They apply to every Officer and Member of the Council and anyone acting on its behalf.

- (i) The regulations identify the financial responsibilities of the Full Council, all the Council's Committees, the Chief Executive (Head of Paid Service), the Deputy Chief Executive (Section 151 Officer), Director of Corporate Governance (Monitoring officer), Directors and all staff in general.
- (ii) References in these Regulations to Directors also apply to the Chief Executive (Head of Paid Service), and shall in every case be considered as referring to authorised persons acting on their behalf (whether authorised to do so or not). The Section 151 Officer has a nominated Deputy who has authority to act on his behalf. In certain cases as specified in these Regulations, Directors are required to maintain a written record where decision making has been delegated to members of their staff, including seconded and temporary staff.
- (iii) These Regulations apply equally to any service carried out by the Council on behalf of the County Council or any other authority, body or person, and to all external agencies and their employees incurring expenditure or receiving income on behalf of the Council. Accordingly the Directors and Cabinet Members shall ensure that partnership and other arrangements with external parties are not set up to operate in conflict with these Regulations as far as this Council's involvement is concerned.
- (iv) Any action, which is an exception to these Regulations, may only be approved in exceptional circumstances by the Section 151 Officer in consultation with the Chief Executive and a report setting out the reasons for such action shall be submitted to the next available meeting of the Cabinet.
- (v) These Regulations shall apply until such time as they are rescinded, amended or suspended by Council.

### (2) General Responsibilities

- (i) All Members and staff have a general responsibility for taking reasonable action to provide for the security of the resources under their control, and for ensuring that the use of these resources is legal, is properly authorised, and that economy, efficiency and effectiveness are secured.
- (ii) Directors and responsible Cabinet Members are responsible for informing the Section 151 Officer of any matter liable to materially affect the finances (including any financial irregularities) of the Council including negotiations with government departments, before any commitment is incurred or arrangements reached. This includes the Council becoming a shareholder or owner of any company.

### (3) Compliance

- (i) Directors are responsible for ensuring that all staff in their service areas are aware of the existence and content of the Council's Financial Regulations and any guidance issued. They must also ensure that staff, understand the requirement to comply with these financial rules. The Section 151 Officer is responsible for ensuring that a current version of the financial regulations is available for reference on the Council's intranet and public website.
  - (ii) Compliance with Financial Regulations is mandatory. Breaches of Financial Regulations of a serious nature may result in disciplinary proceedings. Breaches shall be reported in the first instance to the Section 151 Officer who will decide what further action needs to be taken, if necessary in consultation with the Monitoring Officer. Where the Section 151 Officer considers it appropriate he will report to the next meeting of the Council and/or Cabinet.
- (4) Review
- (i) The Section 151 Officer is responsible for maintaining a continuous review of the financial regulations and, except where provided in (ii) below, submit any additions or changes necessary to Council for approval.
  - (ii) Any financial amounts referred to in these Regulations may be varied by the Section 151 Officer in line with general price inflation or otherwise as required by statute.

## Section 2: Internal Controls

### (1) Introduction

- (i) The functions of the Council are diverse and therefore to ensure delivery of the Council's strategic objectives, a framework of internal controls is required.
- (ii) The Council has statutory obligations and therefore requires internal controls to identify, meet and monitor compliance with these obligations.
- (iii) Moreover the Council is required to produce an Annual Governance Statement (AGS). The Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The AGS is produced following a review of the Council's governance, risk management, counter fraud and internal control arrangements and explains how Thanet District Council delivers good governance against the six key principles of good governance. It also reviews the effectiveness of these arrangements and includes an action plan to address any significant governance issues identified.
- (iv) The Council faces a wide range of financial, administrative and commercial risks, from both internal and external factors, which need to be managed to enable the Council to achieve its objectives. Internal controls are necessary to manage these risks in line with the Council's risk appetite.
- (v) A system of internal controls is established in order to provide measurable achievement of:
  - (a) Efficient and effective operations,
  - (b) Reliable financial information and reporting,
  - (c) Compliance with laws and regulations, and
  - (d) Risk management.

Advice and guidance on an appropriate internal control environment can be obtained from Internal Audit.

- (vi) A transparent framework of financial management responsibilities and decision making is essential to the effective management of the Council's financial affairs. All Members and officers have a common duty to abide by the highest standards of integrity and propriety when making decisions about the use of public money.

### (2) Members

- (i) Members' responsibility for the overall management of the Council's financial affairs is exercised through:
  - (a) Council Meeting– The Council is responsible for:
    - Agreeing and approving the budget for the Council

- Adopting and changing the constitution, of which these regulations form part.
- Receiving exception reports when the Financial Regulations cannot be adhered to as set out in the Council's Budget and Policy framework.

(b) Cabinet – The Cabinet is responsible for:

- Proposing the policy framework and budget to Council
- Discharging its functions in accordance with the policy framework and budget.

(c) Governance and Audit Committee – The Governance and Audit Committee has responsibility for:

- Undertaking the Council's responsibilities under the Accounts and Audit Regulations 2015. This includes approving the statement of accounts. The committee ensures that the Councils' assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it. The committee also monitors the effective development and operation of risk management within the Council.
- reviewing the external auditor's reports, the annual audit letter & reports to Members and monitor management action in response to the issues raised by External Audit.
- Approving and monitoring the delivery of the internal audit activity of the council and can consult directly with internal and external auditors.

(d) Overview and Scrutiny – The relevant Overview and Scrutiny Panel has right of access to all information it considers necessary. It is responsible for:

- Review decisions taken by the Cabinet or an Officer to ensure that they are not contrary to the budget or previous Council decision.
- The review of and/or scrutiny of decisions made or actions taken in connection with the discharge of any of the Council's functions.
- Make reports and/or recommendations to the Cabinet, Council or any appropriate Committee in connection with the discharge of any functions

(3) The Head of Paid Service (Chief Executive)

- (i) 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 Panel 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.

(4) The Monitoring Officer

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) 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:
  - (a) Initiating a new policy.
  - (b) Committing expenditure in both the current and future years to above the budget level.
  - (c) Incurring transfers above the virement limits.
- (vi) The Monitoring Officer is responsible for maintaining an up-to-date constitution.

(5) Section 151 Officer (Deputy Chief Executive)

- (i) The Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the Council. This responsibility cannot be overridden. The statutory duties arise from:
  - (a) Section 151 of the Local Government Act 1972.
  - (b) The Local Government Finance Act 1988.

- (c) The Local Government and Housing Act 1989.
  - (d) The Local Government Finance Act 1992.
  - (e) The Local Government Act 2000.
  - (f) The Local Government Act 2003.
  - (g) The Accounts and Audit Regulations 2015.
  - (h) The Localism Act 2011.
  - (i) The Local Government Finance Act 2012.
  - (j) The Audit & Accountability Act 2014.
- (ii) Guidance on the role of the Section 151 Officer is also given by the Chartered Institute of Public Finance & Accountancy (CIPFA) in the paper entitled 'The Role of the Chief Financial Officer in Local Government'.
  - (iii) The Section 151 Officer shall nominate a qualified member of staff to deputise for them in their absence.
  - (iv) The Section 151 Officer is responsible for:
    - (a) The proper administration of the Council's financial affairs.
    - (b) Setting financial management standards and monitoring compliance with them.
    - (c) Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.
    - (d) Providing financial information.
    - (e) Preparing the revenue budget and capital programme.
    - (f) Reporting on the robustness of estimates made for the purposes of preparing budgets and the adequacy of the proposed financial reserves.
    - (g) The execution and administration of treasury management decisions in accordance with the Council's policy statement and treasury management practices (TMP's).
    - (h) Preparing the Council's Annual Statement of Accounts in accordance with all applicable codes of practice on Local Authority accounting.

The Section 151 Officer may allocate their day to day responsibilities to an appropriate representative in accordance with the Scheme of Delegation Authority to Officers and the Schedule of Financial Authority to Officers (the Authorised Signatory List).

- (v) The Section 151 Officer shall report to the Council, Cabinet, Governance and Audit Committee and the external auditor in fulfillment of the statutory obligations under Section 114 of the Local Government Finance Act 1988 or otherwise if the Authority or any of its Officers:

- (a) Has made, or is about to make, a decision which involves incurring unlawful or unauthorised expenditure.
  - (b) Has taken, or is about to take, an unlawful or unauthorised action which has resulted or would result in a loss or deficiency to the Authority.
  - (c) Has made or is about to make an unlawful or unauthorised entry in the Authority's accounts.
- (vi) The Section 151 Officer shall assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective operations, financial stewardship, effective risk management, probity and compliance with laws and regulations.
- (vii) The Section 151 Officer shall ensure that there are effective and properly resourced internal audit and risk management functions, that key controls are operating effectively and that controls are recorded and managed within an effective risk management framework.
- (6) Directors
- (i) Directors shall ensure that:
    - (a) Managerial control systems operate effectively throughout their directorates. These will include the defining of policies, the setting of objectives and plans, the monitoring of financial and other performance, and the taking of appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities and ensuring staff have a clear understanding of the consequences of any lack of control.
    - (b) Financial and operational control systems and procedures operate effectively throughout their directorates. These will include physical safeguards for assets, segregation of duties, checking and authorisation procedures and information systems.
    - (c) The approval of the Section 151 Officer is sought on any matter liable to affect the Authority's finances materially, before any commitments are incurred.
    - (d) Members of all Committees are advised of the financial implications of all proposals and that these have been previously agreed by the Section 151 Officer (see section 6).
    - (e) Contracts are duly signed on behalf of the Authority in accordance with Contract Standing Orders and within their delegated authority and the budgetary framework.
    - (f) Contracts are duly sealed on behalf of the Authority in accordance with Contract Standing Orders and within their delegated authority and the budgetary framework.

- (g) Key controls and control objectives for internal control systems are reviewed regularly in order to be confident as to the proper use of resources, achievement of objectives and management of risk.
- (h) Processes are managed so as to check that established controls are being adhered to and are effective.
- (i) Existing controls are reviewed in the light of changes affecting the Authority and new controls are established and implemented in line with guidance from the Section 151 Officer.
- (j) Controls which are no longer necessary or no longer cost or risk effective, are removed in consultation with the Section 151 Officer.
- (k) Assurance over the control environment is provided as part of the governance assurance framework.

# Financial Planning and Budgeting

## Section 3: Revenue Budget

- (1) A strong planning process expresses the ambition of the Council in clear priorities over the medium term and promotes a wide understanding of these priorities. This is a vital basis for financial planning as it enables limited resources to be used in a way that best delivers the corporate priorities of the Council.
- (2) Council is responsible for agreeing the Council's policy framework and budget. The purpose of the framework is to explain overall priorities and objectives, and ensure that resources follow the identified priorities, agreed service levels and proposals for improvement. The revenue budget is important in this context because, together with the capital programme (see Section 4) and the levels of reserves (see Section 5), it expresses the approved policies and service levels of the Council in financial terms. Once approved, the revenue budget confers authority on the Council's Executive and officers to incur expenditure to achieve the aims and objectives of the Council. If expenditure plans cannot be met within the approved budget, then they can only proceed with an approval to divert funds (as provided for in Section 7).
- (3) Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the policy framework within the financial limits set by the council.
- (4) The budget is the financial expression of the Council's plans and policies. 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 priorities.
- (5) The budget and Council Tax is approved by Council and proposed by the Cabinet on the advice of the Section 151 Officer. The draft budget shall include allocations to different service areas, services and to specific projects. The budget will assess the adequacy of contingencies and reserves.
- (6) The Section 151 Officer shall:
  - (i) with the appropriate Leading Member recommend to the Cabinet appropriate guidelines for preparation of the annual budget and the financial forecast for at least the following three financial years.
  - (ii) issue appropriate guidance to Directors and Members and prepare a corporate budget timetable.
  - (iii) ensure the approved budget guidelines are complied with so that statutory and other deadlines can be met.
- (7) Directors shall:
  - (i) submit to the Section 151 Officer estimates in accordance with the budget guidelines and within agreed time scales.
  - (ii) ensure that the estimates are prepared having regard to the Corporate Plan, Local Code of Governance and other corporate aims and objectives.

- (iii) for each subjective element of their budget, supply to the Section 151 Officer an estimated profile of the rate of expenditure or income across the budget year.
  - (iv) provide any other information the Section 151 Officer may require.
- (8) The Section 151 Officer, shall, with the appropriate Lead Member, report to the Cabinet who shall make recommendations to Full Council on:
  - (i) the draft revenue estimates, ensuring that the content and format comply with legal requirements and relevant codes of practice.
  - (ii) the robustness of the estimates made for the purposes of calculations and the adequacy (or otherwise) of the Council's reserves.
  - (iii) the final proposed budget to enable the appropriate levels of contingencies & reserves, and Council Tax to be agreed for the year.
- (9) Subject to (3.11) below, the approval of a budget for the year by Full Council confirms that finances are available to spend in accordance with the budget for that year. However separate approval may be required to undertake those projects, which would be shown within the Council's scheme of delegations. Directors are responsible for coordinating programmes of expenditure and income that will achieve the objectives on which the budget was based. Commitments affecting future financial years may only be made where the provisions of Section 7(6) are satisfied.
- (10) Directors shall not enter into any new arrangements or other contractual commitments with significant long-term revenue consequences without the prior consent of the Section 151 Officer and subsequently reporting to the Cabinet. Such arrangements may be defined for this purpose as any lease, contract hire or other contract or series of contracts under which the use of an asset is obtained in exchange for a series of revenue payments which extend beyond the end of the following financial year.
- (11) If a Directors wishes to incur expenditure outside the approved budget provision, or anticipates an under spend against an approved budget, the procedures set out in Section 7(4) and (5) shall apply.
- (12) Directors shall notify the Section 151 Officer in writing of the names of any Officers in their department authorised to act on their behalf in relation to the specific responsibilities set out in this Section, and details of any limitation on the authority delegated to them (the Authorised Signatory List).

## Section 4: Capital Programme

- (1) 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 that will continue for many years' even decades.
- (2) Capital expenditure is a key part of the Council's investment strategy. It should therefore be linked to asset management plans and be carefully prioritised in order to maximise the benefit of scarce resources.
- (3) The Section 151 Officer shall:
  - (i) issue detailed procedures/guidance on the preparation of capital programme.
  - (ii) prepare annually a rolling Capital Programme (year of budget plus at least the following 3 years) and based on the current Corporate Plan, Asset Management Plan, the Housing Revenue Account Business Plan & other relevant corporate plans & strategies and submit this to the Cabinet who shall make recommendations to Council for approval.
  - (iii) report to the Cabinet and Council on the overall position and the availability of resources to support the Capital Programme.
  - (iv) ensure that the revenue implications of the Capital Programme are contained within the Revenue Budget and Medium Term Financial Strategy.
  - (v) ensure that sources of funding (revenue, capital grants, capital receipts, borrowing, etc) are identified for the entire programme and that all schemes are properly appraised and provide value for money.
- (4) Directors shall:
  - (i) submit to the Section 151 Officer estimates of the cost of capital spending proposals and the estimated amount and timing of any capital receipts, and other contributions receivable.
  - (ii) ensure that the estimates submitted are prepared having regard to the Corporate Plan and other corporate aims and objectives described in 4.3(ii).
  - (iii) provide any other information the Section 151 Officer may require for the review, monitoring or control of the capital programme.
- (5) In working up any capital scheme, Directors shall have regard to the risk of triggering claw back or breaching restrictive covenants or other contractual conditions in relation to land or otherwise.
- (6) The inclusion of a capital scheme within an approved capital programme shall confer authority to spend, including expenditure which may fall in a subsequent financial year, subject to the:
  - (i) subject to approval to undertake those projects as per the Council's scheme of delegation (see Section 3 (a))

- (ii) provisions of the Council's Contracts Standing Orders.
  - (iii) provisions of (4.(7)) below.
- (7) Directors shall give the Section 151 Officer early warning of known underspends, overspends and changes to planned resources so that the availability of uncommitted capital resources may be monitored effectively.
- (8) Directors shall notify the Section 151 Officer in writing of the names of any Officers in their department authorised to act on their behalf in relation to the specific responsibilities set out in this Section and details of any limitation on the authority delegated to them (the Authorised Signatories List).

## Section 5: Reserves and Balances Policy

- (1) It is important that the Council has a policy setting out its approach to reserves and balances. It is also a requirement of Sections 32 and 43 of the Local Government Finance Act 1992 that each local authority has regard to the level of resources needed to meet estimated future expenditure when calculating its annual Council Tax requirement. This policy also has regard to LAAP Bulletin 77 'Local Authority Reserves and Balances', issued in November 2008. All reserves and balances form part of the General Fund apart from the Housing Revenue Account balance which is specifically 'ring fenced' for use in connection with that account.
- (2) As there is no specified minimum level of reserves/balances that an authority should hold, it is the responsibility of the Section 151 Officer to advise the Council about the level of reserves.
- (3) Types of Reserves
  - (i) The Council shall maintain the following reserves:
    - (a) General reserves/balances - to manage the impact of uneven cash flows and unexpected events or emergencies. The general reserves/balances do not have any restrictions as to their use.
    - (b) Earmarked reserves - sums set aside from time to time to meet known or predicted specific requirements, exceptional risks and uncertainties.
  - (ii) The Council shall maintain a number of other reserves that arise out of the interaction between legislation and proper accounting practices. These reserves, which are not resource-backed and cannot be used for any other purpose, will be specified by the Section 151 Officer in the Annual Financial Report.
  - (iii) Details of all reserves, including in-year movements and year-end balances shall be contained in the Council's Annual Financial Report
- (4) Principles to Assess the Adequacy of Reserves/Balances
  - (i) The Section 151 Officer will advise the Council on the adequacy of reserves/balances. In considering the level of general reserves/balances, the Section 151 Officer will have regard to:
    - (a) The strategic financial context within which the Council will be operating through the medium-term.
    - (b) The overall effectiveness of governance arrangements and the system of internal control.
    - (c) The robustness of the financial planning and budget-setting process.
    - (d) The effectiveness of the budget monitoring and management process.
  - (ii) Having had regard to these matters, the Section 151 Officer will advise the Council on the monetary value of the required general reserve/balances.

- (iii) In exceptional circumstances, the actual level of the Council's reserves/balances may happen to or may be allowed to fall below the level that was considered appropriate. This may be consistent with the need to meet short-term unforeseen expenditure. However, the actual level will be monitored against reserves/balances outlined in the Council's MTFS. The MTFS will set out the level of planned balances and if the balance falls outside of the MTFS, a plan shall be agreed by Full Council, on the advice of the Section 151 Officer, to restore balances to the appropriate level.
  - (iv) In considering earmarked reserves, the Section 151 Officer will have regard to the purpose and usage in respect of each reserve and will advise Members accordingly.
- (5) Establishing and Utilising Earmarked Reserve
- (i) When establishing earmarked reserves, compliance with the Code of Practice on Local Authority Accounting and, in particular, the need to distinguish between reserves and provisions must be complied with.
  - (ii) The Chartered Institute of Public Finance and Accountancy (CIPFA) publish an annual Code of Practice on Local Authority Accounting, which governs the information to be contained within a local authority's Annual Financial Report. The Code of Practice on Local Authority Accounting states that for each reserve established, the purpose, usage and the basis of transaction should be clearly identified.
  - (iii) The Council may also create new or add to earmarked reserves at any time
  - (iv) In approving the earmarked reserve the following information will be required:
    - (a) Purpose – the reason for creating the reserve should be clearly stated.
    - (b) Usage – there should be a clear statement of how and when the reserve can be used. Without a clearly defined purpose and clearly defined usage there will be ambiguity over the application of reserves.
    - (c) Basis of transactions, management and control – the Section 151 Officer will be responsible for managing the earmarked reserve (including altering the year to year profiling if required) and will have authority for approval of expenditure from the earmarked reserve, although day to day management of the reserve may be delegated to a specific officer.
  - (v) Once an earmarked reserve has fulfilled the purpose for which it was established the Section 151 Officer shall advise on whether the balance should be reallocated to another similar purpose reserve or surrendered to the Council's reserves/balances.
- (6) Reporting of Reserves
- (i) The Section 151 Officer will monitor the drawdown of reserves and keep Members informed, through normal budget monitoring reports as and when required.
  - (ii) As part of the budget setting report to Council the Section 151 Officer will include:

- (a) A statement of movements in general reserves for the year ahead and the following 3 years.
- (b) A statement of the adequacy of general reserves and provisions in the forthcoming year.

## Section 6: Reports to Members

Any new or changes in policies of the Council result from consideration of reports by either Members or Officers. Policies could therefore be set on the basis of insufficient or misleading information if the financial implications have not been considered, and if commitments are made these could lead to financial difficulties for the Council.

- (1) All financial implications must be detailed within Committee reports and be validated by the Section 151 Officer or delegated officers to their progression through the approval process. Informal advice to Members shall also have regard to these arrangements.
- (2) Reports shall only be put before the Council, Cabinet, Committees, Sub-Committees, Panels or Members if the financial implications for the Council have been considered and presented fairly in the report.
- (3) Consultation shall take place as appropriate between the authors of reports, the Section 151 Officer and any other Director affected, in good time for any financial implications to be properly identified.
- (4) Where there are no financial implications or they are negligible, the report shall say so.

# Financial Monitoring and Control

## Section 7: Budgetary Control

### (1) Overall responsibility for budgetary control

The Section 151 Officer is responsible for:

- (i) the overall financial control of the revenue budget and capital programme.
- (ii) providing financial information for corporate performance reports.
- (iii) subdividing and allocating service revenue budgets and the capital programme within the overall budget framework according to the Council structure and services, having regard to relevant Codes of Practice.
- (iv) supplying timely information on receipts and payments on each budget and capital scheme, sufficiently detailed to enable managers to fulfil their budgetary control responsibilities.

### (2) Responsibility for control of individual budgets

Directors:

- (i) are responsible for the budgets and programmes allocated to them, for delivering the levels of service on which they were based, and for compliance with their financial obligations.
- (ii) are responsible for monitoring levels of service and performance within services, as measured by expenditure and income incurred against relevant budgets and capital programme provision.
- (iii) are responsible for seeking virements in accordance with (4) below, either to increase or to reduce the provision allocated to particular budgets or capital schemes, including income budgets, in order to maintain budget provisions in line with the service levels required.
- (iv) may exercise powers delegated to them to enter into new financial commitments, including commitments relating to recruitment and remuneration of staff, only where adequate provision has been made in the revenue budget or capital programme and where the revenue consequences for future financial years comply with (6) below.
- (v) shall provide any additional information that the Section 151 Officer may require.

### (3) Variances from budget

The Section 151 Officer is responsible:

- (i) for reporting significant variances to the Cabinet where a Director fails to take action under (4) to (6) below.
- (ii) for agreeing annually:

- (a) a list of expenditure proposals for which revenue budget provision had been made in the previous year and for which the particular goods or services had not been supplied before the financial year end (carry forwards).
- (b) a list of expenditure proposals on capital schemes for which provision had been made in the total capital programme for the previous year but the programme had slipped / or been accelerated.

so that supplementary estimates may be executed for the ensuing financial year. For clarity the approval of items under (ii) does not represent a key decision as the key decision was made when the budget was originally approved.

(4) Virements between budgets

The overall budget is approved for each year by Full Council following recommendation by the Cabinet. Officers are thereby authorised to incur net expenditure in accordance with the estimates that made up the budget for the current financial year. The rule below covers 'virement'; that is switching resources between approved estimates or heads of expenditure and income.

A 'virement' is 'planned transfer of a budget for use in a different purpose to that originally intended'. The virement rules are outlined in the table below:

Budget Holders	Virement of up to £10,000 within a budget heading
Directors	Virement of up to £20,000 within a budget heading but only after consulting and getting agreement of the Section 151 Officer or Deputy.
Section 151 Officer	Virement of between £20,000 and £100,000 within a budget heading.
Over £100,000	Cabinet
Salary and Income budgets	No virements are permitted

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 general reserves, building maintenance budgets or central recharges.

(5) Partnership Expenditure and External Funding

Where no provision currently exists in the revenue budget or capital programme for specific projects or activities which are to be wholly or partly funded by external agencies or partners, then the above criteria for supplementary estimates will apply to the value of the Council's net financial contribution to the revenue or capital cost of the project.

The Section 151 Officer is empowered to agree a supplementary estimate where the net cost to the Council is nil (for example, a grant has been authorised by the government) and to adjust the revenue budgets and capital programmes to reflect the gross value of all such arrangements and transactions.

Directors and Lead Members must liaise with the Section 151 Officer, and refer to Section 21 of these Regulations, prior to undertaking any bidding for external funding or setting up any partnerships.

(6) Commitments of revenue expenditure affecting future financial years

The following arrangements shall apply in relation to the commitment of expenditure prior to the approval of the revenue budget for the financial year concerned:

- (i) Directors may commit expenditure affecting future financial years provided that:
  - (a) the estimated cost in real terms does not exceed the current year's budget provision
  - (b) and the consent of the Section 151 Officer is obtained where Financial Regulations 3 (10) and 14 (3) apply.
- (ii) Directors may only commit expenditure on new or extended services:
  - (a) With the approval of the Section 151 Officer in consultation with the Lead Member for Finance where the financial commitment in the following financial year does not exceed £50,000 in respect of the proposal and that Financial Regulation 3 is adhered to.
  - (b) Or otherwise with the approval of the Cabinet.
- (iii) The Section 151 Officer is authorised to agree the placing of orders for vehicles, plant and equipment before Council approves the budget where this is necessary in order to secure delivery in the required time scale.

(7) Treatment of year-end balances on budgets

The Section 151 Officer is responsible for agreeing any procedures for carrying forward under and over spendings on budget heads.

(8) Delegation

All delegations under this section will be set out in the directors' schemes of officer delegation.

# Financial Procedures and Systems

## Section 8: Accounting Records

Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Authority has a statutory duty to prepare its Annual Statement of Accounts on the basis that they give a true and fair view of the Financial Position of the Council on the reporting date. The accounts are subject to external audit, which provides assurance that they have been prepared properly, that proper accounting practices and statutory requirements have been followed and that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources. There is also a statutory right for members of the public to inspect the accounts and relevant supporting documentation.

- (1) The Section 151 Officer is responsible for:
  - (i) Making arrangements for the proper administration of the Authority's financial affairs.
  - (ii) Selecting and applying appropriate accounting policies consistently.
  - (iii) Determining accounting procedures and maintaining proper accounting records.
  - (iv) Making an annual report to Cabinet on the financial outturn for the previous financial year.
  - (v) Ensuring that the Statement of Accounts for that year is completed, approved by the Governance and Audit Committee and published within the corporate and statutory timetable and in accordance with relevant Codes of Practice.
- (2) Directors shall ensure that:
  - (i) All the Authority's transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and promptly.
  - (ii) In the allocation of accounting duties of any kind:
    - (a) The duty of providing information, calculating, checking and recording sums due to or from the Council shall be separated as completely as possible from the duty of collecting or disbursing such sums.
    - (b) Officers charged with the duty of examining and checking the accounts of cash or stores transactions shall not themselves be engaged in any of those transactions. If this is not possible then the agreement of the Section 151 Officer or Deputy will be required as to an agreed approach.
  - (iii) Any Financial Procedure Notes prescribed by the Section 151 Officer are fully complied with.
  - (iv) The Section 151 Officer is supplied with such information as may be requested by him from time to time for the purpose of the proper administration of the Council's affairs.



## Section 9: Procuring and Paying for Works, Supplies and Services

### (1) Placing Orders for Works, Supplies and Services

All orders for works, goods and services shall be placed in accordance with the Council's Contract Standing Orders and Purchasing Guide relating to Contracts, and Purchase Ordering Processes. Standing Orders relating to Contracts form part of the Council's Constitution and are available on the Council's intranet/website. All quotation and tender exercises shall be conducted in accordance with European Directives, enacted into UK law by the Public Contracts Regulations 2015 and as appropriate to service/works concessions in accordance with the Concessions Contract Regulations 2016.

### (2) Other contract terms

Directors shall:

- (i) In consultation with the Section 151 Officer include in every contract appropriate clauses to cover financial and insurance requirements, and to provide sufficient security for due performance.
- (ii) Put in place adequate procedures for the effective cost control of all contracts.
- (iii) Ensure all contracts above £5,000 are entered onto the Council Contract Register.

### (3) Receipt of Works, Supplies and Services

Directors shall put in place adequate systems for verifying the performance of work or the receipt of supplies and services. In particular controls shall be established to ensure that:

- (i) Work done or supplies and services received are as specified.
- (ii) Quality or workmanship is of the required standard.
- (iii) Appropriate entries are made in inventory, stock or other records.

### (4) Contract Management

Directors shall:

- (i) Identify a Contract Manager
- (ii) Put in place adequate contract monitoring systems to monitor performance and to ensure vfm is being achieved throughout contract lifecycle
- (iii) Ensure any changes to contract are formalized by issue of a change order to be kept on contract file and change notified to legal and procurement as required by Contract Standing Orders.

(5) Payment for Works, Supplies and Services

- (i) Directors shall make adequate and effective arrangements approved by the Section 151 Officer for checking and certifying invoices and other requests for payment without undue delay.
- (ii) Unless covered by (iii) below or where otherwise approved by the Section 151 Officer, all payments shall be made by automated bank transfer or cheque drawn on a bank account of the Council. Payments may only be made by direct debit with the prior approval of the Section 151 Officer.
- (iii) Minor items of expenditure, up to a limit set by the Section 151 Officer, may be paid on procurement cards by officers authorised to hold a card. All cardholders must comply with the Council's Procurement Card User Manual and Employee Agreement, which is available from the Procurement Section.

(6) Delegation

All delegations under this section will be set out in the directors' schemes of officer delegation.

(7) General

- (i) Every Member and Officer engaged in contractual or purchasing decisions on behalf of the Council shall declare any links or personal interests they may have with purchasers, suppliers and contractors and shall comply with the provisions of the appropriate codes of conduct. Conflict of Interest Declaration form is available from the Procurement Section, which must be copied to the Monitoring Officer.
- (ii) Every Member and Officer engaged in contractual or purchasing decisions on behalf of the Council shall maintain confidentiality within the Procurement process as to participants and content of bids. Confidentiality Undertaking form is available from the Procurement Section
- (iii) Directors shall ensure that the duties of ordering works, supplies or services, approving orders, and receipting orders and payment are not performed by the same Officer.

## Section 10: Income

(1) General

Directors shall implement arrangements made by them under this Section only with the approval of the Section 151 Officer.

(2) Prompt identification of sums due to the Council

Directors shall make adequate and effective arrangements for the prompt identification of all sums due to the Council.

(3) Prompt recording in the Council's accounts of all sums due

(i) Directors shall make adequate and effective arrangements for recording all sums due in the Council's accounts.

ii) Accounts for sums due may only be raised on the Council's corporate Sundry Debtors system unless alternative arrangements have been approved by the Section 151 Officer.

(4) Collection and receipting of all income

Directors shall make adequate and effective arrangements for the collection and receipting of all income and for the security of all cash and other valuables having regard to agreed insurance limits for locked safes.

(5) Banking of income

Directors shall make arrangements, approved by the Section 151 Officer, for the secure transfer of cash from the Council's offices and facilities to the Council's bankers.

(6) Reconciliation of income

Directors shall make adequate and effective arrangements for the sums collected and banked to be reconciled with the records of sums due.

(7) Debt recovery

In all cases Directors shall cooperate with the relevant Debtors' Team plans to take prompt and appropriate action to recover all sums overdue to the Council.

(8) Writing off sums due

(i) Directors are responsible for recommending the write off of irrecoverable debts to the Section 151 Officer.

(ii) Where an individual debtor owes the Council no more than £20,000, the Section 151 Officer may approve the write off of that debt where there is satisfactory evidence that it is irrecoverable. In any other case, where there is satisfactory evidence, the Section 151 Officer shall refer the debt to the Cabinet Member with responsibility for Finance for approval to write off.

(9) Reviews of fees and charges

Directors shall, in consultation with the Section 151 Officer, review all fees and charges at least annually in accordance with Fees and Charges Policy issued by the Section 151 Officer. In year changes to fees and charges will need to be agreed by Cabinet or individual Cabinet Member decision.

(10) Segregation of duties

The duty of providing information, calculating, checking and recording sums due to or from the Council shall be separated as far as is possible from the duty of collecting such sums.

## Section 11: Banking, Cheques & Money Laundering

The council has a duty to ensure that all moneys are properly safeguarded and only utilised for authorised purposes. The council must also comply with the statutory money laundering regulations. It is therefore necessary to have controls to ensure the proper authorisation and control of all bank accounts, all payments made from them and all income deposited.

### (1) Operation of bank accounts

- (i) The Section 151 Officer is responsible for opening, closing and operating all bank accounts and related facilities in the council's name.
- (ii) All communications with the council's bankers concerning its bank accounts and any changes in banking arrangements shall be made under arrangements approved by the Section 151 Officer.

### (2) Authorisation of signatories

Only Officers personally mandated by the Section 151 Officer may sign cheques and other documents transferring funds out of the council's bank accounts.

### (3) Payments from Council bank accounts

- (i) All payments from the council's bank accounts shall be, so far as is practicable, automated bank transfer or by cheque but the Section 151 Officer may exclude from this regulation such payments as he may consider appropriate.
- (ii) No payments shall be made from the council's bank accounts unless approved personally by a signatory authorised in accordance with (2) above.
- (iii) Payment by Direct Debit must be authorised by the Section 151 Officer.

### (4) Custody of cheques

- (i) All cheques and related stationery shall be ordered and controlled by the Section 151 Officer.
- (ii) The safe custody and issue of cheques and related stationery shall be carried out under arrangements made by the Section 151 Officer.

### (5) Banking of income

Directors shall make arrangements, approved by the Section 151 Officer, for the secure transfer of cash from the council's offices and facilities to the council's bankers (see Section 10.6).

### (6) Reconciliation

The Section 151 Officer shall regularly reconcile the council's bank accounts with the accounting records and investigate any discrepancies.

## Section 12: Security and Inventories

The Authority holds assets in the form of land and buildings, fixed plant, vehicles and machinery, furniture and equipment, software and data, cash and other items of value (e.g. stocks and stores). It is important that assets are used efficiently in service delivery, that they are adequately insured and that there are arrangements for the security of both assets and information required for service operations. Up to date records are a prerequisite for sound asset management. See also Sections 13 (Stocks and Stores), and 16 (Insurances).

(1) Proper use of the council's resources

Resources are to be used solely for the purposes of the Authority unless authorised otherwise by the council, and are to be properly accounted for.

(2) Asset register

The Section 151 Officer is responsible, in consultation with other Directors, for the compilation and maintenance of an asset register (in appropriate format for accounting purposes) covering land and property and other fixed assets. The function of the asset register is to provide the Authority with information about fixed assets so that they are safeguarded, used efficiently and effectively, and are adequately maintained.

(3) Inventories

- (i) Each Director is responsible for maintaining an inventory of moveable assets above a de-minimis value or as determined by other criteria under procedures determined by the Section 151 Officer.
- (ii) A list of inventories should also be maintained for assets which, although below the de-minimis level, are attractive & desirable and therefore more prone to theft.
- (iii) Inventories are to be reviewed at least once each year and copies made available to the Section 151 Officer.

(4) Security

Directors shall make proper arrangements for:

- (i) The security of all buildings and other assets under their control.
- (ii) The safe custody of all documents held as security.

## Section 13: Stocks and Stores

The council holds many different types of stocks and stores. It is important that these assets are safeguarded and used efficiently in service delivery. There therefore needs to be adequate arrangements for the receipt, security and issue of stocks and stores and for the disposal of surplus or redundant items.

(1) Receipt, Control and Custody

Directors shall make adequate and effective arrangements for the custody, care and physical control of all stocks and stores in their departments.

(2) Stocks and Stores Records

(i) In consultation with the Section 151 Officer, Directors shall maintain adequate records of all issues and other movements of stocks and stores.

(ii) Directors shall provide to the Section 151 Officer each year a stock certificate detailing stocks and stores in hand at 31 March.

(iii) Directors should make provision for regular stock takes and reconciliations to take place during the year.

(3) Maintenance of stocks

(i) Directors shall maintain stocks at reasonable levels and subject them to a regular independent physical check.

(ii) Discrepancies shall be appropriately investigated, pursued to a satisfactory conclusion and removed from the Authority's records by making stock adjustments as necessary. Gains and losses resulting from stock adjustments shall only be written off or adjusted in the records under arrangements approved by the Section 151 Officer.

(4) Disposal of surplus, obsolete or redundant stocks or equipment

Directors shall ensure that all stocks and equipment no longer required are disposed of economically under arrangements approved by the Section 151 Officer.

(5) Delegation

All delegations under this section will be set out in the directors' schemes of officer delegation.

## Section 14: Treasury Management and Leasing

Treasury Management is in place to provide assurance that the Authority's money and overall cash flow are properly managed, in a way that balances risk with return but with overriding consideration being given to the security of investments.

The signing of leases and other forms of credit can have a wider financial impact than just the rental payments. It is therefore necessary that the Section 151 Officer be given the opportunity to evaluate the costs of any potential agreement before it is legally binding.

### (1) General

The Section 151 Officer is responsible for all investment, borrowing and leasing undertaken in the name of this Authority.

### (2) Treasury Management

The Section 151 Officer shall:

- (i) keep under review the council's Treasury Management Policy Statement and submit any amendments to the Cabinet prior to consideration and adoption by Full Council.
- (ii) maintain, having regard to the recommendations of the CIPFA Treasury Management in the Public Services Code of Practice and Guidance Notes, Treasury Management Practices (TMP's) setting out the duties of Members and Officers covering all aspects of Treasury Management. The Treasury Management Practices will be periodically reviewed.
- (iii) prepare, for adoption before the commencement of each financial year, a Treasury Management Strategy and an Investment Strategy , having regard to any statutory guidance and to the provisions of the CIPFA Code of Practice and Guidance Notes, in respect of the Council's strategy and policies to be set for that financial year. The proposals will be submitted to the Cabinet prior to consideration and adoption by Full Council.
- (iv) recommend to the Council before the commencement of each financial year a range of Prudential Indicators, including borrowing limits, to be set for that financial year in accordance with statute and the CIPFA Prudential Code.
- (v) keep the strategies, policies and Prudential Indicators for the current financial year under constant review and submit revised proposals for adoption from time to time as necessary. In any event, present a mid-year review for consideration to the Cabinet.
- (vi) arrange all borrowing and investments of the Authority in accordance with the Treasury Management Policy Statement, the approved Treasury Management and Investment strategies for the year the approved Debt Repayment Policy for the year and the current Treasury Management Practice.
- (vii) make all investments, borrowings and other financing transactions only in the name of the Authority approved by Full Council.

(viii) ensure that Council Members tasked with Treasury Management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

(3) Leasing and Similar Arrangements

The taking of a lease or other similar arrangements, including new or extended leases of land and property, may only be entered into with the consent of the Section 151 Officer. Such arrangements may be defined for this purpose as any lease, contract hire or other contract or series of contracts under which the use of an asset is obtained in exchange for a series of payments which extend beyond the end of the current financial year.

If the taking of the lease (or other similar arrangement) is in relation to real estate/property (i.e. land or buildings or rights associated) then the method of treatment of the costs may vary depending on the length of the agreement and whether a premium (lump sum) is paid and/or an annual rental/fee. No agreement relating to property or rights over property may be entered into (either taking or granting) without the consent of the Head of Asset Management.

(4) Delegation

All delegations under this section will be set out in the directors' schemes of officer delegation.

## Section 15: Value Added Tax

Value Added Tax (VAT) is a tax applied to many of the goods and services the council either buys in or supplies to others. VAT therefore impacts on many of the council's financial transactions. Whilst generally speaking the council is able to reclaim the VAT it pays on buying in goods and services, this ability is limited in relation to certain types of services made by the council. VAT is a very complex tax, particularly where it relates to land and property transactions and partnership arrangements. It is essential that the VAT implications of all major projects, partnership arrangements and land & property transactions be evaluated well in advance of commitments being made. If this is not done the council could be faced with a substantial irrecoverable VAT bill that is both unplanned and unbudgeted. HM Revenues and Customs also have the power to impose penalties (fines) for late or non-compliance with VAT rules.

- (1) The Section 151 Officer is responsible for the determination of all arrangements for the collection, recording, payment and recovery of VAT.
- (2) The Section 151 Officer shall:
  - (i) maintain complete and accurate accounting records of all the Council's VAT transactions.
  - (ii) submit the Council's VAT return to HM Revenues and Customs monthly in accordance with statutory deadlines.
  - (iii) prepare the Council's partial exemption calculation as at the end of each financial year and monitor the Council's partial exemption position as part of the budget setting and monitoring process.
  - (iv) submit the Construction Industry Scheme returns monthly in accordance with statutory deadlines.
  - (v) prepare and submit Voluntary Disclosure Notices to HM Revenues and Customs and recover any revenues due.
  - (vi) conduct all negotiations with HM Revenues and Customs in respect of VAT matters affecting the Council and make appropriate decisions as a result of these negotiations.
  - (vii) exercise as appropriate the Council's option to tax in respect of land and buildings.
  - (viii) provide guidance, advice and training to Council staff on all aspects of VAT as they affect the Council.
  - (ix) publish and regularly update appropriate VAT guidance notes on the Council's intranet.
- (2) Directors shall:
  - (i) properly account for VAT on all transactions under arrangements determined by the Section 151 Officer.

- (ii) consult the Section 151 Officer in all cases where the VAT treatment of any transaction is unclear so that the matter can be reviewed and appropriate treatment determined.
- (iii) consult the Section 151 Officer in all cases where new projects, schemes or services are proposed, well in advance of commitments being made, so that any impact on the Council's VAT position can be assessed, any necessary action taken to protect the Council's VAT recovery position and the financial implications of the proposal can be properly considered.
- (iv) co-operate with any VAT inspector and give access at all reasonable times to premises, personnel, documents and assets which they consider necessary for the purposes of their work.

## Section 16: Insurances

The provision of insurance cover is one of the major methods of responding to corporate and service risks identified under the council's Risk Management arrangements (see Section 20). Cover can be arranged either externally (with major insurance companies) or through an internal insurance pool. Accurate record keeping and timely provision of information are essential if the Council's insurance cover is to be effective. This Section should be read in conjunction with that relating to Risk Management (Section 21).

- (1) The Section 151 Officer is responsible for:
  - (i) effecting all insurance cover on a corporate basis, through external insurance or through internal self-insurance arrangements as they consider appropriate and maintaining proper records of these arrangements.
  - (ii) handling, negotiating, processing and settlement of all claims, in consultation with any external insurers where necessary.
- (2) Directors and Members shall notify the Section 151 Officer immediately:
  - (i) of all new risks, properties, vehicles or other assets that require insurance.
  - (ii) of any alterations to such risks or assets affecting existing insurances.
  - (iii) should any of the Authority's assets be damaged, lost or stolen.
  - (iv) of any loss, liability, damage or personal injury that may lead to a claim against the Authority. Failure of the council to appropriately notify the insurer may invalidate cover under the policies and shall provide any related information or explanation required within time scales determined by the Section 151 Officer and/or relevant legislation.
- (3) Directors and Members shall ensure that no employee or other person covered by the Authority's insurances admits liability (orally or in writing) or makes any offer to pay compensation, because this may prejudice a proper assessment of the council's liability.
- (4) Directors shall maintain proper records relating to assets which require insurances effected by the Authority, under arrangements approved by the Section 151 Officer .
- (5) Directors shall consult the Section 151 Officer and also seek advice from the Legal team on the terms of any indemnity that the Authority is requested to give.
- (6) Directors shall consult the Section 151 Officer to determine the minimum level of insurance cover required of any person or body (including all council contractors and those bodies using council land or facilities) to indemnify the council or to effect insurance cover in accordance with the council's requirements and shall check that appropriate insurance cover is in place.

## Section 17: Pay and Conditions of Employment

Staffing costs are the largest single item of expenditure for most council services. It is therefore important that payments are accurate, timely, made only where they are due 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 paid in accordance with the scheme adopted by Full Council. 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 can be severe. It is therefore important for all Officers to be aware of their role.

### (1) General

Terms and conditions of employment of Senior officers is a function of the General Purposes Committee. Terms and conditions of all other officers is a function of the Head of Paid Service. The Head of EK Human Resources is responsible for the administration of all arrangements for the payment of salaries, wages, pensions and other emoluments to existing and former employees, and for all related matters. The The Head of EK Human Resources is responsible for car loans to eligible employees, travel and subsistence claims.

### (2) Deductions from Pay

The The Head of East Kent Human Resources (EKHR) shall make proper arrangements for all statutory and other deductions from pay, including tax, national insurance and pension contributions, and payment of such sums to the bodies concerned.

### (3) Terms of employment

Directors shall promptly notify the The Head of EKHR of:

- (i) the terms and conditions applying to new contracts of employment.
- (ii) any changes or events affecting the salaries, wages or emoluments of the council's employees.
- (iii) all resignations, retirements and terminations of employment.

### (4) Provision of Information

Directors shall provide to the The Head of EKHR with:

- (i) all relevant information, including notifications of sickness absence, in an agreed format and within agreed time-scales to enable the prompt and accurate payment of all elements of pay.
- (ii) notification of the impending departure of any employee involved with the custody of cash or stores.

### (5) Members' Allowances

Payments to elected Members of the council shall be made by the The Head of EKHR in accordance with the council's approved scheme.

(6) Delegation

All delegations under this section will be set out in the directors' schemes of officer delegation.

# Risk Management and Audit

## Section 18: 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 2016 more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit”. Accordingly, internal audit provides one aspect of an independent and objective assurance in the review of the system of governance, risk management and internal control as a contribution to the proper, economic, efficient and effective use of resources. In fulfilling this responsibility the internal audit service must comply with the mandatory Public Sector Internal Audit Standards and Code of Ethics and CIPFA’s Statement on the role of the Head of Internal Audit.

- (1) The Section 151 Officer shall ensure that the internal audit service is available and adequately resourced and independent in its planning and operation.
- (2) The Section 151 Officer or his authorised representative shall have authority to enter at all reasonable times any offices, premises or land under the control of the Council and shall have unrestricted access to all records, documents and correspondence relating to any matter under consideration, without limitation.
- (3) All staff shall provide such information and explanations as the Section 151 Officer or his authorised representative considers necessary and shall produce upon demand cash, stores, documents or other property of the Council under their control.
- (4) Directors and the Section 151 Officer shall give appropriate consideration of Internal Audit reports and identified control and governance concerns.
- (5) Directors and other staff shall immediately notify the internal audit service on behalf of the Section 151 Officer upon discovery or suspicion of any financial irregularity, whether affecting cash, stores, property, financial records or otherwise. Internal Audit have delegated authority to investigate allegations of Fraud, Theft, Corruption, Bribery, Money Laundering and any other financial irregularity on behalf of the Section 151 Officer. The Section 151 Officer shall notify the Head of Paid Services and Monitoring Officer in all significant cases.
- (6) The Council shall set out in policy documents its approach to countering fraud, theft, bribery, money laundering and corruption and to “whistle blowing”.
- (7) The internal audit service has direct access to the Head of Paid Services, Section 151 Officer, Monitoring Officer and to all levels of management and to elected Members.
- (8) As part of the adequate system of internal audit, the Council will maintain an Governance and Audit Committee in line with Codes of Practices.
- (9) The Internal Audit Service will report its findings, assurances and performance to the Governance and Audit Committee in line with the Internal Audit Charter.
- (10) The Head of Internal Audit will provide an annual opinion on the adequacy and effectiveness of the internal control, governance and risk management arrangements. This opinion will be fed into the Council’s Annual Governance Statement and be considered by the Governance and Audit Committee.



## Section 19: External Audit and Inspection

The basic duties of the external auditor are governed by statute. In fulfilling his responsibilities the external auditor works to a code of audit practice issued by the National Audit Office. The Authority may from time to time also be subject to audit, inspection or investigation by various other external bodies. Government department inspectorates and bodies such as HM Revenues and Customs have statutory rights of access. Rights of access are also sometimes granted under contractual arrangements, including partnerships where the council is not the lead body. It is important that all Officers of the council respond to external scrutiny in a timely, professional and helpful manner.

- (1) The Section 151 Officer shall facilitate the co-ordination of the work of internal and external audit together with ensuring appropriate consideration of External Audit reports by management and/or Members.
- (2) The Section 151 Officer shall ensure that the council's accounts are scrutinised by the External Auditor, who must be satisfied that the statement of accounts 'gives a true and fair view of' the financial position of the council and its expenditure and income for the year in question and complies with the legal requirements.
- (3) The Section 151 Officer shall ensure that the council's accounts are available for inspection by the general public as per the Local Audit and Accountability Act 2014, (section 24 schedule 7 and sections 25 - 28) and the Accounts and Audit Regulations 2015 (Regulations 9, 10, 14, 15, and 21).
- (4) The Section 151 officer has responsibility for responding to the external auditor with regards to any objections raised by the general public to the accounts.
- (5) Co-ordination of all other inspection and independent review work shall be the responsibility of the Section 151 Officer.
- (6) Directors and relevant Members shall give external auditors and inspectors access at all reasonable times to premises, personnel, documents and assets which they consider necessary for the purposes of their work.
- (7) The External Auditor will report their findings, assurances and recommendations to those charged with the governance (the Governance and Audit Committee).

## Section 20: Risk Management

The council faces numerous risks: to people (including its employees), to property, to its reputation and to continuity of service delivery. Risk is the threat that an event or action will adversely affect the council's ability to achieve its objectives and to successfully execute its strategies. This will include both external and internal risks. An opportunity is an event or action that will enhance the organisations ability to achieve its objectives and deliver approved strategies. Risk Management is the planned and systematic process by which risks and opportunities are identified, evaluated and controlled. Risk management seeks to protect the Council and enable it to achieve its stated aims and objectives. It also seeks to maximise the rewards that can be gained through effectively managing risk. It is the responsibility of the Governance and Audit Committee to approve the Council's risk management policy and strategy, review it on a regular basis and to promote a culture of risk management awareness throughout the organisation. A designated Member and Officer act as 'risk management champions' to support the integration of risk management into the culture of the Council

This Section should be read in conjunction with that relating to Insurance (see Section 16), which is just one tool used in the control of organisational risk.

- (1) The Governance and Audit Committee shall approve and promote the Authority's corporate risk management process and strategy.
- (2) The Deputy Chief Executive shall:
  - (i) develop risk management processes and procedures to assist in the identification, assessment, reduction and control of material risks and opportunities, in line with Codes of Practice.
  - (ii) undertake regular monitoring and review of the corporate, project and service arrangements for effective risk management.
  - (iii) prepare and promote the Council's risk management policy statement.
  - (iv) Chair any officer working group which has responsibility for risk management.
  - (v) develop risk management controls, including the maintenance of appropriate risk registers, in conjunction with Directors.
  - (vi) in conjunction with Directors, to ensure that all staff are given training and guidance as to how to manage risks in their areas of work.
- (3) The Director of Operational & Commercial Services shall ensure that the Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage of its resources.
- (4) Directors are responsible:
  - (i) for risk management within all areas under their control, including service, projects and partnerships, having regard to appropriate advice from the Deputy Chief Executive and other specialist officers (eg crime prevention, fire prevention, health and safety).

- (ii) for carrying out regular reviews of risk and opportunity, risk reduction and maximisation strategies and the operation of appropriate controls (including business continuity plans) within their departments.
  - (iii) to ensure that their service and project risk registers are appropriately updated on a regular bases, within the Council's approved system.
- (5) Directors and lead Members shall promptly notify the Deputy Chief Executive of all new risks and opportunities that are material, as they are identified

# External Arrangements

## Section 21: External funding, partnership arrangements, third party grant payments and projects

Whilst external funding is a very important source of income, funding conditions need to be carefully considered to ensure they are compatible with the aims and objectives of the Council. In some instances, tight specifications may not be flexible enough to link to the Authority's corporate plan. Also, new ways of working can increase the Council's exposure to fraud and to irregularities in the operation of, for example, VAT, insurances and pay.

### (1) Bidding for external funding

- (i) Directors shall seek external resources only to further the priorities and aims of the Council's Plan.
- (ii) Before making a bid for resources which, if successful, would require any financial commitment from the council. Directors shall ensure that appropriate budgets have been approved or earmarked in accordance with these Regulations.
- (iii) In working up bids, Directors shall use appropriate project appraisal processes to assess the viability of the project in terms of resources, staffing and expertise, to identify and assess all potential risks and to ensure achievement of the required outcomes.
- (iv) The External Funding and Grants Protocol must be adhered to.

### (2) Partnerships

- (i) Partnerships play a key role in delivering Council Services and in helping to promote and improve the wellbeing of the District. The council works in partnership with others - public agencies, private companies, community groups and voluntary organisations – and its distinctive leadership role is to bring together the contributions of the various stakeholders. The Council will mobilise investment, bid for funds, champion the needs and harness the energies of local people and community organisations. It will be measured by what it achieves in partnership with others.
- ii) Partnerships can provide ways to access new resources and share risk. They can also lead to innovative and improved ways of delivering services whilst forging new relationships.

### (3) Setting up partnerships

- (i) Directors shall agree and accept formally the roles and responsibilities of each of the partners involved in a project before the project commences.
- (ii) Where the Council is to be the lead partner, or the accountable body where other public funds are involved, the responsibilities of the Council and the obligations of the various partners are to be clearly defined and understood.

- (iii) Directors shall consult the Section 151 Officer on:
  - (a) any financial control, insurance and audit requirements to be incorporated in the partnership arrangements.
  - (b) the overall financial implications for the council.
- (iv) Prior to entering into any commitment, the relevant Director shall ensure that any match funding or other financial obligations of the Council are provided for within the revenue budget or capital programmes and that arrangements are made for future years' financial provisions to reflect these obligations. This should include any audit and other consequential fees as appropriate.

(4) Working with partners

- (i) These Financial Regulations and the council's Contracts Standing Orders shall apply equally to any orders for works, goods or services which are the responsibility of the Council under the partnership arrangements.
- (ii) The relevant Director shall comply with any key conditions of funding and any statutory requirements.
- (iii) Any variation in resources to be contributed by the council, or in the overall resources of the partnership where the council is the accountable body, shall be dealt with in the same way as other budget variations as set out in Section 7 (Budgetary Control).
- (iv) The relevant Director shall ensure that any financial control, insurance and audit requirements of the partnership are met.
- (v) The relevant Director shall communicate regularly with the other partners throughout the project so that any problems are identified and shared on a timely basis to achieve their successful resolution.

(5) Grants to third parties

- (i) The External Funding and Grants Protocol should be adhered to when any grant is paid to a third party, this is to ensure:
  - (a) Grants are paid to sustainable organisations (those that are not reliant on a grant to remain trading)
  - (b) Expenditure and outputs in relation to grants provided are monitored to ensure the grant has delivered value for money.
  - (c) Grants paid to organisations over £1,000 have a grant offer letter

Commented [1]: \_Accepted suggestion\_

(6) Accountable Body

- (i) For some grants the Council are required to be an Accountable body, but only passport monies to third parties whilst undertaking monitoring. In these instances the bids for funding by third parties shall be assessed as if they were being applied for by the Council itself and that they adhere to the External Funding and Grants Protocol.

(7) Delegation

All delegations under this section will be set out in the directors' schemes of officer delegation.

## Section 22: Work carried out for others

Legislation enables the Council to provide a range of services to other bodies. Such work may help maintain economies of scale and existing expertise. It may also be helpful to share the council's facilities, expertise and resources with others under partnership arrangements, mutuals, companies etc. Effective controls should be in place to ensure that any risks associated with such work are appropriately managed and that the work falls within the council's statutory powers.

- (1) Financial Regulations apply equally to any service carried out by the council on behalf of the County Council or any other Authority, body or person, and Directors and Members shall not set up partnership or other arrangements with external parties to operate in conflict with these Regulations as far as this council's involvement is concerned.
- (2) Directors shall properly assess the financial implications of the proposal prior to commitment following consultation with the Section 151 Officer and draw up contracts having regard to the council's powers, relevant policies and protocols and in compliance with any insurance or other requirements of the Section 151 Officer.

## Section 23: Trading Arrangements

The council will at times look for potential trading opportunities. Effective controls should be in place to ensure that any risks associated with trading are appropriately managed.

- (1) The Section 151 Officer shall:
  - (i) Advise on and approve the financial implications of any proposed trading arrangements between the council and third parties.
  - (ii) Advise on the establishment and operation of trading accounts to ensure that the accounting and control processes comply with council and statutory requirements and that the results of trading operations are properly recorded and reported.
- (2) Directors shall:
  - (i) Identify potential trading opportunities and evaluate the respective risks and financial benefits.
  - (ii) Obtain the approval of the Section 151 Officer, in consultation with the relevant Cabinet Members.
  - (iii) Maintain a register of contracts entered into.
  - (iv) Comply with advice issued by the Section 151 Officer in relation to the operation of trading accounts and the proper recording and reporting of trading results.