

Financial Procedure Rules

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1.0 INTRODUCTION

1.1 The Financial Procedure Rules provide the framework for the Council's financial management and administration.

2.0 SCOPE

2.1 These Financial Procedure Rules apply across the Council and to all of the Council's services and operational activities. They also apply to all partnerships where the Council is the designated accountable body. Where the Council has a financial interest in a partnership arrangement, joint venture or trading operation but is not the accountable body then officers should ensure equivalent governance arrangements exist.

2.2 All Members and officers are required to comply with these Financial Procedure Rules. Contractors and agency staff are also required to comply with the Financial Procedure Rules when undertaking Council related business. Any failure by officers to comply with these Rules may constitute misconduct and could result in disciplinary action being taken against them.

3.0 OBJECTIVES

3.1 The objectives of the Financial Procedure Rules are to ensure:

- the proper financial management and control of all the Council's activities and the efficient, effective and economic use of its resources
- that appropriate processes exist to allow effective financial planning and to enable informed decision making
- that systems and processes support the proper administration of the Council's financial affairs
- that Members and officers abide by the highest standards of probity and integrity
- that financial risks are identified and effectively managed
- that the Council's assets are kept secure
- that arrangements exist to achieve value for money

4.0 POLICY FRAMEWORK

4.1 The Financial Procedure Rules should be read in conjunction with other relevant sections of the Constitution, in particular:

- the Budget and Policy Framework Procedure Rules
- the Executive Members' scheme of delegation
- the Officers' scheme of delegation
- the Procurement and Contract Procedure Rules
- the Property Procedure Rules

4.2 A number of policies, protocols and guidance documents exist which supplement the Financial Procedure Rules, and which enable the Rules to be applied in practice, as follows:

- Financial Policies and Practices Manual
- Local Code of Corporate Governance
- Treasury Management Policy Statement

- Asset Management Planning Framework
- Risk Management Policy
- Internal Audit Charter
- Counter Fraud and Corruption Policy
- Anti Money Laundering and Terrorist Financing Policy
- Whistleblowing Policy
- Reserves Policy
- Fees and charges Policy
- Debt management Policy
- Housing Revenue Account Business Plan
- LMS Scheme (funding framework for school)
- LMS Procedure Rules
- School Finance Manual – more detailed information on the above

5.0 ROLES AND RESPONSIBILITIES

5.1 Chief Finance Officer (section 151 Officer)

5.1.1 The Corporate Director of Resources is the Council's appointed Chief Finance Officer (CFO) and s151 Officer. This post, as defined in the Constitution, has specific statutory duties in respect of the financial administration and stewardship of the Council. These duties derive from:

- section 151 (s151) of the Local Government Act 1972
 - Local Government Finance Act 1988
 - Local Government and Housing Act 1989
 - Local Government Act 2003
 - the Accounts and Audit Regulations 2015
- or any successor legislation in each case

5.1.2 Section 114 (s114) of the Local Government Finance Act 1988 requires the s151 Officer to report to the Council and Executive, and the external auditor where the Council:

- has made, or is about to make, a decision which involves incurring unlawful expenditure
- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the council
- is about to make an unlawful entry in the Council's accounts

5.1.3 The 1988 Act also requires the s151 Officer to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under s114 personally. The council should also provide the s151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under s114.

5.1.4 Section 25 (s25) of the Local Government Act 2003 requires the s151 Officer to report to Members on the robustness of estimates and the adequacy of reserves.

5.1.5 The CFO is responsible for determining the Council's financial processes, and for ensuring they are applied properly and consistently in practice. The CFO is also responsible for implementing appropriate systems to manage and record the Council's budgets, income, expenditure, assets and liabilities.

- 5.1.6 Where possible, the CFO should comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code, the Statement on the Role of the Chief Financial Officer in Local Government and the Delivering Good Governance in Local Government: Framework (2016). Any areas of non-compliance and the reasons for these should be reported to the Audit Committee and be included in the Council's Annual Governance Statement.
- 5.1.7 The CFO is also responsible for ensuring that the annual Statement of Final Accounts (SoFA) is prepared and published in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2015.
- 5.1.8 The CFO also has overall responsibility for the Council's counter fraud arrangements, including the adoption of appropriate measures for the prevention and detection of fraud and corruption.
- 5.1.9 The CFO will report to the Council, the Executive and the Executive Member with responsibility for Finance on the discharge of these duties.
- 5.1.10 The CFO will keep the Financial Procedure Rules under review and propose changes to the Audit Committee as required.
- 5.1.11 The CFO should report any material breaches of the Financial Procedure Rules to the Audit Committee and propose appropriate remedial action to mitigate any remaining risk. The CFO should also issue instructions to the relevant Corporate Director(s) to immediately rectify any non-compliance with the Financial Procedure Rules.
- 5.1.12 The CFO may delegate specific responsibilities to other officers whilst retaining the role of s151 Officer. A written record of all such delegations should be maintained, including the limits on any delegation. See financial management permissions (section 10) below.
- 5.1.13 The CFO may also approve variations or exceptions from the Financial Procedure Rules to reflect specific circumstances. All such variations or exceptions should be reported the Executive and a written record maintained.

5.2 Corporate Director

- 5.2.1 Corporate Directors are responsible for the financial management and control of the resources allocated to them. This includes identifying nominated budget holders for each operational activity, scheme, project or capital programme. It also includes the allocation of appropriate resources to each budget, taking account of competing priorities, spending pressures and savings plans.
- 5.2.2 Corporate Directors should adopt measures to safeguard and keep secure all furniture, fittings, vehicles, equipment and stores assigned to their directorate.
- 5.2.3 Corporate Directors are also responsible for devising and maintaining effective systems of control to mitigate the risks of fraud, loss and error.
- 5.2.4 Corporate Directors are accountable for the budgets within their directorate. Corporate Directors must therefore establish effective budget monitoring and

reporting arrangements. Actual or forecast budget variances should be identified in a timely manner and, where possible, action should be taken to remedy the situation. Corporate Directors must advise the CFO immediately if it becomes clear that they are unable to balance expenditure or income within the existing approved budgets under their control.

5.2.5 Corporate Directors should ensure that all staff within their directorate are aware of the existence and content of the Financial Procedure Rules, and of the need to comply with them.

5.3 Budget Holder

5.3.1 An officer with delegated responsibility for the management of a defined budget or group of budgets.

5.3.2 Budget responsibility should always be aligned as closely as possible to the relevant decision making functions of the service area or portfolio. Budget holders should have input to the preparation and agreement of their budget(s). They should also be informed of their budget allocations in a timely manner so that they can plan effectively.

5.3.3 Budget holders are responsible for controlling all income and expenditure relating to their budget(s). This includes monitoring ongoing performance and reporting variances above prescribed limits in a timely manner. Where adverse variances are occurring or forecast, budget holders must identify the reasons and likely impact on the final outturn position. Where possible, timely and effective action should be taken to remedy any overspend or reduction in income. This may include restricting future expenditure or arranging for a virement from another budget.

5.3.4 Budget holders should receive guidance and be trained to undertake their responsibilities effectively. This includes understanding the financial implications of their decisions, and the need to manage risks and achieve value for money.

5.4 Head of Internal Audit

5.4.1 The Head of Internal Audit (HoIA) is responsible for providing independent, objective assurance to the Audit Committee and the CFO on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The HoIA, alongside the Corporate Management Team, is also responsible for promoting the principles of good governance, probity and ethical standards across the Council.

5.4.2 Through the work of internal audit, the HoIA supports the CFO to discharge his/her statutory duties.

5.4.3 The HoIA should be involved in considering the impact of emerging risks and the control implications for any proposed changes or developments by the Council.

5.4.4 The HoIA should be professionally qualified and suitably experienced to undertake the role.

5.5 Officers

- 5.5.1 All employees of the council, contractors and agency staff working on behalf of the Council are required to safeguard the Council's resources. This includes protecting the Council's assets and minimising the risk of financial loss.

6.0 MEDIUM TERM FINANCIAL STRATEGY

- 6.1 In order for the Council to be able to plan the development and delivery of its services and to 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 (MTFS). The MTFS provides the framework for sustainable financial planning, enabling the Council to achieve its key strategic objectives whilst managing its financial and other risks. In doing so the MTFS helps to ensure the long-term financial wellbeing of the Council.
- 6.2 The MTFS provides the parameters within which annual budget and service planning takes place. The Council Plan and other related strategies should be prepared in accordance with the MTFS.
- 6.3 The CFO is responsible, in consultation with the CEO and other Corporate Directors, for preparing and maintaining the MTFS. The minimum period for the MTFS should be 3 years. The CFO will determine the format of the MTFS and once prepared it requires approval by the Council. The Council is also required to approve any subsequent changes to the MTFS.
- 6.4 The CFO should report to the Executive at least annually on the achievement of the strategic priorities contained in the MTFS.

7.0 REVENUE BUDGET

7.1 Overview

- 7.1.1 The revenue budget is an estimate of the annual income and expenditure requirements of the Council. The revenue budget will set out the allocation of resources to specific service areas and functions, and will determine the Council's annual council tax requirement. Approval of the revenue budget by the Council provides Corporate Directors with the authority to incur expenditure against the individual budgets for which they are responsible.

7.2 Setting the Budget / Annual Rate of Council Tax

- 7.2.1 Each Corporate Director will prepare estimates of their future income and expenditure requirements in a format and within timescales determined by the CFO. In preparing these estimates, Corporate Directors must highlight any areas of potential risk or uncertainty, including possible demand or inflation pressures.
- 7.2.2 Subject to any overriding requirements of the Council, the CFO will specify the format of the annual revenue budget and the timing of any reports to the Executive and Council. The annual revenue budget should identify the resource allocations to individual policy, portfolio and service areas, and should be of sufficient detail to ensure proper accountability.
- 7.2.3 The Council will set the annual rate of council tax based on total council tax requirement.

8.0 CAPITAL STRATEGY AND PLAN

8.1 Capital expenditure is an important element in the development and delivery of the Council's services, supporting investment in new and improved assets or infrastructure. Investment in capital assets also creates potential future financial commitments and risks.

8.2 Corporate Capital Strategy

8.2.1 The Council should establish and maintain a corporate capital strategy. The strategy forms the foundation for the Council's long-term planning and delivery of its programme of capital investment. It also sets out the parameters for the capital plan, helping to ensure that limited capital resources are used efficiently to achieve the best possible outcomes for the Council and the wider community. The aims of the strategy are to ensure:

- capital investment is targeted towards supporting the Council's corporate objectives
- the stewardship of assets is properly taken into account in capital planning
- capital investment is prudent, sustainable and affordable and provides value for money
- Members and officers have a common understanding of the long-term context in which investment decisions are made and all the financial risks to which the Council is exposed
- capital projects are delivered on time and within budget
- there is improved transparency at programme level along with a clear process for Member engagement

8.2.2 The CFO is responsible for keeping the Corporate Capital Strategy under review and for proposing any changes to the Executive, and Council for approval.

8.3 Capital Plan

8.3.1 The capital plan is a long-term programme of estimated capital expenditure and associated funding. The Council will approve the capital plan each year, recognising that the estimates may change as schemes progress to completion.

8.3.2 The capital plan will include all capital schemes including those proposed to be financed from revenue resources or external funding sources or the realisation of capital receipts from the disposal of surplus assets.

8.3.3 Schemes to be included in the capital plan include those whose cost, size, configuration, or policy significance require them to be individually identified, and annual programmes of planned expenditure for designated purposes.

8.3.4 The capital plan will be approved by the Council as part of the annual budget setting process. Following approval, the Executive has overall responsibility for monitoring the delivery of the capital plan.

8.3.5 Any specific issues relating to the capital plan should be brought to the attention of the Executive at the earliest opportunity. The CFO, in conjunction with the relevant Corporate Director(s) will provide advice to the Executive on how any such issues can be resolved.

8.3.6 The CFO will be responsible for the format of the capital plan and the timing of reports to the Executive, subject to any overriding requirements of the Council. The

minimum period for the capital plan will be three years. The capital plan will identify individual corporate and directorate schemes, grouped into three categories:

- rolling programmes of planned capital expenditure
- capital schemes (gross expenditure equal to or over £200,000)
- minor capital schemes (gross expenditure less than £200,000)

8.3.7 Each Corporate Director, in consultation with the CFO, should prepare a draft capital plan for their individual service area as part of the annual budget setting process. These service based plans should identify the proposed capital expenditure, and the associated sources of funding, at individual scheme or programme level. Individual schemes should only be included in a directorate capital plan following the preparation of a business case and a full project appraisal process undertaken in accordance with the guidelines contained in the asset management planning framework.

8.3.8 The CFO is responsible for preparing the overall capital plan for consideration by the Executive, and approval by the Council. The funding of the capital plan should be compatible with the treasury management policy statement of the Council.

8.3.9 Any new proposed capital scheme identified during the year will require the preparation of a business case by the relevant Corporate Director, in consultation with the CFO. The business case should set out the full financial implications of the scheme including whole life costs, the source(s) of funding, expected timescales and deliverables. Details of the scheme must be submitted to the Executive with a recommendation that it be added to the approved capital plan.

8.4 Incurring expenditure against the Capital Plan

8.4.1 Following approval of the capital plan, Corporate Directors will be able to incur expenditure on each identified scheme providing all necessary approvals from the Government and external funding bodies have been obtained.

8.5 Monitoring of the Capital Plan

8.5.1 Once the capital plan has been approved by the Council each Corporate Director should identify a responsible budget holder for each scheme in the directorate capital plan within the appropriate limits for budget delegation.

8.5.2 Designated budget holders are responsible for monitoring expenditure and, if appropriate, grant funding and other income, on a scheme by scheme basis against the approved directorate capital plan.

8.5.3 The CFO will provide financial advice to assist budget holders to fulfil their responsibilities, consulting with the relevant Corporate Director in circumstances where it appears that variations to the approved budget for a scheme will occur.

8.5.4 Corporate Directors are responsible for maintaining an ongoing review of all aspects of the capital plan for their Directorate taking account of materiality and risk. This review should be undertaken in conjunction with service managers, budget holders and the CFO. The results of the review should be reported to the relevant Portfolio Holder at least quarterly.

8.5.5 The CFO will provide a quarterly capital plan update to the Executive in a format

approved by the CFO. The report should highlight any material variations to schemes in the capital plan and include details of any proposed changes to the timing of expenditure between current and future years.

8.5.6 Corporate Directors are required to report the following to the Executive if:

- the actual or projected cost of a scheme has increased by more than £200,000 compared to the original budget estimate, and the increase cannot be managed within the overall approved directorate capital allocation
- it is necessary to delete or materially modify an existing approved capital scheme
- the loss or revision of any funding will affect the ability of the Directorate to complete its approved capital programme
- in accordance with virement rules there is any proposed transfer of resources between the revenue budget and the capital plan

8.5.7 If expenditure in excess of the approved directorate capital plan expenditure limit for that year is incurred due to an emergency or other unforeseen event, this must be reported to the CFO and relevant Portfolio Holder as soon as possible. Any significant expenditure of this nature must also be reported to the Executive.

9.0 FINANCIAL CONTROL AND BUDGET MANAGEMENT

9.1 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 addition to recurring costs or commitments 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 must be reported to the Executive. The report should be prepared by the Corporate Director, in consultation with the CFO and, if necessary, the relevant Executive Member. The full financial implications of the proposed decision together with any remedial actions, including virements from other budgets, should be clearly set out. Any additional expenditure or commitments which cannot be accommodated within the existing budget and policy framework must be considered and approved by the Council.

9.2 The CFO should submit quarterly monitoring reports covering both revenue and capital budgets to the Executive.

9.3 Budget holders are required to:

- authorise expenditure only from budgets under their direct control. If a budget holder plans to incur expenditure which will be charged against another budget, they must obtain the prior approval of the relevant budget holder
- monitor income (including any grants) and expenditure against those specific budgets for which they are responsible throughout the financial year
- supply the CFO with sufficient information, as and when required, to enable accurate budget profiling and/or financial projections to be undertaken
- immediately report any unexpected discrepancies, errors or suspected fraudulent activity relating to their budgets to the HoLA

9.4 Corporate Directors are required to:

- define budgetary control arrangements within their own Directorate and ensure these are operated in accordance with corporate guidance provided by the

CFO. This will include identifying responsible budget holders and the limits of their budgetary authority

- maintain an ongoing review of the budgets under their control. This review should be undertaken in conjunction with relevant Assistant Directors or Service Managers in their directorate, and the CFO. The results should be reported on a regular basis depending on materiality and risk, and at least quarterly to the relevant Portfolio Holder
- advise the CFO immediately if it becomes clear that they will be unable to balance expenditure or income within the approved budgets under their control. Any significant matters must be reported to the Executive
- report to the CFO and the relevant Executive Member, as soon as practicable, any expenditure incurred in excess of the approved net budget for the Directorate due to an emergency. Any significant overspend should also be reported to the Executive

9.5 The CFO is required to:

- provide financial advice to assist budget holders to fulfil their responsibilities, consulting their Corporate Director in circumstances where it appears that variations to the approved budget will occur
- report to the Executive at no less than quarterly intervals throughout the financial year including but not limited to virements requiring approval, service under and overspends impacting on the forecast outturn for current and future years, and the status of cash flow, contingency funds and working balances as appropriate
- report to Executive, as soon as possible, any significant expenditure incurred in excess of the approved net budget of a Directorate due to an emergency

9.6 With the assistance of each Corporate Director, the CFO will periodically report the forecast budget outturn for each directorate to the Executive. The CFO will also report the final budget outturn, as soon as practicable after the end of the financial year.

9.7 Proposals by Corporate Directors to carry forward specific budget underspends to the next financial year require the agreement of the CFO. The approval of the Executive is also required if the budget carry forward is equal to or over £500,000.

10.0 FINANCIAL MANAGEMENT PERMISSIONS

10.1 The CFO will maintain a schedule of permissions detailing the specific authorisations for all aspects of the Council's financial management and administration. The schedule will identify the designated officers and the relevant limits or thresholds of their authority. The schedule will include the limits for authorising orders, payments, budget virements, debt write-offs, asset purchases and disposals, payroll and establishment changes, and bids for external funding.

10.2 The schedule of permissions should also be read in conjunction with these Financial Procedure Rules. Where there is any doubt between the two, the Financial Procedure Rules will take precedence.

10.3 The CFO should ensure the schedule of permissions is readily available to all officers involved in the Council's financial management and administration. Additional guidance and instructions will be contained in the Financial Policies and Practices Manual.

10.4 The CFO will keep the schedule of permissions under review and make changes as required.

11.0 BUDGET VIREMENTS

11.1 A virement is the transfer of the approved budget provision between defined budget headings or cost centres. The scheme of virement is intended to enable Corporate Directors to manage their budgets with a degree of flexibility within the overall budget and policy framework determined by the Council, whilst maintaining a corporate system of overview to ensure the best use of resources.

11.2 Corporate Directors and budget holders are required to manage their budgets responsibly and to ensure that the Council's resources are used for their intended purposes. This includes avoiding expenditure of a recurring nature, or committing the Council to future expenditure, for which there is insufficient budget provision.

11.3 Budget virements are required where actual or planned changes are made to the delivery of council services and functions, or to individual capital programmes, and there is a corresponding change to the level of resources required. All proposed virements should be based on realistic and robust assumptions. Budget virements should not be used to hide unplanned or short-term variances in income or expenditure.

11.4 Corporate Directors are responsible for undertaking budget virements in accordance with these Rules and for informing the CFO as soon as practicable that such virements have taken place. The CFO is responsible for maintaining a record of all virements and for ensuring that they are reflected in the financial ledger of the Council at the earliest opportunity. The revised budget will be regarded as the baseline against which all subsequent virements will be referenced.

11.5 Council approval is required for all changes to the overall budget and policy framework.

11.6 The approval of the Executive is required if any proposed virement involves one or more of the following:

- a significant addition to recurring costs or commitments in future financial years (equal to or over £500,000 per annum)
- any significant transfer(s) of resources between individual policy or portfolio areas (including between directorates or between corporate budgets and directorates) (equal to or over £500,000 in aggregate each financial year)
- any transfer of resources between the Revenue Budget and the Capital Plan
- any permitted transfer of resources between the General Fund and Housing Revenue Account

11.7 The CFO has the right to refer any proposed virement to the Executive for approval.

11.8 Corporate Directors can make virements within or between defined budget headings or cost centres under their control subject to the following approvals:

Value	Required action / approval
Less than £200,000	N/A
£200,000 - £500,000	Obtain approval of CFO
£500,001 - £1m	Obtain approval of the relevant Executive Member(s)
Over £1m	Obtain approval of the Executive

11.9 Corporate Directors must ensure that aggregate income and expenditure in each financial year balances to the net approved budget for their directorate. For each directorate, expenditure in excess of the approved budget is therefore permitted if it is directly and fully offset by an increase in fees, income or other financial contributions. Income received in excess of the budgeted amount for a directorate may be spent within the relevant service area or be transferred to a different budget heading or cost centre within the same directorate. Where appropriate the relevant budgets should be adjusted to reflect the changes made.

12.0 MAINTENANCE OF RESERVES AND PROVISIONS

12.1 Reserves are maintained to fund planned projects, future liabilities and to provide a contingency for unexpected events or emergencies.

12.2 Provisions are created for current liabilities where the final cost is not yet established or known.

12.3 The Council will maintain reserves on a risk basis over a minimum 3-year period and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies. The management of reserves will be aligned to the MTFS and the annual budget setting process.

12.4 It is a statutory responsibility of the CFO to advise the Council on the appropriate and adequate level of reserves and the robustness of the estimates, and to act on the advice of external audit in this matter. The Reserves Policy will set out the process for reviewing the adequacy and appropriateness of reserves.

12.5 The CFO will determine whether the Council's funds are held as general reserves or in an earmarked or restricted reserve. Earmarked reserves are created for a specific purpose and should only be used for that purpose. Any remaining balance should be transferred to another earmarked reserve or to general reserves once that purpose has been fulfilled. Restricted reserves are used for ringfenced funds required for statutory purposes or other specified reasons, for example capital receipts, developer contributions or to support the Housing Revenue Account.

12.6 The CFO will keep the reserves under review and should report at least annually to the Executive on the level and adequacy of the reserves held. The CFO should also detail the purpose for which any earmarked reserves are being maintained and the period over which they will be used.

12.7 Any budget underspends will normally be added to general reserves at the end of the financial year. Corporate Directors may instead request that specific budget

underspends are transferred to the following financial year. The reason for any underspend and the purpose for which the additional budget provision will be used should be set out in a business case. Any such transfer of budget provision is subject to the agreement of the CFO. The approval of the Executive is also required if the budget transfer is equal to or over £500,000.

- 12.8 Any budget overspends cannot be carried forward and will instead be funded from reserves. Where this is the case, the Corporate Director must prepare a report for the Executive to explain the reasons for the continuing overspend and the actions being taken to remedy the situation. In such circumstances, the CFO may issue directions to the Corporate Director to undertake additional budget monitoring, restrict expenditure in specific areas or repay any overspend from future years.
- 12.9 Corporate Directors should ensure that adequate provision is made for all current liabilities where payment has not yet been made. The level of provision should be kept under review and adjusted to reflect any change to the estimated liability.

13.0 EMERGENCY PROCEDURES

- 13.1 Nothing in the Financial Procedure Rules shall prevent expenditure being incurred where an emergency or disaster involving destruction of, or danger to, life or property occurs or is imminent. Where in the opinion of the relevant Corporate Director, in consultation with the relevant Executive Member, Chief Executive Officer, Monitoring Officer and the CFO, the urgency of the situation will not permit delay, necessary expenditure may be incurred.
- 13.2 Where significant expenditure of this nature is incurred then it must be reported to the relevant Executive Member and to the next meeting of the Executive. This includes any expenditure over £200,000 but may also include expenditure of a particularly sensitive or unusual nature. The CFO will decide whether the circumstances which gave rise to the emergency should also be reported to the Audit Committee.

14.0 FINANCIAL SYSTEMS AND RECORDS

- 14.1 Sound systems and procedures are essential to the effective management and administration of the Council's financial affairs.
- 14.2 The CFO is responsible for determining the Council's financial processes, and for ensuring they are applied properly and consistently in practice. The CFO is also responsible for implementing appropriate systems to manage and record the Council's budgets, income, expenditure, assets and liabilities. The CFO must therefore be consulted prior to the development, acquisition or implementation of all finance related IT systems or processes. Corporate Directors are required to address any concerns raised by the CFO before proceeding. Corporate Directors must also follow the Council's corporate project management framework when implementing any new IT systems or processes.
- 14.3 Corporate Directors must consult with the CFO before changing any existing financial systems or processes within their areas of responsibility. Corporate Directors should also establish and maintain controls to mitigate the risks of fraud, loss and error.
- 14.4 The main accounting system (including the general ledger and all related feeder systems) will provide the prime source of financial data for the Council's

management accounts, the preparation of the annual Statement of Accounts, and the submission of government returns. It is therefore essential that the system complies with all relevant legislation and proper accounting practice. It is also essential that all financial information is recorded accurately, completely and in a timely manner, and that any errors are detected promptly and rectified.

- 14.5 Control accounts should be established for all feeder systems. Regular reconciliations should be completed for all control accounts and any discrepancies investigated. Any significant variances should be reported to the CFO in a timely manner. All suspense accounts should also be subject to regular monitoring.
- 14.6 All corporate and directorate based financial systems, processes and controls should be documented.
- 14.7 Officers should receive appropriate training to perform their duties and to operate the Council's financial systems and processes.

15.0 STATUTORY ACCOUNTS AND EXTERNAL AUDIT

- 15.1 The Accounts and Audit Regulations 2015 require the CFO to prepare the Council's Statement of Accounts in accordance with proper accounting practice as represented by the 'Code of Practice on Local Authority Accounting in the United Kingdom' issued by Chartered Institute of Public Finance and Accountancy (CIPFA).
- 15.2 The Statement of Accounts should include details of the Council's Collection Fund and Housing Revenue Account, and any other statements or disclosures required for statutory purposes. The CFO will determine whether the Council's arms-length trading companies are included in consolidated group accounts.
- 15.3 The CFO must sign and date the Statement of Accounts and certify that the Statement of Accounts present a true and fair view of the Council's financial position at the end of the year to which they relate, and the income and expenditure for that financial year.
- 15.4 The CFO is responsible for ensuring the Statement of Accounts are made available for audit by the Council's appointed external auditor and are approved by the Audit Committee in accordance with relevant statutory timescales. The CFO must re-certify the Statement of Accounts before they are approved by the Audit Committee.
- 15.5 The CFO is responsible for working with the Council's appointed external auditor and for advising the Council, Executive, Audit Committee and Corporate Directors of their responsibilities in relation to external audit. The external auditor has extensive rights of access to all documents and information considered necessary for audit purposes. The external auditor may also require any Member or officer to provide explanations on any matter relating to the audit.
- 15.6 The duties and responsibilities of the external auditor derive from the Local Audit and Accountability Act 2014. The Code of Audit Practice, prepared by the National Audit Office, sets out the specific powers and responsibilities of the auditor. The Code of Audit Practice is reviewed and updated periodically.
- 15.7 The CFO is responsible for ensuring the Council's financial and accounting records are ready for audit, and in the format required by the external auditors. The CFO should also respond to the external auditor's enquiries in a timely manner.

15.8 The CFO should ensure the Audit Committee is made aware of any concerns raised by the external auditor in respect of the conduct of the audit, the Statement of Accounts, the accounting records, the system of internal control or the Council's arrangements to secure value for money. Where concerns are raised, the CFO in conjunction with the Audit Committee should prepare an action plan to address the issues.

16.0 REVIEW OF THE SYSTEM OF INTERNAL CONTROL

16.1 The CFO is responsible for arranging for an annual review of the effectiveness of the Council's system of internal control to be undertaken. The CFO should report the results of the review to the Audit Committee, and highlight any significant control weaknesses or governance issues identified.

16.2 The CFO is also responsible for preparing the Council's Annual Governance Statement. The Annual Governance Statement must be prepared in accordance with proper accounting practices, and should accurately reflect the results of the annual review of the system of internal control. The Annual Governance Statement should be approved the Audit Committee and be signed by the Leader of the Council and the Chief Executive Officer.

16.3 In preparing the Annual Governance Statement, the CFO should identify any areas of non-compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code, the Statement on the Role of the Chief Financial Officer in Local Government, the Statement on the Role of the Head of Internal Audit and the Code of Practice on Managing the Risk of Fraud and Corruption.

16.4 Corporate Directors are required to assist the CFO in completing the review of the system of internal control by providing the necessary assurances and identifying any significant control issues or weaknesses within their areas of responsibility.

16.5 The preparation and publication of the Annual Governance Statement in accordance with the Delivering Good Governance in Local Government: Framework (2016) fulfils the statutory requirements contained in the Accounts and Audit Regulations 2015.

17.0 RISK MANAGEMENT

17.1 Risk is defined as the chance or possibility of loss, damage or injury caused by an unwanted or uncertain action or event. It is measured in terms of likelihood and impact. Risk management is the range of coordinated processes, structures and culture adopted by the Council in order to identify, evaluate, monitor, control, and mitigate the risks it faces.

17.2 The Council is responsible for approving the Risk Management Policy.

17.3 The Audit Committee is responsible for promoting a culture of risk management awareness throughout the Council. Monitoring of the effectiveness of the Risk Management Policy is an essential part of that process.

17.4 The CFO has overall responsibility for the management of risk in the Council and for overseeing the application of the Risk Management Policy. The CFO will advise the Executive and Corporate Directors on all significant risk management matters.

The CFO should report to the Audit Committee at least annually on the effectiveness of the risk management systems and processes in place.

- 17.5 The Corporate Management Team is responsible for ensuring the Council adopts a consistent, comprehensive and integrated approach to the management of risk. This includes maintaining a corporate risk register which enables the Council's key strategic risks to be monitored and reported to the Audit Committee.
- 17.6 Corporate Directors should ensure procedures are in place to systematically identify, assess and mitigate the risks facing their individual service areas. These procedures should enable any new or emerging risks to be identified in a timely manner. Identified risks should be recorded and managed in service risk registers, with the most significant or cross-cutting risks included in the directorate risk register. Risks should be recorded and assessed in accordance with the principles set out in the Council's Risk Management Policy.
- 17.7 Directorate and corporate risks should be reported to the Audit Committee in accordance with an agreed timetable.
- 17.8 Corporate Directors, in consultation with the CFO, should prepare appropriate risk mitigation plans for all significant risks. These plans should be subject to regular monitoring and update.
- 17.9 The CFO will periodically review the Risk Management Policy and recommend any necessary changes to the Audit Committee for consideration prior to approval by the Council.
- 17.10 Corporate Directors should ensure that all reports to the Council's Executive or Executive Member which require a decision include adequate reference to the associated risks to enable a properly informed decision to be taken.

18.0 INTERNAL AUDIT

- 18.1 There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its governance, risk management and control processes. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.
- 18.2 To provide optimum benefit, the Council requires that internal audit works in partnership with management to improve the control environment and to help the organisation achieve its objectives.
- 18.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit in England. CIPFA has adopted the Public Sector Internal Audit Standards (PSIAS), which are compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government.
- 18.4 The purpose, scope, authority and responsibility of internal audit is detailed in the Audit Charter, approved by the Audit Committee. The HoIA will periodically review the Audit Charter and recommend any necessary changes to the CFO for approval by the Audit Committee.
- 18.5 The CFO in conjunction with the HoIA should ensure that the Council's

arrangements for internal audit comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Head of Internal Audit. Any areas of non-compliance and the reasons for these should be reported to the Audit Committee and be included in the Council's Annual Governance Statement.

- 18.6 The HoIA should seek to maintain a positive and effective working relationship with the CFO. The HoIA will notify the CFO of any matter that may have implications for the CFO in respect of their statutory responsibilities. The CFO will also consult with the HoIA on any significant proposals that may have implications for the Council's control environment or management of risk.
- 18.7 The HoIA will plan and deliver a risk based programme of work designed to objectively examine and evaluate the adequacy and effectiveness of the Council's governance, risk management and control processes. This will include the provision of assurance and advice in respect of major projects, programmes and policy initiatives. The HoIA should consult with the CFO, Corporate Directors and the Audit Committee when preparing the programme of work.
- 18.8 Internal audit will be allowed to act independently and objectively in the planning and delivery of work and without undue influence by either officers or Members.
- 18.9 The HoIA may communicate directly with the Leader of the Council, the Executive, the Chief Executive Officer, any Corporate Director, the Monitoring Officer, the Chair of the Audit Committee, and any Member or officer on any matter relevant to internal audit. The HoIA may also raise matters of concern relating the Council's financial management arrangements or processes directly with the external auditors.
- 18.10 The HoIA will provide an annual opinion to the Council on the framework of governance, control and risk management. The opinion and details of any qualifications to that opinion will be reported to the Audit Committee. The HoIA will also report any significant control weaknesses identified through internal audit work as part of the annual opinion report.
- 18.11 The CFO and the Audit Committee will determine whether any of the control weaknesses identified by the HoIA should be included in the Annual Governance Statement.
- 18.12 The Accounts and Audit Regulations 2015 require Members and officers to make available any documents and records, and provide such information and explanations as may be required by internal audit. In addition, the Council grants internal audit staff the authority to:
 - enter all Council premises or land, at any reasonable time
 - have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
 - have access to any assets of the Council and to require any officer of the Council to produce any assets under their control
 - have access to the Council's partnerships and arms-length bodies where appropriate
- 18.13 Where appropriate, contracts to supply Council services or functions should grant internal audit the right of access to examine records, documents and other

information relating to the supplier's arrangements.

- 18.14 It is the responsibility of Council officers to consider and respond promptly to audit reports and to ensure all agreed actions are implemented in a timely and efficient manner. Officers should also provide confirmation and evidence that agreed actions have been implemented if requested to by internal audit.
- 18.15 The HoIA will escalate any matters of concern to the CFO and, if necessary, the Audit Committee.
- 18.16 The HoIA will also report to the CFO and, if necessary, the Audit Committee any instances where internal audit independence or objectivity is likely to be compromised, together with any planned remedial action.
- 18.17 The CFO should ensure that internal audit is adequately resourced to undertake its responsibilities. The CFO will also protect and promote the independence and rights of internal audit to enable it to conduct its work effectively and to report as necessary.

19.0 TREASURY MANAGEMENT

- 19.1 The Council is responsible for approving the Treasury Management Policy Statement (TMPS), which sets out the objectives and approach to the effective risk management of the Council's treasury management activities.
- 19.2 The CFO is responsible for maintaining suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve the Council's objectives, and prescribing how it will manage and control those activities
- 19.3 The TMPS and related treasury management practices must comply with all relevant statutory and regulatory requirements including:
- Local Government Act 2003 or any successor legislation
 - Chartered Institute of Public Finance and Accountancy (CIPFA) - Prudential and Treasury Management Codes of Practice
 - Department for Levelling Up, Housing and Communities (DLUHC) Minimum Revenue Provision (MRP) and Investment Guidance
- 19.4 The CFO is also responsible for exercising the Council's borrowing and investment activities in compliance with the treasury management policies, and for monitoring compliance with the relevant Codes of Practice.
- 19.5 The CFO is responsible for reporting to the Audit Committee, the Executive and Council on the effectiveness of the treasury management policies and practices, and the achievement of the related objectives. The CFO should report the annual treasury management and investment strategy, and the associated prudential borrowing indicators to the Council in advance of the financial year. The CFO should also report quarterly to the Executive and Audit Committee on treasury management performance, and present an annual report on both treasury management and prudential borrowing indicators, setting out full details of activities and performance during the preceding financial year.
- 19.6 The CFO will meet periodically with the relevant Portfolio Holder to consider and review issues arising from the day to day treasury management activities.

- 19.7 The Audit Committee is responsible for monitoring the effectiveness of the Council's treasury management procedures and practices.
- 19.8 The CFO should periodically review the Treasury Management Policy Statement (TMPS) and associated management practices to ensure they continue to comply with relevant statutory and regulatory requirements, and best practice. The CFO should consult the Audit Committee and the Executive on any proposed changes to the TMPS, prior to approval by the Council.

20.0 ASSET MANAGEMENT

- 20.1 For the purposes of the Financial Procedure Rules, the term asset includes furniture, fittings, vehicles, plant, cash and cash equivalents, and operational equipment. It also includes intangible assets including licences, loans and investments. The acquisition and disposal of all land and property assets is covered by the Property Procedure Rules.
- 20.2 The CFO will determine the administrative and accounting arrangements for recording the acquisition and disposal of assets, and the maintenance of asset registers.
- 20.3 Appropriate security measures should be adopted to protect and safeguard the Council's assets, particularly items of high value or those susceptible to theft or damage. This includes protecting the Council's information technology systems from the threat of cyber-attack.
- 20.4 The Council's assets should only be used for legitimate purposes and to support the delivery of the Council's services and operational activities. Assets should not be made available to third parties or be used for other purposes without the prior approval of the relevant Corporate Director in consultation with the CFO.
- 20.5 Where required, assets should be appropriately security marked and insured. Corporate Directors are responsible for providing the CFO with the information required in order to arrange the Council's insurance.
- 20.6 Cash or cash equivalents held on any Council premises should not exceed the sums for which the Council is insured. If necessary for operational reasons, the CFO may approve temporary increases to safe limits and the value of cash or cash equivalents which may be held.
- 20.7 Assets should only be acquired where there is budgetary provision and the relevant approvals have been obtained. The relevant Procurement and Contract Procedure Rules should also be followed.
- 20.8 Assets should be properly maintained throughout their useful life. Where an asset is no longer required for operational or investment purposes, it should be disposed of.
- 20.9 Corporate Directors are responsible for maintaining effective business continuity and disaster recovery plans to mitigate possible loss or damage to the Council's assets.
- 20.10 Leasing Agreements
- 20.10.1 Corporate Directors must inform the CFO if they are considering the use of any type

of leasing agreement to finance the acquisition of an asset. The CFO is responsible for negotiating and agreeing the terms of all proposed leasing agreements. No lease agreements should be entered into without the approval of the CFO.

20.10.2 Corporate Directors must ensure the terms and conditions of the relevant leasing agreement are complied with, particularly in respect of wear and tear, or the residual condition of the asset at the end of the leasing period.

20.10.3 A full inventory of all leased assets valued over £20,000 must also be maintained by the Corporate Director.

20.10.4 Any assets subject to a leasing agreement must not be disposed of without the prior consent of the CFO. The CFO will be responsible for notifying the lease company of the intended disposal and for obtaining their consent.

20.11 Loans and investments

20.11.1 Corporate Directors must inform the CFO if they are considering making loans to third parties or entering into other types of investment for commercial or non-commercial purposes. The CFO is responsible for negotiating and agreeing the terms of all loan agreements and investments entered into by the Council.

20.12 Disposal of assets (excluding land and property)

20.12.1 The maximum economic benefit for the Council should be obtained for all asset disposals. Prior to the disposal of an asset, Corporate Directors must:

- ensure that the asset is of no use to any other Directorate
- for assets subject to a leasing agreement consult the CFO
- confirm whether the asset was purchased using grant funding, and if so, ensure the disposal and the allocation of proceeds complies with the relevant grant conditions
- notify the CFO of the intention to dispose of any item which might be regarded as a capital asset

20.12.2 If the asset disposal is subject to grant conditions then those conditions will take precedence, otherwise all disposals must follow these rules.

20.12.3 All surplus assets must be sold for the highest price unless the interests of the Council would be better served by disposing of the asset by an alternative method. The expected costs of disposal should be considered as part of any decision. Where an alternative method is used to dispose of an asset for less than its market value then a record must be kept of the options considered and the reason for adopting this approach.

20.12.4 Corporate Directors may dispose of assets subject to the following approvals:

Estimated Disposal Value	Required action / approval
Less than £50,000	N/A
£50,000 - £100,000	Obtain approval of the CFO
£100,001 - £200,000	Obtain approval of the relevant Executive Member
Over £200,000	Obtain approval of the Executive

20.12.5 Corporate Directors may dispose of a number of assets simultaneously if their aggregate estimated disposal value is less than £50,000. If the estimated aggregate disposal value is £50,000 or more then the approvals set out above will apply.

20.12.6 Low value, damaged or obsolete assets with an aggregate estimated market value of less than £5,000, can be disposed of by alternative methods following guidance contained in the Financial Policies and Practices Manual.

20.12.7 A record of all asset disposals should be maintained. Corporate Directors must also consider data protection issues when disposing of assets and ensure compliance with the Council's relevant information security and data protection policies.

20.13 Asset register

20.13.1 The CFO has overall responsibility for maintaining the Council's asset register. The asset register should record details of all assets owned by the Council together with their values. The CFO will determine the categories and values of assets to be recorded in the register. The register should be kept under review and updated as required.

20.13.2 Corporate Directors are responsible for providing any information required to the CFO in order to maintain the asset register, including the details of all asset disposals

20.13.3 The CFO may request confirmation of an asset's existence and current condition from a Corporate Director.

21.0 STOCKS AND INVENTORIES

21.1 The Council holds stocks of various goods and materials to support the delivery of services. It is essential that these stocks and stores are appropriately safeguarded to prevent theft, misuse or damage.

21.2 Corporate Directors are responsible for maintaining written inventories (in a form approved by the CFO) of all stocks of goods and materials, where the aggregate value of those stocks is over £10,000.

21.3 Periodic reconciliations should be undertaken to confirm the completeness and accuracy of the inventory records. An independent check of all inventories should be completed at least annually. All stock discrepancies should be investigated. Any individual stock discrepancies over £10,000 must also be reported to the CFO

and HoIA.

- 21.4 Corporate Directors may arrange for the disposal of unrequired stock or inventory items but should ensure the maximum benefit is obtained for the Council from any disposal. The CFO will provide guidance on appropriate disposal methods. All disposals of stock and inventories are also subject to the following approvals:

Estimated Disposal Value	Required action / approval
Less than £20,000	N/A
£20,000 - £100,000	Obtain approval of the CFO in consultation with the relevant Executive Member(s)
Over £100,000	Obtain approval of the Executive

- 21.5 Corporate Directors may also write off stock and adjust for inventory deficiencies subject to the following approvals:

Estimated Disposal Value	Required action / approval
Less than £10,000	N/A
£10,000 - £50,000	Obtain approval of the CFO in consultation with the relevant Executive Member(s)
Over £50,000	Obtain approval of the Executive

22.0 PREVENTING FRAUD AND CORRUPTION

- 22.1 Fraud and corruption is a significant risk to the Council. Any fraud committed against the Council effectively constitutes a theft of taxpayer's money. It is unlawful and deprives the Council of resources which should be available to provide services to the public. The Council has therefore established a counter fraud function to support the prevention, detection and investigation of possible fraud. The Council will also adopt measures to help deter the risk of fraud, including publicising the outcomes of counter fraud work. The counter fraud function reports to the HoIA.

- 22.2 For the purposes of the Financial Procedure Rules, the term fraud is used broadly and includes:

- acts which would fall under the definition in the Fraud Act (2006) or any successor legislation
- anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
- any offences which fall under the Council Tax Reduction Schemes Regulations (2013) and the Prevention of Social Housing Fraud Act (2013) or any successor legislation
- any act of bribery or corruption including specific offences covered by the Bribery Act (2010) or any successor legislation

- acts of theft
- any other irregularity which is to the detriment of the Council whether financially or otherwise, or by which someone gains benefit they are not entitled to

- 22.3 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by Members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that Members, employees, and contractors' staff will act with integrity and with due regard to matters of probity and propriety.
- 22.4 The CFO should ensure that the Council establishes and maintains effective counter fraud and anti-corruption arrangements.
- 22.5 The Council's arrangements for the prevention, detection and investigation of suspected fraud will be set out in relevant policies, approved by the Audit Committee. The Audit Committee will also review and approve the counter fraud strategy. The HoIA will periodically review the strategy and policies and recommend any necessary changes to the CFO prior to approval by the Audit Committee
- 22.6 Members and officers should immediately notify the HoIA of any suspected fraud, corruption, error, or wrongdoing, or any circumstances which might suggest the possibility of irregularity in the exercise of any of the Council's functions or related to the delivery of any of the Council's services.
- 22.7 The HoIA will determine the scope of any fraud investigations, subject to consultation with the CFO, Monitoring Officer, Human Resources and the appropriate Corporate Director as required.
- 22.8 The HoIA will decide whether any matter under investigation should be referred to the police or other agencies, subject to consultation with the CFO, Monitoring Officer and the appropriate Corporate Director as required.
- 22.9 As a further deterrent, and to minimise losses, the Council will attempt to recover any losses incurred through civil or legal action. In addition, the Council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.
- 22.10 The Monitoring Officer is the Council's Chief Money Laundering Compliance Officer (CMLCO) and has overall responsibility for monitoring anti-money laundering policy, regulations and procedures. The CMLCO will ensure appropriate procedures for regulated activity are in place and obtain approval of the policy from the Audit Committee. Corporate Directors should inform the CMLCO of all circumstances where regulated activity is likely to be taking place. The CMLCO will ensure that Directorates undertaking regulated activity have appropriate training and risk assessments in place.
- 22.11 The CLMCO will appoint a Money Laundering Reporting Officer (MLRO) and deputy MLRO. The MLRO is responsible for maintaining the Council's money laundering reporting procedures, raising awareness of possible money laundering issues within the Council and for reporting concerns to the National Crime Agency (NCA) when they arise.

23.0 INCOME AND ACCOUNTS RECEIVABLE

- 23.1 Effective income collection systems are necessary to ensure that all of the income due to the Council is identified, collected, receipted and banked properly. Where possible income should be collected in advance to improve cash flow and to avoid the risks and costs of debt recovery.
- 23.2 Fees and Charges
- 23.2.1 The Council is responsible for approving the fees and charges policy. Any departure from the approved policy requires the approval of the Executive. Unless permitted all fees and charges should be subject to annual review. The CFO will provide detailed guidance on the setting and review of fees and charges. Corporate Directors are responsible for the establishment and ongoing review of fees and charges payable in respect of the services and functions provided by their directorate.
- 23.2.2 A full list of the current year's approved fees and charges should be made available on the Council's website. The fees and charges for the following financial year should be published on the website by 31 December of the preceding year.
- 23.2.3 The correct rate of VAT should be applied to all fees and charges.
- 23.3 Commercial rents
- 23.3.1 Commercial rents should be reviewed and increased in line with the relevant tenancy agreements. The CFO may authorise the granting of rent-free periods for a maximum of 6 months or rent rebates in specific circumstances subject to consultation with the Monitoring Officer. A record of the decision must be retained where this occurs. The Monitoring Officer should also be consulted on possible subsidy implications if the proposed rent for a commercial property is below the current market rate.
- 23.4 Housing rents
- 23.4.1 Housing rents should be set and increased annually in line with the Council's rent policy, relevant tenancy agreements and guidance issued by the Regulator of Social Housing.
- 23.5 Council Tax and National Non-Domestic Rates
- 23.5.1 The setting and collection of council tax and non-domestic rates is determined by legislation. The Council will set the annual rate of council tax by dividing the total council tax requirement by the council tax base. The Council may also apply specific levies to fund designated services if permitted by legislation. Other bodies in North Yorkshire including parish and town councils, and the North Yorkshire Police, Fire and Crime Commissioner may raise a precept on the council tax bills raised by the Council.
- 23.5.2 The CFO is responsible for determining the administrative and accounting arrangements for the Council Tax collection fund. This includes approving the Council Tax base estimates.
- 23.5.3 As a billing authority, the Council will apply the relevant multiplier to the rateable value of each business property.
- 23.6 Grant income

23.6.1 Refer below to section 28 – Grants and External Funding.

23.7 Asset sales

23.7.1 Refer to above section 20 – Asset Management.

23.8 Accounts receivable and the administration of debt

23.8.1 Corporate Directors should agree with the CFO the administrative and accounting arrangements for the collection of each type of income. The collection of income and the recovery of debts will normally be the responsibility of the CFO. Any alternative arrangements for the collection of income require the prior written approval of the CFO.

23.8.2 Where possible income should be paid directly to the Council by bank transfer or through the Council's automated payment systems. Cheques received on behalf of the Council should, as soon as practicable, be banked. The only exception to this arrangement applies to maintained schools operating to the LMS Financial Procedure Rules as defined in section 37 below. Payment by cash is only permitted where alternative methods of payment are not practicable and with the prior written approval of the CFO.

23.8.3 Where a debt remains unpaid the CFO is authorised to agree repayment terms with the debtor or to take other recovery action as appropriate.

23.8.4 The CFO will agree with the Head of Legal Services the arrangements for debt recovery including the process for commencing civil debt recovery through the courts, the recovery of costs and the use of enforcement agents. The specific responsibilities and approach to debt recovery will be included in a debt management policy. The policy will set out expectations for the use of responsible debt collections methods, management of all debts owned by the individual or organisation, and enforcement activities.

23.8.5 Income due to the Council should be banked in full and should not be used to offset payments due by the Council.

23.9 Debt write-off

23.9.1 Debts should only be written off once all reasonable attempts to recover the debt have been exhausted or where it would prove uneconomical to pursue the debt further.

23.9.2 The procedure for writing off debts is:

Value	Required action / approval
Less than £50,000	Approval of the CFO only
£50,000 - £100,000	Approval of the CFO in consultation with the relevant Corporate Director(s)
£100,001 - £200,000	Approval of the CFO in consultation with the relevant Executive Member(s)

Over £200,000	Obtain approval of the Executive
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23.9.3 The CFO has the right to refer any proposed debt write off to the Executive for approval.

23.9.4 The CFO will maintain a record of all debts written off each financial year including details of the attempted recovery action taken and the reasons for non-recovery.

23.9.5 Where a number of debts for the same debtor are being written off simultaneously, the aggregate value of those debts should be used to determine the approval required.

23.9.6 To ensure appropriate separation of duty, officers with responsibility for debt recovery and write off should not be involved in income collection.

23.10 Adjustments

23.10.1 Invoices which have been raised in error or the details are incorrect can be cancelled. The reasons for cancellation must be retained.

23.10.2 To ensure appropriate separation of duty, officers with responsibility for debt cancellation should not be involved in income collection.

23.11 Waiving a charge

23.11.1 In some circumstances it may be appropriate to waive a charge. A waiver should only be granted if the specific charging scheme permits this and there are legitimate and appropriate reasons for doing so. Examples include cases of financial hardship and where there are compassionate reasons for waiving the charge. Corporate Directors may waive charges of less than £10,000. Any waiver over this requires the approval of the CFO. A full record of the reasons for the waiver must also be retained.

24.0 ORDERING AND ACCOUNTS PAYABLE

24.1 All works, goods and services must be ordered in accordance with the Procurement and Contract Procedure Rules.

24.2 Members and Officers must also comply with respective Council rules and arrangements regarding the registration and declaration of any interests which may conflict with their role in Council business.

24.3 The CFO in consultation with the Monitoring Officer is responsible for determining the format of the Council's purchase orders and the associated standard terms and conditions.

24.4 Corporate Directors must use the Council's standard ordering system to raise purchase orders for all works, goods and services. The only exceptions are:

- where the supplier is on the list of exempt suppliers
- the expenditure has been incurred through petty cash or by using a procurement card
- the expenditure was incurred as a result of an emergency and the urgency of the situation would not permit a delay

- 24.5 All budget holders are responsible for ensuring that orders are only raised where there is an approved budget, and for maintaining proper records to support all purchasing decisions and transactions.
- 24.6 Purchase orders may only be raised and approved by designated officers, and in accordance with the approved financial management permissions.
- 24.7 The support and advice of the Corporate Procurement and Contract Management Team must be obtained for all significant, complex or more specialist purchasing transactions.
- 24.8 All works, goods and services should be checked to ensure they have been delivered in accordance with the original order. Any discrepancies must be identified and rectified before payment is authorised.
- 24.9 Invoices should only be approved once officers are satisfied that the correct charges have been applied and the identified works, goods or services have been received. All approvals must be in accordance with the limits set out in the financial management permissions. Where VAT has been charged it is essential that a valid tax invoice is provided by the supplier.
- 24.10 To ensure adequate segregation of duties, a different officer should authorise the order, confirm receipt and approve the invoice for payment. The CFO may agree alternative procedures for low value orders. Any alternative procedures must be documented and kept under review.
- 24.11 The CFO will determine the Council's standard payment terms and keep these under review. The CFO may agree different payment terms for small or medium suppliers and where prompt payment would be beneficial for the Council.
- 24.12 To ensure prompt payment, officers must ensure that invoices are matched to orders and authorised in a timely manner. Unmatched orders and invoices should also be monitored and followed up as required.
- 24.13 The CFO will establish a procedure for authorising and processing ad-hoc payments where there is no invoice. Such payments will include insurance settlements, grant payments, and fees or subscriptions which need to be paid in advance.
- 24.14 The CFO is responsible for ensuring all payments are made to the correct person or entity, and for the correct amount. The CFO must establish processes to verify creditor payment details when new suppliers are set up on the accounts payable system and for all subsequent changes. The CFO must also establish processes to identify potentially duplicate payments.
- 24.15 The CFO is also responsible for ensuring invoice and payment details are properly recorded in the Council's main accounting system and the expenditure is reflected against the relevant budget codes.

25.0 BANKING

- 25.1 The CFO is authorised to operate any bank accounts considered necessary for the effective management and administration of the Councils' services and functions. All arrangements for the operation, supervision and closure of the Council's bank

account(s) will be made by the CFO. Officers must not open bank accounts in the name of the Council unless they are acting on the instructions of the CFO.

- 25.2 The CFO will also make arrangements for the use and control of procurement cards for the payment of goods and services, and the operation of petty cash imprest accounts. The CFO will prepare specific guidance notes and instructions for both procurement cards and petty cash imprest accounts.
- 25.3 All bank accounts, petty cash imprest accounts and procurement card statements must be reconciled at least monthly. Any significant variances should be reported to the CFO in a timely manner.
- 25.4 Officers should be alert to the risks of money laundering and must report any suspicious activity or irregular banking transactions to the Council's designated Money Laundering Reporting Officer (MLRO).

26.0 PAYROLL AND EXPENSES

- 26.1 Employee related payroll related expenditure forms a significant part of the Council's budget and must therefore be accounted for correctly and accurately.
- 26.2 For the purposes of the Financial Procedure Rules, employee related payroll payments include:
- Monthly salaries
 - Overtime
 - Allowances
 - Travel and other expenses
 - Pensions (to former employees)
 - Redundancy payments and pay in lieu of notice.
- 26.3 All taxable expenses must be paid through the Council's payroll system. Managers should certify all travel and subsistence claims and ensure that claims are legitimate. Any unexplained discrepancies should be reported to the HoIA.
- 26.4 For all transactions and payroll related matters, the appropriate documentation and timetables, issued by HR must be followed. Copies of all relevant records should be retained in accordance with the Council's approved document retention period.
- 26.5 To ensure the Council complies with HM Revenue and Customs IR35, checks must be completed in accordance with agreed HR procedures before payments are made to contractors or agency workers.
- 26.6 Corporate Directors are responsible for ensuring all new appointments are made in accordance with the Council's approved establishments, grades, scales of pay and that adequate budget provision is available for the current financial year and subsequent years.
- 26.7 Corporate Directors are also responsible for ensuring all leavers are processed in a timely manner to avoid overpayments occurring.
- 26.8 The CFO is responsible for ensuring that regular reconciliations are undertaken between the Council's payroll system and the main accounting system (general ledger) to verify the accuracy and completeness of the payroll costing file. A similar

reconciliation should be undertaken with the pension system.

27.0 INSURANCE

- 27.1 The Council should have sufficient and adequate insurance cover to protect itself from the risk of financial claims arising from unforeseen events such as the theft of assets, damage to property, or injury to employees and the public.
- 27.2 Insurance has been the traditional means for transferring risk and protecting against such losses. By minimising or even preventing the incidence of losses, the Council may benefit from reduced insurance and related administrative costs. Corporate Directors therefore have a responsibility to identify, assess, prevent or contain all significant operational risks within their directorates.
- 27.3 The CFO is responsible for arranging all insurance on behalf of the Council and for providing advice to the Executive on the level of insurance cover required.
- 27.4 Corporate Directors must not admit liability or make any offer to pay compensation in respect of any claim. The CFO has sole responsibility for managing and negotiating all claims made against the Council, using specialist claim handlers as required. The CFO may require Corporate Directors to provide information and evidence relevant to any claim.
- 27.5 The CFO will also determine the level of self-insurance to be accepted for some risks and the value of reserves necessary to adequately fund future liabilities.
- 27.6 Corporate Directors must notify the CFO of any:
- event or incident which may result in a claim being made against the Council and/or its insurers
 - new risks which might require to be insured, together with details of any changed circumstances which might affect existing risks
 - other action(s) taken which might affect the Council's current or future insurance arrangements.

28.0 GRANTS AND EXTERNAL FUNDING

- 28.1 External funding can provide an important source of income to the Council but grant conditions must be carefully examined before any application is submitted or agreement is entered into to ensure they are compatible with the Council's aims and objectives. Grant conditions may also result in the Council committing to future expenditure for which there is no budget provision. A risk assessment must therefore be completed and documented to ensure all potential financial obligations and future liabilities are properly identified.
- 28.2 The CFO will provide detailed procedural guidance to follow when applying for grant or other external funding, and before any offers of funding are accepted.
- 28.3 Corporate Directors should consult with the CFO in all circumstances where applications for grants or other external funding are being considered.

Applying for a Grant

- 28.4 The following approvals are required before applications are submitted. The limits

apply to the aggregate level of funding where the grant is to be paid in instalments.

Estimated Value of Grant	Required action / approval
Less than £500,000 <u>Any Value</u>	Corporate Director in consultation with CFO
£500,000 and over	Obtain approval of the CFO in consultation with the Executive Member for Finance and other relevant Executive Member(s)*

* Recurring grants and external funding (a grant/funding which has been applied for previously with no substantial change to grant conditions or delivery of the grant) require consultation with the relevant Executive Member(s) at the discretion of the CFO.

Accepting a Grant or External Funding

28.5 The following approvals are required before any offers of grant or other external funding are accepted:

New, discretionary grants and external funding (a new grant/funding which at the discretion of the Council to apply for and has not been applied for previously):

Value of Grant Offer	Required action / approval
Less than £500,000 <u>Up to £1m</u>	Obtain approval of the CFO
£500,000 – £1m	Obtain approval of the relevant Executive Member(s) in consultation with the CFO and the Executive Member for Finance
Over £1m	Obtain approval of the Executive
<u>York and North Yorkshire Combined Authority Grant – Any value</u>	<u>CFO (in practice in consultation with the relevant Corporate Director).</u>

Recurring grants and external funding (a grant which has been applied for previously with no substantial change to delivery of the grant):

Estimated Value of Grant	Required action/approval
Less than £500,000 <u>Up to £1m</u>	Corporate Director to inform the CFO
£500,000 and over <u>Over £1m</u>	Obtain approval of the CFO in consultation with the Executive Member for Finance and other relevant Executive Member(s) as necessary
<u>York and North Yorkshire Combined Authority Grant –</u>	<u>CFO (in practice in consultation with the relevant Corporate Director).</u>

Any value

Direct award grants (grant provided directly to the Council where there is no application requirement):

Type of grant	Required action/approval
Direct Award grant	Corporate Director to inform the CFO

- 28.6 Corporate Directors are responsible for ensuring all grant conditions are complied with and the required approvals and certifications are obtained before submitting claims or returns to the relevant funding bodies.

29.0 PARTNERSHIPS

- 29.1 The Council provides a leadership role for the community and by working in partnership with other organisations can help to promote or improve the economic, social and environmental well-being of its area. However, working in partnership can also present a number of risks.
- 29.2 All partnerships with outside bodies (including other local authorities, the NHS, government agencies, education bodies, private sector companies, voluntary sector organisations and community groups) must therefore be properly evaluated before they are entered into, and be supported by appropriate governance, accounting and audit arrangements. No partnership should be considered unless it can be shown that there are clear benefits to the Council and the proposed arrangement is compatible with the Council's aims and objectives
- 29.3 The form of partnership may also differ. Partnerships involving joint decision making and the sharing of budgets and other resources to deliver services will require a formal agreement. Other partnerships will be more informal and simply provide a forum to share information and to consult on future plans.
- 29.4 The Council's partnership governance risk assessment must be completed whenever a partnership is being considered. Any proposed arrangement which is assessed as high or medium risk should then be subject to a full assessment using the approved partnership governance guidance and toolkit. In addition, a full assessment must be completed for all cases where the Council's financial contribution to the partnership is expected to exceed £200,000 per annum. In calculating the Council's financial contribution any grant or external funding for which the Council is acting as the Accountable Body should be included in the total.
- 29.5 Where a partnership is considered to be in the Council's interests, Corporate Directors, in consultation with the CFO and Monitoring Officer, should agree appropriate terms and conditions with the other partner organisation(s). Depending on the form of partnership, Corporate Directors should also comply with the Procurement and Contract Procedure Rules where these apply. The CFO must also be satisfied that the accounting and audit arrangements are appropriate for the size and type of partnership, and the legal framework must be agreed by all the partners.
- 29.6 Unless otherwise approved by the CFO, the partnership must adopt the Council's Financial, Property, Procurement and Contract Procedure Rules where the Council

is to be the designated accountable body.

29.7 Other partnerships will be expected to adopt appropriate governance arrangements.

29.8 The Audit Committee is responsible for monitoring the governance arrangements in place for the Council's key partnerships. The CFO should report to the Audit Committee at least annually on these partnerships.

30.0 ACCOUNTABLE BODY STATUS

30.1 The approval of the CFO must be obtained before the Council agrees to act as the designated accountable body for any partnership or funding arrangement.

31.0 GRANTS TO THE COMMUNITY AND OTHER ORGANISATIONS

31.1 The Council works with many voluntary, community and social enterprise (VCSE) organisations to deliver services and to help achieve the Council's aims and objectives.

31.2 Corporate Directors should refer to the Procurement and Contract Rules when establishing grant schemes or paying grants. Grant conditions must be agreed and communicated to community and other organisations before bids for funding are invited and assessed. The conditions should include provision to recover funding in the event that the conditions are not fulfilled, the rights of audit, and the requirements for document retention.

31.3 The grant recipient must submit evidence of expenditure incurred and the achievement of required objectives in accordance with the published grant conditions.

32.0 COMMERCIAL ACTIVITIES AND INTERESTS

32.1 The Council undertakes a range of commercial activities delivered by in-house services or through arms-length trading companies. These commercial activities are intended to deliver a return on investment and/or provide other added value to the Council. However, there are also financial and other risks associated with trading operations.

32.2 All new proposed trading operations and commercial activities therefore require the preparation of a business case by the relevant Corporate Director and the approval of the CFO before they commence.

32.3 If the trading operation or commercial activity requires the formation of a company then the approval of the Executive is also required.

32.4 The business case should include:

- the key business objectives, and how these fit with the Council's overall aims and objectives
- a full description of the legal powers and financial implications of the trading activity
- a list of the key risks, and how these will be mitigated
- a forecast of income and expenditure (including estimates of overhead costs) for the next three years

- the proposed accounting, audit and governance arrangements

- 32.5 The CFO will determine the minimum financial reporting requirements for the trading operation or commercial activity. The Monitoring Officer, in consultation with the CFO, will determine the legal and governance framework of the trading operation or commercial activity where it is delivered through a company. Each trading operation should prepare an annual business plan which includes a budget or financial forecast, objectives and targets. Performance against these objectives and targets should be reported regularly throughout the year.
- 32.6 The performance of Council owned companies should be reported to the Shareholder Committee at least annually.
- 32.7 Any proposed loan or grant by the Council to a trading operation or commercial activity requires the approval of the CFO. The approval of the Executive is also required if the loan or grant is over £500,000. Where a number of loans or grants have been made in a financial year then the aggregate value should be used to determine the approval required.
- 32.8 The CFO, in consultation with the Monitoring Officer, should report any concerns about the financial management of a trading operation or commercial activity to the Audit Committee, Shareholder Committee and/or the Executive as deemed appropriate.

33.0 HARBOUR ACCOUNTS

- 33.1 The CFO will determine the administrative and accounting arrangements for Scarborough and Whitby harbours, including the use of earmarked reserves and the apportionment of costs and other recharges from the general fund.
- 33.2 The CFO is responsible for preparing an annual income and expenditure statement for both harbours.

34.0 DEVELOPER CONTRIBUTIONS

- 34.1 Financial and non-financial contributions from developers support investment in infrastructure and the provision of public amenities within local communities. Contributions can be secured by way of Section 106 agreements (Town and Country Planning Act 1990) or through Community Infrastructure Levy (CIL) planning charges.
- 34.2 The Council's Planning and Development Service is responsible for monitoring s106 agreements and for ensuring any financial contributions are received once the relevant planning conditions are met.
- 34.3 The CFO is responsible for recording all financial contributions received and for establishing processes to monitor the use of the funding. The Planning and Development Service will ensure financial and non-financial contributions are used for their intended purpose and in accordance with the Council's policies. This will include consulting with relevant agencies and elected members as required.
- 34.4 The CFO is also responsible for publishing an annual Infrastructure Funding Statement (IFS), showing the value of CIL charges and s106 contributions collected, the total expenditure incurred on related infrastructure and public amenities, and the purposes for which the funding was used.

35.0 HOUSING REVENUE ACCOUNT

- 35.1 The Council is a housing landlord and provides properties for use by its tenants. The housing revenue account is a ring-fenced account within the Council's general fund which is used to record all income and expenditure in respect of the Council's housing stock and related services.
- 35.2 The long-term strategic aims and objectives for the management of the Council's housing stock will be set out in a 30-year Housing Revenue Account (HRA) business plan. The HRA business plan will include details of investment and funding plans.
- 35.3 The CFO will determine the administrative and accounting arrangements for the housing revenue account subject to all relevant statutory provisions and any guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC).
- 35.4 The CFO will provide guidance on the apportionment of support and overhead costs between the general fund and housing revenue account. Any apportionment of costs must be fair to both council tenants and council tax payers.
- 35.5 The CFO is responsible for ensuring any borrowing for housebuilding is undertaken in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code of Practice and the Council's approved prudential borrowing indicators.

36.0 MAINTAINED SCHOOLS

- 36.1 To reflect their particular circumstances, separate financial procedures are in place for maintained schools. These are the LMS Financial Procedure Rules and LMS Procurement and Procedure Rules. These rules preserve the essence of the Council's Financial, Procurement and Contract Procedure Rules but are adapted to reflect the specific arrangements applying in maintained schools.
- 36.2 Where this creates possible conflict or doubt, the Financial Procedure Rules and Procurement and Contract Procedure Rules will take precedence.
- 36.3 The School Finance Manual contains more detailed information in relation to particular areas such as budgets and forecasting, banking arrangements, accounting for VAT and charging for school activities.

37.0 VOLUNTARY FUNDS

- 37.1 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.
- 37.2 The CFO should be informed of the purpose and nature of all voluntary funds maintained or managed by officers.
- 37.3 Annual accounts should be prepared for all voluntary funds. The accounts should be examined by a competent person independent of the fund or subject to an audit (if specifically required by the Charity Commission or CFO).
- 37.4 A copy of the annual accounts and relevant independent examiner's report or audit

report should be provided to the CFO within 9 months of the financial year end. The CFO is entitled to undertake further checks, request additional information or to require a full audit of the fund if considered necessary.

- 37.5 Voluntary funds registered with the Charity Commission must also comply with all statutory registration, governance and reporting requirements. These include the preparation and submission of an annual return within the required timescales. Copies of the independent examiner's report or audit report should also be submitted if the annual income of the fund exceeds prescribed limits.

38.0 COURT OF PROTECTION

- 38.1 The Court of Protection makes decisions about how the financial affairs of people who lack mental capacity will be managed. The Council may apply to the Court of Protection to be appointed as a Deputy or Appointee where a person has no close family members or anyone else suitable to undertake these roles.
- 38.2 The CFO is responsible for maintaining appropriate administrative and accounting arrangements for managing the assets and funds of people where the Council has been appointed as a Deputy or Appointee. The CFO will also maintain a scale of charges in accordance with Court of Protection guidelines for providing these services.

39.0 DOCUMENT RETENTION

- 39.1 All financial and accounting documents must be retained in accordance with the Council's approved document retention period. The CFO is responsible for determining the minimum document retention periods for all finance related documents.
- 39.2 If the retention period is not stated then any accounting records should be retained for a minimum period of 6 years following the relevant financial year.