

# FINANCIAL REGULATIONS

## INTRODUCTION

Financial regulations provide the framework for managing the authority's financial affairs. They apply to every Member and Officer of the Council and anyone acting on its behalf.

All employees and Members have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.

All employees and Members must read and understand the Financial Regulations and any related documents. It is the employee's responsibility to clarify any areas that they do not understand with their managers and/or the officers referred to in this document.

A material breach of financial regulations by employees may result in disciplinary action being undertaken. A material breach of financial regulations by Members may result in a referral to the Ethical Standards and Member Development Committee.

These regulations should be read in conjunction with the Contract Procedure rules and the council's Sale of Land and Buildings Protocol, and the responsibility for functions delegated to Chief Officers.

The regulations identify the financial responsibilities of the full Council, Cabinet and Scrutiny Members, the Head of Paid Service, Chief Officers, the Monitoring Officer and the Chief Finance Officer.



Where these Financial Regulations refer to the following officers, this should also be taken to include officers nominated by those officers: -

- Chief Executive
- Chief Finance Officer
- Head of Paid Service
- Chief Officer
- Monitoring Officer

Whenever any matter arises which may involve financial irregularity the Chief Finance Officer and the Monitoring Officer shall be notified immediately. If an irregularity is disclosed the matter may, at the discretion of the Chief Finance Officer and after consultation with the Head of Paid Service, be referred by them to the Council's Audit Services Manager for investigation who will subsequently report to Audit and Governance Committee. Further, in a case where the Chief Finance Officer advises that there is prima facie evidence of a criminal offence having been committed, the matter shall be reported to the police forthwith.



## **SUMMARY OF CONTENTS**

Part 1 explains the overarching financial responsibilities within the organisation.

Part 2 explains the financial responsibilities of the Chief Finance Officer.

Part 3 outlines the financial responsibilities of all Chief Officers.

Part 4 explains other financial responsibilities of: - •

Full Council

- Cabinet
- Budget & Corporate Scrutiny Management Board
- Leader
- Chief Executive
- Audit and Risk Assurance Committee
- Senior Information Risk Manager
- Chief Property Officer
- Monitoring Officer

Part 5 is a set of financial procedures which explains how the above responsibilities should be fulfilled. Budget holders should refer to these procedures in order to ensure that they are operating in line with the council's Financial Regulations.



# 1: POLICY FRAMEWORK & OVERALL RESPONSIBILITIES

## Full Council

- 1.1 The Full Council is responsible for adopting the Council's constitution and Members code of conduct and for approving the policy framework, budget and borrowing within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the Authority's overall framework of accountability as set out in its constitution and is responsible for monitoring compliance with agreed policy and reporting decisions taken.

In approving these Financial Regulations, the Council is specifying the extent of virement within the budget and the degree of in-financial year changes to the policy framework which may be undertaken by Cabinet and Chief Officers. Any other changes to the policy and budgetary framework are reserved to the Council.

The full council also has the power to make or amend Procurement and Contract Procedure Rules.

## The Cabinet

- 1.2 The Cabinet is responsible for proposing the policy framework and budget to the full Council and for implementing them once approved. The Cabinet is responsible for day to day direction of the Council's affairs within the approved policy and budget frameworks.

## Committees

- 1.3 The **Budget and Corporate Scrutiny Management Board** is responsible for scrutinising recommendations, considering referrals under the Call for Action and the Pre-Decision Scrutiny (Call in) processes, and reviewing and advising on the Council's policies and practices in respect of and upon such terms as are set out below: -



- (a) budget strategy;
- (b) budget monitoring;
- (c) examination of outturn reports;
- (d) treasury management function;
- (e) asset allocation and management;
- (f) procurement;
- (g) revenues and benefits;
- (h) corporate governance;
- (i) risk management.

1.4 The **Audit and Risk Assurance Committee** is a key component of the council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the Audit Committee is to provide independent assurance to elected members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

1.5 The **Ethical Standards and Member Development Committee** is responsible for advising the council on the adoption and revision of the Members code of conduct and for monitoring the operation of the code.

## **Statutory Officers**

### 1.6 **Head of Paid Service**

The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority as a whole. He/she must report to and provide information for the Cabinet, the full Council, Scrutiny Committees and other Committees. They are



responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

## 1.7 **Monitoring Officer**

The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and for reporting any actual or potential breaches of the law or maladministration and for ensuring that the procedures for recording and reporting key decisions are operating effectively. The Monitoring Officer is responsible for advising all members and officers about who has the authority to take a particular decision and whether a decision is likely to be considered contrary to the policy framework. The Monitoring Officer and the Chief Finance Officer are also responsible for advising the Cabinet or full Council if a decision could be considered contrary to the budget. An example of such a decision would be promoting a new policy without thought as to the budget implications.

## **Chief Finance Officer (Section 151 Officer)**

### 1.8 Financial Regulations

The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and Procedures and submitting any additions or changes to the full council for approval. The Chief Finance Officer is also responsible for reporting breaches of Financial Regulations to the Audit and Risk Assurance Committee.

### 1.9 Lawfulness and Financial Prudence of Decision Making

After consulting with the Head of the Paid Service and the Monitoring Officer, the Chief Finance Officer will report to the Full Council or to the Cabinet in relation to a Cabinet function and the Council's external auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.



The Chief Finance Officer, if necessary in conjunction with the Chief Executive and after consultation with the Leader of the Council, shall have the powers to take any action necessary to safeguard the financial interests of the Council.

#### 1.10 Contributing to Corporate Management

The Chief Finance Officer will contribute to the corporate management of the Council, in particular through the provision of professional financial advice.

#### 1.11 Administration

The Chief Finance Officer has responsibility for the proper administration of the Council's financial affairs. This includes:

- setting and monitoring compliance with financial management standards;
- ensuring effective systems of financial control, including internal audit arrangements;
- providing financial advice;
- advising on preparation of revenue and capital budgets;
- production of the annual Statement of Accounts;
- advising on anti-fraud and anti-corruption strategies;
- acting as the authority's money laundering reporting officer in accordance with good practice;
- securing the authority's banking arrangements; and
- providing a treasury management function in accordance with council policy.

These responsibilities are set out in statute such as section 151 of the Local Government Act 1972. They refer to the totality of the financial affairs of the Council in all its dealings. The rights and responsibilities of the Chief Finance Officer in relation to school delegated budgets are constrained, in part, by the provisions of the Education Reform Act 1988 and the School Standards and Framework Act 1998. Details are provided in the Sandwell Scheme for the Financing of Schools.

#### 1.12 Advice



The Chief Finance Officer is responsible for advising committees on all financial matters. They must be consulted on all financial matters and given adequate opportunity to provide written comments in any report with financial implications. All reports to the Cabinet or Committees with a significant financial implication are to be made under the joint names of the Chief Officer concerned and the Chief Finance Officer.

Where the urgency procedures set out in the Council's Constitution are to be invoked, the Chief Finance Officer must first be consulted on financial and other resource implications.

### 1.13 Accounting Records and Procedures

The Chief Finance Officer is responsible for keeping the accounts and financial records of the Council. They must also approve accounting and other systems with a financial function and accounting records of directorates.

Accounting procedures will reflect recommended professional practices, and follow accounting principles as determined by the Chief Finance Officer. Accounting procedures will be reviewed as necessary by the Chief Finance Officer in consultation with Service Directors to ensure that they provide the information required by both without duplication of records. No change to existing accounting procedures or systems must be made without prior consultation with the Chief Finance Officer.

### 1.14 Financial Information

The Chief Finance Officer will provide required financial information to the media, members of the public and the community.

### 1.15 Money Laundering

The Chief Finance Officer is appointed as the Money Laundering Reporting Officer. Money laundering is any process which is intended to use, control, hide or disguise monies or property which are derived from criminal activity and given the appearance



of being legitimate. The Council must be alert to the possibility that attempts could be made to utilise funds obtained from criminal activity to pay for Council services. The Council is committed to preventing money laundering by having proportionate and cost effective anti-money laundering systems and processes in place.

### **Chief Officers**

- 1.16 Chief Officers must operate efficient systems of financial control and are responsible for: -
- a) Ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.
  - b) Ensuring that Cabinet members are advised of legal implications of all proposals and that the legal implications have been agreed with the Monitoring Officer.
  - c) Consulting with the Chief Finance Officer and seeking their approval on any matter that could materially affect the authority's financial position before any commitments are incurred.
  - d) Ensuring that the ability to manage budgets under their control is only delegated to other officers at an appropriate level.
- 1.17 Chief Officers are responsible for ensuring staff receive appropriate training to undertake their financial responsibilities, in accordance with any standards set by the Chief Finance Officer.



## **2: RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER**

### **Budget Planning & Budget Monitoring**

#### **Budget Setting & Medium Term Financial Planning**

- 2.1 Ensures that a revenue budget for the coming year and a medium term financial strategy for the two subsequent financial years are prepared for consideration by the Cabinet.
- 2.2 Reports to the full Council on the robustness of estimates contained within the budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.
- 2.3 Prepares and submits reports on medium-term budget prospects to the Council, including resource constraints set by the Government.
- 2.4 Prepares and submits reports to the Cabinet on the aggregate spending plans of services and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 2.5 Advises the full council on Cabinet proposals in accordance with their responsibilities under Section 151 of the Local Government Act 1972.
- 2.6 Develops and maintains a resource allocation process that ensures that both capital and revenue expenditure plans take account of the council's policy framework and changing priorities within that.

#### **Scheme of Virement**

- 2.7 Ensures arrangements are in place to monitor the council's scheme of virement.

#### **Capital Programme**

- 2.8 Prepares capital strategy and estimates (usually over 5 years) jointly with Chief Officers and reports them to Cabinet.



## Budget Monitoring

- 2.9 Ensures that financial information is available to enable accurate and timely monitoring and reporting.
- 2.10 Ensures that budget management is exercised within annual cash limits.
- 2.11 Ensures that variances from approved budgets are investigated and reported by Budget Holders regularly.
- 2.12 Submits reports to Cabinet and to the full council where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under their control.
- 2.13 Submits reports on the council's projected income and expenditure compared with the budget on a regular basis to the Budget and Corporate Scrutiny Management Board and Cabinet.

## Year-End Accounting

### Preparation of annual accounts

- 2.14 Ensures that the annual statement of accounts is prepared in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice" (CIPFA/LASAAC).
- 2.15 Selects suitable accounting policies and ensures that they are applied consistently.
- 2.16 Makes judgements and estimates that are reasonable and prudent.
- 2.17 Signs and dates the Statement of Accounts, stating that it presents fairly the financial position and income and expenditure of the council for the year ended 31st March.

### Treatment of Year-End Balances

- 2.18 Ensures appropriate accounting procedures are in operation to confirm that carried-forward totals are correct.



- 2.19 Reports all surpluses and deficits on service estimates carried forward to the Cabinet.

## **Risk Management & Control Of Resources**

### Risk Management

- 2.20 Prepares and updates the authority's risk management policy statement and strategy in conjunction with Chief Officers.
- 2.21 Effects corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.
- 2.22 Provides for the provision of a professional advisory and coordinating service to Chief Officers on the management of risk within the council.

### Internal Audit

- 2.23 Ensures that an adequate and effective internal audit of the Council's accounting records and of its system of internal control in accordance with the proper practices in relation to internal control, is undertaken (these proper practices are in effect, the Public Sector Internal Audit Standards).

### Internal Control

- 2.24 Advises on effective systems of internal control which ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice.
- 2.25 Ensures that an Annual Governance Statement is prepared and published as part of the Annual Statement of Accounts.
- 2.26 In consultation with the Chief Executive, where, in their opinion, the management of a budget delegated to a Director is likely to create a significant adverse impact on the Council's overall financial management situation, determines whether the management of that budget will be assumed by another officer.



## Preventing Fraud & Corruption

- 2.27 Develops and maintains an anti-fraud and corruption policy and other fraud related policies and procedures in line with recognised best practice.
- 2.28 Ensures that irregularities are reported to Audit Services Manager for investigation, and where appropriate the Head of Paid Service, the Audit and Risk Assurance Committee, and the Cabinet.
- 2.29 In consultation with the Director of Law and Governance and the Audit Services Manager, ensures that where a prima facie case of financial impropriety is discovered and where reasonable evidence exists to conclude that a criminal offence may have been committed, a council led prosecution via the council's counter fraud unit and legal services; or alternatively formally refer the matter to the police for consideration where sufficient aggravating factors are deemed to be present to warrant such a referral. Where no referral is to be made to the police and a council led prosecution is to be pursued, then in such circumstances a notification shall be sent to the police informing them of the council's intention to pursue a prosecution.
- 2.30 Ensures that effective procedures are in place to investigate promptly any suspected fraud or irregularities.

## Investments & Treasury Management

- 2.31 Has delegated responsibility (from Full Council) for the execution and administration of treasury management decisions and will act in accordance with the authority's policy statement and TMPs.
- 2.32 Ensures that the council's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the council's Treasury Management policy statement, strategy and practices.
- 2.33 Reports a minimum of twice a year on treasury management activities to the Cabinet.
- 2.34 Acts as the council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the council.



## Security & Control of Council Property & Assets

- 2.35 Ensures that an accurate asset register is maintained in accordance with good practice for all fixed assets.
- 2.36 Ensures that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (SORP)

## Income & Debt Collection

- 2.37 Agrees arrangements for the collection of all income due to the council and to approve the procedures systems and documentation for its collection.
- 2.38 Reviews annually the council's Fees and Charges report.
- 2.39 Arranges for bank reconciliation statements to be regularly prepared for all bank accounts and for all matters arising from the reconciliations to be cleared as soon as practicable.
- 2.40 Approves all debts written off in consultation with the relevant Chief Officer and to keep a record of all sums written off up to the delegated limit.
- 2.41 Establishes and initiates appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 2.42 Maintains updates and ensures that all employees are aware of the council's Money Laundering Policy.

## Purchase Orders & Expenditure

- 2.43 Approves the form of official orders and associated terms and conditions.
- 2.44 Ensures that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.



## Trust Funds & Funds held for Third Parties

- 2.45 Maintains the accounting records of all Trust Funds in the name of the council and make arrangements for the safe custody of cash, stock certificates and other documents of title in connection with the investment of funds.

## Private Property & Safekeeping

- 2.46 Makes arrangements for the storage and security of all valuable items deposited with the council for safe storage.
- 2.47 Is responsible for all receiverships and administrations in which the council may have an interest.

## Staffing

- 2.48 Ensures that budget provision exists for all existing and new employees.
- 2.49 Acts as an advisor to Chief Officers on areas such as National Insurance and Pension Contributions, as appropriate.
- 2.50 Prepares the payroll or control and approve other arrangements made.

## Stocks & Stores

- 2.51 Determines the method to be followed in the valuation of stores for purposes of charging out stores and for evaluating stock in hand at the end of the financial year.
- 2.52 Determines and reviews the appropriate rate(s) of overhead charge arising from stocks and stores.

## Intellectual Property

- 2.53 Provides guidance on Intellectual Property rules.

## Imprest Accounts

- 2.54 Approves the set up of any new cash or bank imprest accounts to meet minor expenditure on behalf of the council and to prescribe rules for operating these accounts.



- 2.55 Determines the imprest value and petty cash individual transaction limit and maintains a record of imprests issued, and periodically reviews the arrangements for the safe custody and control of these imprests. This will include reviewing whether individual accounts are still required.

## **Financial Systems & Procedures**

### **Payments to Employees & Members, Holders of Office & Intermediaries (Personal Service Companies)**

- 2.56 Provides for the secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, Members, Holders of Office and Intermediaries (Personal Service Companies).
- 2.57 Records and makes arrangements for the accurate and timely payment of tax, pension contributions and other deductions.
- 2.58 Ensures that there are adequate arrangements for administering pension scheme matters.
- 2.59 Makes arrangements for payment of all travel, subsistence and Members allowance claims upon receiving the prescribed form, duly completed and authorised.
- 2.60 Ensures that there are adequate arrangements for administering Apprenticeship Levy matters.

### **Taxation**

- 2.61 Ensures all HM Revenue and Customs returns regarding PAYE and NI are completed.
- 2.62 Ensures a monthly return of VAT transactions is compiled and sent to HM Revenue and Customs.
- 2.63 Ensures details of the Construction Industry Scheme are provided to HM Revenue and Customs.



## Trading Accounts & Business Units

2.64 Advises on the establishment and operation of trading accounts and business units.

## External Arrangements

### External Funding

2.65 Approves the Strategic Finance appraisal and submission of the bid if the external funding bid relates to a project valued at £100k up to £500k.

2.66 Advises on effective controls and key elements of funding a project including: -

- A project appraisal assessing viability in the current and future years.
- Resourcing, including taxation issues.
- Audit, security and control requirements.
- Carry-forward arrangements.

2.67 Ensures that the accounting arrangements are satisfactory.



## **3: RESPONSIBILITIES OF CHIEF OFFICERS**

### **Budget Planning And Budget Monitoring**

#### **Budget Setting & Medium Term Financial Planning**

- 3.1 Prepare an estimate of income and expenditure for the financial year within the spending targets set by the Council. Service Managers and Cabinet Members should be consulted as part of this process.
- 3.2 Ensure that revenue and capital estimates reflect agreed Business Plans, are in line with the medium term financial strategy and capital strategy and, that they follow any guidance issued by the Section 151 Officer.

#### **Scheme of Virement**

- 3.3 Notify the Chief Finance Officer and consult the appropriate Cabinet Member before exercising virements on budgets under his/her control.
- 3.4 Ensure that virements between budgets managed by different directors are not exercised without prior approval of all directors affected by the virement and consultation with appropriate Cabinet Members. Confirmation of the agreed virement must be notified to the Chief Finance Officer and reported to Cabinet via the next appropriate financial monitoring report.
- 3.5 Obtain agreement from other Chief Officers and Cabinet Members before exercising virements that may impact on the level of service activity in their service area.

#### **Budget Monitoring**

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



## **Year-End Accounting**

### **Preparation of year-end accounts**

- 3.7 Ensure that staff adhere to all closedown deadlines issued by the Chief Finance Officer.

## **Risk Management & Control Of Resources**

### **Risk Management**

- 3.8 Identify, assess, control and report risks within their respective services in order to ensure that, where appropriate, threats and their impacts are minimised to an acceptable level.
- 3.9 Ensure that sound arrangements for the security and continuity of service in the event of a disaster are in place.

### **Internal Audit**

- 3.10 Ensure that internal auditors/fraud investigators have the right of access to all records, assets, personnel and premises, including those of partner organisations, and has the authority to obtain such information and explanations as it considers necessary to fulfil their responsibilities.
- 3.11 Ensure that recommendations made by Internal Audit are actioned within their own service.

### **Internal Control**

- 3.12 Ensure that effective systems of internal control are in place within their service areas and that their employees have a clear understanding of the consequences of a lack of internal control.
- 3.13 Contribute to the Annual Governance Statement by completing Annual Assurance Statements where required.

## **Preventing Fraud & Corruption**



- 3.14 Notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the council's property or resources.
- 3.15 Instigate the council's disciplinary procedures where the outcome of an audit investigation indicates that fraudulent activity has taken place by an employee/member.

#### Security & Control of Council Property & Assets

- 3.16 Ensure the proper security of all buildings and other assets under their control.
- 3.17 Maintain inventories of furniture, fittings, equipment, plant and machinery above £500 in value, in a manner agreed with the Chief Finance Officer.
- 3.18 Make arrangements for the care, custody, physical control and security of stocks and stores in the service maintain a proper stores control system and stores records.

#### Income & Debt Collection

- 3.19 Establish a charging policy for the supply of goods and services, including the appropriate charging of VAT, and to review it and least annually, in line with corporate policies.
- 3.20 Ensure compliance with the anti-money laundering policy.
- 3.21 Assist the Chief Finance Officer in collecting debts that they have originated, by providing appropriate information requested by the debtor, maintaining records or evidence of acceptance of the debt and in pursuing the matter on the council's behalf.

#### Purchase Orders & Expenditure

- 3.22 Ensure the requirements of the Procurement and Contract Procedure Rules are observed in respect of all purchases.
- 3.23 Utilise the services provided by Procurement Services as appropriate.



## Trust Funds & Funds held for Third Parties

- 3.24 Ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

## Private Property & Safekeeping

- 3.25 Ensure that all items of private property deposited with the council are recorded on an itemised inventory prepared in the presence of two officers.

## Staffing

- 3.26 Produce an annual staffing budget which is an accurate forecast of staffing levels.
- 3.27 Monitor employees' activity to ensure adequate control over such costs as sickness, overtime, training and temporary employees.

## Stocks and Stores

- 3.28 Make arrangements for the care, custody, physical control and security of stocks and stores in the service and for the maintenance of a proper stores control system and stores records.

## Intellectual Property

- 3.29 Ensure that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware of an employer's rights with regard to intellectual property.

## **Financial Systems & Procedures**

### Payments to Employees & Members, Holders of Office & Intermediaries (Personal Service Companies)

- 3.30 Notify the Chief Officer responsible for payroll 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 that Chief Officer.
- 3.31 Ensure payments to employees are processed only through the payroll system.



- 3.32 Ensure payment of salaries and wages in advance is not made except in the case of persons leaving the service of the council before the day on which their salary or wage is normally paid or at the discretion of the Chief Finance Officer.
- 3.33 Ensure payments to Holders of Office are processed through the payroll system in-line with HMRC regulations.
- 3.34 Ensure payments to Intermediaries (Personal Service Companies) relating to the provision of services are processed through the payroll system in-line with HMRC regulations.

## **External Arrangements**

### **External Funding**

- 3.35 Ensure that the appropriate Corporate Finance Team undertake an appraisal of all future bids for external funding prior to submission where the council is being nominated to act as the Accountable Body, Applicant, Partner, or the bid requires council resources (including match funding) or where the council owns the asset. Where an appraisal cannot be undertaken prior to submission due to detailed costings not available as the bid only requires indicative information or there are bidding time constraints, then written approval must be received by the Chief Finance Officer prior to submission. Finance must be advised of any bids under £500k including any match funding requirements, it will be the responsibility of the Director to adhere to any grant/funding conditions.
- 3.36 Ensure that before entering into grant funding agreements with external bodies, the agreement is consistent with the funder conditions and values appraised by the appropriate Corporate Finance Team which are reported and approved in line with the following thresholds:
- Up to £100k Chief Officer
- £100k to £500k Chief Finance Officer in consultation with the Cabinet Member for Finance
- £500k to £1m relevant Cabinet Member



## Over £1m Cabinet

Where unplanned (not bid for) government grants over £500k are received appropriate checks must be done on the grant terms and conditions prior to incurring any expenditure to be funded from the grant. All spending plans linked to the grant funding should be approved in line with the virement limits.

- 3.37 Ensure that such agreements and arrangements do not impact adversely upon the services provided by the council.
- 3.38 Ensure that all claims for funds are made by the due date.
- 3.39 Ensure that the appropriate Cabinet Member is informed how the proposed external funding fulfils the council's policies prior to any bid being submitted for external funding.
- 3.40 Ensure that the project progresses in accordance with the agreed project approval and that all expenditure is properly incurred and appropriately recorded.
- 3.41 Comply with rules of the funding body.



## 4: OTHER OFFICER/MEMBER RESPONSIBILITIES

### Budget Planning & Budget Monitoring

#### Budget Setting & Medium Term Financial Planning

- 4.1 **Full Council** agrees the budget following proposals being submitted by the Cabinet.
- 4.2 **Cabinet** sets the target budget for each service area and approves the key assumptions to be used in the preparation of revenue and capital budgets.
- 4.3 **Budget and Corporate Scrutiny Management Board** makes reports or recommendations to Council or the Executive in connection with the council's budget.

#### Scheme of Virement

- 4.4 **Full Council** specifies the extent of virement within the budget and degree of in-financial year changes to the policy framework which may be undertaken by Cabinet and Chief Officers.
- 4.5 **Cabinet** approve virements in accordance with the limits set by Council.

#### Capital Programme

- 4.6 **Full Council** approves the capital programme and the capital strategy.
- 4.7 **Cabinet** make recommendations to Full Council on the capital strategy including prudential borrowing policy and approve capital projects.

#### Budget Monitoring

- 4.8 **Cabinet** receive regular budget monitoring reports.

### Year-End Accounting

#### Preparation of year-end accounts

- 4.9 **Audit and Risk Assurance Committee** approves the statutory annual Statement of Accounts.



## Treatment of year-end balances

- 4.10 **Cabinet** approves the carry forward of any net underspends of budgets under the control of a Chief Officer as part of the year outturn report.

## Risk Management & Control Of Resources

### Risk Management

- 4.11 The **Audit and Risk Assurance Committee** approves the authority's risk management strategy and reviews the overall effectiveness of the strategy.
- 4.12 The **Audit and Risk Assurance Committee** provides independent assurance of the adequacy of the governance risk management and internal control framework and independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 4.13 The **Senior Information Risk Manager** is responsible for the management of information risk.

### Internal Audit

- 4.14 The **Audit and Risk Assurance Committee** approves the Annual Internal Audit Plan.

### Internal Control

- 4.15 The **Chief Executive and Leader of the council** are responsible for signing off the Annual Governance Statement after it has been approved by Audit Committee.

### Preventing Fraud & Corruption

- 4.16 The **Monitoring Officer** is responsible for maintaining the Register of Members' Interests.
- 4.17 The **Audit and Risk Assurance Committee** provides independent assurance that the council has strong and effective anti-fraud processes in place.



## Investments & Treasury Management

- 4.18 **Full Council** approves the treasury management strategy recommended by Cabinet.
- 4.19 **Cabinet** has delegated responsibility (from full Council) for the implementation and regular monitoring of treasury management policies and practices.

## Security and Control of Council Property and Assets

- 4.20 The **Chief Property Officer** will maintain property database in consultation with the Chief Finance Officer for all land and buildings currently owned or used by the council including those assets acquired on behalf of partner agencies.
- 4.21 The **Monitoring Officer** is responsible for custody of all title deeds.

## Income & Debt Collection

- 4.22 **Cabinet** approve the Debt Recovery Policy and Procedures produced by the Chief Finance Officer.
- 4.23 **Cabinet** approve the writing off of debts above the delegated limit for the Chief Finance Officer.
- 4.24 **Cabinet** approve annually the council's Fees and Charges report.

## Purchase Orders & Expenditure

- 4.25 All employees and Members of the council have a responsibility to declare any links or personal interests they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the council, in accordance with appropriate codes of conduct.

## Financial Systems & Procedures

### Payments to Employees & Members, Holders of Office & Intermediaries (Personal Service Companies)

- 4.26 **Full Council** adopt a Members' Allowance Scheme.



## External Arrangements

### External Funding

- 4.27 **Cabinet** approve the Strategic Finance appraisal and submission of the bid if the external funding bid relates to a project valued above £1m.



## **5: FINANCIAL PROCEDURES**

### **Budget Planning & Budget Monitoring**

#### 1. The Annual Budget

**The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the council has to base its budget calculations upon, and require the council to set a balance budget with regard to the advice of its Chief Finance Officer (section 151). The setting of the budget is a function reserved to full Council, who will consider the draft budget which has been prepared by the Executive (in a Leader and Cabinet or Elected Mayor model). Once the budget has been agreed by full Council the Executive cannot make any decisions which conflict with it, although virements and year-in-year changes can be made in accordance with the council's financial regulations.**

**Section 30(6) LGFA 1992 provides that the council has got to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set, although failure to set a budget within the deadline does not in itself invalidate that budget. Such delay, however, may have significant financial administrative and legal implications, including potentially an individual liability for those members who contributed to the failure to set the budget. If a budget is not set, s.66 LGFA 1992 provides that the failure or delay to or in setting the council tax can only be challenged by an application for judicial review, with either the Secretary of State or any other person with sufficient interest (which potentially could include a council taxpayer) able to apply.**

1.1 Chief Officers must sign and submit Budget Accountability Letters in order to accept responsibility for the budgets under their control.

#### 2. Maintenance of Reserves

**The local council must decide the 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 a deficit budget position, should such events occur. Reserves**



**for specific purposes may also be maintained, such as the purchase or renewal of capital items.**

- 2.1 Reserves must be maintained in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: SORP* (CIPFA/LASAAC) and agreed accounting policies.
3. Budget Monitoring and Control

**Budget monitoring ensures that once the budget has been approved by the full council, resources allocated 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 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 budgetary targets, the council can identify changes in trends and resource requirements at the earliest opportunity. The council itself operates within an annual cash limit, approved when setting the overall budget.**

- 3.1 Once the budget has been approved by full council, resources allocated must be used for their intended purposes and be properly accounted for. Each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- 3.2 Chief Officers must use all reasonable endeavours to ensure that regular and accurate budget monitoring forecasts are produced and submitted to the Chief Finance Officer in line with the budget monitoring timetable. The Chief Finance Officer will consolidate these reports and present them to Cabinet.
- 3.3 Each cost centre must have a nominated budget holder determined by the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
- 3.4 Recurring expenditure should not be funded from one-off sources of savings or income.



3.5 Future commitments should not be created, including full-year effects of decisions made part way through a year, for which future resources have not been identified.

#### 4. Scheme of Virement

**The scheme of virement is intended to enable the Cabinet, Chief Officers and their employees to manage budgets with a degree of flexibility within the overall policy framework determined by the full council, and therefore to optimise the use of resources. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure.**

- 4.1 Virement cannot create additional overall budget liability.
- 4.2 A Chief Officer may exercise virement on budgets under their control for amounts up to £500,000 on any one sub division during the year, following notification via a virement approval form to the Chief Finance Officer and under arrangements agreed by the full council.
- 4.3 Virements up to £500,000 may be exercised between budgets managed by different Chief Officers subject to the approval of all Chief Officers affected by the virement and following consultation with the appropriate Cabinet Members. A virement approval form should be forwarded to the Chief Finance Officer and reported to Cabinet via the next appropriate financial monitoring report.
- 4.4 Virements above the Chief Officer Level of £500,000 and below £1m must be approved by the appropriate Cabinet Member(s) and reported to Cabinet via the next appropriate financial monitoring report.
- 4.5 Virements above £1m must be approved by Cabinet.
- 4.6 Virements should have no impact on the level of service activity of another Chief Officer.
- 4.7 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.



## 5. Capital Programme

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

**Capital expenditure should form part of a corporate investment strategy and should be carefully prioritised in order to maximise the benefit from scarce resources.**

5.1 Prior to incurring expenditure on any capital scheme above £1m, including purchase or disposal of land and buildings, irrespective of funding stream (i.e. borrowing, grant, revenue), a full capital appraisal form must be completed and appraised by the appropriate corporate finance team. The capital appraisal form should include the following:

- Strategic Case
- Economic Case
- Commercial Case
- Financial Case
- Management Case
- Managing other resources

Schemes below £1m will require a summary appraisal which will detail all key and pertinent information

5.2 Each capital scheme must have a named manager or project officer.

## Year-End Accounting

### 6. Treatment of Year-End Balances

**The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.**

6.1 Any request to carry forward a net underspend against an approved budget is required to be included in the annual outturn



report to Cabinet for approval. This report must detail the reason for the surplus and proposed use of the carry forward.

## 7. Annual Statement of Accounts

**The council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year.**

- 7.1 The Chief Finance Officer will arrange for a timetable and accounting guidance for final accounts preparation to be drawn up and distributed. All staff must ensure that they adhere with this timetable and guidance.
- 7.2 Chief Officers must comply with accounting guidance provided by the Chief Finance Officer and supply the Chief Finance Officer with information when required.

## Risk Management And Control Of Resources

### 8. Risk Management

**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, identify and manage barriers to the achievement of the council's objectives and to ensure the continued financial and organisational well-being of the organisation.**

- 8.1 Chief Officers must prepare, maintain and regularly review a risk register identifying:
- each material risk
  - its likelihood of occurrence
  - the impact on service delivery/resources
  - a list of the controls in place
  - assurances over these controls regarding their adequacy and effectiveness
  - further risk mitigating actions required and assignment of these.



## 9. Insurance

**The Chief Finance Officer, in consultation with Chief Officers, is responsible for determining the authority's policy in terms of insurable risks.**

- 9.1 Chief Officers must ensure that the Chief Finance Officer is notified annually of all existing risks which are required to be insured.
- 9.2 The Chief Finance Officer must be notified promptly of
- all new risks, property, vehicles and other assets which are required to be insured
  - alterations, valuations or deletions affecting existing insurance cover, including schools that change to academies, change of use of premises, etc. any proposed changes to policies and internal control systems so that consideration can be given to the insurable risk impact. E.g. cash handling procedures, frequency of asset inspections (including highways, empty properties, trees, housing stock, etc.); health and safety policy changes; security changes; large construction or refurbishment contracts.
- 9.3 Any claims received or any occurrence that could give rise to a potential claim for compensation being made against the authority must be passed to the Chief Finance Officer immediately. Chief Officers must supply the Chief Finance Officer with information in respect of claims when required. Chief Officers will be responsible for any costs incurred as a result of delays in passing information to the Chief Finance Officer.
- 9.4 Chief Officers must ensure that employees, or anyone covered by the council's insurances, do not:
- admit liability
  - any comment or give an opinion about a matter
  - make any offer to pay compensation
- that may prejudice the assessment of liability in respect of any insurance claim.



## 10. Treasury Management

**The Treasury Management Strategy Statement and Treasury Management Practices (TMPs) aim to provide assurances that the council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the council's capital sum.**

- 10.1 All investments of money must be made in the name of the name of the council or in the name of nominees approved by the full council.
- 10.2 Chief Officers must ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the full council, following consultation with the Chief Finance Officer.
- 10.3 All borrowings must be in the name of the council.

## 11. Banking Arrangements

**The Chief Finance Officer is responsible for the banking arrangements and is authorised to operate such bank accounts as are considered appropriate. The banking arrangements must be reviewed on a regular basis and negotiations regarding banking terms and overdraft facilities undertaken.**

- 11.1 Opening or closing any bank accounts must be approved by the Chief Finance Officer.

## 12. Internal Audit and Fraud

**Internal audit is an independent and objective appraisal function established by the council for reviewing the system of risk management, governance and internal control. It examines, evaluates and reports on the adequacy of internal control, risk management and governance as a contribution to the proper, economic, efficient and effective use of resources.**

- 12.1 Internal audit must be independent in its planning and operation.



- 12.2 The Audit Services Manager should have direct access to the Head of Paid Service, all levels of management and elected Members.
- 12.3 Internal auditors must comply with Public Sector Internal Audit Standards as specified by the relevant Internal Audit Standard Setters.
- 12.4 Internal auditors and fraud investigators must have the authority to: -
- access council premises at reasonable times
  - access all assets, records, documents, correspondence and control systems
  - receive any information and explanation considered necessary concerning any matter under consideration
  - require any employee of the council to account for cash, stores or any other council asset under his/her control
  - access records belonging to third parties, such as contractors, when required.
- 12.5 A Confidential Reporting (Whistleblowing) Code has been put in place by the council. This is intended to encourage and enable employees to raise any serious concerns within the council rather than overlooking a problem. These procedures are detailed in a separate policy document and are in addition to the council's complaints procedures and other statutory reporting procedures applying to some services.

### 13. Security and Control of Assets

**The council holds assets in the form of property, vehicles, equipment, furniture and other items including information 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.**



- 13.1 Assets should be identified, their location recorded, appropriately marked as council property and insured.
- 13.2 Inventories must be maintained in a manner agreed with the Chief Finance Officer. These must record an adequate description of furniture, fittings, equipment, plant and machinery  
above £500 in value. Items below this value may be included where it is felt they are particularly attractive or desirable.
- 13.3 An annual check of all items on the inventory should be undertaken in order to: -
- Verify location;
  - Review condition;
  - Take action in relation to surpluses or deficiencies annotating the inventory accordingly.
- 13.4 Any surplus or deficiency revealed by the annual inventory check shall be notified to the Chief Officer who shall take such action as deemed necessary.
- 13.5 Any use of property by a service or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 13.6 Occupiers and prospective occupiers of council property are not allowed to take possession or enter council property until a written lease, tenancy or agreement, in a form approved by the Chief Property Officer in consultation with the Chief Legal Officer, has been established and signed as appropriate.
- 13.7 No council asset should be subject to personal use by an employee or other person without proper authority.
- 13.8 The Chief Finance Officer should be consulted where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 13.9 The Chief Finance Officer should be consulted where security of cash is concerned. Cash holdings on premises must be kept within the limits covered by the council's insurance provision and



within the manufacturer's safe limit. Where cash is not held in a locked safe or strongroom the limit is £500.

- 13.10 Keys to safes and similar receptacles must be held in a secure place at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- 13.11 All employees have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records.
- 13.12 Stocks must be maintained at reasonable levels and be subject to a regular independent physical check.
- 13.13 All discrepancies should be investigated and pursued to a satisfactory conclusion. Records of stocks checked and discrepancies found are to be kept.
- 13.14 Discrepancies should be removed from the council's records as necessary, in accordance with the council's Procurement and Contract Procedure Rules. Chief Officers must authorise write offs.
- 13.15 Suitable officers should be designated as responsible for: -
  - a) Custody of stocks and stores;
  - b) Maintenance of stores and accounting records;
  - c) Authorising the issue of stocks and stores; and
  - d) Carrying out the stocktaking of all stores.

No officer should be responsible for more than one of the functions of a, b, c or d above.

- 13.16 Chief Officers must certify the quantity and value of the stocks and stores in his/her service and forward a copy of the certification to the Chief Finance Officer at least annually.



## 14. 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 banked properly.**

- 14.1 All money received by an employee on behalf of the council, Fire Service, and the Sandwell Leisure Trust must be paid without delay to the Chief Finance Officer or, as they direct, to the council's bank and properly recorded. The responsibility for cash collection should be separated from that for identifying the amount due or reconciling the amount due to the amount received. All cash income must be locked away in order to safeguard against loss or theft.
- 14.2 Money collected and deposited must be reconciled to the bank account by a person who is not involved in the collection or banking process.
- 14.3 Provision for doubtful debts is made based on trend analysis of income collection rates for each individual type of debt. Where particular assumptions are made these should be recorded and regularly reviewed.
- 14.4 The Chief Finance Officer has delegated powers to write off any individual debt(s) (including any associated court costs and bailiffs' fees) up to the value of £25,000 per individual or organisation, which is considered to be uneconomical to collect or is irrecoverable. All individual debts above this amount shall be done in consultation with the Cabinet Member for Finance and Corporate Resources, and Director of Law and Governance.
- 14.5 Formal approval for debt write-off must be obtained in accordance with the council's General Debt Recovery Policy and Guidance.
- 14.6 Appropriate write-off action must be taken within defined timescales in accordance with the council's General Debt Recovery Policy and Guidance.



- 14.7 Appropriate accounting adjustments must be made in the same month as the write-off action.
- 14.8 No cash payments above £2,000 should be accepted in accordance with the council's Anti Money Laundering Policy.
- 14.9 All customers are advised to post payments to PO Box 2372. Any post to this address must be opened in the presence of two members of staff.
- 14.10 Used/copy receipts and other records of income must be held securely in line with the Council's document retention policy. Stocks of unused receipts etc. must also be held securely when not in use.
- 14.11 The approved Council finance system must be used to raise invoices to external debtors promptly.
- 14.12 Every cash sum received by an employee of the council must be immediately acknowledged by the issue of an official receipt ticket or voucher or entry in a rent card or other authorised record except where other arrangements are agreed with the Chief Finance Officer.
- 14.13 All receipts, other than those issued by official receipting machines, must be signed by the employee issuing them in their own name as on behalf of the Chief Finance Officer unless the form of receipt provides for a facsimile signature of the Chief Finance Officer by a receipting machine. Where payment is received by cheque and the payer does not require a receipt such special arrangements as are approved by the Chief Finance Officer shall operate.
- 14.14 All cheques, money orders, postal orders, received payable to the council must be immediately crossed "Sandwell MBC" except where other arrangements are agreed with the Chief Finance Officer.
- 14.15 A record must be retained of every transfer of money between employees of the council. The receiving employee must sign for the transfer and the transferor must retain a copy.



14.16 Income must be paid fully and promptly into the appropriate council, Fire Service and Sandwell Leisure and Art Trusts bank accounts in the form in which it is received. No deductions shall be made from such money save to the extent that Chief Finance Officer may specifically authorise. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Each officer who banks cheques shall enter on the council's copy of the paying-in slip a reference to the related debt (such as the receipt number, account number, name of debtor) or retain the appropriate cheque list.

14.17 Income must not be used to cash personal cheques or other payments.

## 15. Expenditure

**Public money should be spent with demonstrable probity and in accordance with the council's policies. Councils have a statutory duty to achieve best value in part through economy and efficiency. The council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the council's code of practice on tenders and contracts specified in the Contract Procedure Rules.**

15.1 Members of the council are not authorised to procure, contract or instruct suppliers to provide goods or services to the council.

15.2 Budget holders should use the approved council finance ordering and payments system for all expenditure with the exception of: -

- Procurement card transactions
  - Employee expenses via payroll
  - Transactions where it is agreed that a confirmation order is acceptable. The main example of these are: -
    - Utility Supplies - Gas, Electricity, Water, Street Lighting
    - Photocopier Usage
    - Post Related – Franking, postage, cash collection services, Mail Collection
    - Leasing
    - Bank Charges
    - Fuel Cards



- Eye Tests
- Audit Fees

This list is not exhaustive.

- 15.3 Purchase Orders shall be raised for all works, goods and services to be supplied to the council except for such exceptions as the Chief Finance Officer may approve. The Purchase Order [PO], and therefore the recognised approval, shall precede the acquisition and receipt of goods and services. The PO shall show the quantities and terms of transaction.
- 15.4 In exceptional emergency situations, a PO can be raised after the acquisition of goods or services but this must take place within 2 working days.
- 15.5 Each PO must conform to the Contract Procedure Rules approved by the full council. Standards terms and conditions must not be varied without the prior approval of the Chief Finance Officer.
- 15.6 In the limited circumstances where it is not possible for a Purchase Order to be raised prior to an invoice being received (below £1m in value) an NCI form must be completed and forwarded to the appropriate section in the Finance Department for approval. Invoices above £1m, where no Purchase Order has been raised, must be approved by Cabinet.
- 15.7 All purchases made on behalf of the council should fully utilise the central contracts in place. Alternative suppliers should not be used where goods and services are available through a Corporate Contract.
- 15.8 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of council contracts.
- 15.9 Procurement Cards may be approved for use by the Chief Finance Officer as an alternative means of acquiring and paying for goods and services in circumstances where the generation of purchase orders is deemed inappropriate and inefficient. A



Procurement Cardholder Guide is in operation. The Chief Finance Officer may withdraw cards at any time.

- 15.10 Approval of a transaction must be sought in its entirety at the correct level. The raising of two or more orders for a transaction and obtaining multiple approvals at a lower level is not permitted.
- 15.11 Goods and services received must be checked to ensure they are in accordance with the order. Goods above £100 should not be received by the person who raised or authorised the order.
- 15.12 Payments must not be made unless goods have been properly receipted by the council to the correct price, quantity and quality standards.
- 15.13 All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
- 15.14 All POs are to be approved by an authorised employee on behalf of the Chief Officer. All employees approving expenditure must be satisfied that the works/goods/services are appropriate and necessary, that there is adequate budgetary provision and that the requirements of the Contract Procedure Rules have been complied with.
- 15.15 A Delivery Note must be obtained for every delivery of goods, wherever possible. All goods should be checked to confirm quantity at the time of delivery and goods should be inspected to confirm compliance with specification as soon as practicable after delivery. Non-delivery, shortages, or damage to goods listed on a Delivery Note must be reported in writing to the appropriate supplier as soon as practicable. This check is to be carried out by a different officer from the person who approved the purchase requisition. Goods received records should be maintained where considered appropriate by the Chief Finance Officer and entries made in inventories or stores records.
- 15.16 All satisfactory deliveries must be duly recorded against the relevant purchase order within 2 working days of actual delivery.



- 15.17 To ensure that for any invoices or payment documents that are exempt from POs and are presented for payment, the authorising employees have satisfied themselves that:
- a) the goods have been received and are satisfactory in respect of quantity, quality and compliance with specification;
  - b) the work done or services rendered have been satisfactorily performed and comply with specification;
  - c) grants, awards, allowances, reimbursements and gratuitous payments are in accordance with official scales and the authority for payment given by the council;
  - d) the prices, extensions, totals, calculations, trade discounts, other allowances, credits and value added tax are correct;
  - e) the expenditure has been properly incurred and is within the estimated provision;
  - f) the invoice has not previously been passed for payment and is a proper legal liability of the council;
- 15.18 Payment Vouchers must not be raised in place of supplier invoices.
- 15.19 No amendments should be made to an original invoice and invoices must not be part paid. Disputes must be raised with the supplier and any reductions settled via Credit Note.
- 15.20 Loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer.
- 15.21 The Chief Finance Officer must be notified immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 15.22 Following payment processing, all payment documents must be securely retained in accordance with statutory, procedural and operational requirements.
- 15.23 Any contract which exceeds £100,000 entered into on behalf of the Local Authority in the course of the discharge of an executive function should be in writing. Such contracts must either be signed



by the Director of Legal and Governance Services or other person authorised by him/her or made under the Common Seal of the Council and attested by the Director of Legal and Governance Services or other person authorised by him/her.

16. Contracts for Building, Constructional or Engineering Work

**The nature and size of contracts for building, constructional or engineering work is such that specific arrangements are required over and above those required for general creditor payments. These contracts require the provision of services over a considerable period and arrangements are therefore required to make instalment payments to suppliers for work carried out at periodic intervals. It is important that appropriate controls are in place to ensure that payments are only made when due and in accordance with the contract.**

- 16.1 Services provided must be checked to ensure that they are in accordance with the contract.
- 16.2 Legal Services should be consulted on any variations to contracts to ensure that such variations are not significant enough to require a new procurement process to take place.
- 16.3 Any variations to contracts must be submitted to the Chief Finance Officer for approval before being allowed.
- 16.4 Payments must not be made unless services/works have been undertaken on behalf of the council to the correct price, quantity and quality standards.
- 16.5 All payments must be made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
- 16.6 All appropriate evidence of the transaction and payment documents must be retained and stored for the defined period, in accordance with the document retention schedule.
- 16.7 Where contracts provide for payments to be made by instalments, a Contract Register must be maintained which details the current position on each contract between the council and the contractor,



together with any other payments relating to fees of professional consultants. A copy of the Contract Register must be provided to the Corporate Procurement Manager. The Chief Legal Officer is to notify the Chief Finance Officer of particulars required of each contract immediately as it has been made.

- 16.8 Instalment payments to contractors should only be made on a certificate in a form supplied and approved by the Chief Finance Officer.
- 16.9 To ensure that the service maintains and reviews periodically a list of employees approved to authorize certificates. Names of authorising employees together with specimen signatures and details of the limits of their authorization shall be forwarded to the Chief Financial Officer.
- 16.10 Certificates for payment issued by private architects, engineers, quantity surveyors and other consultants must be attached to the approved form of certificate outlined in 13.6.
- 16.11 Contract documents should be issued to and returned promptly by the contractors and the particulars of each contract are notified immediately to his/her representative upon completion. No more than one payment is to be made to a contractor before the contract documents have been completed.
- 16.12 Certificates for payment must show the appropriate amount of Value Added Tax [VAT] coded to the appropriate head of account. Where a pre-authenticated tax receipt is required (i.e. where the council adds the appropriate VAT onto the amount claimed by the contractor and a VAT acknowledgement is to be returned by the contractor) the payment certificate must show that such receipt is required.
- 16.13 Retention monies must be calculated correctly and deducted from each certificate payment.
- 16.14 Certificates for payment must be forwarded to the Chief Finance Officer at least five working days before payment is due.



- 16.15 Every variation, addition to or omission from the contract must be certified in writing by an authorised employee of the council and complies with the Contract Procedure Rules. A copy of the variation, addition or omission certificate must be forwarded to the contractor and the Chief Finance Officer.
- 16.16 The final certificate of payment under any contract should not be issued until the Chief Officer is satisfied that the final account detail sheet has been subject to appropriate checks by the relevant technical officer and manager.
- 16.17 Arrangements should be made with the contractor for the production of detailed statement of account and such other documents the Chief Finance Officer may require prior to the contractual date for the final release of retention.
- 16.18 Where delays to the contract completion date are encountered the appropriate certificates must be issued in accordance with the terms and conditions of contract and claims for liquidated damages should be considered and actioned where appropriate.
- 16.19 The supervising officer must arrange for the Chief Finance Officer or nominated staff, when requested and subject to their attendance, to obtain access to sites during the progress of the contract in order to examine records and procedures.
- 16.20 Ex-gratia claims from contractors in respect of matters not clearly within the terms of any existing contract must be referred to the Director of Law and Governance for consideration of the council's legal liability and to the Chief Finance Officer before a commitment is incurred.
- 16.21 Where contracts entered into by the council are supervised, managed and/or administered by persons or firms other than the council's own employees, the agreement with the persons or firms must provide that there is compliance with the council's Contract Procedure Rules and Financial Regulations and Procedures in respect of contracts. The agreement shall also provide that the third party and the council should retain all



accounts, vouchers and documents relating to the contract until after the council's accounts have been audited by the External Auditor.

## 17. Payments to Employees and Members

**Employees' 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' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorized in accordance with the scheme adopted by the full council.**

- 17.1 Payroll expenditure should be frequently reconciled against approved budget and bank account.
- 17.2 All appropriate payroll documents must be retained and stored for the defined period in accordance with legislative and operational requirements.
- 17.3 All statutory legislation relating to payroll and pension regulations must be complied with.
- 17.4 Systems and procedures must ensure 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
  - Employees' records listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 17.5 Pay documents must be approved and signed in a recordable format by an authorised officer on behalf of the Chief Officer. The certification means that:-
- The person has worked the period stated on the document;



- The rates of pay and other emoluments shown on the document are correct;
- Any other matter affecting entitlement to pay is correct.

17.6 All pay documents must be in a form approved by the Chief Finance Officer.

17.7 All employees must be aware of the procedures and entitlement to payment for subsistence, travelling and incidental expenses.

Employees should have access to up to date policy guidelines and documents relating to travel and subsistence, and vehicle allowances.

17.8 All claims for payment of subsistence, travelling and incidental expenses must be submitted to the Chief Finance Officer duly certified on a form supplied by them, except for those categories of officers and types of travelling expenses for which alternative arrangements are approved by the Chief Finance Officer.

17.9 Travel and subsistence claims and other allowances must be certified for payment by an authorised officer. Certification is taken to mean that journeys were authorised, expenses properly and necessarily incurred, and that allowances are properly payable by the council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax and NI implications and that the Chief Finance Officer is informed where appropriate.

17.10 The Chief Finance Officer must be notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

## 18. Trading Accounts and Business Units

**Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.**



- 18.1 The Chief Finance Officer must be consulted where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 18.2 A separate revenue account must be maintained for business units to which all relevant income and expenditure is coded, including overhead costs.

