

# North Northamptonshire Council

## Financial Procedure Rules

In order to conduct its business efficiently, this council recognises the need to ensure that it has sound financial management policies in place and that they are strictly adhered to.

The Financial Procedure Rules provide the framework for managing the Council's financial affairs, in order to ensure that they are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge to the Council. They are an integral part of the Council's Constitution and must be used in conjunction with those sections of the Constitution that apply generally to the management of the Council's business and affairs.

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## **1 Introduction**

- 1.1 In order to conduct its business efficiently, this council recognises the need to ensure that it has sound financial management policies in place and that they are strictly adhered to.
  - 1.2 The Financial Procedure Rules provide the framework for managing the Council's financial affairs, in order to ensure that they are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge to the Council. They are an integral part of the Council's Constitution and must be used in conjunction with those sections of the Constitution that apply generally to the management of the Council's business and affairs.
  - 1.3 Section 151 of the Local Government Act 1972 states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". The officer designated by the Council as having the statutory responsibility set out in Section 151 of the 1972 Act is the Chief Financial Officer (CFO).
  - 1.4 The Financial Procedure Rules apply to every councillor, officer, person acting on the Council's behalf in undertaking Council business, and any employee of a commissioned service within any organisation partly or wholly owned by the Council.
  - 1.5 The term 'officer' in this document refers to Council employees and employees within a commissioned organisation partly or wholly owned by the Council. The term
  - 1.6 'Council' in this document refers to the Council and all commissioned organisations partly or wholly owned by the Council.
  - 1.7 Chief Officers are responsible for ensuring that all staff in their Service are aware of the existence, location and content of the Council's Financial Procedure Rules and other internal regulatory documents and that they comply with them.
  - 1.8 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal for correctness of a financial action must be clarified in advance of the decision or action with the CFO.
  - 1.9 The CFO is responsible for reporting, where appropriate, breaches of the Financial Procedure Rules.
  - 1.10 The Financial Procedure Rules shall only be suspended on the resolution of the Council, or as varied by any part of the Scheme of Delegation approved by the Council. A written record shall be kept if this was to occur.of the Financial Procedure Rules to the Chief Executive and to the Executive.
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- 1.11 The CFO is responsible for maintaining a periodic review of the Financial Procedure Rules that is reviewed by the Audit Committee for re-affirmation before submitting any additions or changes necessary to the full Council for approval.

## 2 Financial Management

- 2.1 This Council works within the context of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code, which identifies the risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice.

- 2.2 The FM Code is built around six key principles:

- **Organisational leadership** and clear strategic direction, with Financial Management embedded into organisational culture.
- **Accountability** based on the Medium Term Financial Plan (MTFP) which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- **Transparency** in FM, using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- **Adherence to professional standards** is promoted by the leadership team and is evidenced.
- **Sources of assurance** recognised as an effective tool mainstreamed into financial management and includes political scrutiny and the results of external audit, internal audit and inspection.
- The **long term sustainability** of local services is at the heart of all financial management process and is evidenced by prudent use of public resources.

- 2.3 Financial management covers all financial accountabilities in relation to the running of the council, including the budget and policy framework. The process of financial management involves:

- Complying with statutory requirements
  - Development and approval of policy and management frameworks, the Constitution and financial plans including the revenue and capital budgets
  - Establishing protocols and standards
  - Implementing policies, protocols and standards
  - Monitoring compliance
  - Maintaining records
  - Reporting and providing advice
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- Specific financial techniques and functions e.g. virements, year end balances, and statements of accounts.

### **3 Responsibilities**

- 3.1 This section of the Financial Procedure Rules provides an overview of the responsibility and accountability of officers and councillors in respect of financial management, governance and the use of Council resources.
- 3.2 All officers and councillors are responsible for ensuring that they use Council resources and assets entrusted to them in a responsible and lawful manner. Consideration of value for money needs to be embedded in every financial decision made. These responsibilities apply equally to councillors and officers when representing the Council on outside bodies.
- 3.3 Failure to comply with these Regulations and associated policies, instructions and processes may constitute misconduct or gross misconduct, depending on the circumstances of the case in question and may well result in disciplinary action being taken in accordance with the Council's Disciplinary Procedures.
- 3.4 Any person charged with the use or care of the Council's resources and assets is responsible for reading the requirements within the Financial Procedure Rules and relevant Statement of Recommended Practice (SORP). If anyone is unsure as to their obligations, they should seek advice from the CFO.
- 3.5 The financial instructions and processes that support these Regulations, as approved by the CFO, must be followed and carry the same weight as the Financial Procedure Rules.
- 3.6 Any employee must report immediately to their manager, supervisor or other responsible officer any illegality, impropriety, serious breach of procedure or serious deficiency in the provision of service he or she suspects or becomes aware of. Employees are able to do this without fear or recrimination providing they act in good faith via the Council's Whistle Blowing Policy. In such circumstances managers must record and investigate such reports and take appropriate action.
- 3.7 All officers and Councillors must ensure compliance with the Council's Anti-Fraud and Corruption policy and the Code of Conduct for Councillors and Employees is mandatory.

### **Head of Paid Service**

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- 3.8 The Head of Paid Service is the Chief Executive.
- 3.9 The Chief Executive has responsibility for the corporate and overall strategic management of the Council as a whole. He/she must report to and provide information for the Executive, the full Council, Scrutiny Committees and other Committees. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.
- 3.10 The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all of the full Council's decisions.

### **Monitoring Officer**

- 3.11 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the full Council and / or to the Executive .
- 3.12 He / She is also responsible for ensuring that procedures for recording and reporting key decisions are operating effectively. They must also ensure that Council Members are aware of decisions made by the Executive.
- 3.13 The Monitoring Officer must ensure that executive decisions and the reasons for them are made public They must also ensure that Council Members are aware of decisions made by Officers who have delegated executive responsibility.
- 3.14 The Monitoring Officer is responsible for advising all officers and councillors regarding where the authority to take a particular decision resides.
- 3.15 The Monitoring Officer is responsible for advising the Executive or full Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the policy framework.

### **Chief Finance Officer (CFO)**

- 3.16 This post, as defined in the glossary of the Constitution, has statutory duties in relation to the financial administration and stewardship of the council. This statutory responsibility cannot be overridden.
- 3.17 The CFO is responsible for the proper administration of the council's financial affairs and reports to Council and Committees on the discharge of this responsibility. This includes:
- Maintaining strong financial management underpinned by effective financial controls
  - Contributing to corporate management and leadership
  - Providing financial information and advice
  - Setting and monitoring compliance with financial management standards
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- Advising on the corporate financial position
  - Advising on the key financial controls necessary to secure sound financial management
  - Preparing the revenue budget and capital programme
  - Treasury management
  - Leading and managing an effective and responsive financial service
  - Preparing and presenting the Statement of Accounts of the Council.
- 3.18 The CFO has a statutory responsibility for ensuring that adequate systems and procedures exist to account for all income due and expenditure made on behalf of the council and that controls operate to protect the council's assets from loss, waste, fraud or other impropriety. The CFO shall discharge that responsibility in part by the issue and maintenance of Financial Procedures and Operational Procedures with which all Councillors and staff of the council shall comply.
- 3.19 The CFO is the 'responsible financial officer' for the purposes of Sections 114 and 114A of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2003.
- 3.20 Section 114 requires the CFO to make a report and inform the External Auditor if it appears that (full) Council, a Committee or officers:
- Has made, or is about to make, a decision which involves incurring unlawful expenditure;
  - Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the council; or
  - Is about to make an unlawful entry in the council's accounts.
- 3.21 Section 114A makes equivalent provision in respect of actions taken by or on behalf of the council. Under both sections the report must be sent to every Councillor as well as the External Auditor.
- 3.22 Section 114 also requires:
- The CFO to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under Section 114 personally.
  - The council provide the CFO with sufficient staff, accommodation and other resources, including legal advice where necessary, to carry out the duties under Section 114 and make similar arrangements for the purposes of the Accounts and Audit Regulations 2006.
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- 3.23 The CFO will have overall responsibility for the operation of internal audit throughout the authority. Internal Auditors will operate as a management control by examining, evaluating and reporting upon the effectiveness of internal financial and operational controls and the efficient use of the Authority's resources.
- 3.24 The CFO and Internal Audit shall have full and unrestricted access to all council assets, systems, accounts, contracts, documents, information, officers, and Councillors.
- 3.25 The CFO is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must monitor and control the net expenditure of the council against budget allocations and report to the Executive on the overall position as appropriate.
- 3.26 The CFO is responsible for monitoring compliance with the virement scheme to ensure the scheme operates effectively and in accordance with the agreed budgetary and policy framework.
- 3.27 Reference to the CFO within the Finance Procedure Rules includes those authorised by him/her to undertake the various functions concerned.

### **Chief Officers**

- 3.28 Chief Officers are individually responsible to ensure that all staff in their Service are aware of the existence of the Council's Constitution, Financial Procedure Rules and SORPS, and have systems of control in place to monitor compliance, with any non-compliance by either officers, or partners reported to the CFO.
- 3.29 They are accountable for the overall financial stewardship of all Council resources allocated to them, and must seek approval from the Executive for any actions likely to materially affect the Council's finances by virtue of being a key decision. In such instances, consultation with the CFO will also be necessary.
- 3.30 Chief Officers must ensure that the relevant Executive members are advised of the financial implications of all significant budget proposals and service changes, which have been previously agreed by the CFO and Chief Executive.
- 3.31 They are responsible for ensuring the accuracy and deliverability of all budget estimates, which should be congruent with the strategic priorities set out in their annual Business Plans submitted as part of the annual budget. These estimates are to be prepared in line with guidance and timelines issued by the CFO.
- 3.32 With regard to the in-year financial monitoring against budget, it is the Chief Officer's responsibility to ensure that there are suitably competent Budget Managers in place within their Service who are aware of their budget allocation, including any savings requirement, as defined in the annual Budget. These Budget Managers are also required to operate a robust
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system of control in order to monitor and report commitments and actuals throughout the year, in line with the relevant Council SORPs. This process will also ensure value for money decisions are made and that risk is minimised. Any non-compliance must be escalated to the CFO in a timely manner.

- 3.33 Each Chief Officer is responsible for ensuring that the CFO is consulted about any information provided to councillors, external partners or members of the public which concerns the finances of the Council and that he/she is to be given adequate time to comment in advance of the agenda / deadline date.
- 3.34 Committee reports shall only be submitted once the CFO has validated and agreed the financial aspects of the report. The onus is on the report sponsor to obtain the agreement of the CFO.
- 3.35 If a Chief Officer, having regard to the CFO's views, does not wish to amend a Committee report, the CFO may require inclusion of his / her comments within the report before it is finalised.
- 3.36 Chief Officers may delegate decision making powers relating to financial management to their Deputy Chief Officer or below. A record of all such delegations must be kept by the officers concerned.
- 3.37 All Chief Officer Functions are described in the Scheme of Delegation, Part 9.2 of the Constitution.

### **Councillors and Officers**

- 3.38 All officers and councillors will contribute to the general stewardship, honesty and integrity in the council's financial affairs and comply with these regulations and any system, financial procedure or policy relating to the financial management of the council.
  - 3.39 Before making any decision or voting on any decision the person responsible shall consider the financial implications and the effect on the council's financial position.
  - 3.40 Councillors or officers shall bring to the attention of the CFO any act or omission that is contrary to the financial procedure rules.
  - 3.41 Councillors and officers should maintain the highest standards of financial probity and provide information or explanations on matters within their responsibility to the Monitoring Officer, the Audit and Governance Committee, the CFO, and the council's internal and external auditors.
  - 3.42 Any Chief Officer, Head of Service or councillor who is involved in, or who has an interest in, a transaction between the council and a third party shall declare the nature and extent of this interest to the CFO. These will be reported in the council's accounts in accordance with the Accountancy Standards Board (ASB) Reporting Standards and the CIPFA Code of Accounting Practice.
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- 3.43 A Budget Manager is an Officer with the overall responsibility of managing the commissioning of direct service or externalised service(s) for an area. This responsibility is specifically delegated to this Officer by a Head of Service, using any document required by the Section 151 Officer or under Part 9.2 of the Constitution. A Budget Manager cannot delegate the overall responsibility for managing budgets under his jurisdiction. A Budget Manager must be an employee of the Authority.
- 3.44 A Project Manager, in relation to capital, is the budget manager responsible for delivering a capital project.

### **The Full Council**

- 3.45 Full Council is responsible for adopting and approving the principles of financial governance and approving the council's budgetary and policy framework within which committees operate
- 3.46 The Full Council is also responsible for monitoring compliance with related executive decisions and is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated, and decisions taken by, the Council and its committees.

### **The Executive**

- 3.47 The Executive is responsible for agreeing Business Plans for all Council services, preparing budget estimates for consultation and directing the Council's affairs within the budget and policy framework as described in Part 3.3. of the Constitution.
- 3.48 The Executive also monitors revenue and capital spending against agreed limits, agreeing externally funded initiatives, to approve the commencement of tender processes where the value of the proposed contract is in excess of £500,000, or is otherwise a key decision, approving the termination of contracts where the value is in excess of £500,000, to approve the introduction of charges, or changes to charges for services, to approve the acquisition, retention or disposal of assets with a value in excess of £500,000. To approve the write-off of individual debts deemed to be uncollectable over £25,000. To approve virements in excess of £500,000.
- 3.49 Executive decisions can be delegated to a Committee of the Executive , an individual Executive Portfolio Holder, an officer or joint committee.

### **The Audit and Governance Committee**

- 3.50 The Audit and Governance Committee is charged with ensuring correct governance of the council.
- 3.51 The Committee will contribute to the development of and review of the effectiveness of the Medium-Term Financial Strategy, the annual budget and capital programme.
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- 3.52 The Committee will consider reports from the internal and external auditors in respect of performance issues in relation to the Medium-Term Financial Strategy or financial processes, where considered appropriate by the CFO.
- 3.53 The Committee will consider reports from the internal and external auditors in respect of performance issues in relation to the Medium-Term Financial Plan or financial processes, where considered appropriate by the CFO.
- 3.54 The Committee is also responsible for approving the council's risk management policy statement and strategy and for reviewing the effectiveness of risk management.
- 3.55 The Audit and Governance Committee is responsible for approving the Annual Statement of Accounts in accordance with the Accounts and Audit Regulations.

## **Committees**

### **Regulatory**

- 3.56 Regulatory Committees include:
- Licensing Committee
  - Planning Management Committee
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- 3.57 Regulatory committees do not have delegated to them specific financial management responsibilities, but consideration must be given to the general stewardship, integrity, and confidence in the council's financial affairs.
- 3.58 Decisions made by these committees could materially affect the council's financial position and/or expose the council to financial risk. The committees, and individual councillors, should ensure that proper consideration has been given to any exposure to risk in determining matters delegated to the committee.

### **Other Committees**

- 3.59 The Overview and Scrutiny Committee has responsibility for the oversight of financial matters for the Council and for holding the Executive to account.
- 3.60 North Northamptonshire Health and Wellbeing Board has the responsibility for preparing the Joint Health and Wellbeing Strategy and the Joint Strategic Needs Assessment.
- 3.61 All Council, Executive and Committee functions and powers are described in the Scheme of Delegation, Part 9.2 of the Constitution. All delegated functions within the Scheme of Delegation must be exercised within approved budgetary provision and abide by the Council's Financial Procedure Rules and Contract Procedure Rules.
- 3.62 The CFO is responsible for reviewing and monitoring all financial aspects of the Council's Scheme of Delegation, Part 9.2 of the Constitution.
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## **4 Urgency Procedure**

- 4.1 The Urgency Procedure is designed to deal with unexpected events which cannot be dealt with under the other clauses contained within the Constitution, including these Financial Procedure Rules and which require such urgent attention that they do not allow for referral to the next available committee meeting. Examples include significant financial expense following an accident or disaster, protecting the council against any legal challenge and the ability seek advantage from an opportunity which would otherwise disappear if immediate action is not taken.
- 4.2 The urgency procedure is only designed to deal with items costing more than £10,000, which are within the existing policy framework, but which are not covered by the approved budget.
- 4.3 Items greater than £10,000 but less than £50,000 can be approved by the CFO (or Deputy CFO in their absence) after consultation with the Portfolio Holder for Finance.
- 4.4 For sums greater than £50,000, the Leader of Council and Portfolio Holder for Finance (or in their absence their deputies) shall be authorised to approve such urgent expenditure.
- 4.5 Under the above provisions, authorisation to approve such items will require a written report from a member of the Corporate Management Team, countersigned by the CFO (or where the report originates from the CFO by the Chief Executive). Reports approved under this scheme shall include not only the details under consideration but also the reasons why they need to be dealt with under the urgency procedure.
- 4.6 The Council recognises that this may require a variation to the Regulations that cannot be achieved with Executive approval, due to time constraints. Therefore, the Chief Finance Officer may, in consultation with the Council's Monitoring Officer approve temporary dispensation / amendment.
- 4.7 This scheme shall not be used for expenditure on items outside the council's existing policy framework or where, in the opinion of the CFO, the decision will result in significant ongoing expenditure.
- 4.8 The CFO is responsible for developing/approving the Council's financial strategies, issuing advice, guidance and policies to underpin the Financial Procedure Rules that councillors, officers and others acting on behalf of the Council are required to follow.

## **5 Financial Strategies and Guidance**

- 5.1 The Councils key financial strategies and policies are listed below;
    - Contract Procedure Rules
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- Medium Term Financial Plan
- Medium Term Capital Programme
- Debt Recovery Policy
- Risk Management Strategy and Policy
- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- Anti Money Laundering Policy
- Treasury Management Strategy (including the Investment Strategy, Prudential Indicators and MRP Policy)
- Financial procedures for schools (note: this is a collection of documents).
- Security and control of assets.
- Partnership working
- Grants received from external bodies.

5.2 Underpinning these financial strategies are Statements of Required Practice (SORPs). The purpose of the SORPs are to guide staff in the process of rationalising the many strategies the Council is delivering, as they set out the minimum corporate standards of operation expected across the whole of the Council to ensure compliance against statute, the Council constitution and delivery of best practice. The Councils SORPs are listed in the table below:

SORP	Title	Description
1	Financial and Management	The minimum standards to which the Council's financial and performance management work must be undertaken.
2	Business and Performance Budget Planning	To ensure that business planning takes place on an integrated basis, with financial plans (both revenue and capital) reflecting the strategic objectives of the Council Plan.
4	Decision Making	Provides an outline and walk-through guide to the council's formal decision making process. It covers issues such as decisions delegated to officers, decisions taken by the Executive and "key decisions". It sets out the practice we must adopt to ensure compliance with the Council's Constitution and the law. This SORP will help you identify what a decision is, whether a decision needs to be taken, who should take it, how it should be taken and the timescales and processes involved.
5	Project Management	To explain what is expected of anyone responsible for managing a project to ensure that all projects within West / North Northamptonshire Council are effectively and efficiently managed to support delivery of the council's objectives.

SORP	Title	Description
		The SORP also provides details of the project management framework to be used to deliver agreed project products and associated identified benefits on time and within budget
6	Risk Management	To explain the processes that need to be followed to ensure that risks within West / North Northamptonshire Council are effectively, efficiently and consistently managed to support delivery of the council's stated objectives.
7	Information Management	Sets out the key standards all staff are expected to meet when working with information and data in order to ensure our information is kept secure and we comply with relevant legislation including the Data Protection Act
8	Procurement	To explain what is expected of anyone responsible for procurement to ensure that it is effectively and efficiently managed to support delivery of the council's objectives.
10	Emergency Planning and Business Continuity	Describes the standards used to help deliver and maintain Emergency Planning and Business Continuity in West / North Northamptonshire Council. The general objectives of emergency planning are to effectively and efficiently mitigate against, prepare for, respond to, and recover from any critical incident.
11	Equalities	To outline the minimum standards within which the Council's equalities work must be undertaken, and the practice required to make it work.
12	Consultation and Engagement	To outline procedures that ensure that as an organisation, we consult and engage effectively and are able to learn from previous experiences.

5.3 All officers must follow the standards and processes set out in each SORP. Chief Officers are responsible for ensuring all SORPs are adhered to within their Service.

## **6 Medium Term Financial Planning and the Annual Budget**

6.1 Council's Medium Term Financial Plan (MTFP) provides a four-year overview of the Council's anticipated resources, expenditure commitments, and resulting savings requirement. The MTFP allows resources to be prioritised to

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achieve the vision set out in the Corporate Plan, which is underpinned by the Council's priority objectives included within individual Service Business Plans.

6.2 The MTFP, therefore, is the financial framework that informs the annual Budget setting process and is integral within the Council's business planning.

6.3 Various internal and external factors will influence the planning assumptions underpinning the MTFP and these include the following variables:

- corporate priorities
- levels of Council Tax
- likely impact on inflation in the current and future economic climate
- future Spending Reviews and funding allocations to councils
- Government Legislation.

6.4 The Medium Term Financial Plan considers the following key underlying principles;

- spending is aligned to the priority objectives set out in the Council Plan and each Service Business Plan
- emerging pressures are managed within existing approved resources in the first instance
- future liabilities are anticipated
- savings proposals are supported by project plans and the impact on service delivery is clear
- funding forecasts are prudent
- exit plans are formulated for specific grant funded areas to ensure that funding withdrawal does not lead to revenue budget pressures
- capital and revenue planning is integrated to ensure implications are fully anticipated
- earmarked reserves are sufficient to address risks identified in future years.

6.5 The CFO will set an annual timetable to enable the development of the MTFP, Revenue Budget and Capital Programme for the consideration of Executive and approved by the Full Council.

6.6 The integrated process of business planning and the development of budget proposals shall be prepared by Chief Officers in the form required by the CFO, in accordance within the agreed timetable, so information can be examined and challenged before submission to the Executive .

6.7 Chief Officers are responsible for ensuring:

- the completion of integrated business and financial plans
  - the development of sufficient budget proposals as instructed by the CFO, to ensure the Council can set a balanced Budget
  - that all budget proposals are lawful and that the necessary consultation has taken place, subject to approval with the relevant Portfolio Holder
  - that all existing services and all new budget proposals demonstrate value
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- for money
  - external funding opportunities are fully explored
  - the availability of an annually updated list of fees and charges
- 6.8 The minimum standards required for officers to follow are set out in SORP 2 - Business and Financial Planning.
- 6.9 The MTFP will cover the annual budget year, plus at least three future years. These documents will be developed and approved in accordance with the Budget and Policy Framework set out at Part 3.3 of the constitution.

## **7 Medium Term Capital Programme**

- 7.1 Investment in capital assets shapes future service delivery and creates future financial commitments. The Medium-Term Capital Programme is laid out within the Council's Capital Strategy and is a five-year programme of estimated capital expenditure and associated funding.
- 7.2 The Executive will receive proposals for inclusion in the Council's Capital Programme and will submit a proposed programme (including block provisions where appropriate) to the full Council for approval. The programme will include all capital schemes including those proposed to be financed from revenue resources or external funding sources.
- 7.3 In year, the Executive may approve new schemes estimated to cost less than £500,000 that have not previously been included in the Capital Programme. New schemes estimated to cost more than £500,000 must be approved by Council.
- 7.4 Before a scheme in the Medium-Term Capital Programme receives final approval from the Executive to proceed, Chief Officers must put forward to Executive their recommendation based on a Capital Programme Board project appraisal (in the form of a Project Initiation Document) covering the following elements as a minimum requirement:
- Description
  - Justification
  - Deliverable outcomes
  - Feasibility study/options appraisal
  - Contribution to Zero Carbon
  - Financial analysis including revenue implications and appropriate measures of investment appraisal and VAT implications
  - Budget including life cycle cost
  - Project plan
  - Risk evaluation.
- 7.5 Capital Programme Board approval must include sign off by the CFO, the Chief Officer for Capital and Property, or delegated officers as directed.
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7.6 Any Officer proposing to award or vary a contract for works, goods or services in connection with a scheme must refer to the Contract Procedure Rules.

## **8 Forecasting and Monitoring**

### **Revenue**

8.1 The financial management and budgetary control of each Service budget is the overall responsibility of the appropriate Chief Officer.

8.2 Each Chief Officer must ensure that there is a designated Budget Manager who is accountable to the Assistant Director for the detailed management and financial monitoring of all budgets. The CFO should be notified of any changes to Budget Managers, so that all budgets continue to always have a named manager.

8.3 Each Budget Manager responsible for a revenue budget shall:

- sign an accountability letter at the start of each financial year to demonstrate they are aware of the budget they are responsible for, they have access to and knowledge of the Financial Procedure Rules and their individual responsibilities as a Budget Manager
- be aware of the service delivery impact of changes to budgets because of the annual budget decision from Full Council, documented through service Business Plans
- be responsible for delivering any necessary change to service delivery to enable any savings requirement which may be allocated to their budget
- ensure the adherence to SORP 1 – Financial and Performance Management
- seek advice from the CFO with any financial issues of concern
- monitor and control expenditure within their approved budget envelope, to the reporting timetable issued by the CFO
- escalate any significant risks which may impact on their forecast to their Assistant Director in a timely manner
- accurately forecast expenditure and income commitments on a monthly basis within the Council's Financial ERP system, using activity data where possible, escalating any significant variations to budget to their Assistant Director
- take necessary action, after taking advice with their Assistant Director to avoid overspending
- support the Council in regular cost control exercises.

8.4 Chief Officers need to ensure that expenditure is contained within approved budget allocations, there is a robust control environment and that accurate financial forecasting is completed on a monthly basis within the Council's Financial ERP system.

8.5 The CFO will take budget monitoring reports to Executive , Audit and Governance Committee and Budget Scrutiny on a regular basis. These reports will contain updates on both revenue and capital budgets as well as any management actions being taken where variances have been identified

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from these reports.

## **Capital**

- 8.6 The financial management and budgetary control of each Capital Scheme is the overall responsibility of the appropriate Chief Officer.
- 8.7 Each Chief Officer must ensure that there is a designated Budget Manager (Project Manager) who is accountable to their Assistant Director for the detailed management and financial monitoring of all Capital Schemes. The CFO should be notified of any changes to Budget Managers and Chief Officers must ensure that all capital budgets continue to have a named manager at all times.
- 8.8 Budget Managers must submit regular monitoring returns in line with their Budget Management responsibilities and make the CFO aware of slippage in scheme costs between financial years at the earliest point possible, in order to inform the Council's Treasury Management requirements.
- 8.9 There is no authority for any Officer to overspend their allocated budget and if there are variations in contract costs when compared with the provision in the Medium Term Capital Programme, the relevant Officer must alert the CFO.
- 8.10 Chief Officers must seek Executive approval, following consultation with the CFO, for any proposed amendment to an approved capital scheme.
- 8.11 The CFO will report to the Executive on the monitoring of the Council's approved Capital schemes, including projected expenditure and income.
- 8.12 Where completion is delayed, and the contract allows it, Budget Managers must make reference to Part 9.6 of the Constitution regarding claims and disputes in connection with a scheme.
- 8.13 Officers must ensure that no contracts or commitments are entered into without project approval or scheme of delegation's authority provided.
- 8.14 Where the replacement of capital assets is financed by insurance monies, Chief Officers may authorise additional capital expenditure subject to subsequent report to the Executive and amendment to the Medium Term Capital Programme.

## **9 Virements (Revenue and Capital)**

- 9.1 A virement is the balanced transfer of spending power [or budget] from one place to another, i.e. the overall budget does not change. Virements should support the Council's policies and not result in enhanced service levels or budget commitments beyond the base budget. A virement should not be used for cosmetic purposes within the same budget code. Virements can be revenue or capital in nature.
  - 9.2 Virements will only apply to a current year's revenue or capital budget, and should not involve:
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- a new policy or policy change
- an increasing commitment in future years that cannot be contained within existing approved budget allocations.

9.3 Virements will not be permitted from:

- Capital to revenue, capital charges and financing costs
- Interest earnings and income generated from investments
- Government grants and grant related expenditure to other payments
- Inter-authority payments
- Ring fenced grants

9.4 A capital virement is deemed to be movement of budget between approved capital schemes. Transfers from a capital project should not materially limit the approach or scope of the capital project, but should arise from cost reductions in progressing the scheme e.g. arising through the tendering process, also a capital Virement may only apply to a scheme which has been admitted to the approved capital programme.

9.5 Where it is intended that the Virement will affect future years then this must be built into the base budget through the Medium Term Financial Planning process.

9.6 The CFO will administer the Virement Policy agreed by Full Council and in accordance with the Budget and Policy Framework Procedure Rules.

9.7 In accordance with the scheme of virement and associated thresholds, the CFO is responsible for considering reports submitted by the Chief Officers and Heads of Services in respect of virement proposals for revenue and capital expenditure.

9.8 To report and seek the approval of the Chief Executive (in consultation with the Leader, and the Portfolio Holder for Finance) to exercise of the virement powers of the Executive where a matter is urgent.

9.9 Chief Officers are to ensure compliance with the scheme of virement (see table below).

Threshold	Revenue	Capital
Up to £50,000	Chief Officers to vire up to £100,000 following notification to the Chief Finance Officer.	Chief Officers to vire up to £50,000 from within the capital programme following notification to the Chief Finance Officer.
£50,000 < £100,000		Chief Officers to vire £50,000 to £100,000 with the approval of the Chief Finance Officer, in

		consultation with the Portfolio Holder for Finance
£100,000 < £250,000	Chief Officers to exercise virement following approval of the Chief Finance Officer and the Portfolio Holder for Finance. Requests must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year.	Chief Finance Officer to report and seek Executive approval for virements in excess of £100,000 and up to £500,000.
£250,000 < £500,000	As above with Chief Finance Officer to report and seek Executive approval.	
In excess of £500,000	Chief Finance Officer to report and seek approval from the Full Council for virements in excess of £500,000.	Chief Finance Officer to report and seek approval from the Full Council for virements in excess of £500,000.

9.10 Chief Officers are to agree with the relevant Chief Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Chief Officer's level of service delivery.

9.11 Chief Officers are to report to, and seek the prior approval of, the Chief Finance Officer for any revenue expenditure to be funded from the planned use of reserves, including where grant funding across more than one year has to be held in a reserve.

## **10 Carry Forward of Budget between Financial Years**

10.1 Revenue budget not utilised by the end of the financial year will not normally be transferred to the following year, except in exceptional circumstances approved by the CFO. In this situation, a report for the Executive requesting the transfer shall be prepared jointly by the relevant Chief Officer and the CFO.

## **11 Maintenance of Reserves**

11.1 The Council must determine the level of general reserves it wishes to maintain when setting the Budget. Reserves must be sufficient to meet unexpected events and protect the Council from over spends should they occur. Earmarked reserves may also be established for specific purposes.

11.2 The CFO will advise the Council on the levels of reserves that it is prudent to maintain, and will account for the Council's reserves in accordance with the Reserves Strategy and relevant Codes of Practice, ensuring the purpose and usage of reserves is clearly identified.



## **12 Closure of Accounts**

- 12.1 The CFO is responsible for the timely production and publication of the Council's final accounts in accordance with the relevant accounting policies, standards and statute.
- 12.2 The CFO shall produce and circulate to all relevant officers of the Council a set of guidance notes for the production of final accounts. These notes shall detail the timetable for the final accounts production, the information and action required from Services and any other details necessary to ensure that the responsibilities under this paragraph are properly discharged. Chief Officers must comply with accounting guidance provided, and supply information when required.
- 12.3 The CFO is responsible for establishing a good professional working relationships with the Council's external auditors and must satisfy any reasonable requests for information with regard to the Council's financial affairs.
- 12.4 The Local Audit and Accountability Act grants the Council's external auditors the right to inspect any document that they deem necessary for the purpose of performing their duties.
- 12.5 The CFO shall present the Statement of Accounts for the year to the Council's external auditor and Audit and Governance Committee within the agreed timescales.
- 12.6 The CFO and the Chair of the Audit and Governance Committee are responsible for signing the annual accounts to confirm that they present a true and fair view of the Council's financial position.
- 12.7 The CFO will hold copies of the Council's audited Statement of Accounts, including the external auditors signed certificate and opinion.

## **13 Banking**

- 13.1 The CFO will be responsible for the opening of all bank accounts in the name of, and on behalf of, the Council. No employee of the Council shall open any bank (or equivalent) account on the Council's behalf or in its name without the express agreement of the CFO.
  - 13.2 The CFO will ensure that sound, adequate arrangements are in place for the safe and efficient operation of all its bank accounts, and will effect, or cause to be effected, proper and timely reconciliations.
  - 13.3 All investments of money under its control shall be made in the name of the Authority unless otherwise approved by the CFO.
  - 13.4 All securities, being the property of, or in the name, of the Authority, or its nominees, and the title deeds of all property in its ownership, shall be held in the custody of the CFO or under arrangements agreed by him / her
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13.5 All borrowings shall be effected in the name of the Authority.

## **14 Financial Accounting and Systems**

14.1 The Council's financial accounting system is required to provide data that is accurate and adequate for the published final accounts and for the provision of management information for the Council to conduct its business affairs in an efficient and effective manner; as such all officers are responsible for ensuring that financial information is accurate, consistent and delivered in a timely manner.

14.2 The CFO is responsible for keeping the principal accounting records for all services of the Council.

14.3 The CFO will:

- Determine accounting policies, systems and procedures and the form of financial records and statements in accordance with statute and best practice, informed by International Financial Reporting Standards (IFRSs); and International Accounting Standards (IAS) / International Public Sector Accounting Standards (IPSAS)
- Provide guidance and advice on all accounting matters
- Monitor accounting performance to ensure an adequate standard for all services
- Certify all financial returns, grant funding applications and claims and other periodic financial reports required of the Council
- Be required to approve the development, acquisition and implementation of all financial IT systems

14.4 Each Chief Officer is required to:

- implement accounting procedures and adopt the form of financial records and statements as determined by the Chief Financial Officer
  - obtain the approval of the Chief Financial Officer prior to introducing or changing the form or method of existing accounting systems and procedures, financial records or statements.
  - complete and pass to the Chief Financial Officer financial returns and other financial reports requiring certification in good time
  - keep a proper segregation of duties for staff with financial responsibilities.
  - ensuring that their staff receive relevant financial training and guidance that has been approved by the CFO.
  - ensuring that systems which provide a feed into financial systems and reporting are maintained on an accurate and timely basis.
  - ensuring a complete management/audit trail is maintained, to ensure financial transactions can be traced from the accounting records to the original document, and vice versa.
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## **15 Procurement Arrangements**

- 15.1 All Council procurement activity and contract/supplier management must:
- achieve value for money for public money spent
  - be consistent with the highest standards of integrity
  - ensure fairness and transparency in awarding public contracts
  - ensure that the Council comply with all legal requirements
  - ensure that non-commercial considerations do not influence any contracting decision
  - support the Council's corporate and departmental aims and policies.
- 15.2 Any person and or organisations acting on behalf of the Council fully must comply with the Council's Constitution Part 4G - Contract Procedure Rules, which set out the rules and procurement thresholds for buying, renting, and leasing of goods, services and works for the Council.
- 15.3 Before embarking on any procurement activity it is the officer's ultimate responsibility to seek appropriate support and guidance from the Council's Central Procurement Team. If the Officer is in any doubt about whether the rules apply, he/she must always consult with the Council's Central Procurement Team immediately.
- 15.4 The minimum standards required for following the Councils Procedure Rules for all Council procurement are set out in SORP 8 – Procurement. All officers must refer to this document before any procurement activity is undertaken and fully comply with all of its requirements.

## **16 Orders for Goods and Services**

- 16.1 Each Chief Officer shall be responsible for all orders issued from their Service for goods or for services rendered. Official orders must be issued for all work, goods or services to be supplied to the Council, except periodical payments, petty cash purchases, acceptable purchases under the Corporate Credit Card (GPC) policy or such other exceptions as may be approved. Before orders are made the authorised officer must ensure:
- there is adequate budget provision before committing expenditure;
  - any necessary Chief Officer or Executive approvals have been obtained as set out in the Council's Contract Procedure Rules.
- 16.2 If goods are to be ordered on behalf of another Service then a written requisition must be received from the Chief Officer of that Directorate, authorised by them or one of their nominated officers.
- 16.3 Official orders shall be in a form approved by the CFO and are to be approved only by nominated officers authorised by the Chief Officer.
- 16.4 Each order shall conform to the policies of the Council with respect to procurement and any standardisation of supplies and materials.
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## **17 Payment of Accounts**

17.1 The Chief Officers are responsible to ensure that all payments made by the Council are:

- lawful;
- properly authorised by an appropriate officer
- within the amount provided in the Council's budget

17.2 Before any payments are made, the designated officer must assure themselves of the following:

- the goods have been received, the work done or the services rendered (except in a limited number of instances where advance payments are absolutely necessary e.g. attendance at a conference or course) and that they are satisfactory as to quality and correct as to quantity
- the goods or services have not been paid for previously
- prices are in accordance with the agreement, any price list circulated by Corporate Procurement, contract, quotation or current market rate, whichever is applicable and that all trade or cash discounts have been deducted
- any special authority needed with the agreement
- the payment is lawful and is in accordance with the Council's policy and instructions and complies with the Council's Contract Procedure Rules;
- the expenditure is within the amount provided by annual estimates or approved supplementary estimate; that it has been charged in the financial year in which the work is done or the goods received, irrespective of the year in which provision has been made in annual estimates
- the account/invoice is correctly coded
- that any GPC usage is fully compliant with the GPC User Guide.

17.3 All invoices shall be retained for at least 6 years. In the case of invoices relating to grant claims these must be kept until after the grant claim has been audited even if this exceeds six years.

17.4 Each designated Officer shall as soon as possible after 31st March in each year notify the CFO of all outstanding expenditure relating to the previous financial year which has not been accrued for within the financial ledger.

17.5 Where grants can be claimed on expenditure incurred, Chief Officers must be aware of the appropriate grant conditions and ensure that payments meet these conditions with regard to types of expenditure, payment date, etc.

17.6 The CFO is responsible for approving and reviewing the allocation of individual employee's financial limits for GPC usage, Accounts Payable and Accounts Receivable transactions.

17.7 Each Chief Officer is responsible for ensuring that the list of GPC holders and purchase approvers is updated in a timely manner and that all users and approvers are aware of the GPC User Guide, which sets out the rules of

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usage. The GPC holders, their individual approval limits and the GPC approvers should be subject to an annual review by each Chief Officer and the CFO.

17.8 The Accounts Payable and Receivable transactional approval limits are administered by the Council's financial system (ERP Gold) which assigns a financial approval limit to an individual employee based on the seniority of their job role.

17.9 Any change to these limits requires the agreement of the Chief Officer and CFO.

17.10 The table below sets out the Council's Accounts Payable and Receivable approval limits. These are distinct from the limits of financial delegation set out in Part 9.2 of the constitution and the key decision threshold set out in Part 1.1. of the Constitution. Write off of debt over £25k is to be approved by the Executive.

Transaction Type	Budget Support  TIER 5	Budget Manager (Project Manager Capital) TIER 5	Head of Service  TIER 4	Assistant Director  TIER 3	Chief Executive  TIER 1	Section 151 Officer  TIER 2
Official order for procurement of goods, services, grants, benefits	Up to £5k	Up to £250k	Up to £500k	Up to £1m	Unlimited	Unlimited
Sales order invoices	Up to £1k	Up to £20k	Up to £50k	Up to £100k	Unlimited	Unlimited
Credit Note Approval	Up to £1k	Up to £30k	Up to £125k	Up to £500k	Unlimited	Unlimited
Write Off Authority - Non Adult Social Care Debt	n/a	Up to £5k	Up to £5k	Up to £5k	Up to £5k	Up to £25k
Write Off Authority - Adult Social Care Debt Only	n/a	Up to £2k	Up to £2k	Up to £2k	Up to £2k	Up to £25k

17.11 Where operational approval to manage the establishment and associated reimbursement of staff travel and subsistence is required at a potentially lower level than a Budget Manager, this will be approved using the HR position approval hierarchy within ERP Gold.

17.12 All approvers are responsible to ensure they have undertaken the necessary financial due diligence required, before approving any transactions with a financial consideration.

## **18 Payments to Employees and Councillors**

18.1 All staff must be appointed in accordance with the Council's Recruitment and Selection Policy.

18.2 The CFO is responsible for the arrangements for salary and pension payments to all current, former staff and for payment of allowances to Councillors. The key areas of responsibility are:

- arranging and controlling the secure and reliable payment of salaries, compensation, other emoluments and allowances to existing and former employees.
- recording and making arrangements for the accurate and timely payment of tax, pension contributions and other deductions.
- ensuring there are adequate arrangements for administering pensions matters on a day-to-day basis.
- advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation, on all taxation issues that affect the Council.

18.3 Chief Officers are responsible for:

- ensuring appointments are made in accordance with the Council's Recruitment and Selection Policy
- notifying the CFO of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the CFO
- ensuring that adequate and effective systems and procedures are operated to ensure that payments to staff are made accurately, timely and to bona fide employees
- ensuring that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis

## **19 Income**

19.1 All budget managers are responsible for raising and collecting income in a timely and accurate manner.

19.2 Wherever possible services should be billed and paid for in advance and no service delivered until payment has been received.

19.3 There are two types of income, invoiced income and un-invoiced income, the requirements of these income streams are set out below:

### **Cash/Uninvoiced income**

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- 19.4 Where monies are received for a service at the point of delivery this income should be treated as un-invoiced income.
- 19.5 A record should be maintained of all individual payments, including the amount, time and date of the receipt. This should be compared to the income held, with appropriate segregation of duties, to ensure all income is banked and verified. Verification of records should be by an appropriate second officer.
- 19.6 Cash handling should be kept to a minimum. Officers should only collect income as cash when other payment routes are not available, and must put in place additional controls if any income is to be collected as cash, to ensure that;
- officers are appropriately trained in income collection, accounting and cash handling arrangements
  - sufficient separation of duties is in place, in particular between billing income, processing payments and banking payments
  - official receipts are available on request for payments made in person
  - proper records are kept
  - all money received is banked as soon as practicable. All insurance limits on safes shall be adhered to and all cash/cheques shall be banked no later than one week after receipt
  - VAT is properly accounted for
  - where it is necessary for cash to be held prior to it being paid into the Council's bank account, it should be recorded and kept in an appropriate secure environment
  - security of staff shall be maintained when cash collections are involved.
- 19.7 Personal cheques must not be cashed out of money held on behalf of the Council.

### **Invoiced Income**

- 19.8 Invoiced income falls into two categories, payments in advance and payments in arrears. Wherever possible, users of services should be billed in advance of the provision of the service.
- 19.9 For all billed income it is the responsibility of the Budget Manager to ensure that any debts raised are accurate, appropriate and due to the authority.
- 19.10 Chief Officers have responsibility for ensuring their Service has suitable controls in place with regards to its income generation, and his/her officers are compliant with these rules.

### **20 Bad Debts/ Write- Offs/ Loss of Income**

- 20.1 The Authority has a duty to maximise revenue collection. However, circumstances may arise in which amounts due must, for all practical purposes, be deemed uncollectable.
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- 20.2 The Accounts and Audit Regulations 2015 require that, in such circumstances, a decision to write-off an amount must be taken with the authority of the CFO, whether exercised personally or properly delegated by him to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records.
- 20.3 No such provisions apply where debts are “cancelled” i.e. because they were incorrectly raised (e.g. wrong amount, wrong debtor) or “waived” i.e. because an authorised policy decision was taken not to charge or to reduce the charge of an amount otherwise properly payable by a debtor.
- 20.4 The Executive is responsible for approving write-offs over £25,000. The delegated write off limits to Officers is set out in the Table within Section 17 of these rules.

## **21 Taxation**

- 21.1 The CFO is responsible for maintaining the Council’s Tax records, ensuring all tax payments are made, the receipt of all tax credits and the submission of tax returns by their due date as appropriate.
- 21.2 The CFO, or his delegated representative will issue mandatory guidance on Value Added Tax (VAT) matters.

## **22 Treasury Management:**

- 22.1 The Council has adopted CIPFA’s Code of Practice for Treasury Management in Local Authorities.
- 22.2 The CFO is responsible for making all decisions on borrowing, investment or financing (including finance leasing) in accordance with the approved Treasury Management Strategy and CIPFA’s Code of Practice for Treasury Management in Local Authorities
- 22.3 The full Council is responsible for approving the Treasury Management Strategy which sets out the matters detailed in CIPFA’s Code of Practice for Treasury Management in Local Authorities. The Policy Statement is proposed to the full Council by the Executive annually. The CFO has delegated responsibility for implementing and monitoring the statement.
- 22.4 This policy will be reviewed whenever legislative, regulatory or best practice changes materially affect the effectiveness of the current policy. The Council will approve on an annual basis an Annual Treasury Management Strategy, which includes a statement on Prudential Indicators, the Minimum Revenue Provision Policy and Investment Strategy.
- 22.5 The CFO is responsible for reporting to the Executive a proposed treasury management strategy for the coming financial year at or before the start of each financial year and will report to the Executive at least quarterly on the activities of treasury management and the exercise of delegated powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.
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- 22.6 All money in the hands of the authority is controlled by the CFO as the officer designated for the purposes of Section 151 of the Local Government Act 1972. The CFO is responsible for authorising and operating the Council's banking arrangements including determining arrangements for the signing and security of cheques. All Chief Officers will comply with the detailed rules set for the banking of income and operation of bank accounts.
- 22.7 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.
- 22.8 Chief Officers are to notify the CFO's Treasury Management section when income due over £100,000 or non-routine payments (for example CHAPs payments) of over £100,000 are due so that effective cash flow management arrangements can be put in place.

## **23 Internal Audit**

- 23.1 The Council is required to maintain an adequate and effective Internal Audit Service in accordance with the Accounts and Audit Regulations 2015 and in line with the CIPFA Code of Practice for Internal Audit in Local Government and Professional Auditing Standards. Consequently, it is the responsibility of Internal Audit to review, arrange and report upon:
- whether operations are being carried out as planned and objectives and goals are being met.
  - the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation, or externally
  - the completeness, reliability and integrity of information, both financial and operational
  - the extent to which the Council's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud and corruption, waste, extravagance, abuse, ineffective management and poor value for money
  - the economy, efficiency and effectiveness with which resources are employed
  - the effectiveness of its system of internal control and prepare an Annual Governance Statement for consideration by senior management.
- 23.2 Internal Audit has an unrestricted range of coverage of the Council's operations and, therefore, has authority to:
- enter council premises or land at any time, subject to any statutory or contractual restrictions that may apply, e.g. health and safety
  - access all records, documents, correspondence, information and data relating to all areas of the Council regardless of how the information is held and to remove any such records as is necessary for the purposes of their work (including that of the Council's agents and contractors)
  - require and receive such explanations as are necessary concerning any matter under examination
  - require any employee or agent of the Council to produce cash, stores or any other Council property under their control.
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- 23.3 This access also applies to:
- organisations which are wholly or partly owned by the Council
  - organisations to whom the Council has given grants;
  - organisations with whom the Council contracts and
  - partner organisations in any scheme for which the Council has responsibility as lead body.
- 23.4 Internal Audit has direct access and the right of report to the Chief Executive, Chief Officers, Heads of Service, the Monitoring Officer, the Council's External Auditors, the Executive , the Leader, the Executive member with responsibility for Audit and the Chair of the Audit and Governance Committee.

## **24 Annual Governance Statement**

- 24.1 The Accounts and Audit Regulations 2015 establishes requirements related to the systems of internal control and the review and reporting of those systems. CIPFA has issued guidance to assist authorities to establish proper practices and procedures to satisfy these requirements.
- 24.2 The council's objectives, its internal organisation and the environment in which it operates are continually evolving and, as a result, the risks faced are continually changing. A sound system of internal control, therefore, depends on a thorough and regular evaluation of the nature and extent of the risks to which the council is exposed.
- 24.3 The CFO is responsible for ensuring that the financial management of the council is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk.
- 24.4 The CFO will conduct a review, at least annually, of the effectiveness of the Council's system of internal control and include a statement that outlines the outcome of that review within the Annual Governance Statement.
- 24.5 The Council's Annual Governance Statement will be signed by the Chief Executive and the Leader of the Council. The Audit and Governance Committee shall oversee its production and recommend its adoption as part of the Annual Accounts.

## **25 Risk Management**

- 25.1 The CFO is responsible for the development, monitoring and review of the Council's risk management strategy, which will be approved by Executive , and is the Council's principal risk management adviser and co-ordinator.
- 25.2 Each Chief Officer is responsible for identifying, assessing, controlling and recording risks on a quarterly basis within his/her Service and ensure compliance with SORP 6 – Risk Management.
- 25.3 The Head of Internal Audit, working with each Chief Officer, will review Service risks on at least an annual basis.
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## **26 Preventing Fraud and Corruption**

- 26.1 All Council officers, councillors, agents, contractors and strategic partners have responsibilities to protect the funds they administer on behalf of the Council. Council resources must be administered to the benefit of the taxpayer and not for the inappropriate personal benefit of any of the above.
- 26.2 The CFO will be consulted by the Head of Audit on the development and review of the Council's Anti-Fraud and Anti-Corruption Policy.
- 26.3 Officers, councillors, agents or contractors of the Council have a responsibility to bring any suspected fraud, corruption or irregularity to the attention of the Head of Audit and Risk Management, the CFO or any Chief Officer as set out in the Council's Anti-Fraud and Corruption Policy.
- 26.4 Chief Officers will notify the Chief Executive, the Monitoring Officer, and the CFO of any suspected fraud, theft, irregularity, improper use or misappropriation of council property or resources. Any suspected fraud, bribery, corruption or loss will be investigated in accordance with the Council's Anti Fraud and Anti-Corruption Policy.

## **27 Insurance**

- 27.1 The Council arranges and manages insurance cover for specific risks and determines what is the most appropriate package of internal (self-funded) and external insurance. This statement must be qualified by noting that School Governing Bodies are able to exercise choice over how they purchase insurance (subject to meeting minimum standards and limits of indemnity laid down by the Council) and are not bound to remain within the centrally arranged insurance policies or self-funded provisions if they wish to effect separate arrangements. The Council's rights and interests must be named on all insurance policies held, irrespective of who has made the original arrangements.
- 27.2 The Council purchases insurance for the following classes of insurable risk;
- fire and associated risks for all buildings which the Council owns, or for which it has accepted legal responsibility by way of a lease or licence
  - all public and employers' liabilities, including libel and slander, professional indemnity, officials' indemnity and land charges
  - personal accident cover for risk of assault on employees of the Council and for injury to Council Members and authorised volunteers
  - motor vehicles – comprehensive cover on all Council vehicles, together with contingent liability cover for use of privately owned vehicles used on official business
  - pecuniary loss (money, fidelity guarantee and cheques indemnity)
  - costs of reinstatement and recovery of ICT infrastructure and systems
  - Public Health Act indemnities
- 27.3 Under the direction of the CFO, the Insurance Section is responsible for preparing specifications, obtaining quotations, procuring cover, negotiating claims and maintaining the necessary records in line with the insurance
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strategy and for ensuring that the contracting process is conducted in accordance with the prescribed requirements. A register of all insurance policies held and a full record of what property and risks are covered is held within the insurance service.

- 27.4 Chief Officers must ensure that prompt notification is provided to the Insurance Manager of all new risks, property, vehicles and other assets or contractual obligations which require to be insured and alterations that may affect existing insured risks (including closure of buildings, sale of vehicles or disposals of other insured assets).
- 27.5 Chief Officers are responsible for reporting any event, loss, liability or damage that may result in an insurance claim and give full and timely assistance with the conduct of any investigation that may follow.
- 27.6 Advice must be sought immediately from Insurance Team if there is a suspicion that a civil legal action is in prospect. Civil procedure rules and protocols must be strictly adhered to in order to avoid cost penalties or unnecessary litigation expenses. Employees and other persons must not attempt to negotiate a settlement, give interviews, make statements or offer to pay compensation in any way that may prejudice any subsequent civil legal action that may be brought against the Council.

## **28 Asset Management**

- 28.1 The responsible Chief Officer will produce a five-year Corporate Asset Management Plan for the purpose of the overall strategic management of the Council's assets. This will be updated on an annual basis.
  - 28.2 The responsible Chief Officer will ensure that procedures are put in place for the safeguarding and security of the Council's assets, including the keeping of asset registers; a terrier of land and property; inventories of furniture, fittings and equipment; and stores records.
  - 28.3 Chief Officers are responsible for ensuring the proper use and safeguarding of assets owned by the Council or for which the Council has responsibility. This requirement applies to all assets, including stocks, stores, furniture, equipment, vehicles, cash, land and buildings, software and information that are owned by, or are in the possession of the Council and for which the Council is responsible.
  - 28.4 The responsible Chief Officer will ensure that detailed arrangements are put in place for the disposal of assets. All sales or purchases of land and buildings will be undertaken in accordance with the scheme of delegation.
  - 28.5 Valuation of Assets will be in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. Sale of Assets will be at market value unless special circumstances have been agreed.
  - 28.6 The relevant Chief Officer must consult with the CFO before the purchase of land and buildings, which is then subject to Full Council approval.
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28.7 Officers with access to the Councils Assets will undertake the following:

- ensure no assets are subject to personal use without proper authority
- ensure cash holdings or valuable items on premises is kept to a minimum and held securely
- where safes or similar are in place keys should be kept on the responsible person and any loss reported as soon as possible.

## **29 Disposal of Land, Property and Surplus Assets**

29.1 All land and property except for former Council houses sold to tenants, or other property likely to exceed £5,000 in value, which have been declared surplus to requirements must be sold either by auction with a reserve price, or by competitive tender, unless the Council specifically determines otherwise.

29.2 Before inviting tenders or instructing an auctioneer for the sale of land or property, a valuation shall be obtained from the Estates function or an independent qualified Valuer, and in the case of a sale by auction, this valuation shall be the reserve price.

29.3 Competitive tender shall normally dispose of all other surplus assets unless the CFO determines otherwise in a particular case.

## **30 External Arrangements**

30.1 Local authorities provide an important leadership role for the community and bring together the contributions of the various stakeholders. They must also act to promote and improve the economic, social and environmental wellbeing of their respective areas.

30.2 The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

30.3 Executive functions including those related to partnerships can be delegated to officers. These are set out in the scheme of delegation that forms part of the Constitution. Where functions are delegated, the Executive remains accountable for them to full council.

## **31 Work for Third Parties**

31.1 The CFO or his / her nominee must be advised of all work for third parties opportunities available to the Authority and of the lead Officer in each circumstance.

31.2 The lead Officer must provide such information as requested by the CFO, including copies of proposed agreements and conditions and any financial implications (including match funding requirements or ongoing revenue costs).

31.3 All work for third parties must be authorised by the CFO, or his / her nominee prior to agreement to undertake this work by the Authority.

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- 31.4 Where the gross value of work does not exceed £250k, these arrangements can be approved by the CFO and relevant Chief Officer.
- 31.5 Where the gross value of the work exceeds £250k but does not exceed £500k, these can be approved by the CFO and Chief Executive, after consultation with the Portfolio Holder for Finance and relevant service Portfolio Holder(s).
- 31.6 Where the gross value of the work is in excess of £500k these must be approved by Executive , after the approval of the CFO.
- 31.7 The CFO or his / her nominee must be notified of the outcome of any bids to work for third parties at the earliest opportunity and successful bids to work for third parties will be reported to Executive as part of the normal monitoring reports.
- 31.8 The CFO is responsible for ensuring that all income receivable from third parties is received and properly recorded in the Council's accounts.
- 31.9 The Chief Officer responsible for the lead Officer must ensure that all contractual conditions are met.

## **32 Significant Partnerships**

- 32.1 A significant partnership is one that is material in terms of the amount of money involved and/or the level or nature of service delivery concerned and/or the level of control exercised.
- 32.2 The Council's protocol and governance arrangements for partnerships are set out in the Partnership Protocol.
- 32.3 The purpose of this protocol is to enable the council, with its Partners, to ensure that the partnerships it works in are appropriate and have good governance.
- 32.4 This protocol identifies:
- how the Council defines a partnership;
  - why the Council enters and engages in partnerships;
  - definition of a partnership and what constitutes a significant partnership;
  - tools for identifying, managing and supporting partnerships arrangements, including good governance.
- 32.5 The protocol is supported by a partnership toolkit which provides guidance to Councillors and officers at every stage in the life of a partnership.
- 32.6 Where the Council is the lead authority for a partnership the Council's Financial Procedure Rules and Contract Procedure Rules will apply to operation of the business of that partnership:
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- The CFO will ensure that: the accounting arrangements for partnerships and joint ventures are satisfactory, that the governance and legal issues have been satisfactorily addressed, and that the risks have been fully appraised;
- the Partnership Agreements contain details of how resources will be pooled and what controls will be operated in respect of partnership spending to avoid waste;
- that the Council's budgets contain sufficient provision for its match funding obligations and that all external funding due to the Council is received and properly recorded.

32.7 Chief Officers are responsible and accountable for the governance arrangements, performance and financial monitoring of each partnership and will ensure that:

- a record of the partnership arrangement is produced;
- all necessary approvals have been secured before concluding any negotiations with external parties;
- Any financial relationship must be documented and approved along with a risk assessment;
- that conditions attached to any external funding are properly complied with, that such conditions have been agreed with the CFO or Executive as appropriate, and that claims are processed by the due date;
- the CFO has access to the accounts and records, and has the right to seek explanations in order to monitor deployment of the Council's funding;
- Internal Audit has access rights to all officers, buildings, information in order to fulfil its role;
- a register is maintained of all contracts entered into.

32.8 Prior to any appointments being made to any third party organisation (whether as a member, trustee, shareholder, director or similar position), advice should be sought from the Monitoring Officer and the CFO and any such appointment must be made in accordance with Part 1.1. of the Constitution.

### **33 Stores and Inventories**

33.1 Each Chief Officer or Head of Service of each department shall be responsible for the care and custody of stores in their department and shall have all such stores checked independently of the storekeeper at least on one occasion in each financial year

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- 33.2 Stores shall not be held in excess of reasonable requirements.
- 33.3 Adjustments to write-off deficiencies over £50 in value shall be subject to the approval of the Financial Services Manager. The CFO is required to write-off sums over £1,000.
- 33.4 Competitive tender shall dispose of surplus or obsolete stores unless the Chief Executive decides otherwise in a particular case.
- 33.5 Inventories of the Council's furniture, fittings, equipment and machinery shall be kept and checked on at least one occasion in each financial year by the member of the Corporate Management Team responsible for the service concerned. Individual items with a value of £100 or less need not be included.

#### **34 External Funding**

- 34.1 Before committing the Council to any externally funded projects, Chief Officers must consult with the CFO on the anticipated financial, risk and probity implications of the projects and ensure adherence to any subsequent terms laid down by the CFO.
  - 34.2 The Chief Officer is responsible for ensuring that all necessary approvals are obtained before external funding agreements are concluded, and that subsequent grant claims submitted to external funders are lawful, accurate, in accordance with the funder's eligibility criteria and submitted with due regard to the Council's continuing commitment to the project.
  - 34.3 Where the use of external funding for projects requires a financial commitment from the Council and budget provision is not available, or where the acceptance of external funding would lead to a financial commitment beyond the current year, the Chief Officer, in conjunction with the CFO, will provide a written report to the Executive giving a full appraisal of the financial implications for the Council of the scheme both in the current year and beyond. This report should also set out the ways that the external funding sought supports the Council's service priorities.
  - 34.4 Once agreed, written approval must be obtained from the funder which clearly shows the approved allocation, the purpose of the grant and the financial period to which it relates.
  - 34.5 Each Chief Officer will nominate a named responsible officer to be accountable for the performance and financial monitoring of each project. The named responsible officer will ensure that, prior to submission of a grant claim, all expenditure declared is eligible in accordance with the relevant funder's criteria, including purposes and deadlines and there is sufficient time for the CFO to certify the grant claim.
  - 34.6 Where funding is used to support additional service provision or contributes to existing service provision then the Chief Officer responsible should have an exit strategy in place to deal with the expiry of the grant.
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34.7 Grant claim working papers should be maintained in a form agreed by the CFO.

**35 Organisations Partly or Wholly Owned by the Council (trusts, not-for-profit organisations, charities)**

35.1 This requirement applies to the development and ongoing business undertakings of an organisation which is to be partly or wholly owned by the Council, and includes company structures such as a Limited Liability Partnership, Private Company limited by Guarantee, Community Interest Company, Not-for-profit Entity and Charity.

35.2 When developing any organisation which is partly or wholly owned by the Council, the relevant Chief Officer, Monitoring Officer and the Chief Financial Officer will need to satisfy themselves that the constitution of the relevant body is adequate to safeguard the interests of the Council, and that councillors and officers are constrained in their decision making powers while participating in such bodies by Part 3 of the Constitution, or any other formal delegation.

35.3 The relevant Chief Officer must ensure a full business case is prepared in the development any new organisation partly or wholly owned by the Council, which must consider all short term and medium-term financial aspects of operation.

35.4 Before the Business Case is submitted for approval by Executive , the CFO must be satisfied that the new organisation will be affordable, offers value for money, has suitable tax planning arrangements, and manages risk appropriately.

35.5 Prior to any appointments being made to any third-party organisation (whether as a member, trustee, shareholder, director or similar position), advice should be sought from the Monitoring Officer and the CFO. Any such appointment must be made in accordance with Part 3 of the Constitution.

35.6 Once operational, these organisations are required to follow these key financial principles:

- compliance with the Councils Constitution and Finance Procedure Rules;
  - compliance with the Council's MTFP, Capital Strategy and Budget setting process as instructed by the form and timetable set out from the Council's CFO;
  - the appointment of a Finance Director reporting to the Council's CFO, under the Council's 'Golden Rules' principle;
  - an annual agreement with the Council's CFO on any matters relating to risk share, earmarked reserve policy and distribution of dividends;
  - supporting the Council through its Commissioning arrangement when necessary to identify ways to reduce costs and become more efficient;
  - to be both aware and compliant with the Council's statutory and financial duties where relevant and applicable to their various service functions and obligations.
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- 35.7 Where these organisations are separate legal entities and the Council is required to purchase services from these entities. Transactions should therefore be undertaken in the same way as with an external provider.
- 35.8 The contract value and ongoing services relating to these organisations will be set out in service level agreements. Any services to be purchased from the Council will be delivered in accordance with the service level agreements.
- 35.9 Additional services may be requested either by the Council or the organisation outside of these service agreements. Additional services will require payments to be made between the Council and the organisation, and work should always reflect value for money and be approved by the Chief Officer and CFO and be approved by the relevant Chief Officer and the Chief Financial Officer of the Council.
- 35.10 The CFO and Monitoring Officer will have unfettered access to all financial information requested required to fulfil his / her statutory obligations.

## **36 Voluntary Funds and Trustees**

- 36.1 The CFO is responsible for trust funds and ensures that funds are only drawn down for the purposes intended by the Trustees and that accounts are prepared and audited each year.
- 36.2 All trust funds, funds held for third parties and other voluntary (unofficial) funds must be approved by the CFO. A voluntary fund is defined as any fund, other than an official fund for the Council, which is controlled wholly or in part by an officer by reason of his or her employment by the Council. Such funds should be separately identified but held, where possible, in the name of the Council.

## **37 Schools**

- 37.1 Financial Procedure Rules for Schools applies to maintained schools within North Northamptonshire and these schools should conduct their financial affairs in accordance with the Financial Procedure Rules for Schools.
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## **38 Business Continuity and Emergency Planning**

- 38.1 Chief Officers through their managers are responsible for ensuring the continuity of their services and providing guidance on the appropriate service priorities to aid planning and recovery of services, if a critical incident was to occur.
- 38.2 All officers should follow SORP 10 Emergency Planning, as this sets out the minimum standards required to help deliver and maintain Emergency Planning and Business Continuity within the Council, with the objective to effectively and efficiently mitigate against, prepare for, respond to, and recover from any critical incident.
- 38.3 Nothing in these Rules or financial procedures shall prevent expenditure being incurred where an emergency or disaster involving destruction of, or danger to, life or property occurs or is imminent.
- 38.4 Where the relevant Chief Officer considers, where possible following consultation with the relevant Portfolio Holder, Chief Executive and the CFO, the urgency of the situation will not permit delay, necessary expenditure may be incurred. Action under this paragraph shall be reported at the next available meeting of the Chief Officers, Executive , and Audit and Governance Committee.

**End of Financial Procedure Rules**

**February 2021**

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