

## Schedule of Changes

Paragraph	Change made	Reason for change
1.8	Added "The Council only transacts in Pound Sterling. This means that the Council only accepts payment in Pound Sterling and will only make payments in Pound Sterling".	Recommendation from Finance, Audit and Risk Committee (FAR) to be clear that (for example) the Council will not accept crypto currencies.
3.7 and 5.4	Removed 5% threshold.	In practice it is done for all variances over £10k
3.8 and 5.5	Delete process for the Quarter 1 budget report being based on 2 months.	Not used as established that goes to September meetings.
3.8	Add "and in the opinion of the <b>Chief Finance Officer</b> there is a need to change the overall budget,"	It is not necessary for an overall overspend to be reported on to Council unless it is so significant that it requires (or is likely to require) a change to the overall budget. E.g. where there is a need for an in-year savings exercise.
4.2 and 4.3	Change 4 to 10	Now best practise that capital expenditure covers the next 10 years
5.7	Add "The <b>Executive Member with responsibility for Finance</b> can also approve the continuation of a capital project until it is practical to report an overspend (above the limits in paragraph 5.6) to Cabinet, where the delay from stopping work would have a significantly detrimental impact on the Council."	The requirement to stop work on a capital project could result in significant costs (e.g. from the construction contractor, from the delay) and this gives provision to continue those works until Cabinet can be convened to make a decision.
5.7	Add "to add new projects"	To make it clear that the Executive Member can only approve new projects up to £100k. Increases in costs of existing projects are covered by the other paragraphs in that section.
9.3	Change from "will only" to "can", and add "Pay budgets can also be approved for carry-forward to support general staffing pressures that are anticipated in the following year."	To still allow carry-forwards where the planned action has been delayed, but also to add flexibility in relation to pay budgets,
11.1	Change from Chief Finance Officer to Director: Resources	The responsibility is due to the Director role rather than being Chief Finance Officer.
11.2	Change Executive Member with responsibility for Finance, to Risk	This section relates to Risk so future-proofed, in case there was ever a change to Executive Member roles that separated Finance from Risk.
11.2	Change "the Health and Safety Officer" to "Health and Safety input"	The retirement of the Health and Safety Officer has changed the way that Health and Safety support is provided,
11.4	Various changes to reflect that Finance, Audit and Risk now receive a half-yearly report on risk management processes and improvement, and Overview and Scrutiny receive quarterly reports (when required) on Risk and Performance.	Reflects the change that has been put in place to allow Finance, Audit and Risk to have more of a governance role, and Overview and Scrutiny to focus on their role.
11.4	Change "Risk Management Group" to "Risk and Performance Management Group"	The Group changed its name to reflect the broader focus.
11.7	Delete "carry"	Remove incorrect word
12.2	Replace "should" with "must"	Removes any ambiguity, as important that limits are not breached
12.5	Added "and property" to where it currently says land in the first bullet point.	Recommendation by FAR to be consistent with the previous sentence.
12.5	Add "Land and property assets with a value of under £250k can be declared surplus by the Director- Enterprise in consultation with Director- Resources, Executive Member for Enterprise and Executive Member for Resources. Other Directors will be consulted first to ensure that there is no alternative service use for the land or property."	Currently no process for declaring that land and property can be declared as surplus, except to go to Cabinet. Which seems inconsistent with the levels in the Constitution, which delegate approval for the sale of land and assets where up to £250k.

12.8	Changes to simplify the process so that just two levels for disposals of surplus assets (that are not land and buildings). They are under £5k and over £5k. Remove the blanket requirement to use a public auction over £5k.	Simplify the process as unnecessary to have separate limits to notify and seek approval from the Chief Finance Officer. Experience has shown that there may be instances where a special purchaser may provide better value than using a public auction.
13.4	Delete "and the accounts used"	Unnecessary level of detail for Cabinet.
13.9	Added this paragraph which says "The <b>Chief Finance Officer</b> will ensure that there is a two-stage process for entering and approving the transfer of funds outside of the Council, with each stage being completed by a separate Officer. This will apply to submitting BACs files and any payments made directly from our bank account (e.g. CHAPs payments)."	Recommendation from FAR to be clear on the controls in relation to electronic funds transfers
Section 14	Change multiple references to "SIAS Head of Assurance" and "SIAS Audit Manager", to "Chief Audit Executive"	Now correct terminology under Auditing Standards.
14.6	Replace "documenting as many known risks ... as possible" with "maintaining an informed and balanced understanding of keys risks"	Recommended by FAR. More realistic approach to risk management and documentation.
14.8 onwards	Renumber paragraphs	Paragraph 14.8 was duplicated, so renumbered from that point forward. Spotted in reviewing in advance of FAR meeting.
14.9	Change "Leadership Team" to Directors	Directors receive the information individually, rather than via a report to Leadership Team.
14.10	Change "quarterly" to "regular"	Frequency of SIAS reports to reflect that there will be 3 or 4 across the year and that they will reflect the latest information at the time of the report, rather than just the quarter.
15.3	Change Director- Resources to Chief Finance Officer	Responsibility is specific to the Chief Finance Officer,
15.5	Add "The Chief Finance Officer can also approve the write-off of any credit balances, although these will be returned to the payee if they seek repayment."	Need a process where there are credit balances (e.g. from overpayments) after proportionate efforts have been made to return the balance.
15.5	Add "Where discretionary awards are agreed then the revenues system treats them as write-offs (to reduce the amount payable), but as these have been agreed via a separate process they will not be subject to this write-off process."	As the correct process will already have been followed, there is no need for a duplicate approval process.
16.8	Various changes to soften the requirement to use centralised contracts (e.g. stationery).	Impact of using alternative contracts is less significant, so rules should reflect that.
16.13	Delete "(the Financial Management System will provide a warning that there is insufficient budget, but will not prevent orders being raised)".	The warning is not part of the new finance system. Budgets may not be on the same codes that orders are raised against.
Section 17	Renamed to "Cash and Vouchers"	Covers vouchers as they should be similar to cash in terms of the controls applied.
17.1	Add wording to say that petty cash will only be issued in exceptional circumstances	To reflect that the preference is to use purchasing cards as lower risk.
17.1	Increased transaction limit from £10 to £20	Recommended by FAR. Reflects that amounts have increased with inflation.
17.2	Add "Cash floats must not be used for expenditure."	Clarity that a cash float should be treated differently to petty cash. Being clear on the purpose improves the controls.
17.6	Added paragraph to cover controls where vouchers or gift cards are purchased.	Based on an audit recommendation. Reflects that vouchers and gift cards can be very similar to cash, so should have appropriate controls attached.
18.2	Add "or a Director"	Better resilience to have multiple people that can

		activate the Major Incident and Business Continuity Plans.
18.2	Add "A Senior Officer from another Authority can, under Mutual Aid, be authorised to act on behalf of the Council to support the response to a Major Incident. This can include incurring costs on behalf of the Council."	Mutual Aid may be used for a Major Incident. This can be at a senior level, and this addition makes provision for this.
18.3	Add "(or Nominated Deputy)"	Adds resilience.
19.2	Delete ", in conjunction with the Chief Finance Officer"	The current structure is that the Chief Finance Officer is the Director- Resources so this is unnecessary.
19.8	Change from "broadband and line rental" to "homeworking expenses".	To align with HMRC terminology.
19.8	Changes to allow claims on a monthly, quarterly on annual basis. Remove requirement for evidence.	To be more efficient.  HMRC treat it as an allowance and evidence is not required.
19.9	Remove "Mileage claims must be accompanied by a relevant VAT fuel receipt, in order to comply with current VAT regulations".	HMRC rules do not require receipts to specifically match the period being claimed. Unlikely that HMRC would require evidence.
19.13	Change "Chief Finance Officer" to "Director: Resources"	Role can be undertaken in acting as Director: Resources
Section 21	Updates to contact details.	

**SECTION 19**

**FINANCIAL REGULATIONS**

## Section 19

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## 1. Introduction

- 1.1 To conduct its business efficiently the Council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Council.
- 1.2 These financial regulations apply to every Member and Officer of the Council, although they place specific requirements on certain individuals, including:
  - Cabinet Members
  - Chief Executive (also Head of Paid Service)
  - Chief Finance Officer (also known as Section 151 Officer)
  - Monitoring Officer
  - Directors
  - Budget Holders
  - Cabinet
  - Full Council
  - Finance, Audit and Risk Committee
  - Overview and Scrutiny Committee
  - Leadership Team- comprising of the Chief Executive, and Directors
- 1.3 These Financial Regulations form part of the Constitution of the Council. They have been written to support all Officers and Members of the Council in fulfilling their duties regarding devolved financial responsibility and should be read in conjunction with the Scheme of Delegation in the Constitution.
- 1.4 These Regulations are an integral part of the District Council's control framework. They help ensure that we make financial decisions in a consistent way across the Council. This supports us in our duties to ensure that we are transparent in all our actions and are clearly accountable for all the decisions we make. By ensuring these Regulations are applied, the Council can be confident that economic, efficient and effective financial management supports the achievement of its objectives.
- 1.5 **All Officers** are required to read and be familiar with these Regulations. Contact details are provided at the end if any clarification or advice is required. Training will also be provided when required. Failure to comply with the Regulations can be treated as misconduct under the Council's 'Managing Misconduct' policy.
- 1.6 **All Managers** should ensure that their staff are aware of the existence and content of the Financial Regulations, including any associated documents. They should also ensure that their staff are aware of how the Regulations apply to their role and ensure compliance.
- 1.7 Where applicable, members of the **Leadership Team** should establish a scheme of delegation identifying **Officers** authorised to act on their behalf in respect of responsibilities contained within this document. These arrangements should be contained within a signed scheme of delegation document. Delegated limits and specimen signatures should be supplied to the **Chief Finance Officer**.
- 1.8 The Council only transacts in Pound Sterling. This means that the Council only accepts payment in Pound Sterling and will only make payments in Pound Sterling.

## 2. Revenue Budget Setting

2.1 Budgetary control is the monitoring of financial activity against planned budgets to:

- Ensure that money is spent in accordance with the Council's priorities as expressed in the annual budget;
- Ensure that overall expenditure in achieving those priorities is kept within the budget set; and
- Ensure that planned performance (output) has been achieved and is in line with the planned budget (inputs).

Budgets (spending plans), are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent. The Council has a legal duty to set a balanced budget.

2.2 The **Chief Finance Officer**, in consultation with the **Leadership Team**, is responsible for producing a Medium Term Financial Strategy. This is produced annually and is a five-year forward assessment of all revenue commitments based on present levels of service and reflects any known commitments, changes in service level or resources. It also details the implications for the level of council tax to be levied. This helps to ensure that the authority is always preparing for events in advance.

2.3 All members of the **Leadership Team** are responsible for ensuring that all reports consider financial implications over the medium term. This includes an estimate of the revenue consequences over as long a period as possible, and at least three years.

2.4 **Directors** are responsible for providing estimates of their revenue spend for the following year, which should include the impact of any growth, pressures, efficiencies and service changes. The **Chief Finance Officer** will approve the detailed content of these estimates, in line with the general directions of the **Cabinet**. Once collated the estimates will be submitted to the **Leadership Team** and then on to **Cabinet** (with any comments from the **Leadership Team**). This will form the draft budget for the following year.

2.5 **All Officers** should consider how to make best use of resources and value for money. The **Leadership Team** will lead on identifying opportunities to improve economy, efficiency and effectiveness. The **Chief Finance Officer** will act as a champion in this area, and promote good practice in relation to the identification and appraisal of options.

2.6 **All Officers** must ensure that copies of all proposed reports are passed to the **Chief Finance Officer** (or delegated Accountancy Services Officer) in sufficient time for them to adequately consider the budget implications of any proposals.

2.7 The Medium Term Financial Strategy and Budget require approval by **Full Council**.

### 3. Revenue Budget Management

- 3.1 Budget management ensures that once the budget has been approved by **Full Council**, resources allocated are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continuous process enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that makes **Budget Holders** accountable for their budgets.
- 3.2 Budget management is about managing and balancing spending and service delivery. **Budget Holders** should try to deliver the agreed level of service within the agreed budget. Whilst all efforts should be made to not spend more than the allocated budget, service levels should not be reduced without considering the implications of this and seeking appropriate approval. Similarly, if it is possible to deliver the agreed level of service using less than the agreed budget, then the service level should not be increased without appropriate approval.
- 3.3 **Directors** are responsible for ensuring that there is a named **Budget Holder** for all service areas (cost centres). It should be ensured that the **Budget Holder** is only responsible for areas of spend that they can influence.
- 3.4 The **Chief Finance Officer** will ensure that all **Budget Holders** are provided with sufficient information (e.g. spend and income to date, future commitments) and support to enable them to forecast spend for the current year. **Budget Holders** are required to use this and their service knowledge to determine a realistic forecast on a regular basis (at least quarterly).
- 3.5 Where the **Budget Holder** estimates that spend will be different to budget, then this is known as an underspend (where forecast spend is less than budget) or overspend (where forecast spend is more than budget). **Budget Holders** must report forecast underspends and overspends as early as possible in the year.
- 3.6 The **Chief Finance Officer** will determine the divisions of service to be used in budget reporting. This will achieve a balance between transparent reporting and ensuring that there are a manageable number of reporting areas.
- 3.7 Where the underspend or overspend for a reporting area is greater than ~~5% of the budget for that area (subject to a minimum of £10,000)~~ then this will be recorded by **Accountancy Services**, alongside the explanation that is provided by the **Budget Holder**. Where possible they should be addressed by a budget virement (see section 7). Reporting areas will be determined by the **Chief Finance Officer** and will be based on service areas with sub-divisions for larger service areas.
- 3.8 The **Chief Finance Officer** will provide quarterly reports to **Cabinet** (via **Finance, Audit and Risk Committee** for comment) that detail all significant forecast overspends and underspends. This will include all overspends and underspends that are greater than £25,000 in value. The **Chief Finance Officer** will determine whether to report any other overspends and underspends e.g. due to their value, any impacts in future years or service delivery impacts. Where it is not possible to deliver services within the overall budget, ~~and in the opinion of the Chief Finance Officer there is a need to change the overall budget,~~ then this will be referred on to **Full Council**. ~~Due to deadlines for the approval of the statement of accounts and the timing of the Finance, Audit and Risk Committee it may be necessary for the first quarter report to be based on the first two months and only updated for any significant events in the third month. Where this is necessary, it will be agreed by-~~



~~the Chief Finance Officer, Executive Member with responsibility for Finance and the Chair of Finance, Audit and Risk Committee.~~

- 3.9 Once the quarterly report has been agreed by **Cabinet**, the budget for each service area will be amended in line with the reported overspend or underspend. This is so that they are only reported once and future reports to **Cabinet** will focus on any changes since the previous report.

#### 4. Capital Budget setting

- 4.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings and major items of plant and equipment or vehicles. Capital assets shape the way services are delivered for the long-term and create financial commitments for the future in the form of financing costs and revenue running costs. The financing capacity of the authority is governed by the Prudential Code. This means that capital expenditure should form part of an investment strategy, be affordable and should be carefully prioritised in order to maximise the benefit of scarce resources
- 4.2 The **Chief Finance Officer**, in consultation with the **Leadership Team**, is responsible for producing a Capital Expenditure forecast. This is produced annually and is a ~~four~~ten-year forward assessment of the forecast spend on existing and new projects. This should also review the expected funding sources for each scheme and any revenue implications. It should be completed alongside the Medium Term Financial Strategy and annual revenue budget so that any revenue implications can be reflected in these documents.
- 4.3 **Directors** are responsible for providing estimates of project spend for the following ~~four~~ten years. The **Chief Finance Officer** will approve the detailed content of these estimates, in line with the general directions of the Cabinet. Once collated the estimates will be submitted to the **Leadership Team** and then on to **Cabinet** (with any comments from the **Leadership Team**). This will form the draft capital programme for the following year.
- 4.4 The Capital Programme requires approval by **Full Council**.
- 4.5 Once approved the Capital Programme gives approval to proceed with projects in the following year up to the amounts allocated for that year. It does not give authority to proceed with projects that have allocations in the years after that.
- 4.6 Leases may involve capital spend, so there should be a consideration of whether they need to be included in the capital programme (see section 6).

## 5. Capital Budget Management

- 5.1 **Directors** are responsible for ensuring that there is a named **Budget Holder** for all capital projects.
- 5.2 The **Chief Finance Officer** will ensure that all **Budget Holders** are provided with sufficient information (e.g. spend to date, future commitments) and support to enable them to forecast spend for the current year and future years of the project. **Budget Holders** are required to use this and their project knowledge to determine a realistic forecast on a regular basis (at least quarterly).
- 5.3 Where the **Budget Holder** estimates that spend will be different to budget, then this is known as an underspend (where forecast spend is less than budget) or overspend (where forecast spend is more than budget). **Budget Holders** must report forecast underspends and overspends as early as possible in the year.
- 5.4 Where the underspend or overspend for a project is greater than ~~£25,000 or 10% of the annual budget (whichever is the lower, but subject to a minimum of £10,000)~~ then this will be recorded by **Accountancy Services**, alongside the explanation that is provided by the **Budget Holder**.
- 5.5 The **Chief Finance Officer** will provide quarterly reports to **Cabinet** (via **Finance, Audit and Risk Committee** for comment) that detail all significant forecast overspends and underspends. This will include all underspends and overspends that are greater than £25,000. The **Chief Finance Officer** will determine whether to report any other overspends and underspends e.g. due to their value, any impacts in future years or project delivery impacts. The report will also detail how any increased spend will be financed. ~~Due to deadlines for the approval of the statement of accounts and the timing of the Finance, Audit and Risk Committee it may be necessary for the first quarter report to be based on the first two months and only updated for any significant events in the third month. Where this is necessary, it will be agreed by the Chief Finance Officer, Executive Member with responsibility for Finance and the Chair of Finance, Audit and Risk Committee.~~
- 5.6 If a **Budget Holder** forecasts that a capital scheme will overspend above certain limits, then approval must be sought from Cabinet before continuing. These limits are:

Capital budget	Approval required if overspend is more than:
Up to £60k	£12k
£60k to £250k	20% of budget
£250k to £500k	£50k
£500k to £1,000k	10% of budget
£1,000k to £2,000k	£100k
£2,000k and above	5% of budget

- 5.7 If an urgent or unanticipated capital need arises, this will be dealt with under the urgency powers delegated to the **Chief Executive** and the proposal then referred to **the Cabinet**, and then **Full Council**, at the earliest opportunity. However the **Executive Member with responsibility for Finance** can approve in year

changes to the Capital Programme to add new projects up to a limit of £100,000 per project. Any requests for use of this approval should be made via the **Chief Finance Officer**. The **Executive Member with responsibility for Finance** can also approve the continuation of a capital project until it is practical to report an overspend (above the limits in paragraph 5.6) to Cabinet, where the delay from stopping work would have a significantly detrimental impact on the Council. -

## **6. Leases**

- 6.1 The Council is able to both lease assets from and lease assets to other organisations and individuals. Depending on the terms of the lease this may need to be treated as a revenue or capital transaction. Any **Officer** considering entering in to a lease arrangement should contact **Accountancy Services** as early as possible. They will be able to provide advice on ensuring value for money and how the transaction will need to be treated. If the transaction involves capital then it will be necessary to make sure that there is sufficient capital budget allocated (see section 4).
- 6.2 All leases for land and buildings should be dealt with by the **Estates Team**.

## 7. Virements

7.1 A virement is where budget is moved from one area to another. It enables **Directors** and **Budget Holders** to manage budgets with a degree of flexibility within the overall policy framework determined by the **Full Council**, and therefore optimise the use of resources.

7.2 There are key controls and constraints in relation to virements. **Accountancy Services** will review all virement requests to ensure that they are adhered to.

- There must be a match between the timing of the expenditure and the availability of budget. A one-off virement can not be used to fund ongoing expenditure, especially if there was a choice as to whether to incur that expenditure.
- They must be at least £1,000 in value. Amounts less than this should be managed by **Budget Holders** ensuring that they remain within their overall budget.
- They should not be used to fund new areas of spend unless the overall benefits of that spend have been fully assessed, and appropriate approval has been obtained. Where possible any unneeded budget should be returned to the General Fund.
- Some budgets are allocated to **Budget Holders** but are also managed centrally (e.g. repairs and maintenance, training). The virement of these budgets for other purposes is not generally permitted, and would require the approval of the central manager (e.g. Property Services, Learning and Development). If used for the intended purpose, the virement of these budgets can be approved by the central manager, without requiring the approvals set out in 7.3 below.
- Salary budgets can only be moved to cover the costs of vacancies being held (e.g. temporary or agency staff spend). If employees decide not to be part of the pension scheme then the employer contribution savings can not be used for other purposes and must be returned to the General Fund.
- Virements are not allowed on non domestic rates budgets.

7.3 The authorisation required for a budget virement is as follows:

Between budgets that are under their control	<b>Budget Holder</b>
Between budgets within a Service Area	<b>Director</b> after consulting with all affected <b>Budget Holders</b>
Between budget areas that are in different Service Areas	Agreed by the relevant <b>Directors</b> (providing and receiving the budget) after consulting with all affected <b>Budget Holders</b> .

7.4 All requests for virements must be on a properly authorised form and should be passed to **Accountancy Services**. Expenditure should not be incurred until notification has been received that the virement has been agreed and actioned.

7.5 There is separate rules in relation to the carrying forward of unspent budgets at year end. See section 9.

## 8. Accounting Processes and Records

- 8.1 The **Chief Finance Officer** is responsible for keeping the principal accounting records of the Council, which will be maintained on a central financial system. No other systems will be used for the keeping of accounting or other records relating to the Council's finances without prior agreement by the **Chief Finance Officer**. This ensures that the Council maintains proper accounting records and demonstrates the stewardship of public resources.
- 8.2 The **Chief Finance Officer** in conjunction with **Directors** will ensure that all feeder systems and processes to the principal accounting records of the Council are fully documented with **Officers** trained in their operation. Such systems and processes will incorporate the necessary controls to ensure that the data used to update the principal accounting records is complete, accurate, timely and not duplicated.
- 8.3 **All Officers** must consult the **Chief Finance Officer** before introducing or amending any book, form, record, administrative procedure or system used for the keeping of accounting or other records relating to the finances of the Council and should act on any advice given.
- 8.4 **Budget Managers** are responsible for ensuring that feeder accounting systems and processes include the following. The **Chief Finance Officer** is responsible for ensuring that this is the case, and ensuring that this is in place for the central financial system.
- Transactions, material commitments and other essential accounting information are recorded completely, accurately and on a timely basis.
  - Separation of duties, which means that different individuals carry out the following tasks:
    - Providing information about sums due to or from the authority and calculating, checking and recording these sums
    - Collecting or disbursing these amounts
    - Examining or checking the accounts of cash transactions
  - Maintain adequate records to provide an audit trail leading from the source of income/ expenditure through to the accounting statements.
  - Regular reconciliations to ensure the integrity of embedded systems to ensure transactions are correctly recorded.
  - Secure and safe storage (including backup) of data and records.
  - Procedures are in place to enable accounting records to be reconstituted in the event of a systems failure.
- 8.5 Expenditure must only be authorised by appropriate **Officers**. **Budget Managers** and **Directors** should provide details of authorised signatories. The **Chief Finance Officer** will ensure that there is a system in place for recording these authorisations, and ensuring compliance.
- 8.6 For specific grants, **Budget Managers** are responsible for ensuring that grant claims are submitted by the due date. Where the receipt of any money is linked to the submission of the grant claim then the claim should be submitted as soon as possible. If the grant claim requires sign off by the **Chief Finance Officer** (or another individual e.g. the Chief Internal Auditor) then the **Budget Manager** should provide sufficient time and information to enable this sign-off to happen.

For any general grants and contributions, the **Chief Finance Officer** will ensure that claims are submitted by the due date.

- 8.7 All **Officers** must ensure that financial records (both physical and electronic) are kept and destroyed in accordance with the data retention schedule and to comply with relevant legislation (e.g. Freedom of Information Act and Data Protection Regulations). **Directors** should ensure that systems are in place to facilitate this and that they are adhered to.
- 8.8 The **Chief Executive** retains the right to authorise an extended retention period for a specific document or documents in the event of a query, investigation or any other requirement.



## 9. Annual Statement of Accounts

- 9.1 The **Chief Finance Officer** will ensure that the Council prepares its draft Statement of Accounts in accordance with accounting practices by proscribed dates. They will then sign off the draft accounts.
- 9.2 To enable this to happen, the **Chief Finance Officer** will prepare a timetable for the preparation of the statement of the accounts and communicate this to all relevant **Officers**, including **Budget Managers** and **Directors**. All **Officers** must comply with this timetable and provide the required information.
- 9.3 The Council must account for its spend on an accruals basis, which means that goods and services are accounted for in the year in which they are received or provided. For revenue projects or one-off items of expenditure this can lead to a mismatch between the year in which the budget is allocated and when the spend is incurred. **Budget Managers** can make a request for a carry forward of unspent budget. This ~~will~~can only be granted where there is a clear link between the budget and a particular project or one-off item of spend, and it can be shown that the project or one-off item has been delayed between years. Pay budgets can also be approved for carry-forward to support general staffing pressures that are anticipated in the following year. All requests will initially be reviewed by **Accountancy Services**, and will require approval by **Cabinet**.
- 9.4 The **Chief Finance Officer** will select suitable accounting policies and ensure that they are applied consistently. **All Officers** are required to apply accounting policies, when requested by **Accountancy Services** or the **Chief Finance Officer**.
- 9.5 The **Chief Finance Officer** will make proper arrangements for the audit of the Council's accounts.
- 9.6 Once audited, the **Finance, Audit and Risk Committee** is responsible for approving the Statement of Accounts. The accounts are also signed off by the Chief Finance Officer to confirm that they provide a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March.

## **10. Reserves and Balances**

- 10.1 The Council must decide of an appropriate level of General Fund reserve before it can set the level of Council Tax. This should enable the Council to provide for unexpected events should they occur. The **Chief Finance Officer** will advise **Cabinet** and **Full Council** on the appropriate level of this reserve based on guidance, Codes of Practice and advice from the external auditor.
- 10.2 The Council can also set aside funds in specific reserves. When the reserves are created they should have a clear purpose, and then only be used for that purpose in terms of adding to and spending from the reserve. **Budget Holders** and **Directors** should make requests for the creation of specific reserves from the **Chief Finance Officer**. The creation and movements in reserves need to be formally approved by **Full Council**, which is incorporated in to Revenue Budget Outturn report.

## 11. Risk Management and Insurance

- 11.1 Risk management is the management of business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence, it is about making the most of opportunities and achieving objectives once those decisions are made. It is about being risk aware, not risk averse. It is important to have a system in place that allows risks and opportunities to be identified and evaluated. This should mean those that know most about the service area are the ones that are carrying out the risk assessments, which means that **All Officers** need to be engaged in it. The ~~Chief Finance Officer~~Director: Resources will ensure that a risk management system is in place and operating effectively.
- 11.2 The **Risk and Performance Management Group** seeks to focus and co-ordinate risk management activities throughout the Council to facilitate the identification, evaluation and management of all key risks. The group comprises of the **Director- Resources**, key Service representatives, ~~the Health and Safety input~~Officer, the **Executive Member with responsibility for Finance Risk** and a standing invite for any member of the **Finance, Audit and Risk Committee / Overview and Scrutiny Committee** that wishes to attend.
- 11.3 The Council's Risk & Opportunities Management Strategy aims to ensure that for each Council function, activity, operation or service the level of risk is known, recorded, monitored and mitigated. In each case, a conscious decision must be taken on how to manage that risk whether through controlling it, transferring it or living with it. The Strategy is updated on an annual basis. It is initially reviewed by the **Risk and Performance Management Group** which proposes a version to the **Leadership Team**. Once agreed by the **Leadership Team** it is referred on to the **Finance, Audit and Risk Committee**. The Committee make any recommendations they feel appropriate before it is formally adopted by **Cabinet**.
- 11.4 The **Cabinet** is also responsible for reviewing the effectiveness of the Council's risk management and ensuring that proper insurance exists where appropriate. There are ~~quarterly half-yearly~~ updates on risk management processes and performance that follow the following route: **Risk and Performance Management Group, Leadership Team, Finance, Audit and Risk Committee and Cabinet**. The annual risk report is also referred on to **Full Council**. There are also quarterly reports on the Council Delivery Plan that will provide updates on corporate projects, risks and performance indicators; that follow the following route: Risk and Performance Management Group, Leadership Team, Overview and Scrutiny Committee (when requested) and Cabinet. **Cabinet** will also be updated on major changes to risks as soon as possible, even if this is outside the quarterly reporting cycle. These risk reports will focus on what have been determined to be Top Risks.
- 11.5 The **Director- Resources** will ensure that the above reports are produced. They will also ensure that all **Officers** and **Members** are provided with advice on risk as required.
- 11.6 The **Leadership Team** are responsible for ensuring that there is risk aware culture throughout the Council, cross-cutting risks are identified and analysed, and determining the Council's risk appetite and priorities for action.
- 11.7 **Directors** are responsible for ensuring that there is effective risk management within their service area. This includes the risks in relation to elements of the service that have been contracted out and this may require that joint risk reviews are carried out with partners. **Directors** are also required to ~~carry~~ produce an annual assurance statement, at the end of each financial year, of the adequacy of the internal control environment within their service.

The **Shared Internal Audit Service** also plays an important role in Risk Management. The audits they carry out will focus on areas of risk and make recommendations on areas of improvement. They will also carry out regular reviews of the general Risk Management processes that operate in the Council.

Certain risks can be transferred or mitigated through insurance cover. The Council can also protect itself by ensuring that its suppliers and contractors have the appropriate level of insurance. The Council receives its insurance advice through the **Insurance Team** at Hertfordshire County Council (HCC). This arrangement is managed by the **Director- Resources**. In general insurance queries should be made directly to HCC.

11.10 The **Director- Resources** will ensure that the following happen (in general through the **Insurance Team**):

- Arrangement of insurance cover for all risks that are not self-insured. This includes making recommendations on levels of excess. Any significant changes in excess level will be referred to **Cabinet** for approval. **Directors** must ensure that the **Insurance Team** are aware of any new risks or assets that should be considered for insurance, as well as any changes to existing risks or assets. This should be done as soon as possible, but the **Insurance Team** will also arrange an annual review with each **Director**. The **Insurance Team** will maintain a record of all policies that are in place.
- Settling insurance claims. **Directors** must ensure that the **Insurance Team** is notified of any loss, liability, damage or other event likely to lead to a claim. In instances which suggest that criminal proceedings may be instigated, the **Chief Finance Officer**, **Monitoring Officer** and the **Shared Internal Audit Service** must also be informed. **Directors** (or any other **Officer** involved) must respond to any information requested by the **Insurance Team**.

11.11 **All Officers** must consult the **Insurance Team** and **Director- Governance** on any terms of indemnity that the Council is requested to give.

11.12 All suppliers of goods and services to the Council must hold public / products and employers liability insurance cover. Where the Council is seeking professional advice and guidance, professional indemnity insurance is also required. **Directors** must ensure that this is stipulated in the specification for the goods or services to be acquired, with the amounts in line with those advised by the **Insurance Team**. **Directors** must ensure that the cover is maintained for the duration of the contract and up to date certificates are obtained as evidence. Valid certificates should be uploaded to the Council's E-Tendering system.

11.13 All employees of the Council are included in suitable fidelity guarantee insurance. For cover under this policy to apply, two suitable written references must be obtained for all new employees. This can be reduced to one reference from an existing employer if the individual has held their existing job for at least three consecutive years. **All Managers** must ensure that suitable references are obtained for all new starters.

## 12. Assets and Security

- 12.1 It is important that the Council is aware of what assets it has and the procedures in place to secure those assets.
- 12.2 **Directors** are responsible for maintaining proper security and safeguarding of all buildings, stocks, stores, furniture, plant, equipment, machinery, cash, etc. under their control. This should include contingency plans for the security of assets and continuity of service in the event of disaster or system failure. Any new arrangements (or changes to existing arrangements) should be discussed and agreed by the **Director- Resources**. There are specific general requirements in relation to the holding of cash, which are:
- The amount of cash held should be kept to a minimum. Limits will be agreed on how much cash can be held (dependent on where it is stored e.g. safe, locked drawer) and **Officers** ~~should~~must not exceed these.
  - **Officers** who collect cash on behalf of the Council must take all reasonable precautions to ensure its safe custody, including following any specific agreed arrangements.
- 12.3 **Directors** are responsible for the maintenance and update of a register of keys for external doors, safes, cash boxes and other secure items. The register should show the list of key holders and an out-of-hours contact number. The register must be kept securely and must not be accessible to unauthorised individuals. All keys must either be with the designated key holder at all times or held in a secure place. Security keys of safes, cash boxes and key cupboards, should not be left on site when the premises are unoccupied by Council Officers, unless expressly approved by **Director- Resources**. The loss of any keys must be reported to the **Director – Resources** as soon as their loss is noticed.
- 12.4 The **Director- Enterprise** will maintain an inventory of office furniture such as desks, chairs and kitchen contents. The form and extent of the records will be as agreed by the **Chief Finance Officer**. Where possible all assets will also be marked as belonging to the Council.
- 12.5 The **Director- Enterprise** will maintain a complete inventory of all land and property owned or leased by the Council. The record must include details of the following:
- the purpose for which the land and property is currently held
  - extent and exact plan reference
  - purchase details (for acquisitions and where possible for others)
  - details of the interest in the property (e.g. freehold, leasehold)
  - rents that are payable or receivable, and details of tenancies.
- They are also responsible (in conjunction with the **Director- Resources**) for the stewardship of the land and property assets. This means ensuring that they are kept in an appropriate condition, with regular condition and compliance surveys. The extent of utilisation (e.g. determining under use) and suitability for use should also be kept under review. The **Director- Enterprise** will be responsible for any land or property asset that is declared surplus. Land and property assets with a value of under £250k can be declared surplus by the Director- Enterprise in consultation with Director- Resources, Executive Member for Enterprise and Executive Member for Resources. Other Directors will be consulted first to ensure that there is no alternative service use for the land or property.
- 12.6 **Directors** should maintain a record of all other assets under their control. Appropriate entries must be made at the time of purchase and disposal. They should ensure that an annual check (or more regularly if appropriate) of all items on the inventory with a purchase value in excess of £1,000 is carried out. These

checks should be carried out by someone that is not responsible for the day to day management of these items (if applicable). The **Chief Finance Officer** should be notified of any deficiencies that are found during these annual checks.

12.7 For significant stocks or stores of lower value items (i.e. where the total value is greater than £100) there will also be a need to maintain a record. **Directors** should ensure that this record is maintained. The requirements in 12.6 should be followed, with the following variations:

- An annual check (stock take) should be carried on (or close to) the 31<sup>st</sup> March. Additional checks during the year should also be carried out if required.
- Advice from **Accountancy Services** should be sought on how to value the stocks or stores
- Small variations in the number of items do not need to be notified to the **Chief Finance Officer**, unless this highlights concerns over the security of the stock.

12.8 Where assets are no longer required then the relevant **Director** should ensure the following process is followed:

- Check with other service areas to see if they have a use for the asset.
- Before disposal, ensure that the asset is owned by the Council.
- For leased assets, ensure any disposal is agreed with the lessor.
- Where the estimated value is less than £~~52,500~~00, the **Chief Finance Officer** should be notified.
- ~~Where the estimated value is greater than £2,500, approval must be sought be from the Chief Finance Officer.~~
- If the value is estimated to be more than £5,000 then the disposal should be via a public auction (except land assets which are covered by the Contract Procurement Rules) unless the Chief Finance Officer agrees this is not in the best interests of the Council.
- Income will be accounted for as corporate income (i.e. not service specific income).

12.9 **All Officers** and **Councillors** should note that Council assets should only be used for legitimate Council business. They should only be removed from Council premises in line with the ordinary business of the Council. Any variations to this must be agreed by the relevant **Director**.

12.10 **All Officers** receiving visitors are responsible for ensuring that their visitor is signed in and wears the appropriate visitor's badge at all times. They must also ensure that visitors are adequately supervised during their visit, do not have access to confidential Council information and that the security of Council assets is maintained.

12.11 The **Director- Customers** must ensure adequate arrangements for maintaining proper security and privacy of computer held information and for ensuring compliance with the Data Protection Act, the Freedom of Information Act and any other relevant legislation. All **Officers** and **Councillors** must adhere to guidance issued.

12.12 All **Officers** and **Councillors** finding lost property on Council premises should pass it to **Property Services**. They will keep an inventory of such items and ensure their safe keeping. **Officers** and **Councillors** should not accept property for safekeeping by their owner.

12.13 If there is a need for moveable private property to be taken into Council custody, an itemised inventory must be prepared by the **Officer** taking possession. Where practicable, the inventory must describe the condition of the property. The relevant entries should be witnessed by two **Officers** and, where known, the owner of the property. The inventory record of these items must be included within the normal inventory maintained by the appropriate **Service Manager**.

### 13. Treasury Management and Banking

- 13.1 The **Chief Finance Officer** will ensure that all Council borrowings and investments are conducted in accordance with regulations, guidance and the Council's adopted Treasury Management Strategy. All decisions in respect of borrowing, investment or financing (that comply with the above) are delegated to the **Chief Finance Officer** (or through sub-delegation to an appropriate **Officer** in **Accountancy Services**).
- 13.2 The **Chief Finance Officer** must prepare an annual Treasury Management Strategy for approval by **Full Council** (February). The strategy will cover borrowing, investment and management of cash flow, approved methods of raising finance and approved sources of borrowing. The **Chief Finance Officer** will also provide an annual review to **Full Council** (July), as well as quarterly reports to **Cabinet**.
- 13.3 The **Chief Finance Officer** will ensure that:
- All borrowings are in the name of the Council.
  - Records are maintained of all monies borrowed by the Council.
  - All trust funds will, wherever possible, be in the name of the Council.
  - All Officers who act as trustees by virtue of their official position, must deposit all securities relating to a trust with the **Director- Governance** unless the deed requires otherwise.
  - All securities which are the property of, or are in the name of the Council, or its nominees and title deeds of all property in its ownership or mortgaged to the Council, must be held in the custody of the **Director- Governance** and a copy of all such securities shall be held off site.
- 13.4 The **Chief Finance Officer** is responsible for all banking arrangements. No other **Officer** is authorised to open or operate a bank account on the Council's behalf. **Cabinet** will approve the Council's bankers ~~and the accounts used~~.
- 13.5 The **Chief Finance Officer** is responsible for the ordering and control of all cheques. They will make sufficient arrangements for the safe custody of blank cheques and the control and reconciliation of those issued. Cheques on the Council's main bank accounts will be stored securely by **Accountancy Services** and may only be signed by **Officers** specifically authorised by the **Chief Finance Officer**. The **Chief Finance Officer** will ensure that the Council's bankers are kept informed of authorised signatories.
- 13.6 Only **Officers** authorised by the **Chief Finance Officer** can certify alterations to cheques. Cheques should only be altered where the value is less than £1,000 and the alterations are limited to the removal of a crossing, to the correction of the date, and the correction of a misspelling of the name of the payee. Where an error has been identified on a cheque valued at more than £1,000, the cheque must be replaced.
- 13.7 Cheques for all payments exceeding £1,000 must be counter-signed by one of the employees authorised to do so.



13.8 The **Chief Finance Officer** is responsible for ensuring that a monthly reconciliation between the Council's bank account and its income and expenditure records is performed.

13.9 The **Chief Finance Officer** will ensure that there is a two-stage process for entering and approving the transfer of funds outside of the Council, with each stage being completed by a separate Officer. This will apply to submitting BACs files and any payments made directly from our bank account (e.g. CHAPs payments).

## 14. Internal Control and Audit

- 14.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- 14.2 The **Chief Finance Officer** is responsible for advising on effective systems of internal control, that are compliant with applicable statutes, regulations, and best practice. This includes the provision of a continuous Internal Audit function.
- 14.3 The Council's Internal Audit function is provided by the Shared Internal Audit Service (SIAS), which is hosted by Hertfordshire County Council. They provide assurance to the Council that:
- Internal controls are sound, adequate and appropriately applied
  - Assets and interests are safeguarded against losses arising from inefficient management, poor value for money, waste, theft, fraud, or any other cause
  - Financial and other management data is suitable and reliable
  - Rules, regulations, legislation, policy and procedures are being followed
  - Risk management action is appropriately applied.
- 14.4 To assist them in their work, the **Chief Finance Officer** and any approved representative(s) have authority to:
- Enter at all reasonable times any Council premises or land, subject to any statutory or contractual restrictions that might apply;
  - Access all records, documents, correspondence and data relating to the business of the Council, including those of a contractor acting on the Council's behalf and to remove any such records as is necessary for the purpose of their work;
  - Require and receive such explanations from any **Officer**, **Councillor** or contractor acting as an employee of the Council as are necessary concerning any matter under examination;
  - Require any **Officer** to produce cash, stocks or any other Council property under their control; and
  - Have direct access to the **Chief Executive** and the **Chairs of the Overview & Scrutiny Committee** and the **Finance, Audit & Risk Committee**.
- 14.5 The ~~SIAS Head of Assurance~~**Chief Audit Executive** (in consultation with members of the **Leadership Team** and the External Auditor) is responsible for the preparation and maintenance of an annual risk-based audit plan. This plan is reviewed by the **Chief Finance Officer** and contains details of the work to be undertaken in a financial year and includes a contingency for unseen responsive work. The plan is approved by the **Finance, Audit and Risk Committee**.
- 14.6 The ~~SIAS Audit Manager~~**Chief Audit Executive** is responsible for planning ahead and maintaining an informed and balanced understanding of keys risks facing ~~documenting as many known risks to~~ the Council ~~as possible~~. This is achieved by maintaining a document which details all auditable areas across the Council along with any relevant risk information. This document is formally updated as part of the annual planning process.
- 14.7 The Shared Internal Audit Service will issue audit reports as a result of work they undertake. These will include an assessment of current control levels and recommendations for improvements (including a prioritisation). The relevant **Officer** must respond to draft audit reports detailing the actions they will take in

response to the recommendations made. This response should be as soon as possible, and in all cases within four weeks. Any failure to do this will be reported to the **Chief Finance Officer** and the **Finance Audit and Risk Committee**.

14.8 All **Officers** are required to carry out the actions that they have agreed to in an audit report. The actions should be carried out in accordance with the agreed deadline.

14.9 The **Chief Finance Officer** will ensure that ~~Directors the Leadership Team~~ receive regular reports on the progress against high and medium priority recommendations.

14.1 The ~~SIAS Head of Assurance or SIAS Audit Manager~~**Chief Audit Executive** will provide ~~quarterly regular~~ updates to the **Finance, Audit and Risk Committee** that cover:

- Progress against the plan and agreed key performance indicators
- Audits completed during the previous period and any medium (summary explanation) or high (detailed explanation) priority recommendations
- The status of current and previous high priority recommendations
- Any other matters that they wish to bring to the attention of the Committee.

14.19 The **Chief Finance Officer** will ensure that appropriate actions (including required approval) are undertaken in respect of the appointment of External Auditors.

14.124 The **Leadership Team** are responsible for the development and maintenance of anti-fraud, anti-corruption and anti bribery policies. All **Officers** should read and understand these policies.

## 15. Income

- 15.1 It is important that the Council has processes in place to ensure that it collects income as efficiently as possible. This should ensure that it is identified, collected, receipted and banked properly.
- 15.2 **Directors** are responsible for designing the systems for income collection. These systems should be in accordance with the following, and agreed by the **Chief Finance Officer**:

### **Calculation of charges**

- Charges should be set in accordance with legislation and accurately calculated (**Accountancy Services** can provide support with this)
- Charging policies should be reviewed regularly, usually annually
- There should be a separation in duties between the **Officer** calculating the amount due and the **Officer** receiving the payment
- Ensure that VAT is charged as appropriate (**Accountancy Services** can provide advice on this)

### **Collection of income**

- Where possible income should be collected in advance of supplying goods or services
- Sundry invoices should only be raised for amounts exceeding £50. Under this amount payment by debit or credit card should be sought, although payment by cheque can be accepted. Exceptions to this £50 limit must be approved by the **Chief Finance Officer**
- Sundry invoices should be raised within 5 days of the provision of the goods or service. The invoice should clearly state the date of the supply.
- All payments received by cash or cheque should be banked promptly
- Cash should be banked without deduction and must not be used for expenditure, to create or supplement floats or petty cash accounts or to enable the cashing of personal cheques
- To ensure that third party cheques are not accepted in payment for goods or services provided by the Council.
- To ensure that all paying-in slips show a reference to the related debt (such as the receipt number or the name of the debtor) or the origin of the cheque. The name of the relevant Service Area or a reference to the related debt must be written or printed on the reverse of each cheque.
- To ensure income collected on behalf of a third party whether for commission or not, is receipted and banked in the same way as the Council's own money. Payment of any amount due to a third party must be made once the account has been checked and the balances agreed.

### **Records**

- The correct stationery should be used. For raising sundry invoices this is the Council's Financial Management System. Sufficient information needs to be provided to enable the recording and collection of the amount owed.
- Invoices should not be raised after income has been received. A tax receipt can be sent, if requested by the customer
- If requested, to ensure sums received are acknowledged immediately by the issue of an official receipt, ticket, voucher or other document prescribed by the **Chief Finance Officer**. To hold securely receipts,

tickets and other records of income, for the appropriate period stated in the Retention Schedule.

- To order and control all receipt forms, books, tickets and other such items relating to the service. To maintain a register of issues, returns and destructions.

#### **Non-payment**

- Should use established performance management systems to monitor recovery of income and flag up areas of concern to the **Chief Finance Officer**.
- To assist the **Chief Finance Officer** in collecting debts by providing any further information requested by the debtor, and in pursuing the matter on the authority's behalf.
- Where appropriate seek approval for debt cancellation or write-off (see sections below)
- Unless mitigating factors are identified, service provision should be cancelled where debts are not paid in accordance with standard payment terms

#### **Refunds**

- Where a refund to the customer is due, seek advice from **Accountancy Services** on the appropriate procedure

- 15.3 The Chief Finance Officer ~~Director- Resources~~ has overall responsibility for the collection of all income due to the Council. They will determine whether to institute distress and court proceedings for the recovery of outstanding monies due to the Council.

- 15.4 Debts can only be cancelled where they have been raised in error. The approval levels for cancelling debts are:

Up to £5,000	<b>Director</b>
£5,000 and above	<b>Director- Resources</b> , in consultation with the relevant <b>Director</b>

- 15.5 Debts can be written off where they have been raised correctly, have not been paid and it is determined that there is no prospect of collecting the amount owed. The approval levels for writing off debts are:

Up to £500	<b>Budget Holder</b> , in consultation with the relevant <b>Director</b>
£500 to £5,000	<b>Director- Resources</b>
£5,000.01 to £10,000	<b>Director- Resources</b> in consultation with the <b>Executive Member with responsibility for Finance</b>
Above £10,000	<b>Cabinet</b>

The **Director- Resources** will also approve the write off of all debts where the debtor is declared bankrupt, is in liquidation or subject to an Individual Voluntary Arrangement, and where the debtor is deceased and there are insufficient funds in the estate to repay the debt–. The Chief Finance Officer can also approve the write-off of any credit balances, although these will be returned to the payee if they seek repayment. Where discretionary awards are agreed then the revenues system treats them as write-offs (to reduce the amount payable), but as these have been agreed via a separate process they will not be subject to this write-off process.

- 15.6 The **Chief Finance Officer** will ensure that the appropriate accounting adjustments are made following a debt write-off or cancellation.

- 15.7 The **Chief Finance Officer** will ensure that all **Directors** are provided with details of outstanding debts for their service.

## 16. Ordering and paying for goods and services

- 16.1 This section should be read in conjunction with the Contract Procurement Rules. Decision notices are required for all Executive decisions and certain non-Executive decisions. A financial materiality threshold is part of the consideration for non-Executive decision and this is set at £75,000.
- 16.2 **All Officers** must declare any links or personal interests which they may have with purchasers, suppliers or contractors if they are engaged in contractual or purchasing decisions on behalf of the council in accordance with the conflicts of interest policy. **Directors** should ensure that these forms are completed.
- 16.3 All orders must be appropriately raised and approved in accordance with authorised signatory limits and delegations. **Directors** should ensure that **Accountancy Services** are provided with details of authorised Officers including limits and specimen signatures. The **Chief Finance Officer** will ensure that the list of authorised signatories is maintained.
- 16.4 **All Officers** should raise and authorise orders promptly as the supplier should not provide works, goods or services until they have received the official order.

### Raising Orders

- 16.5 **Budget holders** should ensure that official orders are raised in advance of receipt of works, goods or services. The order should detail exactly what is being supplied and the price to be paid (or estimated price). This is to ensure that there is a mutual understanding between the Council and the supplier. The only exceptions to this are:
- Supplies of utilities, advertising, periodic payments such as rent or rates, petty cash purchases and purchase card purchases
  - Where a signed agreement or contract detailing the exact works, goods or services to be provided exists between the Council and the supplier, the order can be shortened to only include a brief description of the project and the total contract value
  - Exceptions agreed by the **Chief Finance Officer**
  - Verbal orders may only be issued in situations of true urgency, as authorised by the **Chief Finance Officer** and must be confirmed by an official order within two working days.
- 16.6 The **Chief Finance Officer** will determine (in consultation with the **Director-Governance**) the format of official orders, and this will include standard terms and conditions. Orders will be raised on the Council's Financial Management System which will ensure that it is recorded against the right budget and VAT is accounted for correctly. **Officers** must only agree variations to the standard terms and conditions with prior approval from the **Chief Finance Officer**.
- 16.7 **All Officers** should ensure that official orders are not used for private or personal purchases. Council contracts also must not be used for personal purchases.
- 16.8 Where the Council has entered a contract with a supplier for goods or services the contract ~~must-should~~ be used in the first instance, and orders for the provision of goods and services in that contract ~~should~~~~must~~ not be placed with other suppliers. For example, stationery should only be purchased through the stationery contract. Other suppliers may

be used if the contracted supplier is unable to provide the goods and services required.

16.9 Where there are Council rules on how certain supplies should be obtained then these should be followed. For example, IT hardware and software should only be purchased with approval from the **Director- Customers**.

16.10 **Directors** should ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the **Chief Finance Officer**. This is to protect the Council from entering into unapproved credit arrangements and to ensure value for money is being obtained.

16.11 For construction contracts (including alterations to buildings and civil engineering works), **Directors** must ensure that there are agreed systems and procedures in place for financial aspects including certification of interim/final payments, checking, recording and authorising payments, controlling capital schemes and for validating sub contractor's tax status. The various systems and procedures need to be documented and agreed with the **Chief Finance Officer**.

16.12 Orders must not be split or disaggregated to get them below limits (e.g. in relation to authorisation or procurement).

#### **Authorising Orders**

16.13 The **Officer** authorising the order is confirming the following:

- The goods or services are appropriate and needed
- There is adequate budgetary provision ~~(the Financial Management System will provide a warning that there is insufficient budget, but will not prevent orders being raised)~~
- Quotations and tenders have been obtained in line with the Contract Procurement rules

16.14 A variation to works or construction contracts must be accompanied by a variation order, which contains details of the variation and is signed in manuscript by an authorised officer. Variations may only be authorised if sufficient budget provision exists.

#### **Certification for Payment**

16.15 **Officers** are required to certify invoices as soon as possible. Arrangements should be made for a substitute during periods of leave (especially extended leave). This is to ensure that the Council does not incur penalties for late payment.

16.16 The **Officer** certifying an invoice for payment must check the following:

- The ordering process has been followed
- The works, goods or services have been received and confirmed to be of appropriate standard and quality
- The invoice received is VAT compliant (if applicable), has been calculated correctly and any discounts and credits have been applied
- The relevant expenditure has been properly incurred and is within the relevant budget provision



- The invoice is correctly coded and that appropriate entries will be made in accounting records. It is not necessary to code the invoice when an order has been raised
- Appropriate entries have been made in inventories, stores records or stock books as required
- The account has not been previously passed for payment and is a proper liability of the Council.
- Extra care should be taken with invoices that are marked as being a copy or have been copied. Payment will only be made on copy invoices if they are endorsed with a statement saying that the invoice has not already been passed for payment and that the expenditure incurred has been approved.
- The invoice submitted is an official supplier invoice (e.g. not a statement, reminder letter or other document). Limited exceptions to this requirement include periodic recurring payments, contract payments and any other exceptions specifically approved by the **Chief Finance Officer**
- Any other instructions provided by the **Chief Finance Officer**

16.17 Payments for Works should be based on the certificate of works that has been approved by the appropriate **Director**, which must include details of the value of work, retention money, amounts previously certified and amounts now certified within authorised limits.

## Payment

16.18 In general invoice payments are made via electronic bank transfer. Manual cheques can be used for emergency payments. Reasons for an emergency payment are that the delay would cause hardship to the individual, would result in the suspension of essential services or any other reason agreed by the **Chief Finance Officer**. In all cases, the officer requesting the cheque must document the reason for urgency on or attached to the invoice.

16.19 It is possible to pay invoices via purchasing card, but this should only be used for invoices that do not require an order.

16.20 Payment in advance and/ or without an invoice should be avoided. Where it is required an order should still be raised. An official payment requisition form must be completed and authorised by an appropriate Officer. The payment requisition form and any documents for dispatch with the cheque or BACS remittance should be submitted to **Accountancy Services** for processing.

16.21 The **Chief Finance Officer** will ensure that payment is made for all correctly authorised invoices that are in accordance with these financial regulations. **All Officers** should immediately notify the **Chief Finance Officer** of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision. Where payment is specifically required by statute or is made under a court order, this will be processed even if there is no budgetary provision.

16.22 Direct Debit (DD) mandates can only be authorised by those officers who are authorised bank signatories for that purpose, as determined by the **Chief Finance Officer**.

16.23 All BACS payments must be approved for payment via the Council's BACS processing software, by an officer who is authorised to do so on the authorised signatory listing.

## **General**

- 16.24 The **Chief Finance Officer** will ensure that there are processes in place to monitor compliance with these regulations and the Contract Procurement Rules. Any non-compliance will be reported to the relevant **Director**.
- 16.25 Where possible, **Directors** should ensure that there is separation of duties in respect of activities involving payments. There should be at least two authorised officers involved in ordering, receiving and authorising goods, services and works for payment. In all instances the officer authorising the invoice should be different from the officer who checked the invoice and certified it. Where practicable, a different officer from the one who signed the order should authorise the invoice.

## **Purchase Cards**

- 16.26 Purchase cards will be authorised for certain officers, with an individual transaction threshold specific to the card holder. Purchase cards are generally suitable for low value transactions enabling the Council to shorten the purchase to pay cycle and reduce processing costs. Purchase orders are not required for purchase card transactions.
- 16.27 Where corporate contracts are in place, purchase cards should not be used to access alternative suppliers.
- 16.28 Purchase card transactions must be reviewed by the Cardholder within five working days, and receipts uploaded using the online Purchase Card system. Electronic approval of transactions must be carried out by an authorised officer within five working days and must only be completed once receipts have been viewed. All purchase card arrangements and their issue are permitted only on the approval of the **Chief Finance Officer**.

## 17. Petty Cash Accounts and Change Floats ~~Cash and vouchers~~

17.1 The **Chief Finance Officer** will provide a petty cash account to cover incidental ~~office~~ expenses, in exceptional circumstances where ~~if~~ the requirement cannot be satisfied by using a purchase card. Petty cash will be issued on receipt of the appropriate application form for use by the petty cash account holder. The maximum limit for transactions is £~~2~~40 (incl. VAT). A change float can also be provided if required.

17.2 The Officer responsible for the petty cash account/ change float should ensure that:

- The account is kept in credit
- The cash is stored securely
- Wherever possible a VAT receipt must be obtained for items of expenditure. Receipted vouchers, signed by the recipient of the reimbursement must support all expenditure.
- Adequate records to support expenditure are kept in a form approved by the **Chief Finance Officer** to support expenditure. If requested, a certificate as to the state of the account must be provided to the **Chief Finance Officer**.
- Income received by the Council must not be paid in to a petty cash account. Cash floats must not be used for expenditure.
- Should not be used for postage (stamps), unless approved by the **Chief Finance Officer**. Stamps must not be sold to Officers or members of the public.
- Carry out, with another officer, regular checks on the balance of the account or float. A record of such checks should be signed by both officers and maintained.

17.3 The relevant **Director** should ensure that the above happens, and also ensures that there is a periodic (not less than every six months) check by an Officer who is not directly responsible for the operation of the account. There should also be a check if the Officer responsible for the petty cash account/ change float leaves the employment of the Council. Any balances should either be paid back to the main Council account or the account transferred to another Officer.

17.4 The Officer responsible must agree the accuracy of the records and cash held with their Line Manager prior to the transfer of the account (either permanently or during a period of planned leave). A form should be completed by the Officer surrendering the Petty Cash/ Change float, declaring the value of cash to be transferred. The new Officer responsible should countersign the Declaration, confirming the amount of cash received. Once completed, the form should be sent to **Accountancy Services**.

17.5 **Directors** must notify the **Chief Finance Officer** of the cash balances held on any floats or petty cash accounts at the 31st March on a duly signed certificate for each float or account as soon as possible after the 31st March and not later than such date as agreed in the closure of accounts timetable in each year.

17.6 Where Officers purchase vouchers or gift cards then these must be treated in a similar way to cash, and be subject to the following controls:

- Physical vouchers or gift cards must be stored securely.
- Electronic vouchers or gift cards must be stored so that access is restricted to those responsible for administering them.
- A log must be kept of the vouchers or gift cards being held to include new ones being purchased and those being given out. Carry out, with another Officer, a reconciliation of this on a regular basis.
- There should be an audit trail (e.g. physical or e-mail signed confirmation, evidence of e-mail sent) to show that the voucher or gift card was received by the intended recipient.

## 18. Peacetime civil major incidents and business continuity plans

- 18.1 As part of its emergency planning role, the Council is responsible for a range of activities in the event of a major incident being declared. These activities may require the ordering of works, goods or services. The procuring officers may have little or no advance notice, may not have access to the raise purchase orders and requirements may be above purchase card transaction limits. Therefore the 'reserved order facility' will be put in place.
- 18.2 The **Chief Executive or a Director** is responsible for activating both the Council's Major Incident Plan and Service Business Continuity Plans. Once activated, any orders for the supply of works, goods or services need not be subject to the Council's Contract Procurement Rules. However, during this period the Council's Financial Regulations continue to apply. A Senior Officer from another Authority can, under Mutual Aid, be authorised to act on behalf of the Council to support the response to a Major Incident. This can include incurring costs on behalf of the Council. -
- 18.3 The **Chief Finance Officer** will ensure that **Accountancy Services** operate in a resource allocation role, working closely with the **Chief Executive (or Nominated Deputy)** in order to advise on and monitor the costs incurred by the Council in response to the major incident. They will also maintain an overview of ordering systems and financial records relating to the incident. This will include authorising the format of temporary order forms and instructing on the financial coding structure to be used. They will also arrange for purchase card limits to be increased if required.
- 18.4 Officers instructed to order works, goods or services must:
- Maintain a record of all such orders and purchase card transactions
  - As soon as is practicable, transfer all temporary orders to the Council's official ordering system providing best estimate of the cost and coded as instructed by Accountancy Services
  - Ensure that where practicable, documentation is completed to indicate that the goods or services have been received and works undertaken
  - Ensure that an inventory of all remaining goods is compiled following completion of the emergency. The inventory should record what items are to be retained for future Council activities and what items are surplus to the Council's requirements and should be disposed of
  - Ensure that all surplus goods are disposed of at best consideration to the Council.
  - Report to the **Chief Finance Officer** so that actions listed above can be monitored.

## 19. Payments to Officers and Councillors

19.1 Officer costs are the largest item of expenditure for most council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the authority and accord with an individual's conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for, and that Members' allowances are authorised in accordance with the scheme adopted by **Full Council**.

19.2 The **Director- Resources** will ensure that:

- There is a system in place to ensure the timely, secure and reliable payment of salaries, wages, compensation, travel and subsistence claims, and other emoluments
- Ensure the accurate and timely payment and recording of tax, pension (superannuation) and other deductions. This will include the completion of any required return
- Ensure that payroll documents are kept, stored and deleted in line with the document retention policy
- To keep the Employee Handbook under review to ensure it refers to the most up to date policies. **All Officers** (including temporary staff) must adhere to the handbook and linked policies
- Agree the format of time recording and payroll documents, ~~in conjunction with the Chief Finance Officer~~
- Arrange for the maintenance of a list of Officers authorised to approve claims, including authorisation levels.. Ensure that Human Resources (HR) staff and the contractor providing payroll services have secure access to this information. At least annually seek confirmation that information contained in the list remains up-to-date. **Directors** should provide HR with updated information on changes of staff as they occur.

19.3 **Directors** should ensure that adequate and effective systems and procedures are operated, so that:

- payments are only authorised to bona fide employees;
- payments are only made where there is a valid entitlement;
- conditions and contracts of employment are correctly applied; and
- employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- details of any employee benefits in kind are notified to Human Resources to enable full and complete reporting within the income tax self assessment system

### Recruitment

19.4 **Directors** should ensure that appointments are made in accordance with the regulations of the Council and approved establishments, grades and scales of pay, and that adequate budget provision is available.

19.5 **Directors** should give careful consideration to the employment status of individuals employed as self-employed, under a sub contract or through an intermediary. It may be necessary for the individual to be treated as employed and paid via payroll, with appropriate deductions. There may be penalties for the Council for incorrect treatment. In cases of doubt, advice should be sought from **Human Resources**.

## Notification of changes in employee circumstances

19.6 **Directors** must notify HR of the following. This should be done as soon as possible and in particular before the Officer leaves. It should be done using appropriate documentation or electronic systems:

- Appointments, resignations, dismissals, suspension, secondments and transfers of all staff including those of casual staff and consultants;
- Absences from duty for sickness or other reasons, apart from approved leave;
- Changes in remuneration, other than pay awards and other negotiated agreements which apply to staff generally;
- Information necessary to maintain records of service for superannuation, income tax, national insurance etc.;
- Untaken or excessive leave when officers leave the employment of the Council;
- Training expenses recoverable when officers leave the employment of the Council.

## Claiming expenses

19.7 Allowances will only be payable against actual expenditure incurred up to the maximum allowed under the current regulations. In exceptional circumstances the **Chief Finance Officer** may approve claims above the maximum usually allowable if it is considered that this is reasonable. Receipts should be obtained and submitted online with a claim. Where it is not possible to obtain a receipt, the claimant should list the items purchased, their cost and the supplier. Payment will then be made at the discretion of their Manager.

19.8 For ~~broadband and line rental~~ homeworking expenses (applicable to any Officer that works at home) the claim can be on a monthly, quarterly or annual basis and should provide evidence from one monthly or quarterly bill, but can claim for up to one year at a time (subject to it being in the correct financial year, 1<sup>st</sup> April to 31<sup>st</sup> March).

19.9 Mileage will only be reimbursed if it is incurred whilst carrying out official Council duties. ~~Mileage claims must be accompanied by a relevant VAT fuel receipt, in order to comply with current VAT regulations.~~ Officers who use their private vehicle for Council business must have insurance that covers business travel and have complied with the vehicle document verification process.

19.10 Officers travelling by rail should where practicable purchase their ticket in advance using the Council's purchase card, or via personal credit card and reclaim via the expenses process.

19.11 Reimbursement of professional subscription fees will only be made on submission of the invoice from the relevant professional body. Alternatively these may be settled by Purchase Card.

19.12 Payments will only be made to Officers and Members who are entitled to claim travelling or other allowances upon submission of a completed and authorised claim form (including electronic forms) as prescribed by the **Chief Finance Officer**.

19.13 Claims for expenditure incurred between April and December inclusive of any financial year must be submitted within three months of the final day of the claim

period. For example, claims made for the period 1st to 30th April must be submitted by 31st July. Claims for expenses submitted after these dates will be paid only with the express approval of the **Director: ResourcesChief Finance Officer**.

19.14 Claims for expenditure incurred between January and March inclusive of a financial year must be submitted by 30<sup>th</sup> April.

19.15 The last day for submission of authorised online claims is the 5th of the month for each pay period (i.e. by 5th of April for April payroll). This date relates to the process of monthly payment and are not the deadlines referred to above. The last day for submission of authorised claims varies and exact dates are available on the Intranet.

### **Authorising expense claims**

19.16 Officers who authorise a claim are confirming that they are satisfied that the journeys were authorised, the expenses properly and necessarily incurred and the allowances properly payable by the Council. Authorisation must be via the online system.

19.17 Officers must not authorise their own claims for payment. Claims should generally be authorised by the claimant's manager. The **Chief Executive's** claims should be authorised by the **Director- Resources**.

### **Documentation authorisation**

19.18 Heads of Service/Corporate Managers must provide Human Resources, or an officer nominated by Human Resources, with the names of officers authorised to sign or authorise electronically payroll documents together with specimen signatures and details of limits of authority and must forward amendment details on the occasion of any change.

## 20. Taxation

20.1 The council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

20.2 **Accountancy Services** will provide **Budget Holders** with relevant information and ensure that they are kept up to date on tax issues that are relevant to their role. **Budget Holders** should use that information to:

- Ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations
- For construction and maintenance works, ensure that the contractor fulfils the necessary Construction Industry Tax Deduction requirements.

**Directors** should ensure that the **Budget Holders** in their service comply with the above.

20.3 The **Chief Finance Officer** will ensure that:

- A monthly return of VAT inputs and outputs is provided to HM Revenue and Customs in the required format and within stipulated timescales.
- HM Revenue and Customs are provided with details regarding the Construction Industry Tax Deduction Scheme in the required format and within stipulated timescales.



## 21. Advice and Support

21.1 The table below shows contact details for Officers that can provide advice on various elements of these procedures:

Subject Area	Contact Officer(s)	Contact
General Advice and application of these regulations	<del>Head of Finance,</del> <del>Performance and Asset Management</del> <del>Director-Resources</del> Accountancy Manager	Ext 4243  Ext 4566
Revenue Budget Setting and Budget Management  <i>Including virements accruals and carry-forwards,</i>  <u>Income- calculation of charges</u>	Group Accountant- <del>Customer Services</del> <del>Enterprise and Environment</del>  Group Accountant- <del>Finance,</del> <del>Policy &amp; Governance and Planning, Housing and Enterprise</del> <del>Customers and Place</del>  <u>Service Accountant- Governance, Regulatory and Resources</u>	Ext 4240  Ext 4332  <u>Ext 4163</u>
Capital budget setting and budget management	Corporate Support Accountant	Ext 4509
Lease accounting	Group Accountant- <del>Customer Services</del> <del>Enterprise and Environment</del>	Ext 4240
Risk management	<del>Head of Finance,</del> <del>Performance and Asset Management</del> <del>Director-Resources</del>	Ext 4243
Insurance	Insurance team at Hertfordshire County Council	<a href="mailto:Insurance@hertfordshire.gov.uk">Insurance@hertfordshire.gov.uk</a>
Treasury Management	Corporate Support Accountant	Ext 4509
Internal Audit	Shared Internal Audit Service  <del>Head of Finance,</del> <del>Performance and Asset Management</del> <del>Director-Resources</del>	<a href="mailto:sias@hertfordshire.gov.uk">sias@hertfordshire.gov.uk</a>  Ext 4243
<del>Income- calculation of charges</del>	<del>Group Accountant- Environment, Enterprise- Group Accountant- Regulatory, Customers, Place- Service Accountant- Resources, Governance</del>	<del>Ext 4240-</del>  <del>Ext 4332-</del>  <del>Ext: 4163-</del>
Income- processes for invoicing and receiving payment	Controls, Risk and Performance Manager	Ext 4606
Ordering and paying for goods and services	Controls, Risk and Performance Manager	Ext 4606

Purchase cards	Controls, Risk and Performance Manager	Ext 4606
Petty Cash	Controls, Risk and Performance Manager	Ext 4606
Recruitment and expenses	HR	<a href="mailto:Hrhelp@north-herts.gov.uk">Hrhelp@north-herts.gov.uk</a>
Taxation	Controls, Risk and Performance Manager	Ext 4606