

Financial Procedure Rules

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Financial Procedure Rules

INTRODUCTION

The financial policies of the Council are set out in these regulations. They apply to every Councillor and officer of the Authority and anyone acting on its behalf.

Separate financial regulations are to be issued in accordance with the Fair Funding Scheme which will apply to Governing Bodies, Headteachers and staff of schools with delegated budgets. These will be appended to the Fair Funding Scheme document.

These regulations identify the financial responsibilities of the full Council, Executive, Scrutiny Committees, Councillors, the Head of Paid Service, Monitoring Officer, Corporate Directors, Director of Finance and other Heads of Service. Executive Members, the Head of Paid Service, Corporate Directors and Heads of Service should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, such as School Governors, references to the Head of Service in the regulations should be read as referring to them.

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

THE FULL COUNCIL

- 1.1 The full Council is responsible for adopting the Authority's Constitution and Councillors Code of Conduct and for approving the policy framework and budget within which the Executive operates. It is also responsible for approving and monitoring compliance with the Authority's overall framework of accountability and control. The framework is set out in its Constitution. The full Council is also responsible for monitoring compliance with the agreed policy and related Executive decisions.
- 1.2 The full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated and decisions taken by the Council and its committees. These delegations and details of who has responsibility for which decisions are as set out in the Constitution.

THE EXECUTIVE

- 2.1 The Executive is responsible for proposing the policy framework and budget to the full Council, and for discharging Executive functions in accordance with the policy framework and budget.
- 2.2 Executive decisions can be delegated to a Committee of the Executive, an individual Executive Member, an officer or joint committee.

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- 2.3 The Executive is responsible for recommending protocols to ensure that individual Executive Members consult with relevant officers before taking a decision within their delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

COMMITTEES OF THE COUNCIL

Overview and Scrutiny Committees

- 3.1 Overview and Scrutiny Committees are responsible for scrutinising Executive decisions before or after they have been implemented and for holding the Executive to account. Overview and Scrutiny Committees are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Authority.

Standards Committee

- 3.2 The Standards Committee is established by the full Council and is responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Councillors Code of Conduct, and for monitoring the operation of the code.

Other Regulatory Committees

- 3.3 Planning, conservation and licensing are not Executive functions but are exercised through multi-party Planning and Development and Licensing Committee under powers delegated by the full Council. The Planning and Development and Licensing Committees report to the full Council.

THE STATUTORY OFFICERS' RESPONSIBILITIES

Head of Paid Service

- 4.1 The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority as a whole. They must report to and provide information for the Executive, the full Council, Scrutiny Committees and other Committees. They are 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 the full Council's decisions.

Monitoring Officer

- 4.2 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 the full Council and / or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

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- 4.3 The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public. They must also ensure that Council Members are aware of decisions made by the Executive and of those made by Officers who have delegated Executive responsibility.
- 2.4 The Monitoring Officer is responsible for advising all Councillors and Officers about who has authority to take a particular decision.
- 4.5 The Monitoring Officer is responsible for advising the Executive or Full Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the policy framework.
- 4.6 The Monitoring Officer, together with the Director of Finance, is responsible for advising the Executive or full Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- initiating a new policy
 - committing expenditure in future years to above the budget level
 - incurring interservice transfers above virement limits
 - causing total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- Director of Finance (Chief Finance Officer)
- 4.7 The Director of Finance is the corporate officer with statutory responsibility in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Section 151 of the Local Government Act 1972
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Accounts and Audit Regulations 1996
- 4.8 The Director of Finance is responsible for:
- the proper administration of the Authority's financial affairs
 - setting and monitoring compliance with financial monitoring standards
 - advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - providing financial information
 - preparing the revenue budget and capital programme
 - treasury management, pension and trust funds
 - advice on the safeguarding of assets including risk management and insurance.
- 4.9 As responsibilities for financial management are decentralised the requirements for proper administration of the Council's financial affairs has become more complex.

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- 4.10 The Director of Finance shall be responsible for setting and monitoring standards. This involves links with professional staff throughout the Council but does not interfere with normal line management arrangements. The Director of Finance reserves the right to be involved in the appointment of all staff employed in posts designated as requiring a qualified accountant or auditor, wherever located.
- 4.11 The Director of Finance is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the Executive and for approval to the full Council. The Director of Finance is also responsible for reporting, where appropriate, breaches of the financial regulations to the Council and / or the Executive.
- 4.12 The Director of Finance is responsible for issuing advice and guidance to underpin the financial regulations that Councillors and officers and others acting on behalf of the Authority are required to follow.
- 4.13 The Director of Finance shall, in compliance with section 114 of the Local Government Finance Act, 1988, report to the full Council, Executive and external auditor if the authority or one of its officers:
- has made or is about to make a decision which involves or would involve the Council in incurring expenditure which is unlawful
 - has taken or is about to take a course of action which, if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency on the part of the Council
 - is about to enter an item of account, the entry of which is unlawful.
- and the Director of Finance shall also make a report if it appears that the expenditure proposed by the Council in a financial year is likely to exceed the resources available to meet that expenditure.
- 4.14 Section 114 of the Local Government Finance Act, 1988 also requires the Director of Finance to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under Section 114 personally. The Authority shall provide the Director of Finance with sufficient staff, accommodation and other resources, including legal advice where necessary, to carry out the duties under Section 114.
- 4.15 To comply with all statutory duties and with the requirements and instructions of the Council, the Director of Finance shall be given access to any information as is necessary.
- 4.16 The Director of Finance shall approve all financial procedures, records, systems and accounts operated throughout the Council including any changes which are subsequently proposed.
- 4.17 The Director of Finance is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should also ensure that public funds are properly safeguarded

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and used economically, efficiently and in accordance with the statutory and other authorities that govern their use.

- 4.18 The Director of Finance shall have the power to make technical amendments from time to time to make these Financial Procedure Rules consistent with legal requirements, changes in Council structure and personnel and best practice after approval of the Corporate Management Team

HEADS OF SERVICE RESPONSIBILITIES

- 5.1 Heads of Service are responsible for ensuring that all staff in their Service are aware of the existence and content of the Authority's financial regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their Service.
- 5.2 Prior to introducing, amending or discontinuing any arrangements, guidelines and procedures for the proper administration of the financial affairs of a Service, the Head of Service shall confer with the Director of Finance.
- 5.3 Heads of Service are responsible for ensuring that Executive Members are advised of the financial implications of all proposals and that the financial implications have been agreed with the Director of Finance.
- 5.4 Heads of Service shall consult the Director of Finance on any matter within their responsibility which is liable materially to affect the finances of the Council, before any commitment is incurred and before submitting policy options or recommendations.
- 5.5 With regard to any report or information for members of the public which relates to budget planning and / or monitoring or upon which policy decisions or consultation are to be based, each Director of Finance is responsible for ensuring the Director of Finance is consulted about any information to be included concerning the finances of the Council, its services and activities. The Director of Finance is to be given adequate time to comment in advance of the agenda / deadline date. If a Head of Service, having regard to the Director of Finance's views, does not wish to amend the report, the Director of Finance may require inclusion of his comments within the report before it is finalised.
- 5.6 Reports shall only be submitted jointly by a Head of Service and the Director of Finance if the Director of Finance has validated and agreed the financial aspects of the report. The onus is on the Head of Service to obtain the agreement of the Director of Finance.
- 5.7 Before submitting an application for grant which would require the Council to commit additional resources in the current or succeeding year, Heads of Service should consult the Director of Finance.

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- 5.8 All grant applications / claims processed by Heads of Service shall be submitted to the Director of Finance for validation and certification prior to submission.
- 5.9 Notification of a successful application for grant shall be obtained in writing stating the amount and conditions relating to its receipt.

FINANCIAL ACCOUNTING AND ADMINISTRATION

The main accounting system should provide data that is accurate and adequate for the published final accounts and management in the conduct of their business. Secure and reliable systems are essential to ensure that individual transactions are processed and recorded accurately.

GENERAL PRINCIPLES

1. Heads of Service are responsible for promoting the financial management standards set by the Director of Finance in their Services and monitoring adherence to the standards and practices, liaising as necessary with the Director of Finance.
2. All Heads of Service shall promote sound financial practices in relation to the standards, performance and development of staff in their Services.

FINANCIAL ADMINISTRATION

- 6.1 The Director of Finance shall be responsible for keeping the principal accounting records for all Services of the Council.
- 6.2 The Director of Finance shall ensure that the accounts and accompanying reconciliation's are properly prepared and presented for audit in accordance with relevant guidelines and statutes.
- 6.3 All accounts, financial records, including computerised records and financial administration procedures shall be kept in a form approved by the Director of Finance.
- 6.4 After conferring with other Heads of Service, the Director of Finance shall issue instructions as are deemed necessary to carry out the day to day financial work of the Council.
- 6.5 Prior to introducing, amending or discontinuing any record or procedure relating to financial transactions or accounting in their Service, Heads of Service shall consult the Director of Finance.

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- 6.6 The Director of Finance shall be consulted by Heads of Service on the retention and safe custody of all accounting records. In determining a timescale for the retention of accounting records, the Director of Finance will take into account all statutory obligations and available storage facilities. No voucher or other document shall be destroyed before the specified period has elapsed.
- 6.7 Heads of Service shall comply with accounting guidance provided by the Director of Finance and to supply the Director of Finance with information when required.

CLOSING OF ACCOUNTS

- 7.1 The Director of Finance shall be responsible for the production and publication of the Council's final accounts in such form and in accordance with such timetable as to make it consistent with any relevant statute.
- 7.2 The Director of Finance shall produce and circulate to all relevant officers of the Council a set of guidance notes for the production of final accounts. These notes shall detail the timetable for the final accounts production, the information and action required from Services and any other details necessary to ensure that the responsibilities under this paragraph are properly discharged.
- 7.3 The Director of Finance shall present the Statement of Accounts for the year in question to the Council's external auditors as early as possible.
- 7.4 Heads of Service must comply with accounting guidance provided by the Director of Finance and supply information when required.
- 7.5 The Director of Finance shall retain, in safe custody, copies of the audited Statement of Accounts including the external auditors signed certificate and opinion.

UNOFFICIAL FUNDS

- 8.1 An 'unofficial fund' is any fund where the income and expenditure does not form part of the Council's accounts but which is controlled wholly or in part by an officer by reason of employment by the Council or employment by, for instance, the Governors of a school or other semi-autonomous body.
- 8.2 Heads of Service shall be responsible for the immediate control of 'unofficial funds' within or relating to their Services.
- 8.3 The Director of Finance shall be informed of the existence of all 'unofficial funds' and shall issue and update accounting instructions for them where necessary.

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FINANCIAL PLANNING

The budget process converts the plans for the use of physical resources into monetary values and has a controlling influence over the financial affairs of the Council. Budget monitoring enables senior management, The Executive and Council to be kept fully informed of whether the Authority's financial targets are being achieved and imposes accountability upon budget holders.

GENERAL PRINCIPLES

- 9.1 The full Council is responsible for agreeing the Authority's policy framework and budget, which will be proposed by the Executive.
- 9.2 The full Council is responsible for approving procedures for agreeing variations to approved budgets, plans and strategies and forming the policy framework for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the full Council by the Monitoring Officer.
- 9.3 The full Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another. The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.
- 9.4 Each year, the Director of Finance shall report to the Executive upon the general financial situation of the Council and upon future financial scenarios in relation to the coming year's budget prospects and long-term trends.
- 9.5 Having regard to the Director of Finance's reports and advice, the Executive shall recommend the general budget strategy to be adopted with regard to preparation by Services of their annual budget submissions.
- 9.6 The Executive and Heads of Services shall ensure that capital and revenue spending are each contained within their approved budget ceiling and shall seek further approval from the Council before taking any action that shall cause net spending to increase by either increasing gross expenditure and / or reducing income.

REVENUE BUDGET

- 10.1 The general format of the budget will be approved by the full Council after receiving a and proposal from the Executive on the advice of the Director of Finance. The draft budget should include allocations to different services and projects, proposed taxation levels and contingency funds.

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- 10.2 The Director of Finance is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Executive, before submission to the full Council. The draft budget should include allocations to different services and projects, proposed taxation levels and contingency funds.
- 10.3 Each Head of Service shall prepare annually a forward revenue budget in accordance with the criteria, format, timetable and targets specified by the Director of Finance and / or Executive.
- 10.4 If any line at the level of the detailed budget agreed by the Council becomes, or is expected to become overspent, the Head of Service must take action to correct the position, this may include use of virement powers contained in paragraph 10.5 below.
- 10.5 Virement between one line in the revenue budget and another is allowed in accordance with the rules and limits currently prescribed by the Council. At present these are:
- virements of less than £5,000 on a single heading can be actioned by a Head of Service and the cumulative total reported to the Corporate Management Team
 - virements of £5,000 and above, but less than £50,000 can be actioned by a Head of Service with the approval of the Corporate Management Team
 - virements of £50,000 and above are subject to Council approval
 - all proposed virements must be reported to the Director of Finance
 - all virements involving a significant change in policy are subject to Executive and Council approval
 - any virement proposing a permanent change in establishment require the approval of Corporate Management Team
 - no proposed virement shall be used to justify additional resource allocation in following years
 - once a proposed virement has been agreed / approved, the Director of Finance shall ensure that the appropriate changes are made to the Authority's computerised accountancy system at the earliest opportunity
 - prior approval of the Executive and Council is required for any virement, of whatever amount, where it is proposed to:
 - vire between budgets of different accountable Executive Members
 - vire between budgets managed by different Heads of Service.

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- 10.6 A Service may, subject to the approval of the Corporate Management Team not later than its last meeting before the end of the financial year, carry forward from one year to another unspent balances where it is satisfied that:
- for reasons beyond the Service's control, supplies and services are not obtainable within the financial year
 - because of changes of specification, design, etc. it is advantageous to defer a purchase beyond the end of the financial year
 - where the balance is a carry forward of a revenue contribution to capital outlay

Such agreement shall constitute authority for the appropriate Service to incur relevant expenditure not exceeding the amount approved.

- 10.7 The extent to which a Service can carry forward and utilise in subsequent years any underspendings which arise on its revenue budget as a result of:
- improved management control
 - external factors outside its control

shall be determined by the Corporate Management Team not later than its last meeting before the end of the financial year. The Corporate Management Team may, at its discretion, require a Service to carry forward to the following financial year any overspent balances.

- 10.8 Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out expenditure and income arising from the provision of housing. The HRA is permitted by statute to carry forward unspent balances to future years. Paragraphs 10.6 and 10.7 above, therefore are not applicable to Housing Revenue Account expenditure.

CAPITAL BUDGET

- 11.1 The Executive shall recommend the policy guidelines within which a forward capital programme shall be prepared each year.
- 11.2 The definition of capital expenditure shall be such as the Council may determine in accordance with statutory provisions and the advice of the Director of Finance.
- 11.3 Each Head of Service shall prepare annually a proposed forward capital programme for consideration by the Executive. Prior to submission to the Executive Heads of Service shall provide information each proposed project for appraisal at officer level, in such form as the Director of Finance shall determine.

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- 11.4 The Chief Executive, in consultation with the Director of Finance, shall produce and circulate to all relevant officers a set of guidance notes for the production of the capital programme.
- 11.5 Where capital expenditure is to be met in part or whole by a grant, contribution from another party (e.g. government department) or supplementary credit approval, no expenditure shall be incurred until all necessary approvals have been obtained, including that of the Executive.
- 11.6 Where the actual or estimated cost of a capital scheme exceeds the original budgetary provision by more than £30,000 or 5%, whichever is the lower, the appropriate Head of Service shall prepare a report for the Executive outlining the reasons and consequences of adhering to the approved capital programme. The Executive must take action to correct the position; this may include the use of virement powers contained in paragraph 11.7 below.
- 11.7 Virement between one capital scheme and another is allowed in accordance with the rules and limits currently prescribed by the Council. At present these are:
- the expenditure to be removed cannot be reinstated until the next review of the Council's capital budget takes place
 - all necessary approvals are obtained
 - the diversion does not increase the Council's eventual revenue liabilities
 - the diversion does not amount to more than £50,000 or 5% of the Services capital budget whichever is less;
 - the project to which it is proposed to divert the money is already in the Service's approved programme for future years and has been the subject of a project appraisal approved by the Executive
 - the proposal is accompanied by a project appraisal and such appraisal is approved by the Executive prior to the diversion being made
- 11.8 Any proposal to add, delete, substitute or substantially amend any capital project shall be subject to approval by the Executive and Council.
- 11.9 Any reduction in payments on a capital project, whether resulting from slippage or cost savings, shall be reported to the Executive and shall not be used by Services to fund additional capital expenditure unless the Executive and Council so determine.

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BUDGET MONITORING

- 12.1 The Director of Finance is responsible for providing appropriate financial information to enable budgets to be monitored effectively.
- 12.2 It is the responsibility of Heads of Service to control income and expenditure within their Service and to monitor performance, taking account of financial information provided by the Director of Finance. Heads of Service should report to the Corporate Management Team on variances within their own service area.
- 12.3 It is the responsibility of each Head of Service to identify budget holders under their direct control and to ensure that budgets are not overspent. They should also take any action necessary to avoid exceeding their budget allocation and alert the Director of Finance to any problems.
- 12.4 Budget planning shall assume annual inflation increases are applied to fees and charges, unless a lower or higher figure is approved by the Corporate Management Team. The Executive shall receive reports for approval.

CONTRACTS, AGREEMENTS AND PURCHASING

Officers authorised to commit the Authority to current or future expenditure are expected to act responsibly and demonstrate that the arrangements and procedures followed comply with the Council's instructions.

GENERAL PRINCIPLES

- 13.1 All contracts, agreements and purchases are subject to the requirements of Standing Orders, and the procedures and financial limits which they prescribe.
- 13.2 Advice and assistance shall be available from the Council's Strategic Procurement Manager to enable Heads of Service to comply with the requirements of any relevant government or E.E.C. regulations relating to contracts.
- 13.3 Every officer and Councillor has a responsibility, in accordance with appropriate codes of conduct, to declare any links or personal interests which they may have with suppliers and / or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council. It is important for everyone involved in spending public money to demonstrate that they do not benefit personally from decisions that they make and to avoid any situation which might be regarded as compromising their objectivity and impartiality.

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- 13.4 Before entering into purchasing commitments, Heads of Service shall ensure that the estimated cost is covered by financial provision in the budget to which it relates.
- 13.5 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts.

ORDERS FOR WORK, GOODS AND SERVICES

- 14.1 Before concluding any purchase, a Head of Service should always ensure that best value for money is obtained having due regard to any special circumstances which may apply.
- 14.2 Official orders shall be in a form approved by the Director of Finance and signed only by officers authorised by the appropriate Head of Service. All official orders issued by a Service shall be the responsibility of the Head of Service. An up to date list of authorised officers together with their specimen signatures and initials shall be maintained by Heads of Service and a copy sent to the Director of Finance. Any changes to the list of authorised signatories shall be notified to the Director of Finance immediately.
- 14.3 Official orders shall be issued for all goods, work and services except where the Council enter into a formal contract with a supplier made for supplies of utility services, periodic payments such as rents or rates, for petty cash purchases or such other exceptions as the Director of Finance may approve. Where orders are given orally, which should only be in exceptional circumstances, they shall be confirmed by an official order marked 'Confirmation Order'.
- 14.4 All goods, equipment etc., ordered on official order forms shall be for the Council's own use, including those purchased under VAT Savings Schemes.
- 14.5 Services shall keep records of payments to utility services, (i.e. gas, water etc.), to avoid duplicate payments.
- 14.6 Issuing directorates shall retain a record either on paper or magnetic media of each official order for a period determined by the Director of Finance. Any subsequent variations or amendments shall be approved by an authorised officer, linked to the original record and confirmed in writing.
- 14.7 Whether the order is recorded on magnetic media or paper, the record should be updated with the details of any payment prior to it being released.

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CONTRACTS

- 15.1 These regulations with regard to contracts shall be read in conjunction with the Council's Standing Orders relating to Contracts.
- 15.2 All Heads of Service should ensure that adequate and effective systems and procedures are operated for arranging and managing contracts and agreements having regard to advice and guidance from the Director of Finance on financial aspects. This includes the financial vetting of contracts where appropriate.
- 15.3 Contractual agreements for the provision of social care between the Council and independent sector providers shall take into account the following specific issues:
- the need to reflect a high degree of client, carer and client's family's involvement in contracting arrangements
 - The need for a long term service relationship avoiding regular changes in service provider, particularly in the case of long term residential care
 - the involvement of potential providers, such as small charities or voluntary organisations, who may have limited experience and resources to cope with complex contracting and tendering arrangements.
- 15.4 Any contract or agreement involving a charge upon assets or property must be forwarded to the Head of Legal Services for signature on behalf of the Council.
- 15.5 Except on the instruction of the Director of Finance, no other Head of Service shall enter into any agreement or contract involving the borrowing of funds, leasing of equipment, credit arrangement, hire purchase agreement, insurance contract, or the investment of Council monies; nor the authorising of any direct debit to be charged against the Council's bank accounts (except as agreed and authorised by the Director of Finance).
- 15.6 Except as agreed by the Council, no officer may raise money by securing any legal charge or claim upon the buildings, property or any other asset or interest of the Council.
- 15.7 The content and form of contracts and agreements are to be agreed by the Head of Legal Services before finalising by a Head of Service on behalf of the Council.
- 15.8 Prior to entering into any contract, Heads of Service will fully consider all Insurance and Risk Management implications, and where necessary seek appropriate advice regarding these from the Director of Finance.

PAYMENT OF ACCOUNTS

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- 16.1 The Director of Finance has authority to pay all amounts to which the Council is legally committed, after authorisation by the appropriate Head of Service.
- 16.2 Unless alternative arrangements have been agreed and approved by the Director of Finance, the Head of Service responsible for issuing an order, or nominated officer, shall authorise all invoices.
- 16.3 Payments on account to contractors shall be made only on a certificate issued by the appropriate Head of Service (or private architect, engineer or consultant where engaged by the Council) or other officer nominated in writing for the purpose.
- 16.4 Before the appropriate Head of Service or duly authorised person issues a final certificate of payment under a contract, the Director of Finance shall be notified and have the right to examine the contractor's final account, together with other such documents as the Director of Finance may consider necessary. The appropriate Head of Service shall notify the Director of Finance in writing on the satisfactory completion of the maintenance period under a contract so that any performance bonds may be released.

IMPREST ACCOUNTS

- 17.1 The Director of Finance may make imprest advances to officers for the purpose of defraying petty cash expenses for which the Council is liable.
- 17.2 An officer receiving an imprest advance shall acknowledge receipt.
- 17.3 Cash shall be kept in a safe place at all times.
- 17.4 Payments shall be limited to minor items of expenditure unless approval is given by the Director of Finance for exceptional payments
- 17.5 An imprest account shall not be allowed to become overdrawn.
- 17.6 Imprest accounts and supporting vouchers shall be submitted at regular intervals for examination and reimbursement of expenditure
- 17.7 The imprest holder shall be responsible for the control and operation of the imprest account in accordance with instructions issued by the Director of Finance.
- 17.8 Monies received on behalf of the Council shall not be paid into an imprest account but banked into the Council's main account.

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EMPLOYEE AND PERSONNEL ASPECTS

The largest element of Council expenditure is the cost of staff. Reliable and timely information is required to ensure that only genuine employees are paid in accordance with their proper entitlement. Failure to apply taxation and national insurance regulations correctly to all payments could incur significant financial penalties.

GENERAL PRINCIPLES

- 18.1 The payment of salaries, wages , pensions, compensation and other emoluments to all employees or former employees of the Council and allowances to Members shall be made by Director of Finance or under arrangements approved and controlled by the Director of Finance.
- 18.2 All Heads of Service shall ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 18.3 All Heads of Service shall ensure that payroll transactions are processed only through the payroll system. Careful consideration should be given to the employment status of individuals employed on a self employed, consultant or sub contract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Director of Finance.
- 18.4 All timesheets or other pay documents shall be in a form agreed with the Director of Finance and shall be signed as a correct record by both the employee concerned and by an officer authorised to certify the document on behalf of the appropriate Head of Service.
- 18.5 All Heads of Service shall determine which officers from within their Services are authorised to certify salaries and wages documents. An up to date list of these authorised officers together with their specimen signatures and initials should be maintained by Head of Service and a copy sent to the Director of Finance. Any changes to the list shall be notified to the Director of Finance.
- 18.6 All relevant records and other pay documents shall be submitted to the Director of Finance in accordance with timetables and deadlines determined by the Director of Finance.
- 18.7 The Director of Finance shall be responsible for making arrangements for the administration and regulation of claims for expenses and allowances to employees and Councillors of the Council and its Committees and other approved bodies. The Members' Office Manager shall be responsible for monitoring the budget for Councillors expenses.

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- 18.8 Certification of officers' travel and subsistence claims, by or on behalf of a Service, shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, expenses properly incurred and that the allowances are payable by the Council.
- 18.9 The Director of Finance shall ensure that there are adequate arrangements for administering superannuation matters on a day to day basis.

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BANKING, INCOME AND TREASURY MANAGEMENT

Proper administration of bank accounts is fundamental financial control. All income collection systems must provide for prompt recording of both cash and credit and the prompt banking of all receipts. Income is vulnerable if not adequately and effectively controlled.

BANKING

- 19.1 All arrangements concerning the opening, closing and operation of the Council's bank accounts (including local imprest accounts) shall be notified to the Director of Finance. All Bank Mandates shall be signed by the Director of Finance or nominated officer.
- 19.2 Heads of Service shall not enter into any arrangements for payments to be automatically debited from the Council's bank account without prior approval of the Director of Finance. A Head of Service shall not apply for additional banking services, for example credit/debit cards without the express approval of the Director of Finance.
- 19.3 Each bank account operated by the Council shall bear an official title and in no circumstances shall an account be opened in the name of an individual except in respect of an account in the name of the Acting Returning Officer for the Middlesbrough Constituency

INCOME

- 20.1 Arrangements for the collection of all monies due to the Council shall be agreed with the Director of Finance, even though a Head of Service may be responsible for the actual collection, either upon a directive of the Council or by agreement with the Director of Finance. Records of all income transactions shall be maintained by Heads of Service, in a form agreed by the Director of Finance.
- 20.2 The Director of Finance shall set out the arrangements necessary to ensure that all monies due and received are banked promptly.
- 20.3 All receipt forms, books, tickets and other such items shall comply with the requirements of the Director of Finance who shall be satisfied as to the arrangements for their control. Every issue of any such document shall be acknowledged by the signature of the officer to whom the issue is made. No officer shall give a receipt for any money received on behalf of the Council on any form other than an official receipt form or ticket.
- 20.4 All sums received by officers shall be paid over promptly to the Director of Finance, or by arrangement, to the Council's bankers. No deduction should be made from such money, unless specifically authorised by the Director of Finance. Personal cheques must not be cashed out of collections.

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- 20.5 The Director of Finance shall be notified as early as possible of all money due to the Council under contracts, or any other arrangements which would involve the receipt of money by the Council, and shall have access to the original documents or relevant particulars.
- 20.6 Every officer when depositing money or paying over collections must complete a paying in slip in accordance with best practice.

DEBT COLLECTION

- 21.1 Income arising from work done, goods supplied or services rendered and not paid for at the time, must be invoiced and all Heads of Service must ensure the prompt issue and rendering of such accounts. To do this, all Heads of Service should ensure that the full details of the debtor and service provided are recorded in order that amounts due can be collected. Performance management systems should be established to monitor recovery of income and flag up areas of concern to the Director of Finance. Evidence of the debt shall be retained by Heads of Service for a period agreed with the Director of Finance.
- 21.2 Before raising any invoices for work done, goods supplied or services delivered, Heads of Service should consider the most cost effective method of collecting the income. Where it would be reasonable to expect payment in cash it should be collected prior to the provision of goods or services.
- 21.3 All Heads of Service have a responsibility to assist the Director of Finance to collect debts which they have originated, by providing any further information requested by the debtor, and in pursuing the debt on the Council's behalf.
- 21.4 The Director of Finance and Head of Legal Services shall take all reasonable steps to obtain recovery of debts (involving debt collection agencies and / or Court proceedings as appropriate.)
- 21.5 The Director of Finance is authorised to approve the write off of debts in respect of the following:
- Council Tax
 - National Non Domestic Rates
 - Community Charge
 - Sundry Debt (Commercial Rents, Payroll, Housing Advances, Overs and Shorts of Cash, Returned Payments, Small Balances and Unclaimed Credit Accounts)
- 21.6 Any bad debts shall be charged against the budget of the Service to which it originally related.

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TREASURY MANAGEMENT

- 22.1 The Council has adopted the key recommendations from the Chartered Institute of Public Finance and Accountancy's (CIPFA) "Treasury Management in the Public Services: Code of Practice". Accordingly, Middlesbrough Council will create and maintain, as the cornerstones for effective treasury management.
- A treasury management policy statement, stating the policies and objectives of its treasury management activities.
 - Suitable treasury management practices (TMPs), setting out the manner in which Middlesbrough Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities. The Director of Finance will approve the TMPs and amend them as necessary, with such amendments being reported to the Cabinet.
- 22.2 The Cabinet will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close.
- 22.3 Middlesbrough Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the Treasury Management Policy Statement and the TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 22.4 All money received by the Council shall be aggregated for the purpose of treasury management and shall be under the control of the officer designated for the purpose of section 151 of the Local Government Act 1972, referred to in the Code as the Responsible Officer.
- 22.5 All borrowings and investments shall be effected in the name of Middlesbrough Borough Council.
- 22.6 The Director of Finance shall be the registrar for all stocks, bonds and mortgages of the Council and shall maintain records of all transactions relating thereto, and of all borrowings of money by the Council.
- 22.7 All borrowing and investments shall be effected in the name of Middlesbrough Borough Council.
- 22.8 The Director of Finance shall be the registrar for all stocks, bonds and mortgages of the Council and shall maintain records of all transactions relating thereto, and of all borrowings of money by the Council.

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ASSETS, SECURITY AND RISK MANAGEMENT

The Council's assets represent a significant resource, which must be protected against loss or misuse. The need for effective measures to reduce losses has led the Council to adopt a more positive strategy towards the management of risk.

ASSETS

- 23.1 All Heads of Service shall maintain an inventory for each establishment within their control, recording an adequate description of such readily portable items of furniture, fittings, equipment, tools, plant and machinery in a form approved by the Director of Finance. All leased assets shall be identified and recorded separately.
- 23.2 All Heads of Service shall arrange for regular physical checks (at least annually) to be carried out of equipment, stores etc. against the relevant records. Any significant surplus, deficiency or deterioration revealed as a result of such checks shall be identified, investigated, pursued to a satisfactory conclusion and the inventory annotated accordingly.
- 23.3 All Heads of Service shall arrange for the valuation of assets for accounting purposes in accordance with the Local Government Act 1989 and associated codes of practice.
- 23.4 The Council's property shall not be removed other than in accordance with the ordinary course of business or used other than for the Council's purposes except in accordance with specific directions issued by the Head of the appropriate Service.
- 23.5 Assets owned by the Council shall as far as possible, be effectively marked as Council property.
- 23.6 Before Heads of Service take any action on the disposal of surplus or obsolete stock they should consult other Services to determine if there is a continuing need for the item(s) within the Council. Where there is no internal need for the item(s), Heads of Service shall arrange for the items to be offered for sale by competitive tender or public auction, except as agreed otherwise by the Director of Finance and in accordance with Standing Orders.
- 23.7 The Director of Finance shall be notified of the intention to dispose of any item which might be regarded as capital or was obtained via leasing agreement. No leased asset shall be disposed of without the written agreement of the Director of Finance.
- 23.8 Assets leased by the Council must be maintained in full working order in accordance with the terms of the lease and shall not be adapted for any alternative use without the prior written agreement of the Director of Finance.

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SECURITY

Assets

- 24.1 All Heads of Service shall be responsible for introducing and maintaining adequate arrangements for all aspects of security including personnel, stores, equipment, cash, data, and confidential information under their control. The Director of Finance shall be consulted in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 24.2 Maximum limits of cash to be held by a Head of service at any one time shall be agreed with the Director of Finance and shall not be exceeded without permission.
- 24.3 The Director of Finance shall be responsible for ensuring that secure arrangements are made for the preparation and holding of presigned cheques, stock certificates, bonds and other financial documents.
- 24.4 All Heads of Service should ensure that contingency plans are in place for the security of assets and continuity of service in the event of disaster or system failure.

Information

- 24.5 All employees of the Council have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be classified as sensitive, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way. All Heads of Service shall seek to inculcate in their staff an awareness of safety and security issues, and an appreciation of the individual responsibilities of staff both under the Health and Safety at Work Act 1974 and otherwise to ensure the safety of individuals and security of the Council's assets.
- 24.6 The Council has adopted a Computer Security Code of Practice. All Heads of Service should ensure that employees are familiar with this document, and that effective controls and security routines are operated to protect data against the hazards listed (e.g. computer viruses; unauthorised access; loss of data etc.).
- 24.7 It is the responsibility of all Heads of Service to ensure that all computerised systems within their responsibility are properly registered and operated in accordance with requirements of the 1998 Data Protection Act and other legislation.

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INSURANCE

- 25.1 The Director of Finance shall ensure that adequate insurance protection is maintained for the Council's assets and operations where it is considered to be cost-effective and appropriate. Such protection may, on advice, be arranged by way of external insurance cover, or by way of an internal 'Insurance Fund' established for that purpose, or a combination of such measures.
- 25.2 The Director of Finance shall be responsible for the negotiation of all the Council's insurance contracts, and Heads of Service shall provide all such information and assistance as is required to facilitate such negotiations. No insurance contracts may be entered into by Heads of Service other than through the offices of the Director of Finance.
- 25.3 Each Head of Service shall give prompt notification to the Director of Finance of all new insurable risks and all changes in operations, responsibilities, contractual arrangements, indemnities, or ownership or occupation of properties in which the Council has an interest whenever such changes may have a bearing on any of the Council's insurance arrangements.
- 25.4 Each Head of Service shall be responsible for providing prompt notification to the Director of Finance of all incidents likely to give rise to an insurance claim by or against the Council. In the case of accidents involving death or serious injury to any party, such notification shall in the first instance be by way of an immediate oral report.
- 25.5 Each Head of Service shall ensure full and prompt co-operation of their Service and individual staff in the investigation, defence and negotiation of claims.
- 25.6 Heads of Service may arrange with the Director of Finance for the provision of insurance cover additional to those arranged generally for the Council when they judge such additional cover to be appropriate.
- 25.7 Fortuitous accidents and losses, which arise in a wide variety of ways, may have a very significant impact both in humanitarian terms, and in terms of financial cost to the Council. It is the responsibility of every Head of Service to manage the operations of their Service in such away as to reduce as much as reasonably practicable both the humanitarian and financial costs of risks. To this end, all Heads of service must consider the risk and insurance implications of all existing and new operations undertaken and contracts and indemnities entered into; where appropriate consulting with specialist Health and Safety, Risk Management, Insurance, Legal or other technical staff within the Council in order to minimise the attendant risks.

Risk Management

- 25.8 The Director of Finance shall provide advice on Risk Management and every Head of Service has a responsibility to support these initiatives with the aim of improving Risk Management throughout the Council.

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INTERNAL AUDIT

Internal Audit systematically monitors the Council's objectives and through an examination of system and management controls attempts to ensure that those objectives are being met in the most efficient, economic and effective manner.

GENERAL PRINCIPLES

- 26.1 The Accounting and Audit Regulations 1996 issued by the Secretary of State for the Environment require every local authority to maintain an adequate and effective internal audit. The Council has delegated its statutory responsibility to the Director of Finance.
- 26.2 As a service to management, the Internal Audit Section shall provide an independent appraisal of all the Council's activities, reporting on the adequacy and effectiveness of the systems of internal control, including management controls and arrangements. The work undertaken by the Internal audit Section shall have the following objectives:
- to review and appraise the soundness, adequacy and application of accounting, financial and other controls
 - to ascertain the extent to which systems of control ensure compliance with established policies and procedures
 - to ascertain the extent to which assets and interests entrusted to or funded by the Council are properly controlled and safeguarded from losses of all kinds
 - to ascertain that accounting and other information is reliable as a basis for the production of accounts and other returns
 - to ascertain the integrity and reliability of financial and other information provided to management including that used in decision making
 - to ascertain that systems of control are laid down and operate to promote the most economic, efficient and effective use of resources
- 26.3 The Director of Finance or authorised representative shall have authority on production of identification to:
- enter at all reasonable times on any Council property or land
 - have access to all assets, staff, records, computer files, documents and correspondence relating to any financial and other transactions
 - require and receive such explanations as are necessary concerning any matter under examination
 - require any employee holding or controlling cash, stores or any other Council property to produce such items
 - access records belonging to third parties, such as contractors and partners, when required
 - have direct access to the Head of Paid Service and Executive

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- 26.4 In relation to these rights of access, Internal Auditors are regarded as having a personal responsibility to observe the highest standards of confidentiality and personal integrity. Any breach of this could give rise to disciplinary proceedings.
- 26.5 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council or any suspected irregularity in the exercise of the functions of the Council, the Head of Service concerned shall immediately notify the Director of Finance, who shall investigate and report as necessary. Pending any investigation and reporting, the Head of Service should take all necessary steps to prevent further loss and secure records and documentation against removal or alteration.
- 26.6 Heads of Service shall ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 26.7 Heads of Service shall ensure that new systems for maintaining financial and non-financial records or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.

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PARTNERSHIPS

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local Authorities are working in partnership with others: public agencies, private companies, community groups and voluntary organisations. Local Authorities still deliver some services, but their distinctive leadership role is to bring together contributions of the various stakeholders.

GENERAL PRINCIPLES

- 27.1 The Executive is responsible for approving delegations of Executive functions, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- 27.2 The Executive can delegate functions - including those relating to partnerships, to Officers. These are set out in the scheme of delegation that forms part of the Authority's constitution. Where functions are delegated, the Executive remains accountable for them to the full Council.
- 27.3 The Head of Paid Service represents the Authority on partnership and external bodies, in accordance with the scheme of delegation.
- 27.4 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Authority.
- 27.5 The Director of Finance must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. They must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. The Director of Finance must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- 27.6 Heads of Service are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.