



ADUR & WORTHING COUNCILS

Ward(s) Affected: N/A

Financial Regulations

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1 This report proposes a revision to the financial regulations used by both Adur District Council and Worthing Borough Council. The revised financial regulations will form part of the Constitutions of both Councils.

1.2 The revision has been prompted by the recent LGA Peer Review which recommended that the Councils modernise the Financial Regulations. The aims of this review are to:

- Update the financial regulations for new job titles, Executive Member titles and new Committee names;
- To simplify the current regulations to make them more understandable to both Officers and Members of the Councils
- Consider revised approval processes with a view to reducing unnecessary bureaucracy in the light of the streamlined democratic processes;
- Consider the approved virement limits; and
- To address any recommendations raised by internal audit in the course of their work.

1.3 These provisions have been the subject of consultation with both Executive Members for Resources, and the points raised to date have been built into these financial regulations. Any further points raised will be verbally reported to the meeting.

2. Recommendations

2.1 Joint Governance Committee is asked to:

- i) recommend to the Councils that the revised Financial Regulations be approved; and
- ii) delegate to the Chief Financial Officer any minor amendment to the regulations for items such as changed job titles.

3. Context

3.1 The Financial Regulations provide the framework for managing the Authority's financial affairs. They apply to every member and employee of the Council and anyone acting on behalf of the Council. The regulations identify the financial responsibilities of employees and members and where these responsibilities are delegated.

3.2 The Chief Financial Officer is responsible for:

- Maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the Council for approval.
- For reporting, where appropriate, breaches of the financial regulations to the Council and/or to the Cabinet Members.
- Issuing advice and guidance to underpin the financial regulations which Members, employees and others acting on behalf of the Council are required to follow.

2.3 The financial regulations were last revised in 2014.

4. Issues for consideration

4.1 Attached at Appendix 1 are the proposed new regulations. These are significantly different from the current regulations. However any changes to items such as virement limits have been highlighted for information.

4.2 The main changes (apart from audit recommendations and changing job titles) to the financial regulations are as follows:

1. The format of the financial regulations has changed substantially to make it easier to follow, provide better understanding of why the regulations are needed, to be more specific about officer responsibilities.
2. Increases to the virement limits and to introduce new virement rules for the use of reserves as follows:
 - a. Directors and Chief Executive £50,000 (currently £25,000)
 - b. Chief Financial Officer £100,000 (new limit)
 - c. Executive members £250,000 (Currently £100,000) which is to be agreed by via a formal report rather than a consultation process.
 - d. JSC or Cabinet £250,000 or higher (currently £150,000)

These should now align more clearly with the key decision limits. Any such changes have been highlighted for information.

3. Removal of sections which were guidance on good financial administration. These will be included in a separate guide for officers. Examples include guidance on the use of petty cash, the operation of imprest accounts and the details of banking arrangements.

4.3 It is important that the proposed Financial Regulations adopted by both Councils are as identical as possible to avoid genuine confusion by the officers who manage the joint services on behalf of both Councils.

5. Engagement and Communication

5.1 An internal working group comprising of the Chief Financial Officer, Head of Legal, the Head of internal Audit, the Chief Accountant and representatives from Democratic Services was convened to undertake this review. The head of Place and Economy was consulted on the section on external funding.

5.2 The draft regulations have been circulated to the Corporate Leadership Team and the Organisational Leadership Group for comment.

5.3 Prior to this meeting, the proposed regulations have also been shared with the Executive Members for Resources and the Chairmen of the Joint Governance Committee for comment.

6. Financial Implications

6.1 Agreement of a revised set of Financial Regulations will improve the internal control environment of both Councils as the revision addresses any concerns raised by audit.

7. Legal Implications

7.1 These Financial Regulations are made pursuant to the Local Government Act 1972 Section 151 which requires the Chief Financial Officer to ensure the proper administration of the Councils financial affairs.

7.2 The Rules will form part of each Council's constitution, and accordingly will be published on the Councils' website.

Background Papers

Financial Regulations - Part 4, article 12 of the Councils constitution

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Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matters considered and no issues identified.

4. Governance

The report concerns the revision of the financial procedure rules which should enhance our governance arrangements.

ADUR DISTRICT COUNCIL & WORTHING BOROUGH COUNCIL

JOINT FINANCIAL REGULATIONS

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1. INTRODUCTION

- 1.1 Financial Regulations provide the internal framework for managing the Councils' financial affairs. These regulations apply to every Member and Officer of Adur District Council and Worthing Borough Council and anyone in the public or private sector who acts on behalf of the Councils. It is imperative that the Councils have a strong and usable set of Financial Regulations that are accessible to all who are dealing with its financial matters.
- 1.2 Under Section 151 of the Local Government Act 1972, each local authority is required to make arrangements for the proper administration of its financial affairs and arrange for one of their Officers to be responsible for the administration of those affairs. For Adur District Council and Worthing Borough Council this officer is the Chief Financial Officer.
- 1.3 Throughout these Financial Regulations, the title Chief Financial Officer will be used to denote the designated Section 151 Officer of the Councils; in the case of absence or non-availability, the Chief Accountant will be the Deputy Section 151 Officer.
- 1.4 The Chief Financial Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Councils for approval. He/she is also responsible, where appropriate, for reporting breaches of the Financial Regulations to the Joint Governance Committee.
- 1.5 It is the responsibility of the Corporate Leadership Team (CLT) / Heads of Service to ensure that all Officers in their service are familiar with the content of the Councils' Financial Regulations, as well as other internal regulatory documents, and also to confirm that they comply with them.
- 1.6 It is the responsibility of the Chief Financial Officer to provide advice and guidance regarding the Financial Regulations that Members, Officers and others acting on behalf of the Councils are required to follow.

STATUTORY REFERENCES

- Local Government Act 1972
- Local Government Act 1999
- Local Government Act 2003
- Local Audit and Accountability Act 2014
- Accounts and Audit Regulations 2015

CODES OF PRACTICE

- Code of Practice on Local Authority Accounting in the United Kingdom
- Prudential Code for Capital Finance in Local Authorities
- Service Reporting Code of Practice for Local Authorities (CIPFA)
- Treasury Management Code of Practice (CIPFA)
- United Kingdom Public Sector Internal Audit Standards (PSIAS) as interpreted by CIPFA's Local Government Application Note

2. FINANCIAL PLANNING

2.1 FORMAT OF THE BUDGET

2.1.1 Why is this important?

The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

2.1.2 Responsibilities of the Chief Financial Officer

To advise the Executives on the format of the budget that is approved by their Council.

2.1.3 Responsibilities of CLT / Heads of Service

To comply with accounting guidance provided by the Chief Financial Officer.

2.1.4 Key controls

The key controls for the budget format are: -

- (a) That the format complies with all legal requirements;
- (b) That the format reflects the accountabilities of service delivery;
- (c) That the format reflects the statutory reporting requirements for government returns; and
- (d) That, in published statements where it is required, the format complies with CIPFA's Service Reporting Code of Practice for Local Authorities.

2.2 BUDGETS AND MEDIUM-TERM PLANNING

2.2.1 Why is this important?

The Councils need to plan effectively and develop systems to enable limited resources to be allocated in accordance with priorities. The budget is the financial statement of the Councils' plans and policies.

The revenue and capital budgets must be constructed to ensure that resource allocation properly reflects the service plans and corporate priorities of the Councils. Budgets are needed so that the Councils can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Councils to budget for a deficit.

CLT / Heads of Service shall prepare annually in accordance with an agreed timetable (normally in preparation for submission to the Executives each January/February), draft estimates of income and expenditure in a form agreed with the Chief Financial Officer together with any necessary explanations.

2.2.2 Responsibilities of the Chief Financial Officer

To prepare and submit reports on the budget prospects for the Councils, including information about any resource constraints determined by the Government. Reports should consider the medium-term financial prospects which will be updated as appropriate.

To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by each Council, and following consultation with the relevant Executive Member for Resources and CLT/ Heads of Service.

To prepare and submit reports to the Joint Strategic Committee on the overall position; and to each Executive on the aggregate spending plans of the individual portfolios (analysed by departments) and the resources available, identifying, where appropriate, the implications for the level of Council Tax to be levied.

To advise on the medium-term implications of spending decisions.

To encourage the best use of resources and value for money by working with CLT/ Heads of Service to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

To advise the Council on the Executive's proposals on the robustness of the budget set and the adequacy of reserves in accordance with the Local Government Act 2003.

2.2.3 Responsibilities of CLT/ Heads of Service

To prepare estimates of income and expenditure, in consultation with the Chief Financial Officer, to be submitted to the Joint Strategic Committee and the Executive.

To prepare budgets consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Joint Strategic Committee. The format will be prescribed by the Chief Financial Officer in accordance with the Joint Strategic Committee's general directions.

To integrate financial and budget plans into service planning.

To ensure that budget proposals underpin the Councils' strategic priorities and objectives.

To utilise the Councils project management framework when delivering projects funded by the revenue budget.

2.2.4 Key controls

The key controls for budgets and medium-term planning are: -

- (a) specific budget approval is given for all expenditure;
- (b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Executive for their budgets and the level of service to be delivered; and
- (c) a monitoring process is in place to regularly review the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

2.3 CAPITAL PROGRAMME

2.3.1 Why is this important?

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles.

Capital assets can shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. Capital expenditure can also result in the creation of an intangible asset, for items such as software licenses which have no physical substance.

The Council is required to set its Capital Programme having regard to the Prudential Code, ensuring that it is affordable, prudent and sustainable. This means that capital expenditure forms part of a capital strategy that is carefully prioritised in order to maximise the benefit of limited resources. The Council must also approve its Prudential Indicators which are used to monitor performance throughout the year.

2.3.2 Responsibilities of the Chief Financial Officer

To prepare a capital strategy which outlines the Councils approach to developing a Capital Programme which meets the Councils' priorities;

To prepare a Capital Programme covering at least two future financial years. If an urgent and unforeseen need arises to undertake a project in excess of the current approved Capital Programme or to accelerate the preparation, commencement or completion of a scheme, the proposal will be considered by the Corporate Leadership Team and if supported will then be reported to Joint Strategic Committee (and Full Council if a supplementary estimate is required) for final approval.

To prepare and submit regular reports to the Joint Strategic Committee on the projected income, expenditure and resources compared with the approved estimates. Also, to inform the Executive where estimated expenditure on any scheme exceeds the Capital Programme provision by more than 10% or £50,000 whichever is lower, unless the amount is not material.

The definition of 'capital' will be determined by the Chief Financial Officer, having regard to government regulations and accounting requirements.

2.3.3 Responsibilities of CLT / Heads of Service

To comply with guidance concerning the development of the Capital Programme, capital schemes and controls issued by the Chief Financial Officer.

To utilise the Councils project management framework when delivering projects.

To ensure that all estimates and programmes prepared in connection with capital expenditure shall include reference to the estimated revenue implications in each of the development years and in a full cost year as agreed with the Chief Financial Officer.

To review the Capital Programme provisions for their services and the estimated final costs of schemes in the approved Capital Programme.

To ensure that adequate records are maintained for all capital contracts.

To proceed with projects / contracts only when there is adequate provision in the Capital Programme and guarantees of any external funding are in place.

To notify the Chief Financial Officer immediately if the total value of a contract or its annual sum is likely to be different from the original figure by more than the approved limits (the lower of more than 10% or £50,000 subject to materiality).

2.3.4 Key controls

The key controls for Capital Programmes are: -

- (a) specific recommendation by the Joint Strategic Committee and resolution of the relevant Council for the planned programme of capital expenditure;
- (b) Prior to any expenditure being incurred, each capital project must have a project initiation document (PID) as detailed in the capital strategy which is subject to approval by the relevant Director and Executive Member;
- (c) Projects with a value in excess of £250,000 are Key Decisions (as defined in Article 12 of the Council's Constitution) and therefore must be included in the Council's Forward Plan to provided 28 days of any decision to be made, and a report taken to the relevant Executive Members detailing the following:
 - details of the scheme including the options considered;
 - the procurement strategy;
 - the capital and revenue implications of the proposed scheme over the medium term; and
 - requesting any further delegations as appropriate

- (d) proposals for minor improvements and alterations to buildings and land must be approved by the appropriate Director/ Head of Service;
- (e) monitoring of progress of the programme in conjunction with expected expenditure and comparison with approved budget; and
- (f) monitoring of Prudential Indicators throughout the year.

2.4 MAINTENANCE OF RESERVES

2.4.1 Why are these important?

The Council holds reserves for one of three purposes:

- working balance to help cushion the impact of uneven cash flows, to manage budget risk and to avoid unnecessary temporary borrowing (general reserve);
- a contingency to cushion the impact of unexpected events or emergencies (general reserve); and
- a means of building up funds (earmarked reserves) to meet planned one-off expenditure, and to meet known or predicted liabilities.

It is the responsibility of the Section 151 Officer to advise the Council as to the level of general reserves.

2.4.2 Responsibilities of the Chief Financial Officer

To advise the Executive and/or the Council on prudent levels of reserves for the Council, having regard to advice from the External Auditor.

2.4.3 Responsibilities of CLT / Heads of Service

To ensure that reserves are used only for the purposes for which they were intended.

2.4.4 Key controls

The key controls for the maintenance of the reserves are:

- a) To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies.
- b) For each earmarked reserve established, the following must be provided:
 - The reason for / purpose of the reserve
 - How and when the reserve can be used
 - Procedures for the reserve management and control
 - A regular review of the reserve to ensure continuing relevance and adequacy.
- (c) Expenditure from the reserves of in excess of £25,000 can only be approved by the Joint Strategic Committee unless a specific delegation exists (see guidance on virement limits at paragraph 3.2.4).

3. FINANCIAL MANAGEMENT

3.1 BUDGETARY CONTROL

3.1.1 Why is this important?

Budgetary control is the means by which the Council manages its finances and ensures their effective use in accordance with the approved budget. It is a continuous process, enabling the Council to monitor and review its financial performance during the financial year.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity.

To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre.

3.1.2 Responsibilities of the Chief Financial Officer

To administer an appropriate framework of budgetary management and control that ensures:

- (a) Budget management is exercised within annual cash limits
- (b) Each Director has available timely information on receipts and payments on each budget;
- (c) Expenditure is only committed against an approved budget
- (d) All Officers responsible for committing expenditure comply with relevant guidance, and these Financial Regulations
- (e) Each budget heading has a single named Manager, determined by the relevant Director/ Head of Service. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure
- (f) Significant variances of more than 10% or £25,000 (was £5,000) whichever is the higher from approved budgets are investigated and reported by budget managers regularly.

To administer the Council's Scheme of Virement (see 3.2.).

To submit reports to the Joint Strategic Committee and to the Council, in consultation with the relevant Director/ Head of Service, where it is not possible to balance expenditure and resources within existing approved budgets under his/her control (see 3.2.5 supplementary estimates).

To prepare and submit regular monitoring reports to Joint Strategic Committee on the Council's projected income and expenditure compared with the budget.

3.1.3 Responsibilities of CLT / Heads of Service

To maintain budgetary control within their departments and to ensure that all income and expenditure is recorded and accounted for properly.

To ensure that an accountable Budget Manager is identified for each item of income and expenditure.

To ensure that spending remains within the service's overall budget limit, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.

To prepare and submit to the Joint Strategic Committee, reports on the service's projected expenditure compared with its budget as part of the regular budget monitoring reports, in consultation with the Chief Financial Officer.

To ensure compliance with the Scheme of Virement (see 3.2).

To agree with the relevant Director/ Head of Service where it appears that a budget proposal, including a virement proposal, may impact materially on another service area.

3.1.4 Key controls

The key controls for managing and controlling the revenue budget are: -

- (a) Budget Managers should be responsible only for income and expenditure that they can influence;
- (b) there is a nominated Budget Manager for each budget heading;
- (c) Budget Managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- (d) all budgets are appropriately profiled through the financial year;
- (e) Budget Managers follow an approved certification process for all expenditure;
- (f) income and expenditure items are recorded and accounted for properly.

3.2 SCHEME OF VIREMENT

A summary of the limits relating to virement as set out in the sections below is provided in Appendix 1 to these Rules.

3.2.1. General Virement

a) Why is this important?

Virement is the transfer of budget from one specific area to another. This can either be a transfer within revenue budgets or a transfer within capital budgets. Restrictions may apply to transfers between capital and revenue budgets and you cannot vire between a capital budget to a revenue budget. Virement can be a temporary (in-year) or permanent transfer of budget.

The Scheme of Virement is intended to enable Executive Members together with CLT / Heads of Service and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and, therefore, to optimise the use of resources. Budget variation requests requiring Committee approval will be included on Joint Strategic Committee Agendas.

b) Responsibilities of the Chief Financial Officer

To submit a report to the Corporate Leadership Team and Executive where virements are proposed between Directorate areas or Member Portfolios;

To approve all virements in excess of £50,000 and up to but not including £100,000 (new limit for CFO);

To ensure that all virements of £100,000 (key decision limit as defined by article 12 of the constitution) and up to and including £250,000 are approved by the relevant Executive Member (was previously £50,000);

To ensure that all virements in excess of £250,000 are approved by the Joint Strategic Committee.

c) Responsibilities of CLT / Heads of Service

CLT / Heads of Service may exercise virement on budgets under their control of up to and including a maximum of £50,000 (was previously £25,000), provided the Chief Financial Officer has been consulted.

To submit a report to the relevant Executive Member or the Joint Strategic Committee for virements over £100,000, provided that the Chief Financial Officer has been consulted.

Salary budgets represent the Council's approved establishment. As such the salary budgets cannot be vired to other areas of the budget without the approval of the Chief Financial Officer. A favourable salary budget variance may be used to cover the additional temporary staffing costs incurred due to the vacant post, subject to the corporate vacancy target.

To ensure, that where external funding has been successfully applied for, that a budget virement is undertaken to adjust the revenue budget for the confirmed funding and the related expenditure.

Virements against future anticipated fees and charges or other uncertain sources of income will not be allowed unless approved by the relevant Executive Member.

Savings of a non-recurring nature (temporary) cannot be used to justify the incurring of expenditure with a continuing commitment into later years (permanent).

Virement that is likely to impact on the level of service activity of another department should be implemented only after agreement with the relevant Director / Head of Service.

d) Key controls

Key controls for the Scheme of Virement are: -

- (a) it is administered by the Chief Financial Officer within guidelines set by the Council. Any variation requires the approval of the Council;
- (b) the overall budget is recommended by the Executive and approved by the Council. CLT / Heads of Service are authorised to incur expenditure in accordance with the estimates that make up the budget.
- (c) virement does not create a net increase in budget. CLT / Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently.

3.2.2 Virements Relating To S106 Contributions and Community Infrastructure Levy (CIL)

a) Why is this important?

Section 106 agreements are negotiated as part of a condition of planning consent. CIL levy is payable on certain developments. They provide an important source of additional funding towards a range of infrastructure and services such as community facilities, public open spaces, transport improvements and or affordable housing.

b) Responsibilities of the Chief Financial Officer

To ensure that virements relating to s106 and CIL funding in excess of £25,000 and up to and including a maximum of £100,000 are approved by the relevant Executive Member and that virements in excess of £100,000 are approved by the Joint Strategic Committee. (This introduces a limit for the Executive Member, previously all virements over £25,000 went to the JSC)

To be responsible for the proper accounting of S106 and CIL receipts.

c) Responsibility of the Head of Planning and development

To keep a record of all S106 and CIL receipts due to each Council.

To be responsible for the collection of any S106 and CIL receipts due.

d) Responsibilities of CLT / Heads of Service

CLT / Heads of Service may exercise virements relating to s106 / CIL funded expenditure under their control up to and including a maximum of £25,000 provided that the Chief Financial Officer has been notified and authorised the use of the receipts and the proposed use is in accordance with any legal agreement or Council policy governing their use.

To submit a report to the relevant Executive Members for expenditure in excess of £25,000 and up to and including £100,000 and to the Joint Strategic Committee for expenditure in excess of £100,000 and above at the earliest opportunity with details of how the funding is to be applied.

e) Key controls

Key controls for s106 funded expenditure are:

- (a) it is administered by the Chief Financial Officer within guidelines set by the Council; and
- (b) virement does not create a net increase in budget. CLT / Heads of Service are expected to ensure that funds are spent within the terms of the agreement including any time limits that may apply.

3.2.3 Virements Relating To Contingency Budgets

a) Why is this important?

The Contingencies and Special Items budget is assessed annually as a provision for known possible service changes that have not been sufficiently developed to fully cost into the budget.

b) Responsibilities of the Chief Financial Officer

To ensure that virements relating to contingency budgets have been fully costed before budget are vired to service areas. Virements are noted in budget monitoring reports.

c) Responsibilities of CLT / Heads of Service

To submit fully developed spending plans to the Chief Financial Officer at the earliest opportunity.

d) Key controls

Key controls for virements from Contingency budgets:

- (a) it is administered by the Chief Financial Officer within guidelines set by the Council ;
- (b) virement does not create a net increase in budget; and
- (c) CLT/ Heads of Service are expected to ensure that the use of these budgets follow the Council's priorities.

3.2.4 Virements Relating To Reserves

a) Why is this important?

Earmarked reserves should only be used for the purpose that they are intended. Unrequired earmarked reserves should be returned to the General Fund. Capital reserves should only be applied in line with statutory approvals.

b) Responsibilities of the Chief Financial Officer

To ensure that all virements from Earmarked Reserves up to and including £25,000 are approved by the relevant member of CLT or the Head of Service.

To ensure that all virements relating to the use of Earmarked Reserves in excess of £25,000 and up to and including £250,000 are approved by Joint Strategic

Committee or the relevant Individual Executive Members where a delegation to that Executive Member is in force.

To ensure that all virements in excess of £250,000 are approved by the Joint Strategic Committee.

To ensure that all proposals for the use of capital receipts complies with statutory guidance, the Capital Strategy and have a viable business case.

c) Responsibilities of CLT / Heads of Service

To ensure that earmarked reserves are used only for the purpose for which they were intended.

That unrequired earmarked reserves are returned to the General Fund.

To submit proposals to the Chief Financial Officer as soon as practicable for the use of any earmarked reserve.

d) Key controls

Key controls for virements from reserves:

(a) It is administered by the Chief Financial Officer within guidelines set by the Council.

(b) Virement does not create a net increase in budget. CLT/ Heads of Service are expected to ensure that the use of these budgets follow the Council's priorities.

3.3 ACCOUNTING POLICIES

3.3.1 Why are these important?

The Council is required to follow proper practices in preparing its Statement of Accounts. The Council's Accounting Policies are a key part in ensuring that this is done and these are detailed in the Statement of Accounts.

3.3.2 Responsibilities of the Chief Financial Officer

To establish suitable accounting policies and to ensure that they are applied consistently.

To ensure that the accounting policies are consistent with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom*, for each financial year.

3.3.3 Responsibilities of CLT/ Heads of Service

To adhere to the accounting policies and guidelines approved by the Chief Financial Officer.

3.3.4 Key controls

The key controls for accounting policies are:

- (a) Systems of internal control are in place to ensure that financial transactions are lawful;
- (b) Suitable accounting policies are established and applied consistently;
- (c) Proper accounting records are maintained;
- (d) Financial statements are prepared which present fairly the financial position of the Council and its expenditure and income; and
- (e) Accounting policies are set out in the Statement of Accounts and are subject to external audit.

3.4 ACCOUNTING RECORDS AND RETURNS

3.4.1 Why are these important?

Maintaining proper accounting records is one way in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare annual accounts that present its operations during the financial year fairly. These annual accounts are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

3.4.2 Responsibilities of the Chief Financial Officer

To determine the accounting policies, procedures and the method for recording transactions for the Council.

To arrange for the compilation of all accounts and accounting records under his/her direction.

To comply with the following principles when allocating accounting duties: -

- (a) Officers responsible for the calculation, checking and recording of income and expenditure should not be responsible for the collection and disbursement of such income and expenditure; and
- (b) Officers with the duty of examining or checking the accounts of cash transactions must not be engaged in those transactions.

To make proper arrangements for the audit of the Council's annual accounts in accordance with the Accounts and Audit Regulations 2015.

To ensure that all claims for funds (including grants) are made accurately and by the due date.

To prepare and publish the audited annual accounts of the Council for each financial year, in accordance with the statutory timetable.

To ensure the proper security and retention of financial documents in accordance with the requirements set out in the Council's Document Retention Policy.

To ensure that an asset register is maintained and assets are appropriately revalued and categorised in accordance with *Code of Practice on Local Authority Accounting in the United Kingdom*.

3.4.3 Responsibilities of CLT / Heads of Service

To ensure that a copy of any approved funding from a third party, including Government grant, is immediately passed to the Chief Financial Officer.

To ensure that all necessary service related information is available to support all claims for funds, including Government grants.

To maintain adequate records to provide a management/audit trail leading from the source of income/expenditure through to the accounting statements.

To supply information required to enable the statement of accounts to be completed and published in accordance with the timetable and guidelines issued by the Chief Financial Officer.

3.4.4 Key controls

The key controls for accounting records and returns are:

- (a) All Executive Members, finance Officers and Budget Managers operate within the required accounting standards and timetables;
- (b) All the Council's transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
- (c) Procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
- (d) Reconciliation procedures are carried out to ensure transactions are correctly recorded;
- (e) Prime documents are retained in accordance with legislative and other requirements, as set out in the Councils' Document Retention Policy; and
- (f) The central accounting system of the Council, administered by the Chief Financial Officer, is the prime system upon which the financial position of the Council, or any part of the Council, will be assessed.

3.5 THE ANNUAL STATEMENT OF ACCOUNTS

3.5.1 Why is this important?

The Council has a statutory responsibility to prepare its own accounts to present its operations during the financial year in a fair manner. The Council is responsible for approving the statutory annual statement of accounts, through delegation to the Joint Governance Committee.

3.5.2 Responsibilities of the Chief Financial Officer

To establish suitable accounting policies and to apply them consistently.

To make judgements and estimates that are reasonable and prudent.

To comply with the *Code of Practice on Local Authority Accounting in the United Kingdom*.

To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the financial year.

To draw up the timetable and requirements for final accounts preparation and to advise Officers and the External Auditor accordingly.

3.5.3 Responsibilities of CLT / Heads of Service

To comply with accounting guidance provided by the Chief Financial Officer and to supply the Chief Financial Officer with information when required.

3.5.4 Key controls

The key controls for the annual statement of accounts are: -

- (a) The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the Chief Financial Officer; and
- (b) The Council's statement of accounts must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom.

4. RISK MANAGEMENT AND CONTROL OF RESOURCES

4.1 RISK MANAGEMENT AND INSURANCE

4.1.1 Why is this important?

Risk management is a planned and systematic approach to identifying, evaluating and controlling risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational wellbeing of the Council. It is, therefore, an integral and essential part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action needed to control these risks effectively.

It is the overall responsibility of the Joint Governance Committee to approve the Council's Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council.

4.1.2 Responsibilities of the Director of Digital and Resources

To prepare and promote the Council's Risk Management Strategy.

To report regularly to the Joint Governance Committee on risk management matters.

4.1.3 Responsibilities of the Chief Financial Officer

To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims, in consultation with other Officers where necessary.

4.1.4 Responsibilities of CLT / Heads of Service

To notify the Chief Financial Officer immediately of any injury, loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Chief Financial Officer or the Council's insurers.

To notify the Head of Legal of any injury, loss or liability that might result in legal action against the Council

To take responsibility for risk management and minimising exposure to loss, having regard to advice from the Chief Financial Officer and other specialist advisers (e.g. health and safety, emergency planning).

To ensure that there are regular reviews of Corporate and Departmental risk registers to identify and evaluate risk and to determine the ways risk can be managed. The risks and the mitigating actions should be recorded and monitored.

To notify the Director of Digital and Resources promptly of all new risks

To notify the Chief Financial Officer of any properties or vehicles that require insurance and of any alterations affecting existing insurances.

To consult the Chief Financial Officer and Head of Legal on the terms of any indemnity that the Council is requested to give.

4.1.4 Key controls

The key controls for risk management are:

- (a) Procedures are in place to identify risks, to evaluate their likely impact and probability of occurring, and to determine suitable risk reduction strategies. The risk management process operates continually to ensure that changes in circumstances and new risks are identified, evaluated and managed;
- (b) Corporate and Departmental Risk Registers are produced and are regularly reviewed and action taken when appropriate;
- (c) Risk management procedures are communicated effectively throughout the Council. Managers know that they are responsible for managing risks in their areas and are provided with relevant information on risk management initiatives;
- (d) Acceptable levels of risk are determined and insured against where appropriate; and provision is made through balances or reserves for losses where insurance is not appropriate;
- (e) The Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

4.2 AUDIT REQUIREMENTS

4.2.1 Internal Audit

a) Why is this important?

The requirement for an internal audit function is implied by the Accounts & Audit Regulations 2015 which requires that the Council must each financial year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It will act in accordance with the internal audit charter and UK Public Sector Internal Audit Standards (PSIAS) and will undertake reviews that focus on areas of greatest risk to the Council, as agreed annually in consultation with CLT and approved by the Joint Governance Committee. However, it is the responsibility of every manager to establish and maintain an effective system of internal control.

Internal audit shall have the authority to have unrestricted access to all records, assets, personnel and premises deemed necessary to review the activities of the Council and (where appropriate, subject to contractual arrangements) its contractors and operating partners. It also has authority to obtain from all Officers and Members such information and explanations as are considered necessary and direct access and freedom to report to CLT, the Council and its committees (although its primary responsibility is to the Joint Governance Committee).

b) Key controls

The key controls for Internal Audit are:

- (a) That it is independent in its planning and operation;
- (b) The Head of Internal Auditor has direct access to the Chief Executive, all levels of management and directly to Elected Members; and
- (c) The internal Auditors comply with the United Kingdom Internal Audit Standards as interpreted by CIPFA's Local Government Application Note.

4.2.2 External Audit

a) Why is this important?

It is a statutory requirement for the Council to publish an audited Statement of Accounts.

The Accounts and Audit (England) Regulation 2015 sets out the requirements of signing, approval and publication of the statement of accounts.

The arrangements for the appointment of external auditors are included in the Local Audit and Accountability Act 2014 which give the Councils two options:

- i) to either opt in to the Appointing Person regime; or
- ii) to establish an auditor panel and conduct their own procurement exercise.

b) Responsibilities of the Chief Financial Officer

Make arrangements to let the contract for the provision of external audit services.

To ensure that the appointed External Auditor is given access at all times to premises, personnel, documents and assets that he/she considers necessary for the purposes of their work.

To ensure there is effective liaison between external and internal audit.

c) Key controls

The key controls for External Audit are:

- (a) That it is independent in its planning and operation;
- (b) The External auditor has direct access to the Chief Executive, all levels of management and directly to Elected Members; and
- (c) The External auditor reports to the Governance and Audit Committee and that all reports of the auditor are publically available.

4.3 PREVENTING FRAUD AND CORRUPTION

The Council takes the prevention of fraud, corruption and maladministration very seriously and has the following policies in place, which aim to prevent or deal with such occurrences:-

- Anti-Fraud, Corruption & Bribery Policy
- Whistleblowing Policy (in respect of the Public Interest Disclosure Act 1998)
- Anti-money laundering procedures
- HR policies regarding discipline of staff
- Registers of Interests for Members and staff
- Robust processes for the procurement of goods and services

The Council expects all Members and Officers to act with propriety and accountability and also expects that individuals and organisations with whom the Council comes into contact (for example, suppliers, contractors and service providers) will act towards the Council with integrity and without thought or actions involving fraud and corruption.

Where financial or other impropriety is discovered or suspected it must immediately be reported to the Chief Financial Officer and the Head of Legal and/or the Head of Internal Audit for appropriate investigation and action.

4.4 ASSETS – LAND, BUILDINGS, FURNITURE, EQUIPMENT ETC.

4.4.1 Acquisitions

Why are these important?

The Council is publicly accountable for the way that it spends its money. Value for money must be demonstrated and the Council has a statutory duty to achieve best value in everything it does. Therefore, the Council has to exercise control over its purchasing activity, including asset acquisition (e.g. property, vehicles, plant and equipment, furniture).

Responsibilities of the Chief Financial Officer

To issue guidelines on the best practice in respect of asset acquisition.

To periodically review all guidelines to ensure that they still reflect best practice.

To ensure that all expenditure is properly recorded in the Council's accounts and records.

Responsibilities of CLT / Heads of Service

To ensure that the Council's policies and procedures are complied with.

To ensure that the necessary separation of duties is observed.

To ensure that assets purchased are necessary.

Key controls

The key controls for asset acquisition are:

- (a) Council policies, including the Governance arrangements and Officer Decision Making Procedure Rules, in respect of the acquisition of assets are complied with at all times. This includes compliance with Contract Standing Orders for all relevant asset acquisitions.
- (b) There are at least two Officers involved in the process of acquisition, with a separation of duties between Officers involved in the different parts of the process.
- (c) Procedures protect Officers involved in the acquisition of assets from accusations of impropriety.

4.4.2 Asset disposal and transfer

Why is this important?

It would be uneconomic and inefficient for the cost of maintaining assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the Council's policies and procedures.

Assets are sometimes used by or transferred to an external party, for example as part of an outsourced contract or partnership arrangement. It is important that the legal and financial basis for the transfer is determined and properly documented, so that the interests of the Council are protected.

Responsibilities of the Chief Financial Officer

To issue guidelines representing best practice for disposal of assets.

To ensure appropriate accounting entries are made to remove the value of disposed or transferred assets from the Council's records and to include the sale proceeds, if appropriate.

Responsibilities of CLT / Heads of Service

To seek advice from the Chief Financial Officer on the disposal of surplus or obsolete materials, equipment and vehicles.

To seek advice from the Chief Financial Officer where assets are to be transferred or predominantly used by an external party.

To ensure that income received for the disposal of an asset is properly banked and coded.

To authorise the write off and disposal of obsolete or surplus materials and equipment.

To ensure that the disposal of obsolete or surplus materials and equipment, is by competitive quotation or auction, unless, following consultation with the Chief Financial Officer, the Executive decides otherwise.

Specifically relating to the disposal or acquisition of land and buildings: -

To ensure that all disposals of land and buildings are in accordance with the Council's asset management strategy current at the time. Where disposal of land and buildings is allowed, it shall be conducted in accordance with the scheme of delegations and the provisions detailed in (a) (i) – (vi) below.

- (a) Approved methods of disposal shall be by:-
 - (i) Private Treaty;
 - (ii) Auction;
 - (iii) Tender
 - (iv) Sealed Offer;
 - (v) Exchanges of land; or
 - (vi) Compulsory Purchase Order

- (b) To ensure that where land is to be disposed of by the Council, the Chief Financial Officer shall ensure compliance with Financial Regulations and S123 of the Local Government Act 1972.

- (c) Prior to any disposal of land, a valuation of the asset to be sold should be obtained from an appropriately qualified valuer.

Key controls

- (a) assets for disposal or transfer are identified and are disposed of or transferred at the most appropriate time, and only when it is in the best interests of the Council, and the best price or contract terms are obtained, bearing in mind other factors, such as environmental issues or the delivery of strategic objectives.

- (b) Prior to the disposal of any land or buildings, a formal valuation is obtained
- (c) for items of significant value, disposal should be by competitive tender or public auction; and
- (d) procedures protect Officers involved in the disposal of assets from accusations of personal gain.

4.4.3 Security (Including Inventories)

Why is this important?

The Council holds assets in the form of property, vehicles, equipment and other items worth many millions of pounds. Information held by the Council is also a key asset. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of assets. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

Responsibilities of the Chief Financial Officer

To ensure that an asset register is maintained in accordance with good practice for all assets with a value in excess of £10,000. The function of the asset register is to provide the Council with information about fixed assets so that they are: -

- safeguarded;
- used efficiently and effectively;
- adequately maintained; and
- accounted for.

To receive the information required for asset accounting and associated financial records from each director/group head.

To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom*.

Responsibilities of the Head of Customer Services:

To maintain a central register of all IT and telephony equipment.

Responsibilities of the Head of Environmental Services:

To maintain a central register of all vehicles.

Responsibilities of CLT / Heads of Service

To ensure the proper security of all Officers, buildings and other assets under their control.

To pass title deeds and contract documentation to the Head of Legal Services who is responsible for custody of all title deeds.

To ensure the safe custody of vehicles, equipment, furniture, and other property belonging to the Council.

To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.

To ensure cash holdings on premises are kept to a minimum and that maximum limits are agreed by the Chief Financial Officer.

To ensure that keys to safes and similar secure containers/cupboards are carried on the person of those responsible at all times; loss of any such keys must be reported to the Chief Financial Officer as soon as possible.

To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Financial Officer.

To carry out an annual check of all items on the inventory in order to verify location, to review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly.

To make sure that property is only used in the course of the Council's business, unless the Director / Head of Service concerned has given permission otherwise.

Key controls

- (a) assets registers are accurately maintained and all assets are accounted for; and.
- (b) assets are valued in accordance with approved policies and appropriate values included in the Council's Annual Accounts.

4.5 TREASURY MANAGEMENT

Why is this important?

Many millions of pounds pass through the Councils' accounts each year. The scale of the local authority treasury activity and issues such as the Icelandic banking collapse has led to the development of CIPFA's *Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities (Prudential Code)*. These aim to provide assurances that the Councils' money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Councils' financial resources.

Responsibilities of Chief Financial Officer

To arrange the borrowing and investments of the Councils, including bank overdrafts, in such a manner as to comply with the CIPFA *Code of Practice on Treasury*

Management, the Prudential Code, the Councils' Treasury Management Strategy and the Councils' Treasury Management Practices.

To report on treasury activities to the Joint Governance Committee, with recommendations (including adoption of the Treasury Management Strategy Statement & Annual Investment Strategy) referred for approval by Full Council.

To operate bank accounts as are considered necessary. All arrangements with the Councils' approved bankers regarding the Councils' bank accounts, and the terms on which they are conducted, shall be made by the Chief Financial Officer.

To ensure that detailed arrangements are made regarding the Councils' bank accounts and for the issue of cheques and cards. All cheques or cards shall be ordered only on the authority of the Chief Financial Officer who shall advise on proper arrangements for their safe custody.

All of the Councils' bank accounts must be in the name of "Adur District Council" or "Worthing Borough Council".

To ensure that all investments or utilisation of monies and other accumulations and the sale or realisation of investments are made in the name of the relevant Council or in the name of nominees approved by the Executive.

To effect all borrowings in the name of the Councils.

To act as the Councils' registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money and investment by the relevant Council.

To ensure that in circumstances where a Council has decided to finance capital expenditure by way of leasing, deferred purchase, or similar arrangements, the Chief Financial Officer or his/her authorised representative shall so far as possible, obtain competitive quotations from relevant funding sources and such arrangements shall be subject to approval by the relevant Executive Member.

Responsibilities of CLT / Heads of Service

To follow the instructions on banking issued by the Chief Financial Officer.

To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Executive, following consultation with the Chief Financial Officer and if appropriate Council.

To ensure that CLT / Heads of Service advise the Chief Financial Officer of the disposal of any vehicle or item of equipment that is subject to a lease.

Key controls

- (a) the Treasury Management Strategy Statement & Annual Investment Strategy must be approved by Full Council by 31st March for the next financial year;
- (b) Council investments are only placed with approved institutions in line with the agreed strategies;
- (c) investment performance is monitored and reported to Officers and Members;
- (d) funds transfers (e.g. by CHAPS) require dual authorisation by designated officers; and
- (e) investment and borrowing requirements are identified and planned for in short-term cash flow forecasting and longer-term financial strategies.

4.6 STRATEGIC PROPERTY INVESTMENT FUND

Why is this important?

The Councils are investing millions of pounds in commercial property to produce a sustainable income stream to support the Councils' activities for the future. The scale of this investment activity and associated risks mean that such investments should be properly managed, a point reinforced by the recently revised *Prudential Code for Capital Finance in Local Authorities (Prudential Code)*. This aims to provide assurances that the Councils' property investment activity is properly managed in a way that balances risk with return, but with the overriding consideration being given to the long-term security of the Councils' property investments.

Responsibilities of Head of Major Projects and Investment

To ensure that key decision notices are published for any potential purchase;

To ensure that the approval of any purchases complies with the governance arrangements detailed within the Commercial Property Investment Strategy.

To ensure sufficient resources are allocated to the long term management of Strategic Property Investment Fund assets to maintain their long term value is maintained.

To ensure that effective asset management plans, processes and procedures are in place to ensure that these assets are managed appropriately.

To report on property investment activities to the Joint Governance Committee, with recommendations (including adoption of the Annual Commercial Property Investment Strategy) referred for approval by Full Council.

To effect all purchases in the name of the relevant Council.

Responsibilities of Chief Financial Officer

To arrange the financing of any purchases (including borrowing) of the Council,, in such a manner as to comply with the CIPFA *Prudential Code*, the Councils' Treasury Management Strategy and the Councils' Treasury Management Practices.

Key controls

- (a) the Commercial Property Investment Strategy must be approved by Full Council by 31st March for the next financial year;
- (b) Council will only invest in line with the agreed strategy;
- (c) The performance of the Strategic Property Investment Fund is monitored and reported to Officers and Members;
- (d) An annual report is prepared for both the Joint Strategic Committee and the Joint Governance Committee detailing the value, outstanding borrowings and rental performance of the fund
- (e) All property purchases are subject to extensive due diligence and conveyancing is managed by appropriately qualified legal resources.

4.7 WORKFORCE

Why is this important?

The Council sees its Officers as a valuable asset to running its business to provide the highest level of service, it is essential that the Council recruits and retains high calibre, knowledgeable Officers, who are qualified to an appropriate level.

Responsibilities of the Chief Financial Officer

To ensure that CLT / Heads of Service have identified budget provision for all existing and new employees.

To act as an advisor to CLT / Heads of Service on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of the Director of Digital and Resources

To develop a workforce strategy, policy and procedures and ensure they are disseminated and enforced.

Responsibilities of CLT / Heads of Service

To produce an annual workforce budget.

To ensure that the workforce budget is an accurate forecast of workforce levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

To ensure that the workforce budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

To comply with, and ensure Officers comply with, the Council's Human Resource policies (for example: recruitment, training and flexible working policies).

Key controls

The key controls for employees are: -

- (a) an appropriate workforce strategy and policy exists, in which Officer requirements and budget allocation are matched;
- (b) procedures are in place for forecasting workforce requirements and cost;
- (c) controls are implemented that ensure that Officer time is used efficiently and to the benefit of the Council; and
- (d) checks are undertaken prior to appointing new Officers to ensure that they are appropriately qualified, experienced and trustworthy.

5. FINANCIAL SYSTEMS AND PROCEDURES

5.1 GENERAL

Introduction

The Council is governed by laws requiring that it makes proper arrangements for the administration, reporting and safeguarding of those funds and act in a way that is open and accountable as to how those funds are used.

Whilst all Council Officers and Members have a general financial responsibility, Section 151 of the Local Government Act 1972 requires that a suitably qualified Officer must be responsible for the financial administration of the organisation. This Officer is the Chief Financial Officer.

Chief Financial Officer

The Chief Financial Officer is responsible for the proper administration of the Council's financial affairs, prescribes appropriate financial systems, protocols, procedures and policies, maintains an internal audit service and reports to the Council in the event of any decision or action leading to, or may lead to, unlawful expenditure, loss, deficiency or accounting entry and;

- (a) will be responsible for ensuring the final accounts are completed and published in accordance with statute and accepted public sector accounting requirements and the reporting to Members of any material amendments specified by external audit,
- (b) will have unrestricted access to all Council assets, systems, documents, information, data, employees and Members held by the Council,
- (c) issue guidance, advice or instruction on the application of these financial systems and procedures as appropriate,
- (d) recommend to the Council the addition, alteration or deletion of any financial regulation.

CLT / Heads of Service

CLT and Heads of Service are the senior management of the organisation and:

- a) will manage budgets and financial activity within their area of responsibility including the planning and control of budgets and prevention of fraud and corruption to ensure efficient and effective use of resources,
- b) shall consult with the Chief Financial Officer and obtain approval on any matter that may have a material effect, advantageous or detrimental, on the Councils financial position or financial strategy,
- c) Comply with any instruction given by the Chief Financial Officer regarding the form and method of financial record keeping or the operation of any financial procedures.

Executive, Committees and Sub-Committees

All Members of the Council including those appointed to the Executive, any Committee or Sub-Committee will ensure that decisions taken are within their remit and relevant budgets, are compliant with adopted policies, and consistent with achievement of the Council's service or corporate plans

Council

The Council will;

- Determine the Medium Term Financial Strategy (MTFS)
- Approve and the annual revenue and capital budgets and determine the level of local taxation and other statutory charges
- Approve the Treasury Management Strategy (TMS) and prudential indicators
- Approve the capital strategy
- Approve changes to these financial procedures (following consideration by the Joint Governance Committee)

Officers and Members

All Officers and Members will contribute to the general stewardship of the Council's financial affairs in compliance with these rules and any systems, procedures, policies prescribed by law or the Chief Financial Officer relating to the Council's financial management. They will bring to the attention of the Chief Financial Officer and the Head of Legal any matter that is contrary to the provisions of this code or the high standard of financial probity expected of the Council or may bring the Council into disrepute or legal challenge.

5.2 INCOME

All Officers receiving money or cashable instruments (including cash, cheques, credit/debit card payments, direct credits, etc.) or making arrangements for the collection of income must comply with the relevant procedures and instructions issued by the Chief Financial Officer to ensure that sums are properly recorded, receipted, and banked, and correct accounting entries made.

Cash, in coin or bank note, is only to be accepted in agreed circumstances and every effort should be made to promote cashless payments.

Budget Holders

All Officers with budget management responsibility are required to ensure that;

- invoices and credit notes are raised promptly,

- all enquiries relating to invoices raised and answered promptly,
- any matters that may affect recovery of an invoiced debt is made known to Accounts Receivable,
- any debts considered appropriate for write-off are notified to the Chief Financial Officer,
- income is regularly monitored and any irregularities are promptly notified to the Chief Financial Officer,
- a review of fees, charges and other income is undertaken at least annually and also as part of the budget setting cycle.

Write-off of irrecoverable debt

Once levied, debt may not be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt must only be issued to correct a factual inaccuracy or administrative error in the calculation or billing of the original debt.

The Chief Financial Officer is:

- a) approved to write-off a debt (or combination of debts) due from any individual debtor in any one financial year of not more than £2,500 in aggregate.
- b) authorised to delegate the write off of small debts of less than £250.00 to nominated Officers

Debts greater than £2,500 may only be written-off with relevant Executive Member approval.

Disposal of Assets

CLT or Heads of Service will notify the Chief Financial Officer of any proposal to dispose of any surplus assets within their control or responsibility. The Chief Financial Officer will assess in consultation with the Director or Heads of Service the value of the asset(s) and determine the most appropriate route for disposal. The prior approval of the Executive Member for Resources is to be sought for the disposal of any individual asset with a current value of more than £50,000 in the Asset Register (currently £5,000).

5.3 EXPENDITURE

General

All purchases of goods and services are to be made in compliance with procedures in the Contract Standing Orders, as set out at Part 4 of this Constitution, or as otherwise instructed by the Chief Financial Officer. All Council purchases (other than those made by credit card) must be made and authorised by raising an Official Order in the Council's financial management system or repairs management system.

Purchases made using a Council credit card must be supported by a Payment Requisition signed by the purchasing Officer and counter-signed by an authorised Officer and forwarded promptly to the Chief Financial Officer.

The Chief Financial Officer will determine the authorised purchasing limits for all Officers in consultation with the relevant Director or Head of Service.

All purchases of goods and services must be supported by a valid invoice (in electronic or hard copy) that meets the requirements of the HM Revenue & Customs to support VAT recovery where appropriate.

Payments for goods and services will only be made where it can be referenced to an Official Order and will be by bank automated clearing system (BACS) or such other alternative method as may be approved by the Chief Financial Officer.

Acquisition of Assets

Assets purchased at a cost of more than £25,000 must be notified to the Chief Financial Officer for inclusion in a register of assets maintained to comply with public sector accounting requirements and best practice.

Officers and Members

All payments to Officers and Members will be made through the Council's payroll or as otherwise authorised by the Chief Financial Officer in order that all statutory and regulatory requirements are met.

No payment will be made unless approved by a duly authorised Officer. The Chief Financial Officer will determine the limit of authority for any Officer in consultation with the relevant Director or Head of Service.

5.4 TAXATION

The Council has a statutory duty for the proper administration of its tax affairs in pursuance of various United Kingdom and European Union legislation and directives.

All Officers and Members will comply promptly with any request made by the Chief Financial Officer for information or documentation in relation to any direct or indirect tax matters that may impact upon the proper administration of such matters including;

- Pay As You Earn income tax (PAYE)
- National Insurance Contributions (NIC)
- Value Added Tax (VAT)
- Construction Industry Tax (CIS)
- Corporation Tax

5.5 INSURANCE

Responsibilities of the Chief Financial Officer

The Chief Financial Officer will arrange for all insurance covers and negotiate settlement of all claims made through such insurances in consultation with relevant officers of the Council.

Responsibilities of CLT / Heads of Service

CLT and Heads of Service will ensure prompt notification to the officer responsible for insurances:

- of any incidents that may give rise to a claim against the Council the costs of which may be indemnified by the Council's insurances,
- of loss of or damage to any Council property or asset under its ownership, responsibility, custody or control,
- of any change in risk or ownership of or responsibility for any asset or property.

6. EXTERNAL ARRANGEMENTS

6.1 EXTERNAL FUNDING

Why is this important?

External funding is a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies provide additional resources to enable the Council to deliver services to the local community. However, in some instances, such funding may not link to the Council's aims and objectives, is linked to tight specifications and conditions and may impose risk and liability upon the Council.

Responsibilities of the Chief Financial Officer

- i) To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- ii) To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements or an exit strategy is agreed.
- iii) To ensure that audit requirements are met.

- iv) To ensure that all claims are submitted by the due date.
- v) To ensure all virements in relation to approved bids are appropriately approved and actioned.
- vi) To include progress updates on significant approved bids as part of the regular reporting process as and when required.

Responsibilities of CLT / Heads of Service

Bid Approvals

- i) To ensure that the Chief Executive, Director of Digital and Resources, the Chief Financial Officer and the Head of Place and Economy are advised, at the earliest possible time, of all opportunities and applications for external funding.
- ii) To ensure that any match funding is identified and in place prior to bidding for any external funding.
- iii) To ensure all bids up to £100,000 are approved by the relevant Director prior to submitting the bid.
- iv) To ensure all bids over £100,000 are subject to consultation with all of the relevant Executive Members prior to submission of any bid

Spend approvals

- v) To update the forward plan for any new contracts or spend items which are over the key decision limits (currently £100,000);
- vi) If successful in bidding, to submit reports to:
 - a) the relevant Executive Member for bids that are over £100,000 and up to £250,000
 - b) the Joint Strategic Committee for bids that are over £250,001which are sufficiently developed to enable the use of the funds without any further reporting requirement. This will include seeking approval for budget virements and any procurement activity.

Delivery

- vii) To give the Chief Financial Officer a copy of all approvals received from government departments or other sources of external funds.
- viii) To ensure that all supporting information is kept to support claims for funds.
- ix) To ensure that the project progresses in accordance with the agreed conditions and that all expenditure is properly incurred and recorded.
- x) To complete all grant monitoring information and claims in accordance with the agreed timescales.

Key controls

The key controls for external funding are: -

- (a) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;

- (b) To ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council;
- (c) To ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements or an exit strategy is agreed;
- (d) To ensure risks are identified, within acceptable limits and are capable of being managed;
- (e) To ensure monitoring and reporting frameworks are established and followed; and
- (f) To ensure adequate controls and governance arrangements are in place and are followed.

6.2 GRANTS TO EXTERNAL ORGANISATIONS (INCLUDING RATE RELIEF)

Why is this important

Local groups and organisations make a significant contribution to the local community. However, this contribution is difficult to quantify in financial terms and it is therefore particularly important that any financial support the Council provides to these groups follows a clear and transparent process.

Responsibility of CLT / Heads of Service

To ensure that any grant payments and any awards of discretionary business rate relief are made in accordance with the agreed policies of the Council, and can be met from within existing budgetary provision.

APPENDIX 1: SCHEME OF VIREMENT AT A GLANCE (SECTION 3.2)

Type of Virement Delegation Limit	General (3.2.1)	S106 (3.2.2)	Contingency (3.2.3)	Reserves (3.2.4)
CLT	£50k	£25k	n/a	£25k
Chief Financial Officer (s151 Officer)	£100k	n/a	Technical virement (s151 Officer) allowed when fully costed and compliance with policy	
Executive Member	£100k+	£25k+	n/a	£25k+ If a delegation is in place
Joint Strategic Committee / Executive	£250+	£100k+	n/a	£250k+

Note:

It is essential that these limits are read in conjunction with the Financial Rules as contained in Part 4 of the Constitution as there are certain circumstances where virement is restricted or not permitted.