

# Financial Regulations

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## 1.1 Context

These Financial Regulations set out the financial policies and procedures and the framework for managing the Council's financial affairs. Robust financial management is at the heart of Reading Borough Council's ability to achieve its objectives and to deliver high quality services to its local community. Effective management of council finances is critical to the long-term delivery of services to the people of Reading.

These Financial Regulations apply to all financial activities of Reading Borough Council including the General Fund and Housing Revenue Account, unless otherwise stated.

The Best Value Duty as set out in the Local Government Act 1999, requires local authorities and other public bodies to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". In practice, this covers issues such as how authorities exercise their functions to deliver a balanced budget, provide statutory services, including adult social care and children's services, and secure value for money in all spending decisions.

These Financial Regulations are structured around the following themes:

- (i) Financial planning (see Section 2)
- (ii) Financial management (see Section 3)
- (iii) Accounting records and financial systems (see Section 4)
- (iv) Risk management and internal control (see Section 5)
- (v) Assets (see Section 6)
- (vi) Income and expenditure (see Section 7)
- (vii) External arrangements (see Section 8)

## 1.2 The Principles of Good Financial Management

These Financial Regulations are based on the following principles of good financial management:

1. All officers and members of Reading Borough Council have a role to play in managing our finances, delivering value for money and demonstrating the highest standards of probity in the use of public money.
2. Budget responsibility is allocated by Reading Borough Council to specific, named individuals who are accountable for the effective financial management of their services within the budgets that have been allocated to them.
3. The annual budget process is driven by a medium-term financial strategy that assesses risk and is built on a detailed understanding of income and expenditure across the period of that Plan.
4. The Council's core financial systems hold high quality, comprehensive, up to date and reliable financial information.
5. Financial monitoring reports are presented regularly through Corporate Management Team and Policy Committee using consistent, meaningful and understandable data, with appropriate action being taken.
6. Any report for decision presented to committee, must have the financial implications specified and have been approved in advance by the Chief Finance Officer.
7. Effective internal financial controls are in place and must be adhered to at all times.

It is not possible for these Financial Regulations to anticipate all eventualities. Consequently, if any doubt arises as to whether or how these Regulations should be applied, reference should be made to these principles of good financial management, to establish whether any proposed financial undertaking is within the spirit of these Regulations.

A financial undertaking that conflicts with one or more of these principles will not be acceptable practice even if it is not ruled out explicitly by these Regulations.

## 1.3 Financial Roles and Responsibilities

The specific financial roles and responsibilities of Officers, Councillors, Council and Committees are set out in these Regulations. Further information about these responsibilities can be found elsewhere in the Constitution as follows:

- Council (Article 4)
- Councillors (Article 6 - The Leadership and Part 3 - Responsibility for Functions - Lead Councillor Portfolios)
- Policy Committee (Article 7 - Committees)
- Audit & Governance Committee (Article 8 - Regulatory & Other Committees)
- Officers (Article 12)

#### **1.4 Compliance**

All financial and accounting procedures must be carried out in accordance with the Financial Regulations and with any accounting instruction notes and other corporate guidance issued by, or on behalf of, the Chief Finance Officer.

Executive Directors/Assistant Directors will ensure that their staff are aware of the existence, and content, of the Council's Financial Regulations, accounting instruction notes and other corporate guidance and ensure compliance with them. Executive Directors/Assistant Directors may delegate responsibilities contained in these Regulations to named budget holders, as appropriate, in consultation with the Chief Finance Officer.

Non-compliance with these Financial Regulations, and with any accounting instruction notes and other corporate guidance issued by the Chief Finance Officer, may constitute a disciplinary matter that will be pursued, as appropriate, in accordance with the Council's disciplinary procedure.

## **Section 2 - Financial Planning**

#### **2.1 Budget Framework**

Council is responsible for agreeing the Authority's budget framework (revenue and capital), for the General Fund (GF) and the Housing Revenue Account (HRA), which will be proposed to it by the Policy Committee. In terms of financial planning, the key elements are:

- (i) The Annual Revenue Budget (GF & HRA), Medium-Term Financial Strategy and HRA 30 Year Business Plan
- (ii) The Annual Council Tax Setting Report
- (iii) The Capital Strategy
- (iv) The Treasury Management Strategy Statement

#### **2.2 The Annual Revenue Budget**

##### **2.2.1 Revenue Income and Expenditure**

Revenue income and expenditure represents the current or day-to-day running costs, and associated receipts, of the Council, including employment costs, premises costs, transport costs, contract costs and general running costs as well as income raised by charging service users and government grants.

##### **2.2.2 Revenue Budget**

The annual budget is a plan that forecasts income and expenditure for the following year and is the financial expression of the Council's policies and priorities for that year.

Councils are required to set their annual budget before 11 March in the financial year preceding the one in respect of which the budget relates. In setting the annual budget, Council must take account of a report by the Chief Finance Officer on the following matters:

- The robustness of the estimates made for the purposes of the calculations, and
- The adequacy of the proposed financial reserves.

Stakeholder consultation can help to set priorities and reduce the possibility of legal or political challenge during the process.

#### **2.2.3 Budget Preparation**

The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and includes a three-year Medium-Term Financial Strategy for consideration by the Policy Committee, before submission to Council. Council may amend the budget or ask the Policy Committee to reconsider it before approving it.

The Chief Finance Officer, through the Policy Committee, is responsible for issuing budget guidelines on the general development of the budget each year. This will include an evidence-based assessment of the likely level of resources available to the Council in order to establish an overall budget envelope for the net cost of Council services that are affordable.

It is the responsibility of Executive Directors/Assistant Directors, in conjunction with the Chief Finance Officer, to ensure that budget estimates reflecting agreed corporate and service priorities are submitted to the Policy Committee and that these estimates are prepared in line with guidance issued by the Chief Finance Officer. These Plans will need to adequately reflect the impact of any inflationary and/or demographic pressures. Budget proposals will need to fit within the available resources. Any changes to the nature or levels of service provided must be supported by a business case which fully explains both the service and financial impact.

#### **2.2.4 Format of the Budget**

The format of the budget presented to Policy Committee and Council for approval, will be set out by the Chief Finance Officer each year. The budget will be prepared and presented on an incremental basis. The budget will reflect the service structure operated by the Council at its time of preparation.

#### **2.2.5 Budget Monitoring and Control**

The Chief Finance Officer is responsible for providing appropriate financial information to budget holders to enable budgets to be monitored effectively. Budget holders must monitor and control expenditure against budget allocations. The Chief Finance Officer will report to the Policy Committee on the overall position on a regular basis.

It is the responsibility of Executive Directors/Assistant Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Finance Officer. They must submit monthly monitoring reports to the Chief Finance Officer on existing and expected variances within their own areas. They must also take any action necessary to avoid exceeding their overall budget allocation and alert the Chief Finance Officer to any issues. These responsibilities may be formally delegated to Budget Holders through the scheme of delegation.

#### **2.2.6 Maintenance of Reserves**

Reserves are created as a means of building up funds to meet potential future liabilities. They are held for a number of reasons, including:

- A working balance to act as a final contingency for unanticipated fluctuations in spending and income.
- Earmarked reserves to cover specific areas of risk.

Councils are required to maintain a minimum level of reserves and balances, although legislation does not define how much this minimum level should be.

As part of the Annual Budget Setting Report to Policy Committee and Council, the Chief Finance Officer is required to give advice on the minimum level of working balance to be held by the Council throughout the forthcoming year.

In setting the Budget, Council must have regard to the advice given by the Chief Finance Officer, with the reasons for any variance from the advice given being recorded in the minutes of the Council

Meeting.

The Chief Finance Officer is responsible for:

- (a) Creating, managing, and making additions to, or making use of, Reserves in accordance with the following objectives:
  - Optimising the Council's overall financial position by creating a degree of financial flexibility over the year or between years.
  - Maintaining contingencies against unbudgeted expenditure or unexpected events.
  - Enabling funding of known or predicted liabilities falling in the year or future years.
- (b) Approving any proposals for creating and using provisions or reserves.
- (c) Reporting on the adequacy of provisions and reserves when the Budget is presented to Council for approval.

## 2.3 Capital Financial Planning

### 2.3.1 Capital Expenditure

Expenditure is classified as capital expenditure when any of the following apply:

- The expenditure results in the acquisition, construction or the enhancement of non-current (i.e. fixed) assets, tangible and intangible, where the asset is expected to be used during more than one financial year.
- The expenditure results in the acquisition, construction or the enhancement of a fixed asset, in which the local authority has no future direct control or benefit from the resultant asset, which would be capital expenditure if the local authority had an interest in that fixed asset. (Revenue expenditure funded by capital under statute).
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure instead of revenue. These directions are only issued in exceptional circumstances.

### 2.3.2 Capital Programme

The Chief Finance Officer is responsible for ensuring that a Capital Programme is prepared on an annual basis for consideration by the Policy Committee before submission to the Council.

Capital bids for new or amended schemes are submitted as part of the Council's annual budget review process. Business cases are quality assured by the Capital Programme Board prior to being recommended to members for inclusion in the Draft Capital Programme.

The overall affordability of the Draft Capital Programme is reported on by the Chief Finance Officer as part of the Council's budget setting process. The final Capital Programme is agreed by Council when setting its budget in February.

All schemes included in the approved Capital Programme over £2.5m require spend approval from the responsible Committee or the Council, with the exception of expenditure on rolling programmes of routine capital expenditure. All schemes included in the Capital Programme require confirmation from the Chief Finance Officer that the associated funding has been identified.

Schemes that arise during the year will be added to the agreed Programme once the relevant approvals have been obtained from Policy Committee or Council, in consultation with the Chief Finance Officer and Monitoring Officer.

Budget holders and capital project managers are required to provide financial forecasts to the Chief Finance Officer for inclusion in the financial monitoring reports to the Policy Committee.

### 2.3.3 Financing of Capital Expenditure

The Chief Finance Officer will determine the financing of the capital programme, taking into consideration the availability of capital receipts, grants and contributions, direct revenue contributions and the affordability of borrowing.

#### **2.4 Leasing and Rental Arrangements**

Leases of land or buildings (where the Council acts as a lessor or lessee) and other property agreements can only be authorised for completion by the Monitoring Officer and Assistant Director of Property and Asset Management, acting on the Council's behalf. The relevant Finance support will be consulted as part of this process. Other leasing arrangements, including rental agreements and hire purchase arrangements, will only be entered into with prior approval from the Chief Finance Officer.

Prior approval to enter into leases is required to ensure that:

- Leases that constitute credit arrangements are taken into account when the Council determines its borrowing limits;
- Such arrangements represent value for money and are accounted for appropriately.

#### **2.5 Treasury Management Strategy Statement**

The Chief Finance Officer will propose an annual Treasury Management Strategy Statement, including the Minimum Revenue Provision (MRP) Policy, the Borrowing Strategy and the Treasury Investment Strategy to Council in February for the forthcoming financial year. This Strategy will comply with CIPFA's Codes of Practice on Treasury Management and the Prudential Framework for Capital Finance, relevant Regulations and with the Council's own treasury management practices; it will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year.

#### **2.6 Capital Strategy**

CIPFA's Prudential Code for Capital Finance in Local Authorities requires each Local Authority to produce a Capital Strategy on an annual basis. This Strategy defines how the Council will maximise the impact of its limited capital resources to support the delivery of its key aims and objectives. As well as meeting the requirements of the Prudential Code the Strategy also has regard to statutory guidance on Local Government Investments and Minimum Revenue Provision. The Strategy is submitted to Council in February each year for the forthcoming financial year.

#### **2.7 Medium-Term Financial Strategy (MTFS)**

The MTFS brings together the key assumptions about financing resources, including council tax, business rates and core Central Government grants, and spending pressures over the medium to longer term. This enables the Council to plan for financial risks and thus inform the setting of service revenue budgets and capital payments. The Chief Finance Officer will ensure that reports are presented to Council, as part of the annual budget setting, upon the medium-term budget prospects and the resource constraints set by the Government.

### **Section 3 - Financial Management**

#### **2.1 Introduction**

Financial management is the system by which the financial aspects of Reading Borough Council's business, including the Housing Revenue Account, are directed and controlled to support the delivery of our corporate priorities.

#### **2.2 Revenue Budget Monitoring and Control**

##### **2.2.1 Budget Management**

The Council operates within an annual budget limit, approved when the annual budget is set. To ensure that the Council does not overspend in total, each service is required to manage its own expenditure and income recovery within the budget allocated to it.

## 2.2.2 Framework for Budgetary Control

Once the budget is approved by the Council, Executive Directors/Assistant Directors are authorised to incur expenditure in accordance with the estimates that make up their budgets. Executive Directors/Assistant Directors must however maintain effective budgetary control within their service(s) to ensure that spending is contained within the annual budget limit and focussed on agreed priority areas.

The Chief Finance Officer is responsible for:

- (a) Notifying members of the Senior Leadership Group of the budgets allocated to them by Council prior to the start of each financial year.
- (b) Giving Budget Holders access to timely information on income and expenditure which is sufficiently detailed to enable them to fulfil their budgetary responsibilities.
- (c) Ensuring that Budget Holders have access to high quality financial advice.
- (d) Presenting detailed financial reports to Policy Committee and the Corporate Management Team on a regular basis.
- (e) Ensuring that relevant guidance and training is available to all staff assigned responsibility for budget management.

Executive Directors/Assistant Directors have overall responsibility for:

- (a) Maintaining, in consultation with the Chief Finance Officer a scheme of delegation ensuring that an appropriate budget holder structure is in place to ensure that responsibility is assigned for each item of income and expenditure under their control.
- (b) Making effective arrangements for the financial management of the services under their control.
- (c) Ensuring that all income and expenditure is properly recorded and accounted for.
- (d) Ensuring that individual budgets approved by Council are not over-spent.
- (e) Reporting to the Chief Finance Officer if any budgets under their control are forecast to be over-spent, and providing mitigation plans to reduce the forecast over-spend.
- (f) Providing regular financial briefings for relevant Lead Councillors.
- (g) Ensuring that new service delivery proposals are approved in accordance with the Council's Constitution.
- (h) Agreeing with the other relevant Executive Directors/Assistant Directors where a budget proposal may impact on their service area.

## 2.2.3 Scheme of Virement - Revenue

In-year budget movements made outside of the annual budget setting process fall under two categories: budget adjustments and budget virements. These budget movements may be made on a temporary basis, which only affects the budgets within a specified period, or made on a permanent basis, which affects the budgets within the current financial year and all future financial years. All virements will be quality assured by Finance.

### Budget Adjustments

Budget adjustments are defined as one of the following:

- A budget movement required in order to better reflect in budget terms a decision made through the Policy Framework, agreed in accordance with the Council's Constitution.
- A budget movement over which the Council has no control, such as where statutorily or through the requirements of government grant conditions, the Council is obliged to make a budget adjustment.
- A budget movement required to correct an error, such as where the budget showing in the financial management system does not match the budget agreed by Council.
- A budget movement required to reflect an allocation from contingencies held corporately.
- A budget movement to reflect proper accounting practices.

A budget adjustment can be implemented by the Chief Finance Officer without need for further approval.

## Budget Virements

Virements are a movement of budget either within or between budget headings. A budget heading relates to an agreed division of a service, such as an activity, project, branch of operations or subjective category.

Virements may be necessary under a number of circumstances, for instance:

- Where the organisation or management of services has been restructured;
- Where income projections change, matched by changes in expenditure.

Budget virements should be made in line with the Council's Policy Framework. The approval of the Policy Committee may be required for any virement where the Chief Finance Officer has determined that a decision from the Policy Committee is required.

Budget virements within budget headings can be implemented by the budget holder without need for further approval. If a budget holder is unclear as to whether a virement crosses budget headings, advice should be taken from the Chief Finance Officer.

Budget virements relating to net increases or decreases to salaries or to gross income or expenditure require the additional approval of the Chief Finance Officer, regardless of the virement amount.

The following approvals are required in order for budget virements between budget headings to be implemented. The 'amount of virement' is the greatest requested total change within a budget heading. Budget virements relating to net increases or decreases to salaries or to gross income or expenditure always require the approval of the Chief Finance Officer, regardless of the virement amount:

### Budget Virements Within a Cost Centre

Amount of Virement	Budget Holder	Assistant Director	Executive Director	Chief Finance Officer
Up to £100k	Approval Required			
Over £100k and up to £250k	Notified	Approval Required		
Over £250k and up to £500k	Notified	Approval Required	Approval Required	
Over £500k	Notified	Approval Required	Approval Required	Approval Required

### Budget Virements Within a Service Area

Amount of Virement	Budget Holder(s)	Assistant Director	Executive Director	Chief Finance Officer
Up to £250k	Notified	Approval Required		
Over £250k and up to £500k	Notified	Approval Required	Approval Required	
Over £500k	Notified	Approval Required	Approval Required	Approval Required

### Budget Virements Across a Service Area or Directorate

Amount of Virement	Budget Holder(s)	Assistant Director	Executive Director	Chief Finance Officer
Any Amount	Notified	Approval Required	Approval Required	Approval Required

#### 2.2.4 Scheme of Virement – Capital

Requests for budget virements between approved capital schemes should be submitted to Policy

Committee for approval. The funding of the budget must be considered as part of the request. The Chief Finance Officer must confirm a budget virement is affordable, if that virement would require a change in the funding source.

#### **2.2.5 Capital Payments Monitoring and Control**

The principles and framework for managing the revenue budget will apply equally with regard to the monitoring and management of individual capital projects within their scheme and spend approvals.

All schemes included in the approved Capital Programme over £2.5m, with the exception of expenditure on rolling programmes of routine capital works shall remain subject to spend approval by the responsible Committee or Council.

Schemes will usually only be added to or removed from the Capital Programme as part of the annual budget setting process. Outside of this process schemes may be removed from the Capital Programme, or budgets may be decreased with Policy Committee approval. Schemes that arise during the year may be added to the Capital Programme with Policy Committee approval if:

- The scheme is fully funded by grants or contributions, or
- The Chief Finance Officer confirms that the expenditure is affordable.

The Chief Finance Officer will report any anticipated budget variations to Policy Committee as part of the regular budget monitoring process.

Unlike revenue budgets capital budgets may be profiled over a number of financial years due to the length of time required to complete the capital project. Budget holders and capital project managers are responsible for providing reasonable estimates of profiling of capital budgets. The profiling of budgets should match the best estimates of when expenditure is expected to be incurred. Where schemes are expected to progress ahead or behind schedule a request to re-profile the budget should be submitted for Policy Committee approval.

#### **2.2.6 Treatment of Year End Balances**

Policy Committee may approve requests to carry forward budgets which are underspent at year end as part of the outturn reporting process, as recommended by the Chief Finance Officer.

### **Section 4 - Accounting Records and Financial Systems**

#### **2.3 Accounting Records**

Accounting records are all the documents involved in preparing the financial statements of the Council. They include the original source documents, e.g. invoices and purchase orders, journal entries for virements and budget adjustments etc and ledgers that describe the accounting transactions of the council.

The Council has a statutory and legal responsibility to retain accounting records for a predetermined period, normally for six years.

Maintenance of proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

The Council's accounting records are maintained within its General Ledger. A standard coding convention is maintained within the General Ledger. The integrity of the Council's financial reporting for management and statutory purposes is dependent upon transactions being coded correctly first time at source.

The Chief Finance Officer is responsible for:

- (a) Determining the accounting procedures and records for the Council.
- (b) The compilation of all accounts and accounting records.
- (c) Keeping the accounts and financial records of the Council.

Executive Directors/Assistant Directors are responsible for:

- (a) Ensuring that their services comply with the coding conventions adopted within the General Ledger. This includes adherence to the standard subjective classifications for categories of income and expenditure.
- (b) Ensuring that all the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- (c) Retaining prime documents in accordance with legislative and other requirements.

#### **2.4 Annual Statement of Accounts**

The Council has a statutory responsibility to prepare its accounts and present a true and fair view of the financial performance and results of its activities during the year. It is also responsible for approving and publishing those annual statements in accordance with the timetable specified in the Accounts and Audit Regulations.

The Chief Finance Officer is responsible for identifying suitable accounting policies, and for applying them consistently, to ensure that the Council's annual statement of accounts are prepared in compliance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and other relevant accounting standards and statutory provisions. In addition, the Chief Finance Officer will ensure that the Statement of Accounts is compiled, approved and published in accordance with the statutory timetable specified within the Accounts and Audit Regulations.

The Chief Finance Officer will issue annual instruction notes on the closure of the accounts, including a timetable. All members and officers of the Council must comply with these accounting instructions and supply the information requested by the dates specified to facilitate timely closure of the accounts.

The Chief Finance Officer must sign and date the Statement of Accounts, confirming that the accounts give a 'true and fair' view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.

The Chief Finance Officer is responsible for making proper arrangements for the audit and public inspection of the Council's accounts.

#### **2.5 Financial Systems**

Financial Systems must be documented and regularly backed up; and disaster recovery and business continuity plans must be maintained to allow information system processing to resume quickly in the event of an interruption.

The Chief Finance Officer is responsible for:

- (a) Approving the purchase, implementation and integration of accounting and other systems with a financial function.
- (b) Ensuring that the Council's financial systems, including any financial elements of non-financial or integrated systems, are sound, properly maintained and reconciled and that they are held securely.
- (c) Determining the accounting systems, form of accounts and supporting financial records of the Council.

Executive Directors/Assistant Directors are responsible for:

- (a) Ensuring that prior approval is obtained from the Chief Finance Officer to introduce any financial system, including any elements of a non-financial or integrated system relied upon for financial reporting purposes, within or on behalf of their area of responsibility. Prior approval must also be obtained from the Chief Finance Officer to make changes to any such systems already being operated within a service area.

### **Section 5 - Risk Management and Internal Control**

#### **2.6 Risk Management**

Risk management is an integral part of effective management and planning. It is concerned with identifying and managing key obstacles to the achievement of objectives.

The Executive Director of Resources is responsible for preparing the Council's Risk Management Strategy and advising on the management of strategic, financial, and operational risks.

The Audit & Governance Committee is responsible for reviewing the authority's risk management policy statement and approach and providing independent assurance to the Council on the effectiveness of risk management and internal control.

All Members and officers alike are required to assist in, and take responsibility for, identifying, and controlling risk and opportunities in all their activities and areas of responsibility.

Executive Directors/Assistant Directors are responsible for:

- (a) Implementing the Council's risk management strategy.
- (b) Integrating risk management within business planning and performance management arrangements.
- (c) Mitigating, monitoring, and reporting on risks.
- (d) Maintaining and testing business continuity plans.

## 2.7 Insurance

The Council protects itself against the financial implications of risk by either:

- Procuring insurance cover
- Setting aside funds in a self-insurance reserve

The Council operates an insurance programme that balances self-retained risk with external insurance policy cover, which is reviewed at each renewal. The insurance contracts have financial implications not only in the cost of the contract, but the level of self-retained risk exposure the Council wishes to accept.

The Council must comply with the "duty of fair presentation" contained in the Insurance Act 2015. The Council must disclose to its Insurers all information, facts and circumstances which are, or ought to be, known to it, which are material to the risk. A material circumstance is one which would influence the judgement of a prudent Underwriter in considering whether to provide insurance and, if so, on what basis and cost.

Insurance records relating to liability policies and related correspondence must be retained indefinitely. Documents relating to other policies and internal funding arrangements must be retained in accordance with the Council's Document Retention Schedule.

The Chief Finance Officer is responsible for:

- (a) Determining the nature and level of insurance cover to be affected.
- (b) Effecting insurance cover and processing and settlement of all claims.
- (c) Undertaking a periodic general revaluation of Council buildings so that appropriate amendments to insurance cover can be arranged.
- (d) Submitting and agreeing insurance claims with external insurers and agreeing amounts to be met from the Council's self-insurance reserve.
- (e) Arranging for payment of premiums by the due date and managing the Council's self-insurance reserve. Procedures for dealing with claims on the Council's self-insurance reserve will be prescribed by the Chief Finance Officer.

Executive Directors/Assistant Directors are responsible for:

- (a) Notifying the Insurance Manager 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 Chief Finance Officer or the Council's insurers.
- (b) Notifying the Insurance Manager promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

- (c) Consulting the Council's Insurance Manager on the terms of any indemnity that the Council is requested to give.
- (d) Ensuring 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.
- (e) Promptly informing the Chief Finance Officer of any changes in the fabric, use or contents of any assets which may affect its valuation for insurance purposes.
- (f) Ensuring that any person who makes use of his / her own vehicle for Council business shall comply with the appropriate Council policies with regards to car users and any instructions relating to this policy.

## **2.8 Internal Control**

Internal control refers to the systems of control that help ensure the authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded and properly accounted for. These arrangements also need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice.

The Chief Finance Officer is responsible for:

- (a) Advising on effective systems of internal control to ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with statutory requirements and other guidance that govern their use.
- (b) Conducting an annual review of the effectiveness of the system of internal control and publishing the results of this within the Council's Annual Governance Statement.

Executive Directors/Assistant Directors are responsible for:

- (a) Taking corrective action in respect of any non-compliance by staff with relevant rules, regulations, procedures, and codes of conduct.
- (b) Implementing effective systems of internal control ensuring adequate separation of duties, clear authorisation levels, and appropriate arrangements for supervision and performance monitoring.
- (c) Planning, appraising, authorising, and controlling their operations in order to achieve continuous improvement in economy, efficiency and effectiveness and for achieving their objectives, and targets in accordance with the budgetary framework and Council Plan.
- (d) Ensuring the systems and processes of the Council are working as expected and undertaking an appraisal for the Annual Governance Statement

All Members and Officers are responsible for complying with the controls set down in these Financial Regulations.

## **2.9 Preventing Fraud and Corruption**

All members and officers of the Council will act with integrity and with due regard to matters of probity and propriety, and comply with all relevant rules, regulations, procedures, and codes of conduct, including those in relation to receipt of gifts and hospitality and declarations of conflicts of interest.

The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by members, officers, customers of its services, third party organisations contracting with it, or other agencies or individuals with which it has any business dealings.

The Chief Finance Officer is responsible for:

- (a) Developing and maintaining an Anti-fraud and Corruption Strategy that stipulates the arrangements to be followed for preventing, detecting, reporting and investigating suspected fraud and irregularity.
- (b) Advising on the controls required for fraud prevention and detection.
- (c) Appointing a Money Laundering Reporting Officer to ensure that systems are in place to counter opportunities for money laundering and that appropriate reports are made.

Executive Directors/Assistant Directors are responsible for:

- (a) Ensuring that there are sound systems of internal control within their Services for fraud prevention and detection.
- (b) Ensuring they follow all controls, policies and regulations to minimise fraud and taking all necessary action if fraud is suspected.

All Members and Officers are responsible for:

- (a) Complying with the Council's Anti-fraud and Corruption Strategy.
- (b) Implementing audit recommendations within agreed timescales.
- (c) Reporting cases of suspected fraud or irregularity to the Chief Auditor for investigation and complying with the Council's Whistleblowing Policy.
- (d) Reporting any vulnerabilities or suspicions of money laundering in accordance with guidance issued by the Money Laundering Reporting Officer.

## **2.10 Audit Requirements**

### **2.10.1 External Audit**

The External Auditor's duties include reviewing and reporting upon:

- (i) The financial aspects of the Council's corporate governance arrangements.
- (ii) The Council's financial statements: the external auditor must be satisfied that the Statement of Accounts give a 'true and fair view' of the financial position of the Council and its income and expenditure for the year in question and complies with legal requirements.

The Council's external auditor may also issue public interest reports, advisory notices and make recommendations under the Local Audit and Accountability Act.

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

The External Auditors and other statutory inspectors must be given reasonable access to premises, personnel, documents and assets that they consider necessary for the purposes of their work. Regard must be given to the Council's Data Protection Policy, and if there is any doubt about whether it is appropriate to provide such data to the External Auditor or other statutory inspectors, advice should be sought from the Data Protection Officer and the Monitoring Officer.

### **2.10.2 Internal Audit**

The Accounts and Audit Regulations require the Council to maintain an effective internal audit function to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standard (PSIAS).

Internal Audit is an independent and objective appraisal function, established by the Council to evaluate and report on the adequacy of the Council's internal control systems in securing the proper, economic, efficient, and effective use of resources.

Internal Audit has the authority to:

- (i) Access any Council premises, assets, records, documents and correspondence, and control systems.
- (ii) Receive any information and explanation related to any matter under consideration.
- (iii) Require any employee of the Council or school maintained by the Council to account for cash, stores or any other asset under their control.
- (iv) Access records belonging to third parties (e.g. Contractors) when required.
- (v) Talk directly to all Members and Officers of the Council and all members of Audit & Governance Committee.

### **2.10.3 Responsibilities with Respect to Internal and External Audit**

The Chief Finance Officer is responsible for:

- (a) Maintaining an adequate and effective Internal Audit service in accordance with the Accounts and Audit Regulations.
- (b) Ensuring that the statutory requirements for external audit are complied with and that the External Auditor can effectively scrutinise the Council's records.
- (c) Ensuring that audit plans and results are reported to the Audit & Governance Committee.

All Members and Officers are responsible for:

- (a) Ensuring that Internal and External Auditors have access to all documents and records for the purposes of the audit and are afforded all facilities, cooperation and explanation deemed necessary.
- (b) Cooperating in the production of annual audit plans by highlighting any areas of risk that may benefit from audit review.
- (c) Implementing audit recommendations within agreed timescales.

## Section 6 - Assets

### 2.11 Security of Assets

The Council holds assets in the form of property, land, vehicles, ICT and other equipment, furniture and data, these assets must be safeguarded and used efficiently in service delivery.

All Members and Officers have a responsibility for safeguarding the Council's assets and information, including safeguarding the security of the Council's computer systems and paper records, and for ensuring compliance with the Council's data protection and cyber security requirements, including the completion of mandatory training.

Executive Directors/Assistant Directors are responsible for:

- (a) Ensuring the proper security and maintenance of all assets, including the recovery of assets from leavers.
- (b) Ensuring that the title deeds for all Council properties are held by the appropriate service.
- (c) Ensuring that no Council asset is subject to personal use by an employee without proper authority.
- (d) Ensuring cash holdings on premises are kept in line with the limits set out in the Council's insurance policies.

The Assistant Director of Property and Asset Management is empowered to acquire or dispose of land up to the limits expressed in the Key Decision criteria, after which approval of the relevant Committee is required. No other Executive Director/Assistant Director may acquire or enter into or amend a licence or lease to occupy, any land or property, nor to dispose of any land or property owned by the Council, except in the day-to-day allocation and management of single Council dwellings under the Housing Revenue Account, which are the responsibility of the Executive Director for Communities and Adult Social Care. The Chief Finance Officer must be informed of any acquisitions or disposals of property.

### 2.12 Asset Registers

The Chief Finance Officer will maintain the corporate Fixed Assets Register. This register forms the basis of Balance Sheet reporting on all non-current assets held by the Council. Each Executive Director/Assistant Director will keep appropriate records of fixed assets under their control to support the corporate Fixed Assets Register.

This 'Assets Register' is maintained, in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK and the underlying accounting standards, for all items capitalised, in accordance with the guidance issued by the Chief Finance Officer, that are expected to be used and/or controlled by the Council during more than one financial year. Items that the Council has acquired for a prolonged period under the terms of a lease or similar arrangement must also be recorded.

This means that the 'Assets Register' is maintained and reconciled for:

- (i) All land and property owned, occupied or held by the Council, including land held under a charitable Trust where the Council has an interest in the land.
- (ii) Buildings held and being used by the Council for operational purposes, including those held under the terms of a finance lease, and those held for investment purposes: for disposal; or deemed to be surplus to current requirements.
- (iii) All highways infrastructure (e.g. roads, structures, traffic management systems etc.) that was capitalised in accordance with the guidance issued by the Chief Finance Officer.
- (iv) All Council-owned vehicles, plant and equipment, including IT hardware, and intangible assets, such as IT software, that, when acquired, were capitalised in accordance with the guidance issued by the Chief Finance Officer.

Executive Directors/Assistant Directors will provide the Chief Finance Officer with any information necessary to maintain the Assets Register. This will include confirmation, and the location, of moveable assets, which should be appropriately marked and insured.

Non-current assets that are required to be measured at 'current value' will be re-valued in accordance with:

- (i) The requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK; and
- (ii) Methodologies and bases for estimation set out in relevant professional standards, including those of the Royal Institute of Chartered Surveyors.

## **2.13 Use of Property Other Than for Direct Service Delivery**

The use of property other than for direct service delivery will be subject to prior agreement of, and in accordance with terms and conditions specified by, the Assistant Director of Property and Asset Management in the Strategic Asset Management Plan.

Prospective occupiers of Council land and buildings are not permitted to take possession or enter the land and buildings until a lease or agreement, in a form approved by the Monitoring Officer on the instruction of the Assistant Director of Property and Asset Management, has been put in place.

## **6.5 Land and Property Asset Disposals – General Fund**

Full details of the process governing the disposal of land and property owned the Council are set out in the Council's Asset Disposal Policy. This does not apply to the sale of residential properties within the Housing Revenue Account as these are subject to a different legal framework.

The overarching policy that identified and determines disposal of property is the Council's Strategic Asset Management Plan.

### **6.5.1 Legal Framework**

Land should be sold for the best consideration reasonably obtainable as set out in section 123 of the Local Government Act 1972. The Act also sets out that in circumstances where an authority considers it appropriate to dispose of land at an undervalue, they must seek the consent of the Secretary of State, unless the undervalue amount is £2m or less.

In determining whether or not to dispose of land for less than the best consideration reasonably obtainable, and whether or not any specific proposal to take such action falls within the £2m undervalue limit, the authority should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue. This applies even for disposals by means of formal tender, sealed bids or auction. Supporting documents should provide evidence that the Council has acted reasonably and with due regard to its fiduciary duty.

### **6.5.2 The Disposal Process**

The Assistant Director of Property and Asset Management is responsible for determining whether

operational land or buildings are potentially surplus to requirements and for reporting their availability in accordance with the Asset Disposal Policy.

Receipts from the disposal of assets will be treated as a corporate resource and not earmarked for specific projects. The Chief Finance officer will determine their application in line with the Council's Medium Term Financial Strategy.

## **6.6 Land and Property Asset Disposals – Housing Revenue Account**

The primary form of Housing Revenue Account disposal is through the Right to Buy (RTB) process.

Additional HRA receipts may occur for instance from Land for development and follows a similar process to the General Fund disposals, however it is tied to additional requirement to gain consent from the Secretary of State. Land provided under Part II of the 1985 Act which no longer fulfils its current purpose can be removed from the HRA under Section 122(1) of the Local Government Act 1972. The guidance states that "the decision is for the authority to take, though it should be able to explain the basis of the decision to its External Auditor and tenants, if called upon to do so."

It is important to note that, before a house or part of a house can be appropriated out of the HRA for another purpose, a local authority needs to obtain the Secretary of State's consent under Section 19(2) of the 1985 Act.

## **6.7 Disposal of Other Assets**

The Assistant Director for Digital and IT has the responsibility for managing and arranging for the safe disposal of all Council Digital and IT equipment in accordance with the best value duty, ensuring the safety of the Council's data whilst maximising any residual resource once the equipment has been cleaned and made ready for disposal.

Disposal of all other assets are the responsibility of the respective Assistant Directors, within existing Key Decision criteria.

## **6.8 Consumable Stocks and Stores**

Assistant Directors must ensure robust arrangements are in place for the acquisition and management of stocks and stores held by their Services and must maintain inventory records that document the purchase, requisition and usage of these items.

The stock of such items should be maintained at an appropriate level and be subject to regular independent physical check against the inventory. Discrepancies must be documented and investigated and pursued to a satisfactory conclusion.

Where stocks and stores have not been used at the end of the financial year, they will be held on the Balance Sheet as stock. Assistant Directors must produce a stock certificate or evidence of a stock count, confirming the number and value of items held as at 31 March and submit it to the Chief Finance Officer. The value of the items represents the lower of cost or net realisable value.

Stocks and stores must be removed from (i.e. written off) the Council's financial records when they can no longer be sold or used, or when they are no longer held due to theft or other loss. Any write-offs of obsolete or missing stock must be carried out in consultation with the Chief Finance Officer.

## **6.9 Cash**

### **6.9.1 Introduction**

The Chief Finance Officer is responsible for issuing guidance for the management of all cash funds across the Council to ensure that the Council's money is properly managed in a way that balances risk with return, with the overriding consideration being given to security.

In accordance with the Council's Anti-Money-Laundering Policy, all suspected attempts to use the Council to launder money must be reported to the Chief Auditor who is the Council's Money Laundering Reporting Officer.

### 6.9.2 Treasury Management

The Council must comply with the CIPFA Treasury Management in the Public Services: Code of Practice and associated Cross-sectoral Guidance, and approve on an annual basis:

- A Treasury Management Strategy Statement (TMSS), which sets out the parameters for the Council's planned treasury activity during the coming financial year.
- A Treasury Management Policy.
- A Minimum Revenue Policy setting out the basis on which revenue funds will be set aside for the future repayment of outstanding borrowing.
- An Annual Investment Strategy, which sets out the Council's approach to managing risk in relation to its financial investments.
- Prudential and Treasury Management Indicators.

It is the responsibility of the Chief Finance Officer to propose a Treasury Management Strategy Statement to Council annually ahead of the new financial year and to subsequently recommending any changes as may be necessary to Council for approval through Policy Committees.

The Chief Finance Officer will report to the Audit & Governance Committee at regular intervals in each financial year, on treasury management activities undertaken within delegated powers.

All investments of money, and borrowings undertaken, on behalf of the Council will be made in the name of the Council. The Chief Finance Officer will maintain records of such transactions.

### 6.9.3 Loans to third parties

The following table sets out the circumstances in which loans may be provided to third parties, and the approval required for each type of loan:

### 6.9.4 Bank Accounts

The Chief Finance Officer the only Council officer with delegated authority to open bank accounts on behalf of the Council, and to approve a list of authorised bank signatories.

Type of loan	Approval required
Season ticket and similar loans made to employees	To be made in accordance with the Council's Delegations Register Scheme of Delegation and HR Guidance: <ul style="list-style-type: none"> <li>• Season ticket loans – Assistant Director</li> <li>• Cycle loans – Assistant Director</li> <li>• Rent Deposit Scheme – Assistant Director</li> </ul>
Monies invested with banks and other financial institutions.	To be undertaken in accordance with the Council's Annual Treasury Management Strategy.
Loans to third parties, including wholly owned companies, for the purpose of financing expenditure which, if incurred by the Council, would constitute capital expenditure.	Such a loan would constitute capital expenditure by the Council, and the repayment would constitute a capital receipt, and so would require Capital Programme approval. The approval of the Chief Finance Officer will be required to make any such loan, within the scheme and spend approval already given by Committee for the capital expenditure.
Loans sought from the Council for other purposes (e.g. where a service is being outsourced and the potential provider seeks an up-front payment to support cash flows).	Only to be undertaken with the prior approval of the Chief Finance Officer. The Chief Finance Officer's approval will also be required to offer such a loan at a discounted rate of interest. In all cases, this approval will be subject to any necessary Committee consent for the overall purpose being pursued

Only officers approved by the Chief Finance Officer have the authority to:

- (i) Make arrangements for the collection and payment into the Council's bank accounts of all monies due to the Council.
- (ii) Make or authorise transfers between the various bank accounts and withdrawals from those accounts.
- (iii) Manage and administer bank accounts on behalf of clients as approved through Court of Protection/Deputyship arrangements.

#### **6.9.5 Imprest Accounts, Petty Cash & Floats**

In the limited circumstances when Purchase Orders cannot be used, the Chief Finance Officer may provide bank imprest accounts and/or petty cash to meet minor expenditure on behalf of the Council.

Cash floats may be provided where there is a requirement to hold cash for the purpose of giving change to customers.

The Chief Finance Officer is responsible for:

- (i) Prescribing rules for operating these accounts/balances.
- (ii) Determining the amount of each imprest account/balance.
- (iii) Maintaining a record of all transactions and cash advances made.
- (iv) Periodically reviewing the arrangements for the safe custody and control of these advances.

Officers operating an imprest account are responsible for:

- (i) Obtaining and retaining vouchers/receipts to support each payment from the imprest account/balance. Where appropriate, an official receipted VAT invoice must be obtained.
- (ii) Making adequate arrangements for the safe custody of the account/balance.
- (iii) Producing cash and all vouchers/receipts to the total value of the imprest account/balance.
- (iv) Recording transactions promptly.
- (v) Reconciling and balancing the account/balance at least monthly; with reconciliation sheets being signed and retained by the account/balance holder.
- (vi) Ensuring that any account/balance 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.
- (vii) Providing the Chief Finance Officer with a certificate of the value of the account/balance held at 31 March each year.

#### **6.9.6 Trust Funds and Funds Held for Third Parties**

All trust funds will, wherever possible, be held in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities relating to the trust with the Chief Finance Officer, unless the deed provides otherwise.

Where the Council is the trustee, funds will be operated within any relevant legislation and the specific requirements for each trust.

Where funds are held on behalf of third parties, for their secure administration, written records will be maintained of all transactions.

The Chief Finance Officer is responsible for making returns of charity trust accounts to the Charity Commission.

## Section 7 - Income and Expenditure

### 2.14 Income

#### 2.14.1 Introduction

Effective income collection systems are necessary to ensure that all income due to the Council is identified, collected, receipted and banked properly.

Wherever possible, income should be collected in advance of supplying goods or services. Such an approach will avoid the time and cost of administering debts and negates the possibility of a bad debt.

It is the responsibility of Assistant Directors to ensure that staff authorised to act on their behalf in respect of income collection are clearly identified, and that they follow accounting instructions as issued by the Chief Finance Officer.

#### 2.14.2 Charging Policies

Executive Directors/Assistant Directors will ensure that charges for the supply of goods or services where appropriate enable as a minimum full cost recovery. These will be reviewed annually with the Chief Finance Officer, as part of the corporate budget process. An annual Statement of Fees and Charges will be taken to Council for agreement as part of the Council's annual budget setting process.

On an exceptional basis, alternative timeframes will be considered in agreement with the Chief Finance Officer.

#### 2.14.3 Income Collection

The Chief Finance Officer will set out the procedures, systems and processes for the collection of all income due to the Council including debt recovery and write offs.

The Chief Finance Officer in conjunction with Assistant Directors will ensure that:

- (i) All money received by, or on behalf of, the Council is paid fully and promptly into the appropriate Council bank account,
- (ii) Income is not used to cash personal cheques or other payments.
- (iii) Appropriate details are recorded onto paying-in slips to provide an audit trail.
- (iv) A record is kept of money received directly by employees of the Council.
- (v) The receiving officer signs for the transfer of funds, and the transferor must retain a copy.
- (vi) Money collected and deposited is reconciled to the appropriate bank account on a regular basis.
- (vii) The responsibility for cash collection is separated from that for identifying the amount due and that responsibility for reconciling the amount due is separated from handling of the amount received.
- (viii) Income is only held on premises up to levels specified within the Council's insurance policies. All such income will be locked away to safeguard against loss or theft, and to ensure the security of cash handling.
- (ix) All appropriate income documents are retained and stored for the defined period in accordance with the Council's document retention policy and schedule.
- (x) The Chief Finance Officer is advised of outstanding income relating to the previous financial year as soon as possible after 31 March, and in line with the timetable for closure of the accounts.

#### 2.14.4 Debt Recovery

Executive Directors/Assistant Directors will ensure that a clear framework is in place within their areas of responsibility which defines who is empowered to raise a debt on the Council's behalf.

Debts should be recovered in accordance with the Council's Corporate Debt Recovery Policy, which sets out the principles for maximising collection, and provides details of the approach the Council will

take in seeking to recover all money due. In all cases will be reasonable, fair and appropriate given the nature of the debt:

- (i) Where appropriate and lawful, ensure payment is received before or at the point of service.
- (ii) Invoices and other requests/demands should be checked for completeness and accuracy before being issued promptly.
- (iii) All invoices to be paid in accordance with the deadlines set out in the Corporate Debt Recovery Policy.

#### **2.14.5 Writing Off Debts**

Assistant Directors will critically review outstanding debts on a regular basis, in conjunction with the Chief Finance Officer, and take prompt action to write off debts no longer deemed to be recoverable.

No legitimate debt may be cancelled, other than by formal write-off. Executive Directors/Assistant Directors have delegated authority to write off debts, for a particular debtor, for sums up to £1,000 at their own discretion; and for sums of up to £20,000 with the consent of the Chief Finance Officer. In both cases they must keep a written record of the debt and the reasons for writing it off.

The Chief Finance Officer will report to the Policy Committee on the writing-off of individual debts over £20,000.

A record must be maintained for all debts written off. Where debts have been referred to Legal Services, the Chief Finance Officer will have due regard to their advice when considering action relating to bad debts. The appropriate accounting adjustments must be made following approval to write off a debt.

A write-off is only appropriate where:

- The demand or invoice has been raised correctly and is due and owing; and
- There is a justified reason why the debt should not be pursued further.

#### **2.14.6 Issuing Credit Notes – Accounts Receivable**

Credit notes will be subject to the approval of the Assistant Director or operational budget holder.

A credit note to replace a debt must be substantiated and can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, and once it is confirmed that the debt is not payable.

Credit notes will not be issued:

- (i) For irrecoverable debts, as the formal write-off procedure should be followed.
- (ii) Where the debtor cannot afford to pay at that time. The debt should remain, and revised payment terms agreed, as appropriate.
- (iii) Where a debt is to be recovered through deductions from payments. In such instances, the deductions made should be offset against the debtor.

### **2.15 Ordering and Paying for Work, Goods and Services**

#### **2.15.1 Introduction**

Public money must be spent with demonstrable probity and in accordance with the Council's policies. The Council's procedures help to ensure that officers are protected, and services obtain value for money from their purchasing arrangements through the use of established contracts, service level agreements and the use of the Council's systems.

Officers involved with engaging contractors, and/or with purchasing decisions, have a responsibility to declare:

- (i) Any links or personal interests that they may have with suppliers and/or contractors; and

- (ii) Any gifts or hospitality offered by, or received from, suppliers and/or contractors.

## 2.15.2 Purchase Orders

A purchase order is a document that the Council sends to a supplier to request goods or services at a specific price and quantity. It is used to control the purchasing process.

Purchase Orders for works, goods and services must be raised via the Council's Finance System and authorised by officers designated by the relevant Executive Directors/Assistant Directors.

All purchase orders must be raised prior to the supply of goods and services and receipt of the supplier invoice.

Purchase Orders can only be raised on finance system by approved staff (buyers) who have completed the relevant Finance System eLearning training and granted access to the purchase order role in the finance system.

When creating purchase orders, buyers are responsible for selecting the correct supplier and choosing the most appropriate spend category, to allow the Council to track overall spend by type of work, goods or service.

The buyer is also responsible for entering the correct financial account codes, order value and relevant dates for provision of the work, goods or service for each line item in the order so that the spend commitment in the finance system is recorded against the correct account codes and financial periods.

The finance system prevents buyers from approving their own orders. Purchase Orders are submitted to designated approvers based on the Scheme of Delegation (financial limits) and cost centre assignments.

The levels of authority for approval of Purchase Orders are as follows:

Organisation / Role	Financial Delegation
Chief Executive Chief Finance Officer and Deputy s151 Officer	No limit
Executive Directors plus selection of senior managers responsible for overseeing PFI / capital projects	£5,000,000
Deputy Directors / Assistant Directors	£500,000
Cost Centre Manager	£50,000

The authoriser of an order must be satisfied that:

- (i) The works, goods and services ordered are appropriate and needed.
- (ii) There is adequate budgetary provision; and
- (iii) Quotations or tenders have been obtained, if necessary, in accordance with procurement policies and procedures.

Works, goods and services must be checked upon receipt to ensure they are in accordance with the order. Wherever possible, goods should not be received by the person who approved the order.

The buyer is responsible for recording the receipt of works, goods and services against the original purchase order in the finance system promptly when the works, goods and service have been received, and prior to the receipt of an invoice. This will provide approval to pay for the works, goods and services for the amount receipted.

Buyers are responsible for performing monthly reviews of all open purchase orders and for taking action to follow-up on outstanding requirements, amending purchase orders for agreed variations and for closing purchase orders when all required goods and services have been provided and receipted. Amendments to a Purchase Order that increase the value will be subject to the same approval process described above.

The Chief Finance Officer is responsible for:

- (a) Maintaining the levels of authority for approval of Purchase Orders and authorised signatory database.

Executive Directors/Assistant Directors are responsible for:

- (a) Designating those staff authorised to raise purchase orders.
- (b) Designating those officers authorised to approve purchase orders.
- (c) Closing any orders that are inactive and no longer required.

### **2.15.3 Invoice Payments**

The Chief Finance Officer will make payments from the Council's funds upon the receipt of proper original, certified copy or valid electronic VAT invoices that have been checked and that the associated Purchase Order has been goods receipted.

Payments to creditors will be made within agreed payment terms.

Any invoice in dispute with a supplier must be clearly identified and processed in accordance with guidance issued by the Chief Finance Officer and the Monitoring Officer.

For transactions other than those processed via the Council's finance system, a different officer from the person checking an invoice must authorise the payment.

It is not permissible to make a payment in advance of the delivery of works, goods or services, or to vary the Council's standard settlement terms, other than with the prior approval of the Chief Finance Officer.

The normal method of payment by the Council shall be by BACS payments direct into suppliers' bank accounts.

The use of VISA Purchasing Cards (VPCs) must be done in accordance with the VISA Purchasing Card Procedure Rules. The card user is responsible for obtaining valid VAT invoices or receipts for the purchases made.

In exceptional circumstances, where suppliers are unable to accept payment via BACS, an alternative method of payment will be provided by the Chief Finance Officer. The use of direct debits to make payments will require the prior agreement of the Chief Finance Officer.

All appropriate evidence of the transaction and payment documents will be retained and stored in accordance with the Council's document retention policy and schedule.

The Chief Finance Officer is responsible for:

- (a) Issuing VISA Purchasing Card Procedure Rules
- (b) Making payments to suppliers.

Executive Directors/Assistant Directors are responsible for:

- (a) Notifying the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute / court order where there is no budgetary provision. In such cases, appropriate budget provision should be sought, by way of a virement.
- (b) Advising the Chief Finance Officer, at the end of each financial year, of outstanding expenditure relating to the financial year just ended, in line with the timetable for closure of the accounts determined by the Chief Finance Officer.

### **2.16 Taxation**

The Council is required to comply with all relevant taxation regulations and guidance that affect the Council either directly, as a consequence of its own activities, or indirectly, as a consequence of service delivery through external partners.

Taxation regulations are complex and can require external specialist advice. It is essential that new or unusual activities are properly assessed prior to commencement.

The Chief Finance Officer is responsible for:

- (a) Ensuring compliance with all relevant taxation regulations and guidance that affect the Council either directly, as a consequence of its own activities, or indirectly, as a consequence of service delivery through external partners.
- (b) Maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date, as appropriate.

Executive Directors/Assistant Directors are responsible for:

- (a) Ensure that the Chief Finance Officer is consulted on all proposals that may alter or affect the Council's tax liability, including proposals to implement alternative service delivery models.
- (b) Ensure that the VAT guidance issued by the Chief Finance Officer is complied with, to ensure that the correct liability is attached to all income due and that all amounts recoverable on purchases can be claimed.
- (c) Ensure that, where construction and maintenance works are undertaken, the subcontractor fulfils the necessary construction industry tax scheme requirements, as advised by the Chief Finance Officer.
- (d) Ensure that the Chief Finance Officer's guidance regarding fee payments to consultants, individuals or partners is complied with.

## **2.17 Emergency Payments**

Emergency payments are those arising from legal cases, civil emergencies or natural disasters such as flooding. They relate to unforeseen circumstances where budget provision has not been made and the payment cannot be covered within the relevant service's existing budget.

Emergency payments can only be made in accordance with Standing Order 42.

## **2.18 Transparency**

The council complies with the requirements of the Local Government (Transparency Requirements) (England) Regulations 2015 by publishing information about all payments over £500.

# **Section 8 – External Arrangements**

## **8.1. Alternative Delivery Models**

### **8.1.1 Introduction**

Services may be commissioned from retained services within the Council or via an alternative delivery model. Any intention to commission services through such a model must only be pursued in compliance with the decision making process outlined below.

### **8.1.2 Business Cases for Alternative Delivery Vehicles**

Any proposal to commission services via an alternative delivery vehicle must be supported by an approved business case, to ensure that there is a robust planning and decision-making process in place.

The Business Case must clearly articulate the options being considered and measure these against the desired outcomes. It should also set out whether there is a statutory basis for the provision of the service or activity under consideration.

A decision to enter into or to affect the terms of an agreement or partnership agreement with other local authorities or bodies falls within the authority's definition of a key decision and therefore requires specific committee approval. A decision to enter into a Joint Arrangement or Joint Committee with other local authorities must be taken by Council.

Executive Directors/Assistant Directors are responsible for ensuring that Council or Committee approval is obtained before any contract negotiations are entered into, and that all agreements and arrangements are properly documented.

The Policy Committee is responsible for approving the Council's participation in all significant partnerships/joint working arrangements with other local public, private, voluntary and community sector organisations.

Executive Directors/Assistant Directors, following advice from the Head of Paid Service, Monitoring Officer and Chief Finance Officer, will advise Policy Committee on the key elements of arrangements for commissioning services via an alternative delivery model, including:

- (i) The financial roles and responsibilities of the Council with respect to monitoring of the alternative delivery model provider.
- (ii) Appraisal of financial and non-financial risks, together with mitigation plans. The reputational impact of failure to deliver services should be considered, with clear plans on how this would be addressed.
- (iii) A comprehensive list of all the financial commitments the Council will enter into as a result of adopting the alternative service delivery model.
- (iv) The governance arrangements for decision making and how these will be carried out to ensure that the services provided remain aligned to those of the Council.
- (v) Performance measurement arrangements.
- (vi) Exit arrangements, and what would be done to ensure services continue to be delivered in the event of non-delivery by the service provider.
- (vii) The financial implication, including taxation issues, arising as a consequence of the proposed alternative delivery model.
- (viii) Transfer of Council assets to the proposed delivery vehicle, and arrangements for safeguarding their title and use.
- (ix) How equality, sustainability, recruitment and employment practices, data handling and protection, freedom of information principles, standards and behaviour and arrangements for engaging with citizens and service users are aligned to the Council's legal requirements and policies.
- (x) Audit requirements, both internal and external, and arrangements for the Council's auditors, where relevant, to have access to information.
- (xi) Arrangements for providing information required for the Council's Statement of Accounts to the Chief Finance Officer.
- (xii) In the event that the proposal is for a local authority trading company, a dividend policy should be agreed that sets out the process by which decisions will be taken regarding the retention or distribution of profits.
- (xiii) Pensions advice.

## **8.2. Partnerships**

### **8.2.1 Context**

Partnerships include any arrangements where the Council agrees to undertake, part-fund or participate in a project with other bodies; either as a beneficiary of the project, or because the nature or status of the project gives the Council a right or obligation to support it. It is important to understand and distinguish between a partnership in this context and a supplier who the Council may refer to as a 'partner' due to the status that the Council has contractually awarded to it. Irrespective of the title applied to it, this latter type of partnership is a supplier relationship, which will be entered into in accordance with, and governed by, the Council's Contract Procedure Rules.

### **8.2.2 Forming of Partnerships**

The approval of Policy Committee must be obtained prior to the Council entering into any partnership agreement where it is proposed that the Council adopts the role of 'Accountable Body' for a partnership. This is to ensure that the:

- (i) Legal status and financial viability of the arrangement are clearly established and that they are acceptable.
- (ii) The Council's financial commitment to the partnership is quantified and that it can be

- (accommodated within the existing budget provision.)
- (iii) Financial and corporate governance arrangements in place for the partnership are robust, and acceptable from the Council's perspective.
- (iv) The Council is not exposed to undue financial, legal or reputation risk as a consequence of its involvement in the partnership.
- (v) The Council's own financial accounting and reporting requirements can be satisfied.

A partnership agreement must be produced that documents each of the above matters, and the arrangements for dispute resolution and for exiting the arrangement.

The relevant service Committee is responsible for approving the partnership agreement, and any delegations and frameworks required by it, in respect of functions and services delegated to that Committee. The Policy Committee will approve partnership agreements, delegations and frameworks which affect services which cut across the delegation of functions to Committees, or where the decision falls outside the service committee's normal cycle of meetings or is urgent.

Executive Directors/Assistant Directors are responsible for:

- (a) Ensuring the approval of the Head of Paid Service, Chief Finance Officer and the Monitoring Officer is obtained prior to entering into a partnership agreement.
- (b) Ensuring an appraisal is undertaken which demonstrates that the risks associated with the arrangement are minimal, or that appropriate arrangements are in place to mitigate any such risks.
- (c) Ensuring the partnership agreement and arrangements will not impact adversely upon the services provided by the Council or upon its finances.
- (d) Ensuring the proposed financial contribution by the Council to the partnership can be met from existing budget provision.
- (e) Ensuring Committee approval is secured for the agreement, and for all delegations and frameworks for the proposed partnership.

Executive Directors/Assistant Directors must make clear, in their report to Committee, the Council's budget provision for the service covered by the proposed partnership arrangement. The report must specify which party will be the Accountable Body under the partnership, set out the financial implications and seek the necessary budget transfers and officer delegations to exercise this role if it is the Council.

### **8.2.3 The Council Acting as Accountable Body for a Partnership Arrangement**

Where the Council is the 'Accountable Body' for a partnership, all expenditure must be authorised by an appropriate Council officer, or by someone else who has a statutory power to authorise expenditure. Executive Directors/Assistant Directors are responsible for ensuring that the Council is promoting and applying the same high standards of financial administration to the Partnership as apply in the Council.

Whenever any such arrangements are made there must be a written document which clearly establishes the responsibilities of the respective partners for managing the arrangement and the resources made available to the partnership. The document must also set out the arrangements in respect of unspent funding at each year end, including where this is to be returned to the Council as unspent money.

Executive Directors/Assistant Directors must provide all relevant information on the partnership arrangements to the Chief Finance Officer and the Monitoring Officer, in order that the appropriate disclosures can be made within the Council's annual Statement of Accounts.

## **8.3. External Funding**

### **8.3.1 Funding Conditions**

External funding e.g. government and non-government grants is an important source of income to the Council, but funding conditions need to be carefully considered prior to entering into agreements, to ensure that:

- (i) They are compatible with the aims and objectives of the Council;
- (ii) The necessary procedures are in place to meet funding conditions and reporting requirements; and
- (iii) Appropriate budget provision is available if 'match funding' is required.

All bids for external funding must be made in consultation with the Chief Finance Officer.

Bids for sums which, if successful, would involve the Council in a financial commitment of over £500k for the length of the scheme, are key decisions and must be agreed in advance by the responsible service Committee. Any bid where the Council does not have budget provision to meet its contribution to the cost of the scheme is also a key decision.

In exceptional cases, where the timescale and deadline for the bid mean that it would not be practical to submit a report to the relevant Committee, the bid may be submitted following consultation with the Chief Finance Officer, Lead Councillor and Leader or Deputy Leader, and reported to the next meeting of the Committee by the lead Assistant Director.

For other bids, the following delegations apply:

- (1) The Assistant Director for the service in question, in consultation with the Chief Finance Officer, is authorised to submit bids for funding from all available sources which do not fall within the key decision definition, and where successful to accept, subject to:
  - (a) The scheme being consistent with the Council's capital strategy, budget and policy framework and medium-term priorities.
  - (b) The Council's contribution being met from within existing approved budgets in the current and future years.
  - (c) The Council's costs or liability not exceeding £500,000 over the length of the scheme.
  - (d) All successful bids over £100,000 being reported by the lead Assistant Director to the next meeting of the responsible Committee.
- (2) Where any of the criteria in (a) to (c) above are not met, the lead Assistant Director may not submit or accept a bid for any scheme without the prior approval of the Policy Committee.

### **8.3.2 Accounting for External Funding**

The Chief Finance Officer, in conjunction with the Assistant Director in receipt of the grant, must, as appropriate, ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts. This will include ensuring that claims for funding are made by the due date, and in accordance with the funding conditions and guidance issued by the Chief Finance Officer.

The Chief Finance Officer and Assistant Directors must, as appropriate, satisfy audit requirements in respect of external funding claims. This includes maintaining appropriate records that accord with the funding conditions, and making these available to the auditors as required.

### **8.3.3 Third Party Expenditure**

Sometimes, grant funding awarded to the Council may be passed to an organisation falling outside of the direct responsibility of the Council. The Council will however remain accountable for the grant funding and, as such, will be responsible for ensuring that all of the terms of the grant are met. The Council must ensure that effective monitoring procedures are in place to provide assurances over the eligibility of expenditure incurred by the third party.

## **8.4. Work by the Council for Third Parties**

### **8.4.1 Approval to Contractual Arrangements**

Work can only be undertaken for third parties where the Council has the legal powers to undertake the work. Where such legal powers exist, Executive Directors/Assistant Directors are responsible for:

- (i) Approving the contractual arrangements for any work undertaken by their services for third parties or external bodies.
- (ii) Ensuring that the appropriate expertise exists to fulfil the contract.
- (iii) Ensuring that no contract adversely impacts upon the services provided by the Council.
- (iv) Ensure that the appropriate insurance arrangements are in place.
- (i) Ensure that all costs arising from the provision of services to a third party are fully recovered and hence that there is no subsidy included within the contract.
- (ii) Ensure that wherever possible payment is received in advance of work being undertaken such that the Council is not exposed to the risk of bad debts.

All contracts will be properly documented, and a register will be maintained of those contracts. Executive Directors/Assistant Directors will provide information on the contractual arrangements to the Chief Finance Officer, in order that the appropriate disclosures can be made within the Council's annual Statement of Accounts.