

Financial Procedure Rules

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1.0 INTRODUCTION

1.1 These **Financial Procedure Rules** form part of the overall control framework within which North Yorkshire County Council operates. They aim to facilitate service delivery by setting out best practice for the administration of all financial matters throughout the Council, ensuring a high quality of financial information and enabling better decision making. They should not be viewed as a barrier to executive action and are constantly kept under review to ensure that they remain relevant to the day to day activities of the Council.

1.2 The financial control framework can be seen as a hierarchy established as follows:-

Articles of the Constitution

Budget and Policy Framework Procedure Rules

Contract Procedure Rules Approved by the Council

Financial Procedure Rules

Property Procedure Rules

Finance Manual

Prepared and maintained by the Corporate
Director - Finance and Central Services

Procurement Manual

1.3 The Constitution defines the rules governing the procedures of the Council including Responsibility for functions, Contract Procedure Rules, the Property Procedure Rules and these Financial Procedure Rules.

1.4 The Constitution defines the framework within which the powers to make decisions, take action etc are delegated to the appropriate level in the organisation. In particular the Constitution: -

- ♦ requires all Directors to act within the terms of these Rules in the exercise of their delegated powers
- ♦ empowers the Corporate Director Finance and Central Services to act as the Proper Officer under Section 114 of the Local Government Finance Act 1988.
- ♦ empowers the Corporate Director Finance and Central Services to exercise the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972.

1.5 The Contract Procedure Rules define the correct procedures to be followed when the Council enters into any contractual arrangement and should be read in conjunction with these Rules; the Property Procedure Rules define the correct procedures for the acquisition, disposal and redeployment of land and buildings.

1.6 The Finance Manual is a comprehensive document detailing all aspects of financial systems and procedures and is designed for use on a day to day basis by staff involved in any aspect of financial administration. Any new or revised instructions on financial matters issued by the Corporate Director Finance and Central Services will be incorporated into the Finance Manual.

1.7 Although all Finance and Central Services staff report to the Corporate Director Finance and Central Services they provide day to day support to all Directorates and Business Units. They are ready and willing to provide assistance to any Member or Officer regarding financial management, administration or budgetary control issues. In particular, their advice should be sought by anyone intending to create a new, or amend an existing, financial procedure.

1.8 The statutory responsibility for the creation and maintenance of the financial control framework throughout the Council rests solely with the Corporate Director Finance and Central Services. With the assistance of the Internal Audit Service the Corporate Director Finance and Central Services will monitor adherence to these Rules.

1.9 The application and content of these Financial Procedure Rules is constantly under review. The Corporate Director Finance and Central Services therefore welcomes feedback on the operation of these Rules, or any aspect of the Finance Manual, to ensure that they both remain effective and relevant to the day to day operational activities of the Council.

2.0 DEFINITIONS

2.1 In these Rules, unless the context otherwise requires:-

Asset is any asset including material and intellectual property, but excluding any estate or interest in land and buildings, (i.e. 'Property' as defined by these Rules)

Budget Holder is an officer nominated by a Director and/or Business Unit Head as being responsible for managing a defined sum of money (i.e. '**budget**')

Business Unit Head is an Officer responsible for a defined function or activity within a Directorate and who reports directly to the relevant Director

CDFCS means the Corporate Director Finance and Central Services, the officer appointed by the Council to exercise the powers defined in Section 151 of the Local Government Act 1972

Council means the North Yorkshire County Council

CPR means the Contract Procedure Rules

Credit Control Manager means the employee of the Council nominated to this post within the Finance and Central Services Directorate by the CDFCS

Director shall apply to any, or all, of the following Officers:-

- Chief Executive Officer
- Corporate Director Business and Environmental Services
- Corporate Director Children and Young People's Service
- Corporate Director Adult and Community Services
- Corporate Director Finance and Central Services

Executive means the body described in Article 7 of the Constitution.

Leasing Agreement is a contract for the provision of finance to enable goods or services (but not Property) to be obtained and where ownership in any goods does not necessarily pass to the Council at the end of the contract period

Officer means any employee of the Council or other authorised agent

Person means any individual, partnership, company, trust, other local authority, Government department or agency

Portfolio Holder is the Councillor who, as a member of the Executive, has primary responsibility for a defined area of service(s)

Property refers to any estate or interest in land or buildings

PPR means the Property Procedure Rules

Rules means these Rules

Services means the provision by a contractor of any services or similar facilities or works for the Council

2.2 Reference in these Rules to a Director or the CDFCS shall be taken to include such Officers as are designated by those Directors to undertake the duties and responsibilities set out in these Rules, except in the case of the following Rules:-

- | | | | |
|------|----------|---|--|
| (i) | Director | - | Rules 6.10, 6.11, 6.16, 7.9, 7.13 and 18.6 |
| (ii) | CDFCS | - | Rules 4.3, 4.4, 4.5, 4.6, 4.7, 4.16, 5.1, 6.16, 14.4, 14.7, 18.6 and 19.1 |

where delegation is not permitted. A record of all duties and responsibilities as delegated under these Rules is to be maintained, as appropriate, by each Director and the CDFCS.

2.3 The Property Procedure Rules apply to the acquisition and disposal of Property.

2.4 References in these Rules to

- (i) any legislation includes a reference to any amended or re-enactment of such legislation;
- (ii) the singular includes the plural and vice versa;
- (iii) the masculine includes the feminine and vice versa.

3.0 POWERS AND DUTIES OF THE COUNTY COUNCIL

3.1 Any power or duty of the Council in relation to these Rules may be exercised by a person or body which, under the Constitution, has delegated powers in that regard.

3.2 For the purposes of **Rules 6 and 7** of these Rules 'policy' means any Council or Service commitment as expressed in financial terms and therefore implicit within any Revenue Budget and/or Capital Plan approved by the Executive and/or the Council.

4.0 RESPONSIBILITIES

Preamble

These Financial Procedure Rules have been approved with the intention of enabling the delegation of financial responsibility to the lowest appropriate level of management within the Council. They also set out the working arrangements by

which the Council gives effect to its statutory financial responsibilities. In particular they define the role and responsibilities of any officer designated as a 'Budget Holder'.

Rules

- 4.1** These Rules are made by the Council and are subject to the relevant provisions of the Local Government Act 1972, the Local Government Finance Act 1988, the Local Government and Housing Act 1989 and Part 2 of the Local Government Act 2003. They set out the working arrangements by which the Council gives effect to its statutory financial responsibilities.
- 4.2** These Rules apply to all activities of the Council although the CDFCS may approve variations from the Rules to reflect specific circumstances. At present the only approved variations relate to primary/secondary/special schools operating under the approved LMS Contract Procedure Rules and LMS Financial Procedure Rules. No other variations from the Rules have currently been approved.
- 4.3** The CDFCS will, for the purposes of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, be responsible for the proper administration of the Council's financial affairs and the submission of reports to the Council (or any of its constituent parts) on the discharge of that responsibility.
- 4.4** The CDFCS has a statutory responsibility to ensure that adequate systems and procedures exist to account for all income due, and expenditure payments made on behalf of the Council and that controls operate to protect the assets of the Council from loss, waste, fraud or other impropriety. In addition to these Rules the CDFCS may discharge that responsibility in part by the issue and maintenance of financial instructions with which any Officer, together with any person employed by an organisation contracted to the Council, shall comply.
- 4.5** As 'Section 151' Officer of the Council the CDFCS shall be responsible for the production and certification of the Statement of Final Accounts in accordance with the Accounts and Audit Regulations 1996. The CDFCS shall also be responsible for all arrangements relating to the external audit of the Statement of Final Accounts in accordance with those Regulations. This responsibility also extends to financial information contained within any Statutory Plan published by the Council.
- 4.6** The CDFCS shall, in compliance with Section 114 of the Local Government Finance Act 1988 report to the Council if the Council, its Executive, a committee of the Council, an Officer of the Council or a joint committee on which the Council is represented:-
- (i) has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful;
 - (ii) 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; or
 - (iii) is about to enter an item of account (in the ledger), the entry of which is unlawful.
- The CDFCS 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 it to meet the expenditure.
- 4.7** The CDFCS shall, in compliance with Sections 25 – 28 of Part 2 of the Local Government Act 2003
- (i) submit a formal report to the County Council when the Council Tax precept is being made regarding the robustness of the estimates included in the annual Budget and the adequacy of the reserves for which the Budget provides (Section 25)

- (ii) submit a report about the inadequacy of the reserves in accordance with the Section 27 requirements if the Secretary of State has set a minimum level of reserves for the Council under his Section 26 powers
- (iii) ensure that the County Council has adequate budget monitoring arrangements in place throughout the year that includes a regular review of the planned level of reserves incorporated in the annual Budget / Precept setting calculations (Section 28)

4.8 Every Director, Business Unit Head and Budget Holder shall be responsible for the observance of these Rules within their service area and for the training of staff under their supervision to enable them to comply with these Rules. This principle also applies to any instructions or guidance published in the Finance Manual, issued under the authority of these Rules.

4.9 If any Director, Business Unit Head or Budget Holder employs a consultant, agency staff or an external contractor to undertake any duties which would normally be undertaken by an Officer of the Council they must ensure that every such person acts in accordance with these Rules. It is the responsibility of the Director, Business Unit Head, or Budget Holder (as appropriate) to ensure such persons are aware of this responsibility and are given training if appropriate to enable them to carry out these duties. Every agreement for such work should include adequate remedies to enable the Council to secure reimbursement if there is a failure to comply with these Rules which leads to a financial loss for the Council.

4.10 The nature and format of all accountancy systems and related financial procedures and records must be in a form agreed with the CDFCS who shall have regard to the provision of Section 151 of the Local Government Act 1972, the Accounts and Audit Regulations 1996, and such other statutory provisions which, from time to time, shall affect the financial administration of the Council or its constituent services. The financial ledger maintained by the CDFCS will be regarded as the primary financial record of the Council, both for actual expenditure/income transactions as well as budget allocations and subsequent virements. The CDFCS shall be consulted at an early stage regarding proposed changes to any financial systems, procedures or records and his approval obtained before such changes are implemented.

4.11 The principles referred to in **Rule 4.10** shall also be applied to any partnership or joint working arrangement with a third party whereby the Council agrees to allocate to, or receive (and then administer) funds from, a third party under the terms of the partnership or joint working arrangement. No funds should be allocated to, or received from, a third party on this basis without the agreement of the CDFCS as to the financial systems and procedures that will be adopted either by the Council or the third party. This Rule shall be deemed to apply to any proposal for the Council to act as the 'Accountable Body' for the purposes of administering any external funding for which the Council and its partners for that purpose have applied.

4.12 Where appropriate, reports to the County Council, the Executive or any committees or sub-committees, must contain a financial statement or appraisal setting out the full financial implications arising from any proposals contained within the report. The financial statement or appraisal must be agreed with the CDFCS in advance of the report being distributed to Members.

Such reports may cover:-

- (i) a new policy
- (ii) a variation of existing policy, or
- (iii) a variation in the means or timescale for implementing an existing policy

which may increase (or decrease) net expenditure in the current or subsequent years.

4.13

Each Director, Business Unit Head and Budget Holder is responsible for the proper financial management of all resources allocated to them within their operational areas. They shall devise and implement such controls and procedures, in consultation with the CDFCS, as are necessary to carry out their duties and prevent loss, waste, fraud and other impropriety in relation to the assets or integrity of the Council.

4.14 Each Director and/or Business Unit Head shall define budgetary control policy for the resources (revenue or capital) allocated to their operational area and ensure it is enforced. This includes identifying Budget Holders for every revenue budget head, or capital scheme, and their limits of authority (see **Rules 6.11 and 7.9**). The same principle shall apply to any funds allocated to, or received from, a third party under a partnership or joint working arrangement (see **Rule 4.11**).

4.15 Failure to comply with these Rules, and any related instructions or guidance contained in the Finance Manual may lead to disciplinary action being taken against individual Officers.

4.16 The CDFCS shall be responsible for monitoring adherence to these Rules.

5.0 MEDIUM TERM FINANCIAL STRATEGY

Preamble

In order for the Council to be able to plan the development of its services and determine priorities for the allocation of resources between those services it needs to undertake multi-year financial planning. The Council will do this by preparing a Medium Term Financial Strategy for incorporation in the Council Plan.

Rules

5.1 The CDFCS shall, in consultation with the Chief Executive Officer and other Directors, prepare a Medium Term Financial Strategy ('the MTFS') for consideration by the Council.

5.2 The CDFCS shall determine the format of the MTFS and the timing of reports relating thereto, subject to any overriding requirements of the Council.

5.3 The MTFS shall include the financial effects of all known commitments in the multi year period, together with any proposals for significant changes to the level of existing services, or for developing new services.

5.4 The MTFS shall include the respective impacts of both revenue and capital expenditure, for that period on the level of Precept (and its Council Tax equivalent), any provisions or self-fund insurance arrangements, cash flow, working balances and treasury management policy.

5.5 For the purposes of this Rule the duration of the 'multi-year' period shall be determined from time to time by the Council based upon advice provided by the CDFCS in consultation with the Chief Executive Officer and other Directors.

6.0 REVENUE BUDGET

Preamble

The Revenue Budget is an estimate of the annual income and expenditure requirements of the Council and thereby sets out the financial implications of its approved policies. Once approved by the Council it gives each Director the power to incur expenditure, and collect income, and also provides the basis on which the financial performance of the Council, and each Directorate, will be monitored. These Rules provide a comprehensive framework for the preparation, monitoring and reporting of the Revenue Budget against these criteria.

Rules

Budgetary Control Principles

6.1 The Rules in this Section are based on the following budgetary control principles established by the Council:-

- (i) At Directorate and/or Business Unit level any under or overspending of Revenue Budget at the financial year end may be carried forward (subject to (iii))
- (ii) mechanisms shall be defined by the CDFCS to ensure budgetary monitoring and control is carried out throughout the Council on a regular basis (see **Rule 6.16**)
- (iii) that within these principles any designated Business Unit may be subject to any specific Regulations relating to their year end surpluses/deficits as shall be approved from time to time by the Council.

6.2 During the financial year the Executive has overall responsibility for all aspects of the Revenue Budget of the Council. To the extent therefore that any financial matter arising during a given financial year cannot be resolved at Directorate level, using the powers/responsibilities defined in this Rule, such matter shall be brought to the attention of the Executive at the earliest opportunity (see **Rules 6.16/6.17** below). If and when such matter is reported to the Executive it will be the responsibility of the CDFCS to provide specific advice to the Executive regarding how the financial implications of the matter might be addressed and/or resolved.

Structure of the Revenue Budget

6.3 The Council will, when formally setting its annual Precept (see **Rule 6.4 - 6.7**), also approve an annual Budget for each Directorate. This 'Directorate' Budget will comprise a single sum (i.e. expenditure less related income) which typically will also be allocated across a range of functions and/or activities within each Directorate; the functions and/or activities identified will normally reflect the service areas, Business Units or other organisational arrangements adopted within the Directorate. These Budgets will be formally published, before the start of each financial year, in the approved Revenue Estimates Booklet of the Council and will represent the base line to which, in any given financial year, the Rules that follow in this Section shall apply.

Setting a Budget/Precept

6.4 The CDFCS shall specify the format of the annual Revenue Budget and the timing of reports relating thereto, subject to any overriding requirements of the Council. In practice the overall Revenue Budget will comprise a number of budgets (usually based on defined Directorates) identified as appropriate to the financial management arrangements of the Council (see **Rule 6.3**).

6.5 The CDFCS shall be responsible for submitting any reports regarding the overall Revenue Budget of the Council that will enable it to comply with its statutory responsibility to determine an annual Precept. Once the Precept has been determined by the Council it shall be the responsibility of the CDFCS to notify the collecting authorities.

6.6 As part of the process of approving the overall Revenue Budget of the Council the Executive shall define the arrangements whereby each Directorate prepares its own budget for consideration by the Executive; these arrangements will be so defined as to enable the Revenue Estimates Booklet of the Council to fulfil the function referred to in **Rule 6.3**.

- 6.7** If required, under the terms of **Rule 6.6**, each Director shall prepare a draft Revenue Budget relating to their Directorate for the next financial year, in consultation with the CDFCS, for submission to the Executive. Any such draft Revenue Budget shall be accompanied by a joint report from the appropriate Director and the CDFCS, which shall specify any variations relative to existing budgets and policies together with any implications for future financial years.

Incurring expenditure/collecting income

- 6.8** From the start of each financial year:-
- (i) expenditure may be incurred within the overall Revenue Budget approved by the Council. Given the terms of **Rule 6.3**, this authority to spend is effectively applied at Directorate level.
 - (ii) similarly, the responsibility for making appropriate arrangements to collect any income reflected in approved Budgets shall be exercised at Directorate level.
- 6.9** Expenditure on behalf of the Council can only be committed against authorised budgets and in accordance with the policies for which the budget was established. Any significant commitment to continuing liabilities (including establishment changes - see **Rule 6.10**) in future years in excess of current budget provision or any proposed change in policy likely to affect the current approved budget and/or the MTFS (see **Rule 5.3**) shall be the subject of a report to the Executive prepared by the Director setting out clearly the full financial implications. Such proposals may relate to expenditure/income or both and this should be made explicit in any statement of financial implications (see **Rule 6.2**)
- 6.10** Any changes to the existing staffing arrangements either in terms of the number of posts and/or their grade shall be approved by the Director in consultation with the Portfolio Holder if they generate additional full year costs in excess of £50,000. Where staffing changes involve a package of changes, or cover more than one Business Unit or other service area within a Directorate a single approval should be sought before any commitments are made. The limit, for the purposes of this Rule, shall be determined by reference to the total value of the proposal including on-costs.

Monitoring of the Revenue Budget

- 6.11** Once the overall Revenue Budget of the Council for a given financial year has been approved by the Council, each Director shall define budgetary control policy within their own Directorate and ensure it is enforced including identifying responsible Budget Holders and the limits of their budgetary authority (see **Rule 4.14**).
- 6.12** A Budget Holder may only authorise expenditure from budgets under their direct control (see **Rule 6.11**). If he plans to order items to be charged against the budget of another Budget Holder, he is required to obtain the approval of the other Budget Holder before committing expenditure against that budget.
- 6.13** Throughout the financial year each designated Budget Holder shall monitor income (including any grants) and expenditure against those specific budgets for which they are responsible.
- 6.14** The CDFCS shall provide financial advice to assist Budget Holders to fulfil their responsibilities, consulting their Director in circumstances where it appears that variations to the approved budget will occur.
- 6.15** Budget Holders shall supply the CDFCS with sufficient information, as and when required, to enable accurate budget profiling and/or financial projections to be undertaken.

6.16 In accordance with **Rule 6.1(i)**, budgetary control during a financial year shall be undertaken by a Director as follows:-

- (i) a Director shall maintain an ongoing review of all aspects of the budget (including income - see **Rules 12.1/12.2**) under his control; this review to be undertaken in conjunction with Business Unit Heads and/or Budget Holders and the CDFCS
- (ii) the results of (i) to be reported at least monthly to the Portfolio Holder for that Directorate
- (iii) that arising from (ii) the Director will be required to bring to the early attention of the Executive any significant matters which if left unresolved may lead to a budget overspending in the current or future years, together with proposals to address that potential situation
- (iv) the CDFCS shall report to the Executive at no less than quarterly intervals throughout the financial year on matters arising from (i) - (iii) above, in particular relating to
 - virements requiring approval (see **Rules 6.18 to 6.24**)
 - service under or overspends which may have implications for the planned outturn for the current (and future) financial year(s)
 - status of the contingency fund, cash flow and working balances

6.17 If expenditure in excess of the approved net budget of a Directorate is incurred due to an emergency, this expenditure must be reported to the CDFCS as soon as practicable and to the Executive as soon as possible thereafter (see also **Rule 6.2**).

Virement

Preamble

*Virement is the transfer of budget provision between individually defined budget headings. It is a necessary facility to assist the effective day to day management of budgets. When the Council sets its overall Revenue Budget for a given financial year it will effectively approve a series of specific functional net budgets within each Directorate (see **Rule 6.3**)*

For the purpose of defining the authorisation required for virement to take place within the approved Budget for each Directorate, reference will be made to a 'Division of Service'. Once these Divisions of Service have been defined they will be used to analyse the Budget for a Directorate in the Revenue Estimates Booklet and thereafter constitute the base line from which any virements are recorded. Within a Division of Service, it is anticipated that more detailed budget headings (e.g. employees, premises) will be adopted for day to day budgetary control purposes.

Rules

6.18 Each Director shall ensure that virement is undertaken as necessary to maintain the accuracy and efficacy of the regular budget monitoring process within his Directorate and inform the CDFCS as soon as practicable that such virements have taken place. Thereafter:-

- (i) the CDFCS will be responsible for ensuring that notified virements are reflected in the financial ledger of the Council at the earliest opportunity (see **Rule 4.10**)

- (ii) once such virements have been reflected in the financial ledger by the CDFCS they will be regarded as the base line (see **Rule 6.3** and **Preamble** above) from which any subsequent virements in that financial year are referenced.

6.19 Notwithstanding **Rules 6.20 to 6.24**, the approval of the Executive shall be required if any proposed virement involves one or more of the following:-

- (i) a change to current policy (see **Rule 6.9**)
- (ii) a significant addition to recurring commitments in future financial years (see **Rule 6.9**)
- (iii) any transfer of resources between the Revenue Budget and the Capital Plan (see **Rule 7.8(d)**)

6.20 Notwithstanding **Rules 6.21 to 6.24** below, the CDFCS has the right to refer any proposed virement to the Executive

6.21 Within a Division of Service, a Director may transfer any sums between defined budget headings (see **Preamble** to this Section) subject only to consultation with the Portfolio Holder and the CDFCS (see also **Rule 6.10** in relation to employee costs).

6.22 For transfers between Divisions of Service, if the sum involved is:-

- (i) less than £100,000 or 5% of the gross expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement may be actioned by a Director following consultation with the Portfolio Holder and the CDFCS.
- (ii) equal to or greater than £100,000 or 5% of the gross expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement shall be subject to approval by the Executive.

6.23 Any virement where a change in the previously approved level of net expenditure for a Division of Service is directly related to, and fully offset by, a change in fees, income or other contributions from another authority, organisation or person may be actioned by a Director in consultation with the Portfolio Holder and the CDFCS.

6.24 Income received in excess of the budgeted amount for a Division of Service may be spent either within that Division of Service or its equivalent value transferred to another Division of Service; this can be achieved by virement in accordance with the arrangements specified in **Rules 6.21 or 6.22** respectively.

Grant Applications and Claims

6.25 The CDFCS shall be consulted, and certify if necessary, any application for revenue grant or external funding.

6.26 The CDFCS shall be responsible for the completion (where appropriate), authorisation and submission of any revenue grant or external funding claim forms to the relevant organisation(s) and, if necessary, the External Auditor, in accordance with any guidelines applicable to the claim(s) in question.

6.27 Certain grant claims are required to be audited, and an opinion provided on the accuracy of the expenditure being claimed, by the Chief Internal Auditor. Each Director shall ensure that records are retained to enable the Chief

Internal Auditor to complete this work and provide explanations, as necessary, for any matters raised.

Outturn

- 6.28** With the assistance of all Directors, the CDFCS shall report to the Executive on the outturn of income and expenditure, as soon as practicable after the end of the financial year.

7.0

CAPITAL PLAN

Preamble

*Capital expenditure is a necessary element in the development of the Council's services since it generates investment in new and improved assets. In conjunction with the **CORPORATE CAPITAL STRATEGY AND THE ASSET MANAGEMENT PLANNING FRAMEWORK**, these Rules provide a framework for the preparation and appraisal of schemes proposed for inclusion in the Capital Plan, appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Plan within defined resource parameters.*

Rules

Budgetary Control Principles

- 7.1** The Council has defined a 'formulaic' model for the allocation of capital resources as between Directorates. Within the framework laid down by this approach, the Rules in this Section 7 are based on the following principles established by the Council:-

- (i) individual schemes shall be part of an approved Capital Plan before they proceed, that Plan reconciled, at both Directorate and Corporate level, to the resources defined under the formulaic model
- (ii) a scheme is defined as either
 - (a) a specific project whose cost, size, configuration, or policy significance requires it to be individually listed in the Capital Plan or
 - (b) an annual programme of planned expenditure for a consistent and designated purpose
- (iii) mechanisms shall be defined by the CDFCS to ensure that expenditure, and if appropriate, grant and other income is monitored and controlled at individual scheme as well as Directorate level
- (iv) any under or overspending of the approved Capital Plan at Directorate level at the financial year end may be carried forward
- (v) any scheme specific funding proposed by a Director must be compatible with the Treasury Management Policy Statement of the Council (see **Rules 14.3 and 14.5**)

7.2

During the financial year the Executive has overall responsibility for all aspects of the Capital Plan of the Council. To the extent therefore that any financial matter arising during a given financial year cannot be resolved at Directorate level, using the powers/responsibilities defined in this Section of the Rules, such matter shall be brought to the attention of the Executive at the earliest opportunity (see **Rules 7.13/7.14**). If and when such matter is reported to the Executive it will be the responsibility of the CDFCS to provide specific advice to the Executive regarding how the financial implications of the matter might be addressed and/or resolved.

Approving a Capital Plan

7.3 The CDFCS shall determine the format of the Capital Plan and the timing of reports relating thereto, subject to any overriding requirements of the Council. In practice the approved Capital Plan will comprise a number of individual schemes each of which will be quantified in overall project terms or on an annualised basis, as appropriate.

7.4 Each Director shall prepare a draft Capital Plan for their service, in consultation with the CDFCS, for submission to the Executive. This Plan should: -

- (i) reflect a level of expenditure (i.e. the expenditure limit) commensurate with the funding attributable to that Directorate under the Council's 'formulaic' approach together with other resources available to the Directorate
- (ii) identify planned expenditure, and funding, at proposed individual scheme level

7.5 The CDFCS shall be responsible for preparing an overall Capital Plan (i.e. an aggregate of the individual Directorate Capital Plans) for consideration by the Executive, and approval by the Council, the funding of which shall be compatible at all times with the Treasury Management Policy Statement of the Council.

7.6 Individual schemes shall only be included in a Directorate Capital Plan following a project appraisal process undertaken in accordance with the guidelines defined in the **Asset Management Planning Framework** and in accordance with the Property Procedure Rules.

Incurring expenditure against the Capital Plan

7.7 Approval of the Capital Plan by the Council shall provide the following authorisations to Directors: -

- (i) Current Year
 - (a) to continue to incur expenditure on each scheme in progress at the start of the financial year, and/or to begin to incur expenditure on any approved new scheme starting in that year, providing that total expenditure on either type of individual scheme does not exceed the sum contained in the approved Plan for that scheme by more than 5% or £10,000 (whichever is the greater) and all necessary approvals have been received, where appropriate, from Government Departments and/or any external funding agencies (see **Rule 7.16/7.17**).
 - (b) the approval in (a) is subject to any additional expenditure on an individual scheme being met from within the sum total of a Directorate's Capital Plan expenditure limit for that year (as originally approved, or subsequently amended by the Executive) as derived from the process defined in **Rule 7.5**.
 - (c) to collect all grant and other income related to expenditure incurred on schemes in that year.
- (ii) Subsequent Years
 - (a) to make any arrangements necessary for site purchase (but subject to the Property Procedure Rules), to seek planning permissions, to incur professional fees and preliminary expenses as appropriate and to seek any necessary approvals from Government Departments and/or external funding agencies. This approval is subject to any expenditure being met

from within the Directorates' Capital Plan expenditure limit for the year in which it is incurred.

7.8 Subject to a report by the appropriate Director, the approval of the Executive will be required if:-

- (i) any increase/decrease in the Directorate's previously approved Capital Plan expenditure limit for that year is necessary as a result of:-
 - (a) the cost variation on an individual scheme exceeding the parameters defined in **Rule 7.7**
 - (b) the inclusion of a new scheme
 - (c) the deletion or material modification of an existing approved scheme
 - (d) the loss or revision of any funding which materially affects the ability of a Directorate to undertake its approved Capital Plan
- (ii) the committed expenditure in later years of the Directorate's Capital Plan is increased for any of the reasons listed under (i) of this Rule
- (iii) an individual scheme requires expenditure in addition to any arising from the provisions in **Rule 7.7(ii)** to be committed more than one financial year in advance of the financial year in which the actual costs will be incurred.
- (iv) in accordance with **Rule 6.19(iii)** there is a proposed transfer of resources between the Revenue Budget and the Capital Plan.

Monitoring of the Capital Plan

7.9 Once an overall Capital Plan has been approved by the Council each Director shall define a budgetary control policy and ensure it is enforced including identifying responsible Budget Holders for each scheme in the Directorate Capital Plan and the limits of their budgetary authority (see **Rule 4.14**).

6.10 Throughout the year each designated Budget Holder shall monitor expenditure and, if appropriate, grant and other income, on a scheme by scheme basis against the approved Directorate Capital Plan.

7.11 The CDFCS shall provide financial advice to assist Budget Holders to fulfil their responsibilities, consulting their Director in circumstances where it appears that variations to the approved budget for a scheme will occur.

7.12 Budget Holders shall supply the CDFCS with sufficient information, as and when required, to enable accurate cost/income profiling and/or financial projections of scheme costs/income to be undertaken.

7.13 Budgetary control during a financial year shall be undertaken by a Director as follows:

- (i) a Director shall maintain an ongoing review of all aspects of the Capital Plan for their Directorate; this review to be undertaken in conjunction with Business Unit Heads and/or Budget Holders, the (if appropriate) and the CDFCS
- (ii) the results of (i) to be reported at least monthly to the Portfolio Holder for that Directorate
- (iii) that arising from (ii) a Director will be required to bring to the early attention of the Executive any significant matters which if left unresolved may lead to a scheme budget overspending together with proposals to address that potential situation (see **Rules 7.7/7.8**)

- (iv) notwithstanding the aggregate effect of variations in absolute cost, or cash flow, arising from individual schemes in a Directorate's Capital Plan, a Directorate shall not exceed the approved expenditure limit attributable to that Directorate under the formulaic approach in a given financial year. If it appears that this limit will be breached, the Director will be expected to make compensatory adjustments to the Directorate Capital Plan within that financial year or seek the approval of the Executive to manage the variance between successive financial years (see **Rule 7.8**)
- (v) the CDFCS shall report to the Executive at no less than quarterly intervals throughout the financial year on matters arising from (i) to (iv) above, in particular relating to scheme variations requiring approval (see **Rule 7.7/7.8**)

6.14 Where an underspend relative to the Directorate's approved expenditure limit for the current financial year will result in a significant overspend in future financial years, the Director shall report the matter to the Executive at the earliest opportunity, together with proposals to address the situation.

7.15 If expenditure in excess of the approved Directorate Capital Plan expenditure limit for that year is incurred due to an emergency, this expenditure must be reported to the CDFCS as soon as practicable and to the Executive as soon as possible thereafter (see also **Rule 7.2**).

Grant Application and Claims

7.16 The CDFCS should be consulted, and certify if necessary, any application for capital grant or external funding

7.17 The CDFCS shall be responsible for the completion, (where appropriate), authorisation and submission of any capital grant or external funding claim forms to the relevant organisation and, if necessary, the External Auditor, in accordance with any guidelines applicable to the claim in question.

7.18 Certain grant claims are required to be audited, and an opinion provided on the accuracy of the expenditure being claimed, by the Chief Internal Auditor. Each Director shall ensure that records are retained to enable the Chief Internal Auditor to complete this work and provide explanations, as necessary, for any matters raised.

Outturn

7.19 With the assistance of all Directors, the CDFCS shall report to the Executive on the outturn of expenditure (and funding if appropriate) of each scheme, as soon as practicable after the end of the financial year.

8.0

SERVICES AND ASSETS

Preamble

*This Rule refers to the arrangements under which Budget Holders shall undertake the procurement of the services and assets they require and, where relevant, the disposal of surplus assets. **They do not apply to Property (ie land and buildings).** Property transactions are regulated by the **PROPERTY PROCEDURE RULES**. These Rules should be read in conjunction with the **CONTRACT PROCEDURE RULES** which describe in detail the procedures Officers must follow when procuring services, assets and property.*

Rules

Responsibilities of a Director

8.1

A Director shall be responsible for:

- the procurement of all services and assets (but **not** property) relating to the provision of services by his Directorate
- ensuring that services and assets ordered are received and are of the correct quality
- ensuring that services and assets are only procured by Budget Holders if there is approved budgetary provision to cover the associated costs (see **Rules 6.11 and 7.9**)
- ensuring adherence to the approved Procurement Strategy of the Council
- the certification of invoices in accordance with arrangements approved by the CDFCS

Payment of Accounts

8.2 The CDFCS shall arrange the payment of all invoices which are certified duly payable.

Assets - Leasing Agreements (see also Contract Procedure Rule 2.6)

8.3 The CDFCS shall undertake the negotiation of terms for, and authorise the leasing of, any assets which the Council, or a Director within the context of his budgetary responsibility, has decided to acquire where the main purpose of the leasing agreement is to finance the transaction.

8.4A Director for whose service any assets have been acquired under a leasing agreement shall adhere to the terms and conditions of the relevant leasing agreement particularly as this relates to wear and tear, or residual condition of the asset at the end of the leasing period. A full inventory of all leased assets worth more than £250 must also be maintained by the Director (see **Rule 9.1**)

8.5 Any assets subject to a leasing agreement must not be disposed of without the prior consent of the CDFCS who shall be responsible for notifying the lease company and obtaining their consent to disposal.

Disposal of Assets

8.6

Prior to the disposal of any asset, a Director must:-

- (i) ensure that the property or asset is of no use to any other Directorate ;
- (ii) for assets subject to a leasing agreement consult the CDFCS (see **Rule 8.5**);

8.7 The procedures defined in the **Contract Procedure Rules** apply to the disposal of any assets of the Council. In particular no quotations or tenders for other than the highest price shall be accepted without reference to **Contract Procedure Rules 7.7 and 7.9 and/or 10.2 and 10.4** as appropriate. The provisions of **Contract Procedure Rule 11** shall also apply to any post tender negotiation or clarification.

8.8 A Director may dispose of any asset if its estimated disposal value is £10,000 or less (see **Rule 8.9** and **9.3**). If the estimated disposal value:-

- (i) is greater than £10,000 but less than £100,000 then a Portfolio Holder may authorise the disposal following consultation with the Director and with the approval of the CDFCS.
- (ii) is £100,000 or greater then the approval of the Executive is required.

8.9 A Director may dispose of a number of assets simultaneously if their aggregate estimated disposal value is £10,000 or less. If the estimated aggregate disposal value exceeds £10,000 then the provisions of **Rule 8.8** shall apply as appropriate.

9.0 INVENTORIES AND STORES

9.1A Director shall maintain a written inventory (in a form approved by the CDFCS) of all assets used in his Directorate which belong to the Council whose individual cost or value exceeds £250. This Rule also applies to any asset acquired under a leasing agreement (see **Rule 8.4**).

9.2 The Director shall be responsible for the custody of all stores, cash and financial documents used in his Directorate. Cash held on any Council premises should not exceed any sums for which the Council is insured.

9.3A Director may arrange for the disposal of unrequired stock or inventory items, up to a limit of estimated value of £10,000 in any period of three consecutive calendar months. Above that figure, **Rules 8.8** and **8.9** shall apply.

9.4A Director and the CDFCS shall be authorised jointly to write off stock and inventory deficiencies up to a limit of £10,000 in any period of three consecutive calendar months. The approval of the Portfolio Holder is required where the value is greater than £10,000 and the approval of the Executive is required where the value is £100,000 or greater.

MISCELLANEOUS MATTERS

Preamble

In addition to arrangements for the key aspects of financial administration (i.e. Revenue Budget, Capital Plan and Procurement) there are a range of other financial matters that require specific Financial Procedure Rules. These are covered in the remaining sections of this document.

Rules

10.0 PAYROLL, PENSIONS AND OTHER EMOLUMENTS

10.1 The calculation and payment of all salaries, wages, pensions, gratuities, compensation and other emoluments payable by the Council to its current and former employees shall be performed in accordance with arrangements approved by the CDFCS.

10.2 Each Director shall be responsible for the certification of all amounts properly payable for pay and pensions in accordance with the arrangements approved by the CDFCS.

10.3 The CDFCS shall be authorised to implement national and provincial pay awards with effect from their implementation dates.

Travelling and Subsistence Allowances

- 10.4** The calculation and payment of all Travelling and Subsistence Allowances payable by the Council to its Members and employees shall be performed in accordance with arrangements approved by the CDFCS.
- 10.5** Each Director shall maintain a record of Officers authorised to certify claims on his behalf. Certification of a claim shall signify that the Director is satisfied that the allowance or expenses are properly payable by the Council in respect of duties performed by the claimant.

11.0

INCOME

Fees and Charges

- 11.1** Each Director shall be responsible for the establishment of fees and charges payable to the Council in respect of activities carried out by the Directorate. For practical purposes this responsibility should be linked to the budget management arrangements established in accordance with **Rules 4.12/4.13**.
- 11.2** Except where they arise from existing contracts which regulate the matter, fees and charges within the control of the Council shall be subject to review at least annually (or as otherwise agreed by the CDFCS) by a Director and the CDFCS except as provided in any specific agreements between the Council and relevant third parties. If a review results in a proposal to change the policy under which a fee or charge is determined the review shall be reported to the Executive before it is implemented.
- 11.3A** Director shall agree with the CDFCS the administrative arrangements for the collection of any money due to the Council. The collection of debts will be the responsibility of the CDFCS and shall be administered via the corporate debtor system linked to the financial ledger - any alternative arrangement requires the prior written approval of the CDFCS.
- 11.4** Income may NOT be used to directly offset payments due. All money received on behalf of the Council shall, as soon as practicable, be either banked for the credit of the Council's account or deposited with the CDFCS. The only exception to this arrangement is for LMS Schools as defined in **Rule 13.3**.

Debt Write-Off

- 11.5** Approval to write off an individual debtor amount may be given by the CDFCS subject to the following limits:-
- (i) For a value up to and including £100, on the recommendation of the Credit Control Manager
 - (ii) For a value over £100 but less than £5,000 on the recommendation of a Director
 - (iii) For a value of £5,000 or more but less than £25,000 on the recommendation of a Director, after consultation with the relevant Portfolio Holder.
- 11.6** Write offs worth £25,000 or more will require the approval of the Executive.
- 11.7** Approval to write off a number of debts simultaneously may be agreed as set out in **Rules 11.5 and 11.6** above, using the aggregate value of the amounts to determine the relevant threshold value.

12.0 PETTY CASH

Preamble

To assist designated officers to purchase minor items the CDFCS may grant petty cash advances. Before seeking such an advance a Budget Holder should consider using a Purchasing Card (see Contract Procedure Rule 13).

Rules

12.1 The CDFCS may make cash advances to Budget Holders to allow them to meet minor expenses, subject to such conditions as are deemed necessary.

12.2 Any cash shall be kept in a safe place at all times (see also **Rule 9.2**).

12.3 All petty cash advances in excess of £100 shall have an Imprest Bank Account unless the CDFCS has given specific written approval to alternative arrangements. An Imprest Bank Account set up under these circumstances is subject to **Rule 13.1**.

12.4 Individual petty cash purchases must not exceed £100 per item and must be supported where possible by authenticated receipts.

12.5 Payments from petty cash can only be made in respect of reasonable expenditure of a minor nature which is incurred for the benefit of the Council. The specific purposes for which petty cash expenditure can be incurred shall be defined by the CDFCS. Petty cash can be used either to reimburse expenditure previously incurred or to provide an advance to pay for known future expenditure.

12.6 No income received, other than reimbursement of approved petty cash expenditure, may be paid into a petty cash Imprest Account.

13.0 BANKING

13.1 All arrangements for the operation and supervision of the Council's bank account(s) shall be made by the CDFCS. No alternative bank account(s) may be opened without the prior written approval of the CDFCS. The purpose of any new bank account and the identity of the bank and details of the account shall be recorded in writing and retained on an appropriate file by the CDFCS. This Rule also applies to Imprest Bank Accounts (see **Rule 12.3**).

13.2 When the need for a bank account ceases then the CDFCS shall be notified immediately and the account closed in accordance with procedures agreed with the CDFCS.

13.3 Any bank accounts operated under the terms of the 'Bank Accounts for Schools' (BAFS) arrangements, established under the approved LMS scheme, are a permitted exception to **Rule 13.1**.

14.0

TREASURY MANAGEMENT

14.1 The Council adopts the key recommendations in CIPFA's "Treasury Management in the Public Services Code of Practice" ('**The Code**') 2001, as described in Section 4 of the Code.

14.2. Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

- (i) a Treasury Management Policy Statement (**TMPS**) stating the policies and objectives of its treasury management activities.
- (ii) suitable Treasury Management Practices (**TMPs**) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

14.3 The County Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive and for the execution and administration of treasury management decisions to the CDFCS who will act in accordance with the Council's TMPS, associated TMPs as well as CIPFA's Standard of Professional Practice on Treasury Management.

14.4 The Executive shall receive reports on the treasury management policies, practices and activities including as a minimum, an Annual Treasury Management and Investment Strategy and associated report on Prudential Indicators in advance of the financial year, and an Annual Treasury Management and Investment Out-turn report after its close, in a form prescribed in the TMPs.

14.5 All money in the possession of the Council shall be under the control of the officer designated for the purposes of Section 151 of the Local Government Act 1972 (i.e. the CDFCS).

14.6

The CDFCS shall periodically review the Treasury Management Policy Statement and associated documentation and report to the Executive on any necessary changes, and the Executive shall make recommendations accordingly to the Council.

15.0

VOLUNTARY FUNDS

Preamble

A voluntary fund is any fund which is held or controlled by the Council as trustee for the benefit of a third party and/or for a specified purpose. Such funds may be administered solely, or in part, by an officer by reason of his or her employment with the Council.

Rules

15.1 The CDFCS shall be informed of the purpose and nature of all voluntary funds maintained or managed by any Officer in the course of their duties with the Council.

15.2 Voluntary funds registered with the Charity Commissioners shall have formal accounts prepared, be audited annually by a competent independent person and shall be submitted with an audit report to the appropriate body within 6 months of the accounting year end. A copy of the accounts and audit report shall be supplied to the CDFCS immediately after the meeting of the body. The CDFCS shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he/she considers appropriate.

15.3 Voluntary funds not registered with the Charity Commissioners shall have formal accounts prepared and be examined annually by a competent officer independent of the fund. A copy of the accounts and Independent Examiner's Statement shall be supplied to the CDFCS immediately after the examination. The CDFCS shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he/she considers appropriate.

15.4 Voluntary Funds, and any related bank accounts, shall be operated in accordance with procedures set out in the Finance Manual.

15.5 Any funds administered under the terms of the Council's approved 'Disaster Appeal' arrangements will be governed by the terms of the 'Appeal' agreed at the time.

16.0 INSURANCE

16.1 The CDFCS shall effect all insurance cover on behalf of the Council.

16.2 A Director shall promptly notify the CDFCS of:

- (i) any event which may result in a claim against the Council and/or its insurers
- (ii) any new risks which might require to be insured, together with changed circumstances affecting existing risks
- (iii) any action(s) taken under the terms of the Council's approved Risk Management Strategy which might affect the Council's current, and future, insurance arrangements (see **Rule 17**).

17.0 RISK MANAGEMENT

17.1 Each Director shall take the actions necessary to comply with the terms of the Council's approved Corporate Risk Management Policy and Strategy and the Directorate based derivatives thereof.

17.2 These actions may relate to one or more of the following:-

- (i) using the Risk Prioritisation System (RPS) to identify and record risks in the Risk Register(s)
- (ii) reviewing current, and identifying new, risks and the potential impact thereof on the ongoing capacity of the Council to maintain its services
- (iii) determining, and effecting, an appropriate management response to those risks
- (iv) maintaining records of incidents and making such records available to the CDFCS in his capacity as the Council's Risk Management co-ordinator, as necessary (see also **Rule 16.2**).

18.0 INTERNAL AUDIT

Preamble

The Accounts and Audit Regulations 2006, issued under the provisions of the Local Government Finance Act 1982, apply to the Council. This Act requires the Council to maintain continuous, adequate and effective internal audit of its accounts. The following Rules provide the framework for this statutory duty to be discharged.

Rules

Roles and Responsibilities

18.1 Every Director, Business Unit Head and Budget Holder is responsible for the implementation and maintenance of all internal control procedures relating to financial systems and for achieving the economic, effective and efficient use of resources within their Directorate.

18.2 The Council has determined that the CDFCS shall be responsible for maintaining an adequate and effective internal audit of the activities of the Authority. Each Director shall therefore make arrangements for the CDFCS or his authorised internal audit representative to:-

- (i) enter at all reasonable times on any premises or land used by the Council;
- (ii) have access to all correspondence, documents, books or other records relating to any financial or other transactions of their establishment or operational area;
- (iii) require and receive such explanation(s) as he/she considers necessary to establish the correctness of any matter under examination;
- (iv) require any officer of the Council to produce cash, stores, or other Council property under his/her control for inspection.

18.3 The CDFCS shall have regard to any relevant professional guidelines, International Auditing Standards and any audit standards issued by the Code of Practice for Internal Audit for local authorities in the United Kingdom.

18.4 The CDFCS shall be notified immediately by a Director, Business Unit Head or Budget Holder of any financial irregularity or suspected irregularity, or any circumstances which may suggest the possibility of irregularity in the exercise of any of the Council's functions. Such communications may be oral initially but must be confirmed promptly in writing.

18.5 The CDFCS shall determine the scope of any internal enquiries or investigations, subject to consultation with the appropriate Director.

18.6 The CDFCS, in consultation with the appropriate Director shall decide whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.

18.7 If a suspected irregularity occurs involving staff who are the responsibility of the CDFCS, the CDFCS shall keep the Chief Executive Officer informed.

18.8 The CDFCS or his representative, shall at all times preserve and respect the confidentiality of information received in discharging tasks under this Section of the Financial Procedure Rules with regard to any Business Unit. Internal Audit staff shall have particular regard to the relationship of the Business Unit with any other Business Units within the Council.

18.9 The Chief Internal Auditor shall have the right to communicate directly with the Leader of the Council or the Chairman of the Audit Committee on any matter that he/she deems appropriate.

18.10The Chief Internal Auditor will lead on the Counter Fraud Strategy within the Council and will undertake a review of the Strategy on, as a minimum, an annual basis.

Money Laundering

Preamble

Significant changes in the legislation concerning money laundering have broadened the range of activities caught by the statutory framework and, as a result, the obligations now impact on local authorities. Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The Council has therefore established an internal Anti-Money Laundering Policy and supporting Guidance Note designed to prevent the risk of the Council being involved in money laundering and to enable staff to report suspicions of money laundering activity to the Chief Internal Auditor (as the Council's nominated Money Laundering Reporting Officer).

18.11 All staff should have regard to the Council's Anti-Money Laundering Policy and supporting Guidance. A member of staff should consider, in line with the Policy and Guidance, reporting any transaction which involves the receipt of £10,000 or more of cash to the Council's Money Laundering Reporting Officer; notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Reporting Officer.

19.0

REVISION OF FINANCIAL PROCEDURE RULES

19.1The CDFCS (in consultation with the Head of Legal Services) shall, as a minimum, annually review the application and effect of these Rules and shall propose such updated Rules to the Council as the CDFCS may consider appropriate.