



**EASTSUFFOLK**  
C O U N C I L

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# FINANCIAL PROCEDURE RULES

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*Version dated: 25 May 2022*

# Finance Procedure Rules

## 1. Introduction

### 1.1 ROLE OF CHIEF FINANCE OFFICER (CFO)

- 1.1.1 Section 151 of the [Local Government Act 1972](#) states, “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”.
- 1.1.2 The Officer designated by East Suffolk Council as having the statutory responsibility set out in Section 151 of the 1972 Act is the “Chief Finance Officer and Section 151 Officer” (“the CFO”).
- 1.1.3 The Chief Finance Officer will appoint a deputy and keep them briefed on emerging issues. The Deputy will act in place of the Chief Finance Officer if the Chief Finance Officer is absent or unable to act due to conflict or other relevant issues.

### 1.2 FINANCIAL PROCEDURE RULES

- 1.2.1 The Financial Procedure Rules provide the framework for the financial administration of the Council with a view to ensuring that financial matters are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge. The [Financial Guidelines](#) provide more detailed and operational considerations which give meaning to the Financial Procedure Rules.
- 1.2.2 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 or correctness of a financial action must be clarified in advance of the decision or action with the CFO.
- 1.2.3 [Financial Guidelines](#) and other financial instructions may be issued and updated from time to time by the CFO, where assistance is needed with the interpretation of Financial Procedure Rules.
- 1.2.4 Failure to observe Financial Procedure Rules (including existing [financial guidelines](#) and financial instructions), may result in action under the Council’s disciplinary procedures.
- 1.2.5 These Financial Procedure Rules should be read in conjunction with the [Contract Procedure Rules](#) and the [Scheme of Delegation](#).
- 1.2.6 The CFO is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. An annual review of the FPR and Financial Guidelines shall be undertaken.
- 1.2.7 The CFO is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and/or to the Cabinet. The CFO is authorised to temporarily suspend Financial Procedure Rules in exceptional circumstances, and where such a suspension is authorised, a written record shall be kept of the reasons for this.

- 1.2.8 Strategic Directors and Heads of Service are responsible for ensuring that all staff in their Directorates/Services are aware of the existence and content of the Financial Procedure Rules and that they comply with them.

### **1.3 RESPONSIBILITIES**

#### **To the Council**

- 1.3.1 Elected Members and employees of the Council are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner. They should strive to achieve value for money and avoid legal challenge to the Council.
- 1.3.2 These responsibilities apply equally to Members and employees when representing the Council on outside bodies.

#### **Personal**

- 1.3.3 Any person charged with the use or care of Council resources and assets should make themselves aware of the Council's requirements under the Financial Procedure Rules. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to the CFO.
- 1.3.4 All officers of ESC are collectively responsible for the security of the of the Council's property and for ensuring integrity accuracy, probity, and value for money in the use of resources.
- 1.3.5 All employees must report immediately to their manager, supervisor, or other responsible senior Officer any illegality, impropriety, serious breach of procedure or serious deficiency in the provision of services that they suspect or become aware of. Employees can do this without fear of 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. Compliance with the Council's Anti-Fraud and Corruption Strategy and the [Code of Conduct for Officers](#) is mandatory for all Officers.

#### **Chief Finance Officer**

- 1.3.6 Section 114 of the [Local Government Finance Act 1988](#) requires the CFO to report to Council, Cabinet and External Auditor if the Council or one of its Officers:
- Has made, or is about to make, a decision which involves or would involve the authority incurring unlawful expenditure;
  - Has taken, or is about to take, 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.
- 1.3.7 Section 114 of the 1988 Act 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; and
  - The Council to provide the CFO with sufficient staff, accommodation, and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.

1.3.8 The CFO has a range of general responsibilities, which underpin an overriding responsibility to ensure the proper administration of the financial affairs of the Council. These include:

- Setting financial management standards and to monitor compliance with them;
- Ensuring proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council;
- Advising on the key strategic controls necessary to secure sound financial management; and
- Ensuring that financial information is available to enable accurate and timely monitoring and reporting of financial and non-financial performance indicators.

1.3.9 Reference to the CFO includes those authorised by them to undertake the various functions concerned.

#### **Strategic Directors/Heads of Service**

1.3.10 Strategic Directors and Heads of Service are responsible for ensuring that the Financial Procedure Rules are observed throughout all areas under their control and shall:

- Provide the CFO with such information and explanations as the CFO feels is necessary to meet their obligations under the Financial Procedure Rules;
- Consult with the CFO and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred;
- Ensure that executive Members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the CFO;
- Inform the CFO of failures of financial control resulting in additional expenditure or liability, or loss of income or assets;
- Wherever any matter arises which may involve irregularities in financial transactions, consult with the CFO and, if a serious irregularity is confirmed, the matter shall be reported to the Chief Executive, appropriate Cabinet Member, and the HR & Workforce Development Manager; and
- Ensure the legality of their Directorate/Service's actions.

1.3.11 Strategic Directors and Heads of Service are also responsible for:

- Promoting the financial management standards set by the CFO in their departments and to monitor adherence to the standards and practices, liaising as necessary with the CFO; and
- Promoting sound financial practices in relation to the standards, performance, and development of staff in their service areas.

1.3.12 Reference to the Strategic Directors/ Head of Service includes those authorised by them to undertake the various functions concerned. Strategic Directors/Heads of Services will designate budget holders within their service to carry out day to day financial management within their areas of responsibility. Service managers with access to approval of financial commitments on the financial management system are considered budget holders within their areas of responsibility.

## **2. Financial Planning**

### **2.1 BUDGETING**

#### **a) Budget Format**

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

#### **CFO Responsibilities**

- 2.1.1 Advise Cabinet on the format and content of the budget to be approved by Council.

#### **Strategic Directors/ Heads of Service Responsibilities**

- 2.1.2 Comply with budgetary guidance provided by CFO including those documented in the [Financial Guidelines](#).

#### **b) Budget and Medium-Term Planning**

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The budget is the financial expression of the Council's plans and policies.

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

Medium-term planning involves a cycle in which managers develop their own plans in conjunction with the CFO. As each year passes, another future year will be added to the Medium-Term Financial Strategy (MTFS). This ensures that the Council is always preparing for events in advance.

#### **CFO Responsibilities**

- 2.1.3 Prepare and submit reports on revenue budget forecasts to Cabinet, including resource constraints set by Government. Reports should take account of medium-term forecasts, where appropriate.
- 2.1.4 Determine detailed form of revenue budgets and the methods for preparation, consistent with the budget approved by Council, and after consultation with Cabinet, Strategic Directors and Heads of Service.
- 2.1.5 Prepare and submit reports to Cabinet on aggregate spending plans of service areas and on the resources available to fund them, identifying, where appropriate, implications for the level of taxation to be levied.
- 2.1.6 Advise on the medium-term and long-term financial implications of service decisions and alternative options.
- 2.1.7 Work with Strategic Directors and Heads of Service, and all Council Officers, to identify opportunities to improve economy, efficiency, and effectiveness,

encouraging good practice financial appraisals of development or savings options, and in developing the financial aspects of service planning.

- 2.1.8 Advise Council on Cabinet proposals in accordance with responsibilities under Section 151 of the [Local Government Act 1972](#).

### **Strategic Directors/Heads of Service Responsibilities**

- 2.1.9 Prepare detailed draft revenue budgets in consultation with the CFO, for submission to Cabinet and approval by Council.
- 2.1.10 Integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.1.11 When drawing up draft revenue budgets, have regard to spending/income patterns and pressures, volatility to external influences, legal requirements, policy requirements, initiatives already underway and external grants and contributions.

### **c) Capital Programme**

**Capital expenditure involves acquiring or enhancing fixed assets with long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.**

**Capital expenditure must form part of an investment strategy and must be carefully prioritised and scrutinised in order to maximise the benefit of scarce resources.**

### **CFO Responsibilities**

- 2.1.12 Prepare capital budgets jointly with Strategic Directors/Heads of Service and report them to Cabinet for approval. The Cabinet will make recommendations on the capital budgets and on any associated financing requirements to Council. Cabinet Member approval is required where a Strategic Director/Head of Service proposes to bid for or exercise additional borrowing, not anticipated in the Capital Programme (extra borrowing will create future commitments to financing and capital repayment costs).
- 2.1.13 Prepare and submit reports to Cabinet on projected income, expenditure and resources compared with approved budgets.
- 2.1.14 Issue guidance on capital schemes [processes](#), and controls e.g. revenue costs, project appraisal techniques. The definition of capital will be determined by the CFO, having regard to government regulations and accounting requirements.
- 2.1.15 Obtain Cabinet authorisation for individual schemes where estimated expenditure exceeds Capital Programme provision by more than £50,000.

### **Strategic Directors/Heads of Service Responsibilities**

- 2.1.16 Comply with guidance on capital projects and controls issued by CFO.
- 2.1.17 Develop and implement asset management plans in conjunction with CFO.
- 2.1.18 Ensure that all capital projects are strategically aligned and have undergone a robust appraisal, including economic and financial appraisal in the manner prescribed in the [Financial Guidelines](#). Ensure that the project appraisal has been approved by Financial and Legal Services, before being presented and discussed

by the appropriate management group (and before inclusion in the Capital Programme).

- 2.1.19 Prepare regular reports reviewing Capital Programme provisions for their services, and prepare a quarterly return of estimated final costs of schemes in the approved Capital Programme for inclusion in the quarterly financial monitoring reports to management.
- 2.1.20 Ensure adequate records are maintained for all capital contracts.
- 2.1.21 In consultation with the CFO, accelerate the progress of a scheme by deferring the start of another scheme in that year's programme or, if delays are occurring generally, may bring forward a scheme programmed to start in a later year.
- 2.1.22 Proceed with projects only when there is adequate provision in the Capital Programme, following Cabinet or Council approval, and with the agreement of the CFO where required. Cabinet can approve projects up to a value of £1,000,000 (General Fund) and £1,000,000 (Housing Revenue Account) in any one financial year. Projects that breach the £1,000,000 limits – either alone or cumulatively – require Council approval.
- 2.1.23 Prepare and submit quarterly reports, jointly with the CFO, to Cabinet, of any variation in contract costs greater than £50,000. The Cabinet may meet cost increases of the project by virement from identified savings arising from other projects within the capital programme.
- 2.1.24 Follow the appropriate project management framework in the initiation and delivery of significant capital projects. Prepare and submit post implementation reports, jointly with the CFO, to Cabinet on completion of schemes where the final expenditure varies from the approved budget by more than £50,000. Prepare post implementation reports, on completion of all capital schemes with capital spend over £250,000 through the life of the project for review by the Strategic Plan Financial Sustainability Theme Group.
- 2.1.25 Ensure credit arrangements, such as leasing agreements over the de-minimus level (£10,000), are not entered into without prior CFO approval, who will need to undertake an assessment of the type of lease arrangement being entered into. Where the lease is considered to be capital expenditure, it will go through the Capital Programme approval [process](#) established by the CFO.
- 2.1.26 Consult with the CFO and seek Cabinet approval where Strategic Director/Head of Service proposes to bid for Government funding to support expenditure that has not been included in current year's Capital Programme.

## 2.2 MAINTENANCE OF RESERVES

**The Council must decide the minimum level of General Reserves it wishes to maintain before it can decide the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. There are also reserves earmarked for specific purposes.**

### **CFO Responsibilities**

- 2.2.1 To advise Cabinet and/or Council on prudent levels of reserves for the Council, and to take account of the advice of [CIPFA](#) in this matter.

### **Strategic Directors/Heads of Service Responsibilities**

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

## **3. Financial Management**

### **3.1 MANAGING INCOME & EXPENDITURE**

#### **a) Budget Monitoring and Control**

Proper budget management ensures that – once the budget has been approved by Council – allocated resources are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account, managers responsible for defined elements of the budget.

By continuously identifying and explaining variances against budget targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual revenue limit, approved when setting the annual budget. To ensure that the Council does not overspend in total, each service is required to manage its own income and expenditure within the budget allocated to it. For the purposes of budgetary control by managers, a budget will usually be the planned income and expenditure excluding support and capital charges, for a department.

### **CFO Responsibilities**

- 3.1.1 Submit reports to Cabinet and Council, in consultation with the relevant Strategic Director/Head of Service, where a Strategic Director/Head of Service's expenditure and resources are significantly outside the approved budgets under their control.
- 3.1.2 Prepare and submit quarterly reports on the Council's projected income and expenditure compared with the budget to the Cabinet.
- 3.1.3 Establish an appropriate framework of budgetary management and control that ensures that:
- Budget management is exercised within the approved budget unless Cabinet approves a supplementary estimate;
  - Each Strategic Director/Head of Service/ Budget Holder has timely information on income and expenditure on each budget which is sufficiently detailed to enable managers to monitor their budgetary responsibilities;
  - As a minimum, quarterly updates are held between a Head of Service, budget holder and their Finance representative;
  - All Officers responsible for income and expenditure, comply with the relevant guidance and the Financial Procedure Rules;
  - Each cost centre has a single named manager, designated by the relevant Strategic Director/Head of Service. As a general principle, budgetary responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure; and



- Significant variances from approved budget are investigated and reported by budget holders monthly and advised to the Strategic Management Team and Cabinet.

3.1.4 Administer the Council's Scheme of Virement (refer to Section 3B below).

#### **Strategic Directors/Heads of Service Responsibilities**

- 3.1.5 Consult with CFO on any matter which is liable materially to affect the finances of the Council before any provision or other commitment is incurred and before reporting to Members.
- 3.1.6 Maintain budgetary control within their services, in adherence to the principles above, and to ensure that all income and expenditure is properly recorded and accounted for.
- 3.1.7 Ensure that an accountable budget holder is identified for each item of income and expenditure under the control of the Strategic Director/Head of Service (grouped together in a series of department codes). Budget responsibility should be aligned as closely as possible to the decision-making that commits the expenditure.
- 3.1.8 Ensure that spending remains within the service's overall budget limit, and that individual budget heads are not overspent, by monitoring and taking appropriate corrective action where significant variations from the approved budget are forecast and to report these to the CFO. This regulation shall also apply to any action or decision, which will give rise to a reduction in income.
- 3.1.9 Ensure that a monitoring process is in place to review performance levels in conjunction with the budget and is operating effectively within the guidelines set down by the CFO.
- 3.1.10 Obtain prior approval by Council or Cabinet (refer to Section 3E below) for new proposals outside of the budget and policy framework, of whatever amount, that:
- Create financial commitments in the current year and future years;
  - Change existing policies, initiate new policies, or cease existing policies; or
  - Materially extends or reduces Council services.
- 3.1.11 Ensure compliance with Scheme of Virement (refer to Section 3B below).
- 3.1.12 Consult with the relevant Strategic Director/Head of Service, where it appears that a budget proposal, including a virement proposal, may impact on another service area or another Strategic Director/Head of Service's service activity, prior to any action being taken.

#### **Budget Holder Responsibilities**

- 3.1.13 Budget holders must ensure that:
- All expenditure is incurred or committed in accordance with the FPR, the Procurement Procedure Rules and all guidance notes produced by the CFO, including the appropriate levels of internal and external approval;
  - Planned and actual expenditure takes full account of the need to achieve value for money in terms of economy, efficiency and effectiveness;
  - They meet with the designated finance business partners regularly;
  - Forecasting of expenditure against budget is robust and where a budget allocation is no longer fully needed or where there is a risk of overspending this is reported promptly to the financial planning team; and

- Information must be supplied promptly to the Financial Planning team as required to enable budgets to be compiled and periodic account close procedures to be completed.
- Detailed considerations for budget managers are included in the [Financial Guidelines](#).

**b) Virement**

**A Virement is the transfer between existing budgets that enables Cabinet, Strategic Directors, Heads of Service, and their staff, to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Council, and therefore to optimise the use of resources.**

- 3.1.14 The Scheme of Virement is administered by the CFO. Administrative guidelines for effecting virements are detailed in the [Financial Guidelines](#).
- 3.1.15 Virement does not create additional overall budget liability and should not be used to create additional budget demand in future years.
- 3.1.16 Virement is not allowed:
- From capital financing charges, interest credits, council tax and housing benefit payments and projects financed by external grants and contributions, corporate finance costs (e.g., bank charges), precepts etc. or internal recharges (e.g. departmental support service recharges); or
  - For a transfer of resources between funds (e.g., between the General Fund and the HRA and or any other earmarked fund); or
  - For creating income and corresponding expenditure budgets (Use supplementary budgets in **section f** for this purpose)
- 3.1.17 Virement is only allowed from employee costs with the approval of the CFO and after consideration of the overall budget position on employees since the budget anticipates savings on employee budgets from natural staff turnover, and virements on employee costs could create permanent expenditure commitments.

**CFO Responsibilities**

- 3.1.18 Prepare – jointly – with the relevant Strategic Director/Head of Service a report to Cabinet on proposed virements, where required under the Scheme.

<b>Virement Scheme Approver Thresholds - Summary of Para 3.1.19 – 3.1.21</b>		
<b>Approver</b>	<b>Individual Threshold</b>	<b>Cumulative threshold</b>
Budget holder	up to £50,000	N/A
Head of service	up to £100,000	N/A
Portfolio holder and Section 151 Officer	£100,001 - £250,000	£250,000 per portfolio
Cabinet	£250,001 - £1,000,000	£1,000,000
Council	Over £1,000,000	N/A

**Strategic Directors/Heads of Service Responsibilities**

- 3.1.19 Strategic Directors/Heads of Service may exercise virement on budgets under their control for gross amounts up to £100,000 within Departmental budgets or between Departmental budgets within the same Service budget (any combination

thereof), following consultation with the CFO and subject to the conditions in paragraphs 3.1.20 to 3.1.24 below.

- 3.1.20 Amounts greater than £100,000 require Portfolio Holder approval, following a joint report by the CFO and the Strategic Director/Head of Service, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. Each Cabinet Member has a cumulative limit of £250,000 per financial year.
- 3.1.21 Amounts greater than £250,000 require Cabinet approval. The Cabinet has a cumulative limit of £1,000,000 per financial year. Amounts greater than £1,000,000 require Council approval.
- 3.1.22 Virements relating to a specific financial year, should not be made after 31<sup>st</sup> March in that year.
- 3.1.23 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- The amount is used in accordance with the purposes for which it has been established; and
  - Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations more than the financial limits should be reported to the Cabinet.
- 3.1.24 All Virements will be recorded in a way prescribed by the Chief Finance Officer who will arrange for Virements to be incorporated into subsequent financial monitoring report to the Cabinet. See [Financial Guidelines](#) for the latest documentation requirements.

#### **Budget Holder Responsibilities**

- 3.1.25 Officers with budget holder responsibilities may exercise virement on budgets under their control for gross amounts up to £50,000 within assigned Departmental budgets only, following consultation with the CFO and subject to the conditions in paragraphs 3.1.19 to 3.1.24 above.

#### **c) Year-End Balances**

<p><b>The treatment of year-end balances is administered by the CFO within guidelines set by the Council. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.</b></p>
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#### **Year-End Balances ('carry forwards')**

- 3.1.26 The Scheme of Carry-Forwards is administered by the CFO within guidelines set by Council and any variation from the Scheme requires Council approval.
- 3.1.27 The rules cover arrangements for transferring resources between accounting years (i.e. carry-forwards).

#### **CFO Responsibilities**

- 3.1.28 Administer the Scheme of Carry-Forwards within guidelines approved by Council:
- Underspent Capital budgets at year-end will be carried forward in the Capital Programme automatically unless no longer required

- Underspent Revenue budgets up to £30,000 on individual budgets may be carried forward with CFO approval
- Underspent Revenue budgets in excess of £30,000 on individual budgets may be carried forward with Cabinet approval
- All underspent Revenue budgets approved to be carried forward will be retained in an earmarked reserve.

3.1.29 Report jointly with relevant Strategic Director/Head of Service on all material overspends and underspends on service budgets carried forward to the Cabinet and to Council.

#### **Strategic Directors/Heads of Service Responsibilities**

- 3.1.30 Underspends on service budgets up to £30,000 under the control of the Strategic Director/Head of Service may be carried forward with prior CFO approval. Underspends over £30,000 require Cabinet approval.
- 3.1.31 Take account of Capital underspends carried forward into the following years Capital Programme.

#### **d) Use of Earmarked Reserves**

**Earmarked reserves are funds and balances set aside for specific purposes and can arise from specific external funding (i.e., funding with restricted use) or year-end balances brought forward. A general reserve for which the council has broad discretion over use is excluded from this segment and is covered by the provisions in section f. For the avoidance of doubt, a list of all earmarked reserves specifying who can request their use is included in the [Financial Guidelines](#). Anything not on the list is a general reserve, the use of which is a supplementary estimate.**

- 3.1.32 Budget changes to be funded by earmarked reserves must be aligned with the purpose for which the earmarked reserve was created.
- 3.1.33 The CFO will ensure that proposed use of earmarked funding or reserve is aligned with the purpose of such earmarked funding or reserve.
- 3.1.34 The CFO has the authority to change the designation of earmarked reserves if it is determined that the funds are no longer required for the purpose for which the reserve was created and there is no further obligation to an external party who may have provided the initial funding held in the reserve.
- 3.1.35 Reserves Unmarked by the CFO will generally be applied to meet deficits in the general fund budget.

#### **e) Emergency Expenditure**

**The Council needs a procedure in place for meeting immediate needs if an emergency arises in the district. Further guidance is provided in the [Financial Guidelines](#).**

- 3.1.36 The Chief Executive and CFO shall have authority to approve expenditure on items essential to meet immediate needs created by an emergency or which is subject to Section 138 of the Local Government Act 1972, subject to a subsequent report to Cabinet and/or Council depending on whether or not the expenditure can be met within the current budget framework.

- 3.1.37 The Leader or Deputy Leader (having received report from Chief Executive and CFO), shall have power to incur expenditure essential to meet immediate needs created by an emergency, or which is referable to Section 138 of the Local Government Act 1972 (or subsequent legislation) which is not otherwise authorised, or where it is necessary in the Council interest to settle legal proceedings. A subsequent report shall be submitted to Cabinet and/or Council, depending on whether the expenditure can be met within the current budget framework.
- 3.1.38 The CFO will ensure – retrospectively – the submission of a claim for reimbursement under the “Bellwin Scheme” for any eligible emergency costs incurred i.e. costs incurred on, or in connection with, immediate actions to safeguard life and property or to prevent suffering or severe inconvenience as a result of a disaster or emergency in the district. Grant is limited by Section 155 of the Local Government and Housing Act 1989 and local authorities are expected to have budgeted for a certain amount of emergency expenditure (the ‘threshold’).

**f) Supplementary Budget**

**Supplementary budget is a budget through which changes are made in respect of receipts or payments or which either no provision is available or the provision available is inadequate in the current year’s budget. Further guidance is provided in the [Financial Guidelines](#). The supplementary budget process will also apply to the approval of budget proposals for creating or extending services which will be funded by anticipated income.**

- 3.1.39 The supplementary budget is administered by the CFO within guidelines set by Council and any variation from the Scheme requires Council approval.
- 3.1.40 Supplementary budget typically creates additional overall budget liability in exceptional cases which are not emergencies (See **Section e** for emergency expenditure rules).
- 3.1.41 The CFO/Strategic Directors/Heads of Service/Budget holder must have considered virements and alternative measures to meet a service need and found them insufficient before resorting to initiating a supplementary budget.
- 3.1.42 The following approval limits will apply to the net supplementary budget (i.e., after considering the expected income or other funding):

<b>Supplementary Budget Threshold</b>		
<b>Approver</b>	<b>Collective<sup>1</sup> Threshold</b>	<b>Cumulative Threshold</b>
Portfolio holder and Section 151 Officer	Up to £250,000	£250,000
Cabinet	£250,001 - £1,000,000	£1,000,000
Council	Over £1,000,000	N/A

<sup>1</sup> Individual portfolio holders can approve Supplementary Budgets of up to £250,000 in their portfolios, but within an overall cumulative limit of £250,000 for all portfolio holders. Above this cumulative threshold all Supplementary Budgets will need to be approved by Cabinet.

- 3.1.43 All Supplementary budgets will be recorded in a way prescribed by the Chief Finance Officer who will arrange for the supplementary budgets to be incorporated into subsequent financial monitoring reports to the Cabinet. See [Financial Guidelines](#) for further guidance.

## **4. Financial Accounting**

### **4.1 ACCOUNTING POLICIES**

**The CFO is responsible for preparing the Council's Statement of Accounts, in accordance with proper practices as set out in the format required by the [Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code) issued by (CIPFA/LASAAC), for each financial year.**

#### **CFO Responsibilities**

- 4.1.1 Select suitable accounting policies and ensure they are applied consistently. Accounting policies are set out in the annual Statement of Accounts.

#### **Strategic Directors/Heads of Service Responsibilities**

- 4.1.2 Adhere to accounting policies, timetables and guidelines approved by the CFO.

### **4.2 ACCOUNTING RECORDS AND RETURNS**

**Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for the stewardship of public resources. The Council has a statutory responsibility to prepare an annual Statement of Accounts that give a "true and fair view" of the financial position and transactions of the Council.**

**The accounting records are subject to external audit. The audit provides assurance that the Statement of Accounts have been prepared properly, that proper accounting practices have been followed and that robust arrangements have been made for securing economy, efficiency, and effectiveness in the use of Council resources.**

#### **CFO Responsibilities**

- 4.2.1 Determine the accounting procedures and records for the Council. Where these are maintained outside of Financial Services, the CFO should consult the Strategic Director/Head of Service concerned.
- 4.2.2 Arrange for the compilation of all accounts and accounting records under his or her direction.
- 4.2.3 Comply with the following principles when allocating accounting duties:
- Separating the duties of providing information about sums due to or from the Council and calculating, checking, and recording these sums from the duty of collecting or disbursing them; and
  - Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 4.2.4 Ensure that claims for funds, including grants, are made by the due date.
- 4.2.5 Make proper arrangements for the audit of the Council's Statement of Accounts in accordance with the latest Accounts and Audit (England) Regulations.

- 4.2.6 Prepare and publish the Statement of Accounts for each financial year in accordance with the statutory timetable, and present audited Statements for approval by the Audit and Governance Committee before 31<sup>st</sup> July each year. Submit provisional outturn results for financial year to Cabinet as soon as practicable.
- 4.2.7 Ensure the retention of financial documents in accordance with the Council's Document Retention Policy.
- 4.2.8 Undertake or receive monthly reconciliations for all fundamental IT financial systems and sign off as evidence of CFO's review.

#### **Strategic Directors/Heads of Service Responsibilities**

- 4.2.9 Consult and obtain the approval of the CFO before making changes to accounting arrangements, records, and procedures.
- 4.2.10 Comply with segregation of duties principles outlined in Paragraph 4.2.3 when allocating accounting duties.
- 4.2.11 Maintain records that provide a management trail, leading from income/expenditure source through to the accounting statements, and carry out regular monthly reconciliations of fundamental IT financial systems to the Council's corporate financial management information system.
- 4.2.12 Supply information required to enable the Statement of Accounts to be completed by the statutory deadline of 31<sup>st</sup> May each year and in accordance with guidelines issued by the CFO.

### **4.3 STATEMENT OF ACCOUNTS**

**The Council has a statutory responsibility to prepare its own Statement of Accounts, which give a "true and fair view" of the financial position and transactions of the Council.**

**The Audit & Governance Committee is responsible for approving the statutory annual Statement of Accounts.**

#### **CFO Responsibilities**

- 4.3.1 Select suitable accounting policies and to apply them consistently.
- 4.3.2 Make judgements and estimates that are reasonable and prudent.
- 4.3.3 Ensure compliance the CIPFA/LASAAC Accounting Code of Practice.
- 4.3.4 Sign and date the Statement of Responsibilities with the Statement of Accounts, stating it gives a true and fair view of the financial position and transactions of the Council (including group financial statements where applicable) at the year ended 31<sup>st</sup> March.
- 4.3.5 Draw up the timetable for final accounts preparation and to advise Officers and external auditors accordingly.

#### **Strategic Directors/Heads of Service Responsibilities**

- 4.3.6 Comply with accounting guidance provided by the CFO and supply the CFO with information when required.



## **5. Risk Management and Control of Resources**

### **5.1 RISK MANAGEMENT**

**All organisations, whether in the private or public sector, face risks to people, property, and continued operations. Risk is the chance or possibility of loss, damage, injury, or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk Management is the planned and systematic approach to the identification, evaluation, and control of risk. Its objectives are to secure the assets of the organisation and to ensure its continued financial and organisational well-being. In essence it is an integral part of good business practice.**

**Risk Management is concerned with evaluating the measures an organisation already has in place to manage perceived risks and then recommend the actions the organisation needs to take to control these risks effectively.**

**The Audit and Governance Committee monitors the effective development and operation of Risk Management, and it is the overall responsibility of Cabinet to approve the Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council.**

#### **CFO Responsibilities**

- 5.1.1 Develop and maintain a Risk Management Strategy.
- 5.1.2 Develop and maintain a Risk Register.
- 5.1.3 Develop and promote a proactive and positive corporate Risk Management culture, including awareness and the implementation and maintenance of Risk Management controls.
- 5.1.4 Include all appropriate employees in suitable Fidelity Guarantee insurance cover.
- 5.1.5 Arrange suitable corporate insurance cover, through external insurance and internal funding, and negotiate claims for losses in consultation with other Officers, and partner organisations, where necessary.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.1.6 Promote a proactive and positive Risk Management culture within service area, including raising awareness and the implementation and maintenance of Risk Management controls.
- 5.1.7 Show due regard to advice from specialist Officers (e.g. health and safety) and review risks through the Service Planning process at least quarterly.
- 5.1.8 Promptly notify CFO of all significant new risks, properties, vehicles or other assets that require insurance and of any alterations affecting existing insurances and to provide information when requested.
- 5.1.9 Immediately notify CFO of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the CFO or the Council's insurers.



- 5.1.10 Consult with the CFO and the Head of Legal and Democratic Services on the terms of any indemnity that the Council is requested (or has offered) to give.
- 5.1.11 Ensure that employees, or anyone covered by Council insurance, do not admit liability, or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## 5.2 INTERNAL CONTROLS

**The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives and to monitor compliance with statutory obligations.**

**The Council faces a wide range of financial, legal, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks and to protect the Council from the impact of uncertainties.**

### **CFO Responsibilities**

- 5.2.1 Assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 5.2.2 Ensure an effective internal audit function is resourced and maintained.
- 5.2.3 Ensure that the Council has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice.
- 5.2.4 Ensure an effective audit committee is developed and maintained.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.2.5 Manage processes to check that established controls are being adhered to and to evaluate their effectiveness, to be confident in the proper use of resources, achievement of objectives and management of risks.
- 5.2.6 Review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the CFO. Strategic Directors/Heads of Service should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 5.2.7 Ensure Officers have a clear understanding of the consequences of lack of control.

## 5.3 AUDIT REQUIREMENTS

### a) Internal Audit

**The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". More specific requirements are set out in the Accounts and Audit Regulations 2015, which require the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."**

### **Chief Executive**

- 5.3.1 Ensure that the Head of Internal Audit has direct access to and freedom to report in his or her own name and without fear or favour to the Chief Executive and the CFO, the Cabinet and the Audit & Governance Committee, all levels of management, Officers and elected Members. This should include the ability to meet the Chairman of the Audit & Governance Committee alone (outside of the Committee meeting) and External Auditors to discuss significant concerns that they may have over the adequacy and effectiveness of internal controls and risk management activities.

### **CFO Responsibilities**

- 5.3.2 Implement appropriate measures to prevent and detect fraud and corruption and ensure that effective procedures are in place to investigate promptly any identified fraud or irregularity.
- 5.3.3 Report to Cabinet requesting additional funding where insufficient internal audit resources have been identified.

### **Head of Internal Audit Responsibilities**

- 5.3.4 Ensure that Internal Audit has unrestricted access to all information (including records, computer files, property, and personnel) and activities undertaken by the Council, and those of partner organisations and third-party service providers where contract terms include Internal Audit access rights.
- 5.3.5 Assisting the CFO in discharging their responsibilities under Section 151 of the Local Government Act 1972 in relation to internal controls.
- 5.3.6 Providing and maintaining an Internal Audit function which meets the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 5.3.7 Developing and delivering an annual Audit Plan for the Council using a risk-based methodology. Following consultation with the Chief Executive Officer, CFO and SMT, the Head of Internal Audit will submit such plan to the Audit & Governance Committee for review and approval prior to the commencement of each financial year.
- 5.3.8 Providing an annual Internal Audit opinion, compliant with PSIAS requirements, which informs the Annual Governance Statement on how the Council's control environment, including risk management processes, accounting records, governance, and value for money arrangements, established by management, are operating within the Council.
- 5.3.9 Issuing other reports which provide assurance to the Chief Executive, CFO, Monitoring Officer, and the Strategic Management Team, and making recommendations for improvement.
- 5.3.10 Comply with any requests from the External Auditor or access to any information, files or working papers obtained or prepared during audit work that is required to discharge their responsibilities.
- 5.3.11 Reporting to the Chief Executive, CFO and the audit committee, if the Head of Internal Audit concludes that resources are insufficient.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.3.12 Ensure that Internal Audit are given access at all reasonable times to premises, human resources, documents, and assets that the auditors consider necessary for the purposes of their work.
- 5.3.13 Ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 5.3.14 Consider and respond promptly to recommendations/actions in Internal Audit reports.
- 5.3.15 Ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 5.3.16 Notify the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of Council property, assets or resources. Pending investigation and reporting, the Strategic Director/Head of Service should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 5.3.17 Ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.

### **b) External Audit**

**The Local Audit and Accountability Act 2014 (“the Act”) sets out the framework for audit of local authorities. It replaces the provisions of the Audit Commission Act 1998 following the closure of the Audit Commission. The duties and responsibilities of external auditors are primarily set out in Part 5 of the Act and reflected in a Code of Audit Practice issued by the National Audit Office.**

**The Statement of Accounts is scrutinised by the external auditors, who must be satisfied that they give a “true and fair view” of the financial position and transactions of the Council (including any group financial statements where applicable) during the year and complies with all legal requirements.**

### **CFO Responsibilities**

- 5.3.18 Ensure that external auditors are given access at all reasonable times to premises, human resources, documents, and assets that the external auditors consider necessary for the purposes of their work.
- 5.3.19 Ensure there is effective liaison between external and internal audit.
- 5.3.20 Work with the external auditor and advise Council, Cabinet and Strategic Directors/Heads of Service on their responsibilities in relation to external audit.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.3.21 Ensure that external auditors are given access at all reasonable times to premises, human resources, documents, and assets which the external auditors consider necessary for the purposes of their work.
- 5.3.22 Ensure that all records and systems are up to date and available for inspection.

## **5.4 PREVENTING FRAUD AND CORRUPTION**

**The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.**

**The Council's expectation of propriety and accountability is that Members and Officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures, and practices.**

**The Council also expects that individuals and organisations, including partner organisations, suppliers, contractors, and service providers with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.**

### **Chief Executive Responsibilities**

- 5.4.1 Maintain adequate and effective internal control arrangements.

### **CFO Responsibilities**

- 5.4.2 Implement appropriate measures to prevent and detect fraud and corruption.

### **Head of Internal Audit Responsibilities**

- 5.4.3 Develop and maintain a comprehensive Anti-Money Laundering Strategy.
- 5.4.4 Develop and maintain a comprehensive Anti-Fraud and Corruption Strategy.
- 5.4.5 Develop and maintain a Code of Corporate Governance; monitor and report on compliance to the Audit and Governance Committee. Non-compliant areas, or areas requiring improvement, to be included within an "Annual Statement of Assurances" prepared by the Chief Executive.
- 5.4.6 Report all suspected irregularities (as appropriate) to the Chief Executive, the CFO, and the Audit & Governance Committee.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.4.7 Ensure that all suspected irregularities are reported to the Head of Internal Audit without delay.
- 5.4.8 Instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 5.4.9 Ensure that where financial impropriety is discovered, the CFO and Head of Internal Audit are informed as soon as possible, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are informed to determine with the Crown Prosecution Service whether any prosecution will take place.
- 5.4.10 Maintain corporate Register of Interests' for both councillors and Officers.

## **5.5 ASSETS**

### **a) Security of Property**

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

#### **CFO Responsibilities**

- 5.5.1 Maintain an Asset Register in accordance with good practice for all fixed assets with a value more than £10,000. The function of the Asset Register is to provide the Council with information about fixed assets so that they are safeguarded, used efficiently and effectively, and maintained.
- 5.5.2 Receive and process information required for accounting, costing and financial records from each Strategic Director/Head of Service.
- 5.5.3 Ensure that assets are valued in accordance with the Code issued by (CIPFA/LASAAC).
- 5.5.4 Issue guidelines on best practice (*"Local Authority Assets: Disposal Guidance - DCLG March 2016"*) for asset disposals
- 5.5.5 Ensure appropriate accounting entries are made to remove the value of asset disposals from the Council's records, including the proceeds of sale where appropriate.
- 5.5.6 (Independently) review and authorise proposed stock write-offs (including obsolete and surplus stock) submitted by Strategic Directors/Heads of Service, within predetermined limits. Values in excess of predetermined limits should be forwarded for approval by the Portfolio Holder for Resources and/or Cabinet as appropriate.

#### **Strategic Directors/Heads of Service Responsibilities**

- 5.5.7 Notify the CFO immediately of any additions/disposals/variations to the Asset Register. Any use of property by a service area or establishment, other than for direct service delivery, should be supported by documentation identifying terms, responsibilities and duration of use.
- 5.5.8 Arrange for the valuation of assets for accounting purposes to meet requirements specified by the CFO.
- 5.5.9 Recommend surplus land and buildings for sale to the Asset Management Group (AMG), followed by a joint report prepared by the relevant Strategic Director/Head of Service and the CFO to Cabinet.
- 5.5.10 Follow best practice guidelines for asset disposals, issued by the CFO.
- 5.5.11 Ensure prospective occupiers of Council land are not allowed to take possession or enter until a lease or agreement (in a form approved by the Strategic Director/Head of Service in consultation with the Head of Legal and Democratic Services) has been established as appropriate.

- 5.5.12 Ensure security of buildings and other assets, including vehicles, plant, equipment, furniture, stock, stores and other property, within service area. Consult CFO where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 5.5.13 Pass title deeds to Head of Legal and Democratic Services, for safe custody. The Head of Operations must keep a record of all properties owned by the Council, recording Portfolio, the purpose for which it is held, the location, the plan reference, purchase details, particulars of interest and rent payable, and particulars of tenancies granted.
- 5.5.14 Ensure that cash holdings on premises are kept within insurance limits (determined by CFO) and keys to safes and similar receptacles are carried on the person of those responsible at all times. Loss of any such keys must be reported to the CFO immediately.
- 5.5.15 Ensure all employees are aware of their personal responsibility to protect and retain the confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council.

#### **Inventories**

- 5.5.16 Maintain an Inventory List within service area, recording descriptions of any furniture, fittings, equipment, plant, and machinery, with individual values of £75 or more. The Purchasing & Payables Manager must be notified if the value of a single item exceeds £10,000.
- 5.5.17 Carry out annual check of all significant inventory items to verify location, condition, and act in relation to surpluses or deficiencies, annotating the inventory accordingly. Portable items such as computers, cameras and video recorders should be identified with Council security markings.
- 5.5.18 Make sure that property is only used during Council business, unless the Strategic Director/Head of Service concerned has given permission otherwise.

#### **Stocks and Stores**

- 5.5.19 Make appropriate arrangements for the care and custody of stocks and stores within service area.
- 5.5.20 Maintain stocks at reasonable levels and ensure regular (minimum quarterly) independent physical stock checks. Stock discrepancies should be immediately investigated and pursued to a satisfactory conclusion.
- 5.5.21 Recommend stock write-offs (including obsolete and surplus stock) by submitting proposal in writing to CFO (seeking advice from purchasing advisors where appropriate).

#### **b) Intellectual Property**

**Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during employment, then, as a rule, they belong to the Council, not the employee.**

**Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.**

### **CFO Responsibilities**

- 5.5.22 Develop and disseminate good practice through the Council's intellectual property procedures.

### **Strategic Directors/Heads of Service Responsibilities**

- 5.5.23 Ensure that controls are in place to ensure that staff do not carry out private work in Council time and that Officers are aware of an employer's rights regarding intellectual property.

## **5.6 TREASURY MANAGEMENT, BANKING AND PETTY CASH**

**Millions of pounds pass through Councils' accounts each year. This has led to the establishment of CIPFA's *"Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes"* (the Code).**

**The Code aims to provide assurance that Council money is effectively managed in a way that balances risk with return, with overriding consideration given to the security of capital sums.**

**Banking arrangements and petty cash should also be managed appropriately with key responsibilities confined to the CFO and a limited number of authorised individuals.**

### **CFO Responsibilities**

- 5.6.1 Undertaking borrowing and investment activities in full compliance with CIPFA's *"Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes."* Any other lending or borrowing cannot be undertaken without the approval of Council, following consultation with the CFO.
- 5.6.2 Ensuring that all borrowing and investing activities are undertaken in the name of the Council (or nominee approved by Council), and detailed records/registers maintained, and appropriate arrangements are made for the safe custody of all securities and title deeds.
- 5.6.3 Arranging and administering banking arrangements, including negotiate banking arrangements, opening accounts, signing Direct Debit mandates, ordering cheque books, and arranging BACS payments.
- 5.6.4 Along with the Chief Executive, signing bank mandates authenticating the signatures of Officers designated as cheque signatories, and signatories for other instruments for the payment, collection, or transfers of monies. All cheques must bear the signature of two authorised Officers of the Council and dispatched directly from the CFO (or his or her staff) to payees.
- 5.6.5 Making arrangements with the bank for the issue of corporate Purchasing Cards.
- 5.6.6 Developing, maintaining, and disseminating a detailed Purchasing Card Policy, ensuring that all card holders sign their acceptance of its terms and conditions.
- 5.6.7 Developing and operating a Petty Cash Imprest system (including a set of CFO prescribed rules), which balances operational need with efficiency and appropriate cash control measures.

### **Strategic Directors/Heads of Service Responsibilities**



- 5.6.8 Following instructions on banking and purchase cards issued by the CFO.
- 5.6.9 Utilising Purchasing Cards in accordance with the corporate Purchasing Card Policy. Cardholders must formally sign to indicate their acceptance of the Policy, prior to usage.
- 5.6.10 Ensure Trust Funds are held in the Council's name wherever possible. Officers acting as Trustees, due to their official position, must deposit securities etc. relating to the Trust with the CFO, unless the deed otherwise provides.
- 5.6.11 Ensure Trust Funds are operated within relevant legislation and the specific requirements for each Trust. The CFO must approve secure administration arrangements.
- 5.6.12 Ensure employees within service area operate Petty Cash Imprest system in compliance with CFO prescribed rules.

## **6. Financial Systems and Procedures**

### **6.1 GENERAL**

**Service areas have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Service areas are increasingly reliant on ICT for their monetary management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed, errors detected promptly, and system reconciliations completed and evidenced monthly.**

**The CFO has a professional responsibility to ensure that Council financial systems are sound and should therefore be consulted at an early stage in the process prior to the implementation of any new developments or changes/upgrades to existing systems.**

#### **CFO Responsibilities**

- 6.1.1 Make arrangements for the proper administration of the Council's financial affairs, including:
  - Issuing advice, guidance and procedures for Officers and others acting on the Council's behalf
  - Determining the accounting systems, form of accounts and supporting financial records
  - Establishing arrangements for audit of the Council's financial affairs
  - Approving any new financial systems to be introduced; and
  - Approving any changes to be made to existing financial systems.

#### **Strategic Directors/Heads of Service Responsibilities**

- 6.1.2 Comply with procedures and guidance issued by the CFO.
- 6.1.3 Ensure that accounting records are properly maintained and held securely.
- 6.1.4 Ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements set out in the approved Document Retention Policy.



- 6.1.5 Ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 6.1.6 Incorporate appropriate controls to ensure that, where relevant:
- All input is genuine, complete, accurate, timely and not previously processed
  - All processing is conducted in an accurate, complete and timely manner
  - Output from the system is complete, accurate and timely; and
  - Output is reconciled, at least monthly, to the Council's general ledger and signed off by the preparer and reviewer of the reconciliation.
- 6.1.7 Ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 6.1.8 Ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 6.1.9 Ensure systems are documented and Officers trained in operations.
- 6.1.10 Consult with CFO before changing existing financial systems or introducing new financial systems.
- 6.1.11 Establish a scheme of delegation identifying Officers authorised to act upon the Strategic Director/Head of Service's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 6.1.12 Supply lists of authorised Officers, with specimen signatures and delegated limits, to the CFO, together with any subsequent variations.
- 6.1.13 Ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Where possible, back-up information should be retained in a secure location, preferably off site or at an alternative location within the building.
- 6.1.14 Ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 6.1.15 Ensure relevant standards and guidelines for computer systems issued by Strategic Directors/Heads of Service are observed.
- 6.1.16 Ensure computer equipment and software is protected from loss and damage through theft, vandalism etc.
- 6.1.17 Comply with the copyright, designs, and patents legislation. In particular, ensure that only software legally acquired and installed by the Council is used on its computers.

## **6.2 INCOME AND EXPENDITURE**

### **a) Income**

**Income can be a vulnerable resource and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted, and properly banked. It is preferable to obtain income in advance of supplying goods or services as this improves cash flow and avoids the time and cost of administering debts.**

### **CFO Responsibilities**

- 6.2.1 Agree arrangements for the collection of income due to the Council and approve the procedures, systems, and documentation for its collection.
- 6.2.2 Periodically issuing guidance on charging policy, including key principles on fees and charges (e.g., full cost recovery and benchmarking), taxation and inflationary assumptions.
- 6.2.3 Order and supply to service areas receipt forms, books or tickets and related items and satisfy themselves regarding control arrangements.
- 6.2.4 Agree the write-off of bad debts (in consultation with the relevant Strategic Director/Head of Service) up to £15,000 in value in each case and refer sums more than this limit, but up to £100,000, to the Cabinet Member for Resources for approval. Individual sums to be written off that exceed £100,000 require Cabinet approval.
- 6.2.5 Keep records of all sums written off and ensure appropriate accounting adjustments are made.
- 6.2.6 Ensure that refunds are not made for sums under £5.00, unless specifically requested by the individual.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.2.7 Establish charging policy for the supply of goods or services in accordance with guidance issued by the CFO, reviewing it regularly, in line with corporate policies.
- 6.2.8 Separate responsibility for identifying amounts due and responsibility for collection, as far as is practicable.
- 6.2.9 In consultation with the CFO, establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 6.2.10 Issue official receipts for all cash transactions (except where a legal document is the receipt for money received) and maintain other documentation for income collection where receipts are not required.
- 6.2.11 Ensure wherever practical that at least two employees are present when post is opened at a site where income is regularly received.
- 6.2.12 Securely hold receipts, tickets, and other records of income in accordance with Document Retention Policy.
- 6.2.13 Lock away all cash to safeguard against loss or theft, and to ensure security of cash handling.
- 6.2.14 Ensure income is paid promptly and fully into Council bank account in the form in which it is received. Appropriate details should be recorded to provide a full audit trail. Money collected and deposited must be reconciled to bank accounts monthly (minimum).
- 6.2.15 Ensure income received is not used to cash personal cheques or make any other payments.
- 6.2.16 Supply CFO with details relating to work done, goods supplied, services rendered or other amounts due, to enable the CFO to correctly record the sums due to the Council and to ensure accounts are sent out promptly. To do this, Strategic Directors and Heads of Service should use established debt recovery systems to monitor the recovery of income and flag up areas of concern to the CFO. Heads of Service have a responsibility to assist the CFO in collecting debts that they have

originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

- 6.2.17 Keep a record of every transfer of money between employees of the Council. The receiving Officer must sign for the transfer and the transferor must retain a copy.
- 6.2.18 Recommend debts for write-off to the CFO and keep a record of all sums written off. Once raised, bona fide debts must not be cancelled, except by full payment or by formal write off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, a waiver or reduction in charges.
- 6.2.19 Where delegated authority has been granted by the CFO, individuals can write-off bad debts up to their specified limit in each case (Note – delegated authority must be exercised in strict observance of 'separation of duties' principles; referred to above in Paragraph 6.2.8). Sums more than their limit must be referred to the CFO for approval, who in turn will seek Cabinet Member approval for write-off of bad debt exceeding £15,000 in line with Paragraph 6.2.4 above.
- 6.2.20 Notify CFO of outstanding income relating to the previous budget year as soon as possible after 31<sup>st</sup> March in line with timetable determined by the CFO, and not later than 10<sup>th</sup> April or nearest working day thereafter.

**b) Ordering and paying for work, goods, and services**

**Public money should be spent with demonstrable probity and in accordance with Council policies. Councils have a statutory duty to achieve best value, in part through economy and efficiency. Council procedures should help to ensure that services obtain value for money from their procurement arrangements. These procedures should be read in conjunction with the Council's Contract Procedure Rules.**

- 6.2.21 Officers and Members engaged in contractual or procurement decisions on behalf of the Council have a responsibility to declare links or personal interests that they may have with purchasers, suppliers and/or contractors, in accordance with appropriate codes of conduct.
- 6.2.22 Official orders must be issued for all work, goods, or services to be supplied to the Council, except anything listed in the purchase order exemption list approved by the Chief Finance Officer. Any order placed by telephone shall be confirmed by the issue of an official order within five working days.
- 6.2.23 Purchase orders must conform to guidelines approved by Council for the procurement of goods, services, and suppliers. Standard terms and conditions must not be varied without the prior CFO approval.
- 6.2.24 The normal payment method will be by BACS payment direct to the customer, drawn on the Council bank account, approved by the CFO. Direct debits will require prior CFO agreement, or a designated bank signatory, before any agreement is signed. Purchasing card payments may be made by Officers pre-authorised by the CFO and identified on the Authorised Signatory List. VAT receipts for all goods must accompany monthly statements submitted to the CFO. Spending limits will be set/approved the CFO.
- 6.2.25 Official orders must not be raised for personal or private purchases, nor must personal or private use be made of Council contracts.

### **CFO Responsibilities**

- 6.2.26 Ensure Council financial systems and procedures are sound and properly administered, approving changes to existing systems (whether new systems or upgrades) before implementation.
- 6.2.27 Approve the form of official orders and associated terms and conditions.
- 6.2.28 Make payment from Council funds on Strategic Directors/Heads of Service authorisations that expenditure has been duly incurred in accordance with Financial Procedure Rules.
- 6.2.29 Make payment (irrespective of budget provision) where it is required by statute or court order.
- 6.2.30 Arrange for the keeping of a Contract Register where contracts provide for payment by instalments.
- 6.2.31 Make payments to contractors upon receipt of properly completed certificates from Strategic Directors/Heads of Service. Such payments must be entered and appropriately cross referenced in the Contract Register.
- 6.2.32 Provide advice and encouragement on making payments by the most economical means.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.2.33 The Head of Legal and Democratic Services will determine the form of contract to be used for building, constructional or engineering work.
- 6.2.34 Ensure that all contract variations are in writing and agreed before work on the variation commences.
- 6.2.35 Refer claims from contractors on matters not clearly within existing contract terms to Head of Legal and Democratic Services for consideration of Council liability and to the CFO for financial consideration before settlement is reached.
- 6.2.36 Take appropriate action, in consultation with Head of Legal and Democratic Services, in respect of any claim for liquidated and ascertained damages where contract completion is delayed. This provision will not apply if there are reasons qualifying for an extension.
- 6.2.37 Ensure that unique NAV generated official orders are used for all goods and services, other than the exceptions specified in Paragraph 6.2.22.
- 6.2.38 Ensure orders are only used for goods and services provided to the relevant service area. Members and Officers must not use official orders to obtain goods or services for private use. Neither may Officers place orders for goods or services for personal use using the Council's e-procurement system.
- 6.2.39 Ensure that only staff authorised by Strategic Directors/Heads of Service authorise orders and maintain an up-to-date list of such authorised staff, including specimen signatures, identifying the limits of their authority. The authoriser of the order should be satisfied that works, goods, supplies and services ordered are appropriate and needed, that there is adequate budgetary provision and that Contract Procedure Rules have been followed.
- 6.2.40 Ensure that works, goods, supplies, and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different Officer from the authoriser of the order. Entries should then be made in inventories or stores records where appropriate.

- 6.2.41 Ensure payment is not made unless a proper VAT invoice has been received, checked, coded, and certified for payment.
- 6.2.42 Ensure a minimum of two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different Officer from the person who signed the order, and in every case, a different Officer from the person checking a written invoice, should authorise invoices.
- 6.2.43 Periodically review a list of their staff approved to authorise invoices. New authorising Officers, together with specimen signatures, and details of their authority limits, must be forwarded to the CFO.
- 6.2.44 Ensure that payments are not made on photocopied or faxed invoices, statements, or other documents. Any instances of these being rendered should be reported to the Head of Internal Audit. In exceptional circumstances, where payment is made against such a document, where properly authenticated, the transaction must be processed in accordance with CFO guidance.
- 6.2.45 Encourage suppliers to accept payment by the most economical means for the Council. Payments made by Direct Debit must have the prior approval of the CFO or an authorised bank signatory.
- 6.2.46 Ensure service area achieves value for money by taking appropriate steps to obtain competitive prices for works, goods, supplies and services of appropriate quality, in line with best practice guidelines issued by the CFO, consistent with best value principles and contained within the Contract Procedure Rules.
- 6.2.47 Utilise the Procurement Team in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with Contract Procedure Rules.
- 6.2.48 Ensure that employees are aware of the Code of Conduct (Part 5 of the Constitution).
- 6.2.49 Ensure that loans, leases, or rental arrangements are not entered into without prior CFO agreement. This is to protect the Council against entering unapproved credit arrangements that might adversely affect financial standing and to ensure that value for money is being obtained.
- 6.2.50 Notify CFO of outstanding committed expenditure relating to previous budget year as soon as possible after 31<sup>st</sup> March in line with timetable determined by CFO and, in any case, not later than 10<sup>th</sup> April.
- 6.2.51 Regarding construction contracts and alterations to buildings and for civil engineering works, to document and agree with CFO the systems and procedures to be adopted in relation to all financial aspects, including certification of interim and final payments, checking, recording, and authorising payments, the system for monitoring and controlling capital schemes and the procedure for validation of subcontractors' tax status.
- 6.2.52 Notify the CFO immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 6.2.53 Ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Document Retention Policy.

c) **Payments to employees and Members**

**Staff 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 Council and that payments accord with individuals' Contract of Employment. It is also important that all payments are accurately and completely recorded and accounted for and that Member allowances are authorised in accordance with the scheme adopted by Council.**

**CFO Responsibilities**

- 6.2.54 Ensure appropriate arrangements are in place to control secure and reliable payment of salaries, wages, compensation, or other emoluments to existing and former employees, in accordance with procedures prescribed by them, on the due date.
- 6.2.55 Record and make arrangements for the accurate and timely payment of tax, pension contributions and other deductions and to complete all relevant HMRC returns.
- 6.2.56 Make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 6.2.57 Make arrangements for paying Members travel or other allowances upon receiving the prescribed documentation, duly completed, and authorised.
- 6.2.58 Provide advice and encouragement to secure payment of salaries by the most economical means.
- 6.2.59 Ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.
- 6.2.60 Act as an advisor on areas such as taxation and monitoring of the Suffolk County Council Pension Fund, as appropriate.

**Strategic Directors/Heads of Service Responsibilities**

- 6.2.61 Ensure that appointments are made in accordance with the regulations of the Council and the approved Establishment List, grades, and scale of pay and that adequate budget provision is available.
- 6.2.62 Notify the Human Resources and Workforce Development Manager 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 Human Resources and Workforce Development Manager.
- 6.2.63 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.
- 6.2.64 Provide and maintain an up-to-date list of the names of Officers authorised to complete and return records to the Human Resources and Workforce Development Manager, together with specimen signatures, where appropriate. The 'Yourself' HR system should contain update lists of Human Resources Officers and Officers authorised to approve timesheets and claims.

- 6.2.65 Ensure that payroll transactions are processed only through the payroll system. Strategic Directors and Heads of Service should consider the employment status of individuals employed on a self-employed consultant or subcontract basis and take advice from the Human Resources and Workforce Development Manager.
- 6.2.66 Approve travel and subsistence claims and other allowances, but only when they have been made through 'Oracle' or an approved travel expenses form and within three months of the travel or subsistence being incurred. Approval is taken to mean that journeys were authorised, and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Consideration should be given to tax implications and that the Human Resources and Workforce Development Manager is informed where appropriate.
- 6.2.67 Ensure that the Human Resources and Workforce Development Manager is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 6.2.68 Ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Document Retention Policy.
- 6.2.69 The Human Resources and Workforce Development Manager to act as an advisor to Strategic Directors and Heads of Service on areas such as employment status, National Insurance and Pension Contributions, as appropriate.
- 6.2.70 Ensure that the staffing budget is an accurate forecast of staffing levels in accordance with the approved Establishment List and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 6.2.71 Ensure the Chief Executive (or the Officer delegated by them) has approved any changes in employment conditions where the full year cost of such changes would exceed £1,000.
- 6.2.72 Monitor staff activity to ensure adequate control over costs such as sickness, overtime, training, and temporary staff.
- 6.2.73 Ensure that the staffing budget is not exceeded without prior authority from the CFO / HR & Workforce Development Manager and that it is managed to enable the agreed level of service to be provided.
- 6.2.74 Ensure that the Human Resources and Workforce Development Manager and the CFO are immediately informed if the staffing budget is likely to be significantly overspent or underspent.

#### **Member Responsibilities**

- 6.2.75 Submit claims for Member travel and subsistence allowances monthly (or within three months of incurring the travel or subsistence) and, in any event, within one month of year end.

### **6.3 TAXATION**

**The Council is responsible for ensuring its tax affairs are in order. Tax issues are often complex and the penalties for incorrectly accounting for tax are severe. The creation and use of Local Authority Companies, has resulted in added Tax considerations, including Corporation Tax and different VAT rules. It is therefore particularly important for all Officers to be aware of their role.**



### **CFO Responsibilities**

- 6.3.1 Complete Council VAT returns and annual Partial Exemption calculations in accordance with HMRC timescales.
- 6.3.2 Discharge Tax related responsibilities for Council-owned companies, including all Corporation Tax and VAT duties and returns.
- 6.3.3 Provide details to the HMRC regarding the Construction Industry Scheme (CIS).
- 6.3.4 Maintain up-to-date guidance for Council employees on taxation issues.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.3.5 Ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- 6.3.6 Ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary CIS requirements.
- 6.3.7 Ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 6.3.8 Follow the guidance on taxation issued by the CFO or the Human Resources and Workforce Development Manager in the Council's accounting guides and Basic guide to VAT.

## **6.4 TRADING ACCOUNTS AND BUSINESS UNITS (excluding Local Authority Companies)**

**Trading accounts and business units have been growing in importance for many years as local councils have progressively developed a more enterprising culture. Under proper accounting practices, Councils are required to keep trading accounts for services provided on a basis other than a straightforward recharge of cost in accordance with the Accounting Code of Practice. Not every trading account requires a separate company. These rules do not relate to companies running as separate legal entities and going concerns.**

### **CFO Responsibilities**

- 6.4.1 Advise on the establishment and operation of trading accounts and business units including the financial appraisal of proposed projects and trading opportunities.
- 6.4.2 Prepare income statements for trading units in accordance with relevant accounting practice.
- 6.4.3 Ensure compliance with all relevant extant tax legislation in respect of trading accounts, including the preparation of tax and other financial returns.
- 6.4.4 Arrange and maintain adequate insurance cover for business units and trading accounts, where appropriate.

### **Strategic Directors/Heads of Service Responsibilities**

- 6.4.5 Follow CFO advice on the establishment and operation of trading accounts and business units.
- 6.4.6 Follow CFO advice on the establishment and proposed operating model of new business units and trading accounts. It is essential that the robustness of all new commercial proposals and significant expansion of existing business units is established through CFO input at the concept and development stage(s).



- 6.4.7 Ensure that appropriate accounting principles (as guided by the CFO) are applied in relation to Council trading accounts, including any tax implications, where applicable.
- 6.4.8 Ensure that each business unit prepares an annual business plan in time to incorporate the impact of their activities on the General Fund into Council budgets.
- 6.4.9 Review financial and non-financial performance of each business unit to ensure they continue to deliver on the Council's strategic priorities, and they remain financially sustainable. Ensure financial performance review reports are delivered in time to be presented alongside Council's annual outturn.

## 7. External Arrangements

### 7.1 PARTNERSHIPS

**Partnerships can exist in many forms and play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. East Suffolk Council works in partnership with others – public agencies, private companies, community groups and voluntary organisations. ESC's leadership role in partnerships is to bring together the contributions of the various stakeholders. We therefore need to deliver a shared vision of partnership services based on our strategic priorities.**

- 7.1.1 A partner is defined as either:
  - (a) An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project; or
  - (b) A body whose nature or status gives it a right or obligation to support the project.

#### **CFO Responsibilities**

- 7.1.2 Advise on effective controls and the key elements of entering any partnership – to ensure that resources are not wasted. Examples include, but are not limited to:
  - (a) A scheme appraisal for financial viability in both the current and future years, together with capital/revenue cash flow forecasts for at least three years
  - (b) Risk appraisal and management
  - (c) Resourcing, including taxation / VAT issues
  - (d) Audit, security, and control requirements
  - (e) Carry-forward arrangements; and
  - (f) Review annual business plan for financial sustainability.

- 7.1.3 Ensure that the partnership accounting and governance arrangements comply with all relevant regulations and codes of practice.

#### **Strategic Directors/Heads of Service Responsibilities**

- 7.1.4 Ensure that, before entering into any agreement with external bodies, an appraisal of the financial viability of the arrangement is prepared in consultation with the CFO and approved by the Cabinet.
- 7.1.5 Ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the CFO.
- 7.1.6 Ensure that arrangements are in place for cessation of a partnership, including an exit strategy.

- 7.1.7 Ensure that such agreements and arrangements are strategically aligned to the Council's strategic plan.
- 7.1.8 Ensure that all agreements and arrangements are properly documented.
- 7.1.9 Prepare an annual business plan for the partnerships which sit within their service areas.
- 7.1.10 Ensure collective decisions taken by partnerships are approved by the Council in accordance with its scheme of delegation and key decision threshold.
- 7.1.11 Maintain a register of all contracts entered in to with external bodies in accordance with the contract procedure rules.
- 7.1.12 Provide appropriate information to the CFO to determine any requirement for a note to be entered into the Council's Statement of Accounts in accordance with relevant accounting Codes of Practice is required.

## 7.2 EXTERNAL FUNDING

**External funding is an important source of income; therefore, funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Councils are increasingly encouraged to provide seamless service delivery through working closely with communities, other agencies, and private service providers.**

**In some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall corporate/spending plans.**

### **Strategic Directors/Heads of Service Responsibilities**

- 7.2.1 Review and document how each proposed funding bid aligns with the Council's strategic priorities and ensure that only funding that aligns with the Council's strategic priorities are pursued.
- 7.2.2 Evaluate the immediate, medium, and long-term budgetary impact of any proposed grant offer. Prepare a business case for all grant funded projects with match funding requirement over £100,000 in consultation with the Chief Finance Officer, for approval by as outlined in 7.2.3. Guidance is provided in the [Financial Guidelines](#) on match funding and other financial considerations. A [financial appraisal toolkit](#) is provided to aid the evaluation.
- 7.2.3 The net budget impact (i.e., cost of delivery over the MTFS less funding) of delivering the funded activity is to be considered in determining the appropriate approval required prior to the acceptance of external funding in line with the table below:

Approver	Threshold	Cumulative threshold
Virement rules in Section B and guidelines apply	Excluded funding	
Portfolio holder and Section 151 Officer	Up to £250,000	£250,000
Cabinet	£250,001 - £1,000,000	£1,000,000
Council	Over £1,000,000	N/A
<b>Excluded funding</b>		
- Statutory or emergency requirements which the Government or related		

institution choose to fund. For example, funding received in response to national events and policies.

- Funding received that support capital schemes (or revenue budgets) already approved in the capital programme, as far as the funding requirements do not exceed our original capital and revenue commitments to the schemes. For example, flood defence.
- Funding that has no net capital or revenue cost impact on the council in the current and future periods except where the arrangement:
  - o Changes existing policies, initiate new policies, or cease existing policies; or

Materially extends or reduces Council services

- 7.2.4 Ensure that the CFO is consulted prior to the completion of all applications for external funding and is provided with a written copy of all grant approvals, together with grant and auditing conditions, and that all claims for funds are made in conjunction with Finance staff and submitted by the due date.
- 7.2.5 Agree all grant conditions with the Head of Legal and Democratic Services prior to accepting the grant/ funding.
- 7.2.6 Ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.
- 7.2.7 Records of achievements against key targets to be met must be maintained for both financial and non-financial indicators in the format required by the funding body.
- 7.2.8 Documentation must be made available for access by either internal and/or external audit where required.
- 7.2.9 Ensure that the retention and archiving of records complies with the conditions and requirements of the funding body.

### **CFO Responsibilities**

- 7.2.10 Review proposed funding arrangements to satisfy that they comply with our financial sustainability strategic theme. Ensure that funding applications are approved appropriately based on the thresholds in the table above, subject to exclusions above.
- 7.2.11 Ensure that funding notified by external bodies is received and properly recorded in the Council's accounts.
- 7.2.12 Ensure that match-funding requirements are considered prior to entering into agreements and that future revenue budgets reflect these requirements.
- 7.2.13 Ensure that internal and external audit requirements are met.

### 7.3 LOCAL AUTHORITY COMPANIES

Councils are seeking ever more innovative ways to achieve financial sustainability, with legislative changes (notably the introduction of a “general power of competence” under Section 1 of the Localism Act 2011) aiding the proliferation of local authority trading companies.

The Council may choose to deliver some services through local authority companies.

Legislation also enables the Council to provide a range of services to others, including controlled companies. Such work may enable a service to maintain economies of scale and existing expertise. Whatever service delivery arrangements are used (either ‘in house’ or through a company), robust procedures should be in place to ensure that the risks associated with such work are minimised, and that such work is legal.

#### **CFO Responsibilities**

- 7.3.1 Advice on the establishment and design of operating model of **new** local authority companies. Review the business plans of all **new** company and business proposals (Or subsidiaries requiring **capital injection or loss cover** from the council).
- 7.3.2 Ensure compliance with all relevant extant companies and tax legislation in relation to the preparation of the Council’s Group accounts (consolidating the trading company financial results) and other financial returns.
- 7.3.3 Review financial performance of each local authority company periodically to ensure it remains financially sustainable for the council to retain its shareholding in/ membership of each company.
- 7.3.4 Review the annual business/ service plan of local authority companies to incorporate the impact of their activities on the General Fund into Council budgets.
- 7.3.5 Issue guidance about the financial aspects of services to be delivered by the council to its trading concerns and controlled companies (also known as related parties). Such guidance will be designed to ensure that the trading concern or controlled company is not subsidised by the Council and that all services, officer time and other support provided to the company is charged to the trade or company in accordance with the CIPFA Best Value Accounting Code of Practice.
- 7.3.6 Disseminate financial information that enables the relevant Strategic Director/Head of Service to monitor the cost of services delivered on the Council’s behalf by related parties.

#### **Strategic Directors/Heads of Service Responsibilities**

- 7.3.7 Follow CFO advice on the establishment and design of operating models of **new** local authority companies. It is essential that the robustness of all new company and business proposals (Or subsidiaries requiring capital injection from the council) is established through CFO input at the concept and development stage(s).

- 7.3.8 Ensure that each local authority company prepares an annual business/ service plan in time to incorporate the impact of their activities on the General Fund into Council revenue and capital budgets.
- 7.3.9 Provide appropriate information to CFO to determine any Accounting Code of Practice requirements.
- 7.3.10 Ensure operational and financial statements and related performance review reports of the companies are delivered in time to be presented alongside Council's annual outturn.

#### ***Services to companies***

- 7.3.11 Ensure that proposals for the council to provide services to related parties are properly costed in advance in accordance with CFO guidance. It is essential that contracts are priced as though they were at arm's length and no contract is subsidised by the Council.
- 7.3.12 Ensure that – wherever possible – payment is received in advance of service delivery, but in any event, payments must be promptly paid in accordance with the contract.
- 7.3.13 Ensure service area has the appropriate expertise to deliver services to related parties. Consider conflict of interest in determining resource requirement for delivering services to related parties.
- 7.3.14 Ensure services provided to related parties do not adversely impact on services delivered for the Council.

#### ***Services to the council***

- 7.3.15 Ensure that contracts awarded to controlled companies by the Council are added to the contracts register in accordance with the contract procedure rules.
- 7.3.16 Where a controlled company delivers services for the council, the relevant head of service/ strategic director remains responsible for overseeing the contract and ensuring the arrangement continues to deliver value for money.

#### ***Overseeing a Trading Company - Directorships***

- 7.3.17 The Council may choose to appoint representatives to the board of directors of its controlled trading company. A director's principal duty, under the relevant legislation e.g., the Companies Act 2006, is to the company. Members and officers who sit on a board of directors must be aware of the potential for conflicts of interest and therefore make themselves familiar with the applicable scheme of delegation and company law rules on conflict of interest
- 7.3.18 To avoid a conflict of interests arising in the roles of Chief Finance Officer and Monitoring Officer, neither the Chief Finance Officer, nor the Head of Legal and Democratic Services should become directors of a trading company.
- 7.3.19 Unless appointed to the board of directors of a trading company, members and officers must avoid becoming shadow directors of a trading company or compromising the governance arrangements of the trading company and/or the Council. Therefore, unless appointed to the board of directors, members and officers must not:
  - a) participate in board meetings of the company (except as observers)
  - b) take any decision on behalf of the company

c) require the trading company to clear or seek approval for its decisions with themselves (Save for reserved matters)

7.3.20 Oversight and control of the trading company should be exercised in accordance with its articles of association and shareholders' agreement.