

# Financial Procedure Rules

<b>Document Owner :</b>	Director of Finance and Corporate Services
<b>Date of Issue :</b>	<del>February</del> <del>May</del> <del>June</del> 2017 <del>3</del>
<b>Version-:</b>	4.0
<b>Date of Next Review :</b>	March 2018 <del>4</del>

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# FINANCIAL PROCEDURE RULES

## Introduction

1. These rules are made in pursuance and for the purposes of Section 151 of the Local Government Act 1972 as augmented by the Local Government Finance Act 1988, the Accounts and Audit Regulations 2011 and other relevant legislation and regulations.
2. The Director of Finance and Corporate Services shall be the Officer with responsibility for the proper administration of the financial affairs of the Council in accordance with Section 151 of the Local Government Act 1972 and other relevant legislation and regulations.
3. Chief Officers shall be responsible for the operation of the Financial Procedure Rules within their departments. They shall ensure that adequate operational controls are in place. They shall ensure that staff, in their departments, are aware of and comply with these overarching Financial Regulations and these Financial Procedure Rules.
4. The Director of Finance and Corporate Services shall issue a standard set of Financial Procedure Rules to assist Chief Officers in carrying out their responsibilities. It is open to Chief Officers to propose alternative procedures. The Director of Finance and Corporate Services is authorised to agree amendments, provided basic controls are met. Any departure from standard Financial Procedure Rules must be clearly documented and approved.
5. The Director of Finance and Corporate Services may, from time to time, issue accounting instructions to make further provision for the proper administration of the financial affairs of the Council. Accounting instructions shall form part of these rules.
6. Financial Procedure Rules may make provision for:
  - (a) the form and content of any document dealing with financial matters;
  - (b) the disclosure of information to the Director of Finance and Corporate Services;
  - (c) accountancy and financial procedures to be used in relation to particular financial activities and
  - (d) a requirement to consult the Director of Finance and Corporate Services on specified issues (being issues relating to the financial affairs of the Council).
7. References in these Rules to Chief Officers shall be a reference to the following Officers of the Council and any other Officer authorised to discharge a particular function:
  - Chief Executive
  - Director of Housing and Environmental Services
  - Director of Planning and Community Services

References in these Rules to the Director of Finance and Corporate Services shall be deemed to include a reference to any other Officer of the Council authorised or nominated by the Director of Finance and Corporate Services (in writing, to undertake any of the functions of the Director of Finance and Corporate Services).

## Background

1. The Financial Regulations and Financial Procedure Rules set out **below** have been determined by best practice as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).
2. They reflect the modified committee structure adopted by Full Council in July 2001 as part of the new political management arrangements.
3. The **five regulations A to E** set out the overarching financial responsibilities of the Council.
4. The approach adopts the basis that each of these is a general regulation. Within this structure the more specific detailed/technical regulations, which we traditionally recognise, are to be known as Financial Procedure Rules.

## Structure

Financial Procedure Rules provide an interpretation of the Financial Regulations and include the following four sections:-

- Context
- Responsibilities of the Director of Finance and Corporate Services
- Responsibilities of Chief Officers
- Guidance

### Context

This is the bold narrative that explains how the Financial Procedure Rule(s) relates to the Financial Regulation and details why it is important to have the rule.

### Responsibilities of the Director of Finance and Corporate Services

These are the actual Financial Procedure Rules that are the responsibility of the Director of Finance and Corporate Services. They are numbered within Regulation and within sections, for example A 1.1, B 2.1 etc.

### Responsibilities of Chief Officers

These are the actual Financial Procedure Rules that are the responsibility of Chief Officers. They are numbered within Regulation and within sections, for example A 1.6, B 2.7 etc.

## **Guidance**

The use of the Financial Regulations and Financial Procedure Rules is to apply order and control to the operations of the Council. This control is a prime component of Corporate Governance and specifically concentrates on the financial aspects of the District Council. The guidance is a summary of good practice applied to the imposition of the Financial Procedure Rules and their use as internal controls. The guidance is not exhaustive but in the majority of areas it extends the application of a rule into a meaningful internal control by ensuring both compliance and monitoring.

## **A. FINANCIAL MANAGEMENT**

### **A1. FINANCIAL MANAGEMENT STANDARDS**

**All Officers and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and that controls are in place to ensure that these standards are met.**

#### **Director of Finance and Corporate Services**

- A1.1 To be responsible for the proper administration of the Council's financial affairs as required by Section 151 of the Local Government Act 1972.
- A1.2 To set the financial management standards and to monitor compliance with them.
- A1.3 To ensure proper professional practices are followed and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Authority.
- A1.4 To advise on the key strategic controls necessary to secure sound financial management.
- A1.5 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

#### **Chief Officers**

- A1.6 To promote the financial management standards set by the Director of Finance and Corporate Services in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Director of Finance and Corporate Services.
- A1.7 To promote sound financial practices in relation to the standards, performance and development of staff in their departments.

#### **Guidance**

The importance of standards is not only producing them but ensuring:

- (a) their promotion throughout the Authority
- (b) that a review system is in place to monitor compliance with them.

## A2. MANAGING EXPENDITURE

### VIREMENT

The scheme of virement is intended to enable the Committees, Chief Officers and their Officers to manage budgets with a degree of flexibility within the overall Policy Framework determined by Full Council and therefore to optimise the use of resources.

#### Director of Finance and Corporate Services

A2.1 Any proposal to exercise virement between ~~services shall require the prior approval of the Director of Finance and Corporate Services and any proposal to exercise virement between Services and~~ Committees ~~shall require the prior approval of the Director of Finance and Corporate Services and~~ shall ~~also~~ require the approval of the Finance and Management Committee.

#### Chief Officers

A2.2 All instances of virement, together with appropriate explanations, must be promptly notified to the Director of Finance and Corporate Services.

A2.3 The transfer of budget provisions will ~~benot normally be~~ allowed between ~~allbudget~~ heads within services, ~~except the following:-~~

~~(a) Employees - transfers to and from this budget head will be allowed with the prior approval of the Director of Finance and Corporate Services.~~

~~(b) Income - where income exceeds the budgeted level, the relevant manager may transfer any additional resources to other budget heads subject to the approval of the Director of Finance and Corporate Services and subject to that amount not exceeding £10,000.~~

~~Note: Capital charges, Central Establishment Recharges and Central Holding Account Recharges are excluded from any form of virement.~~

~~A2.4 Virement that is likely to impact on the level of service activity of another Chief Officer should be implemented only after agreement with the relevant Chief Officer.~~

A2.5 No virement relating to a specific financial year should be made after 31 March in that year.

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## **Guidance**

The scheme of virement should:

- (a) be administered by the Director of Finance and Corporate Services within guidelines set by Full Council.
- (b) control the movement within the overall Budget as agreed by Committee and approved by the Full Council. Chief Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the Budget.
- (c) ensure that virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own Budgets.

### **A3. ACCOUNTING POLICIES**

The Director of Finance and Corporate Services is responsible for the preparation of the Authority'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* for each financial year ending 31 March.

#### **Director of Finance and Corporate Services**

A3.1 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the Statement of Accounts, which is prepared at 31 March each year, and covers such items as:

- (a) separate accounts for capital and revenue transactions
- (b) the basis on which debtors and creditors at year-end are included in the accounts
- (c) details on substantial provisions and reserves
- (d) fixed assets
- (e) depreciation
- (f) capital charges
- (g) work in progress
- (h) stocks and stores
- (i) deferred charges
- (j) accounting for value added tax
- (k) government grants
- (l) leasing
- (m) pensions

#### **Chief Officers**

A3.2 To adhere to the accounting policies and guidelines approved by the Director of Finance and Corporate Services

#### **Guidance**

Accounting Policies are in place that:

- (a) implement systems of internal control that ensure that financial transactions are lawful
- (b) are appropriate and applied consistently
- (c) ensure proper accounting records are maintained
- (d) produce financial statements which present fairly the financial position of the authority and its expenditure and income.

## A4. ACCOUNTS, RECORDS AND SYSTEMS

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

### Director of Finance and Corporate Services

- A4.1 To determine the accounting systems and the form of accounts and the supporting records of the Council. ~~He~~They shall ensure that the accounting systems determined by ~~him~~them are observed and that the accounts and supporting records are kept up to date.
- A4.2 To ensure all Departmental financial records, forms and systems determined under rule A4.1 above shall be subject to the approval of the Director of Finance and Corporate Services.
- A4.3 To ensure, in the allocation of the duties of Officers in each department, that as far as is possible:
- (a) the duty of keeping records relating to sums due to the Council shall not rest upon Officers responsible for the collection of cash;
  - (b) the duties of issuing orders, certifying receipt of goods or the completion of work and approving accounts for payment shall be separated.
- A4.4 To ensure that all the accounts of the Council are made up and balanced as soon as practicable after the end of the period to which those accounts relate; and in any event not later than the expiry of six months beginning immediately after the end of that period.
- A4.5 To prepare a Statement of Accounts in relation to the accounts for each period and ensure the statement contains such information as may from time to time be prescribed by statute.
- A4.6 To submit for approval the Statement of Accounts to either Full Council or the Finance and Management Committee no later than the 30 September in each financial year.
- A4.7 To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 2011.
- A4.8 To ensure that all claims for funds including grants are made by the due date.

A4.9 To administer the Authority's arrangements for under and overspendings to be carried forward to the following financial year.

A4.10 To ensure the proper retention of financial documents in accordance with the requirements set out in CIPFA [Financial Information Service](#) Schedule.

### **Chief Officers**

A4.11 To consult and obtain the approval of the Director of Finance and Corporate Services before making any changes to accounting records and procedures.

A4.12 To comply with the principles outlined in rule 4.3 above when allocating accounting duties.

A4.13 To maintain adequate records to provide an [management audit](#) trail leading from the source of income/expenditure through to the accounting statements.

A4.14 To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the Director of Finance and Corporate Services.

### **Guidance**

Accounting records and returns are maintained:

- (a) that enables all Members, finance staff and budget managers to operate within the required accounting standards and timetables
- (b) that allows all the Council's transactions, material commitments and contracts and other essential accounting information to be recorded completely, accurately and on a timely basis
- (c) that ensure procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- (d) that include reconciliation procedures are carried out to ensure transactions are correctly recorded
- (e) that retains prime documents in accordance with legislative and other requirements.

### **TREATMENT OF YEAR-END BALANCES**

**The treatment of year-end balances is administered by the Director of Finance and Corporate Services within guidelines set by Full Council. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.**

**Director of Finance and Corporate Services**

- A4.15 To administer the scheme of carry-forward within the guidelines approved by Full Council.
- A4.16 To report all overspendings and underspendings on service estimates carried forward to the Committee and to Full Council.

**Chief Officers**

- A4.17 Net underspendings on service estimates under the control of the Chief Officer may be carried forward, subject to consultation with the Director of Finance and Corporate Services and reporting to the Finance and Management Committee the source of underspending or additional income and the proposed application of those resources
- A4.18 All internal business unit surpluses shall be retained for the benefit of the Authority and their application shall require the approval of the Finance and Management Committee.

**Guidance**

Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

## A5. THE ANNUAL STATEMENT OF ACCOUNTS

The Authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. ~~Full Council is responsible~~ for approving the statutory Annual Statement of Accounts is delegated to the Finance and Management Committee.

### Director of Finance and Corporate Services

A5.1 To select suitable accounting policies and to apply them consistently.

A5.2 To make judgements and estimates that ~~are~~is reasonable and prudent.

A5.3 To comply with the CIPFA Code of Practice for Local Authority Accounting in the United Kingdom.

A5.4 To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March ~~20xx~~ and also includes an Annual Governance Statement.

A5.5 To draw up the timetable for final accounts preparation and to advise Officers and External Auditors accordingly.

### Chief Officers

A5.6 To comply with accounting guidance provided by the Director of Finance and Corporate Services and to supply the Director of Finance and Corporate Services with information when required.

### Guidance

Under Section 151 of the Local Government Act 1972, ~~The~~ Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of these affairs. ~~In this Authority, The Council has approved~~ -that this Officer is the Director of Finance and Corporate Services.

The Authority's Statement of Accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom*.

## **B. FINANCIAL PLANNING**

### **B1. PERFORMANCE PLANNING**

Each Local Authority has a statutory responsibility to publish various performance plans. The purpose of performance plans is to explain overall priorities and objectives, current performance and proposals for further improvement.

The Council's Corporate Plan sets out the key aims and objectives of the Council and how it intends to deliver them. This plan is translated into Divisional Service Plans which establish the contribution each division Service Area of the Council will make to achieve those aims and objectives.

#### **Director of Finance and Corporate Services**

- B1.1 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- B1.2 To ensure that the Corporate Plan and all Council strategies take into account the overall resources available to the Council.
- B1.3 To maintain accounting systems to collect financial performance information.

#### **Chief Officers**

- B1.4 To contribute to the development of performance plans in line with statutory requirements.
- B1.5 To contribute to the development of corporate and service targets and objectives and performance information.
- B1.6 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- B1.7 To ensure that performance information is monitored **sufficiently** frequently to allow corrective action to be taken if targets are not likely to be met.

## **Guidance**

Performance plans need to be:

- (a) relevant and consistent
- (b) produced in accordance with statutory requirements
- (c) produced to meet the timetables set
- (d) accurate, complete and up to date
- (e) provide improvement targets which are meaningful, realistic and challenging.

## **B2. BUDGETING**

### **FORMAT OF THE BUDGET**

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

#### **Director of Finance and Corporate Services**

B2.1 To advise the Members on the format of the Budget that is approved by Full Council.

#### **Chief Officers**

B2.2 To comply with accounting guidance provided by the Director of Finance and Corporate Services.

#### **Guidance**

- (a) the format complies with all legal requirements
- (b) the format complies with CIPFA's *Service Reporting Code of Practice for Local Authorities*
- (c) the format reflects the accountabilities of service delivery.

### **REVENUE BUDGET PREPARATION, MONITORING AND CONTROL**

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

— By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall Budget. To ensure that the Authority in total does not over spend, each service is required to manage its own expenditure within the cash-limited Budget allocated to it.

For the purposes of budgetary control by managers, a Budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the Chief Officer's scheme of delegation.

#### **Director of Finance and Corporate Services**

B2.3 To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within annual cash limits unless Full Council agrees otherwise
- (b) each Chief Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- (c) expenditure is committed only against an approved budget head
- (d) all Officers responsible for committing expenditure comply with relevant guidance, and the financial regulations
- (e) each cost centre has a single named manager, determined by the relevant Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
- (f) significant variances from approved Budgets are investigated and reported by budget managers regularly.

B2.4 To administer the Authority's scheme of virement.

To submit reports to the Committee and to Full Council, in consultation with the relevant Chief Officer, where the Chief Officer is unable to balance expenditure and resources within existing approved Budgets under his or her control.

To prepare and submit reports on the Authority's projected income and expenditure compared with the Budget on a regular basis.

B2.5 To ensure that due regard is paid to the *Code of Practice on a Prudential Approach to Local Authority Commitments* **(see Appendix C)** in preparing the Capital Programme.

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### Chief Officers

B2.6 To consult with the Director of Finance and Corporate Services on the financial implications of any new service proposal and ensure his/her comments are reflected within any report to Committee.

B2.7 To maintain budgetary control within their departments, in adherence to the principles in 2.3 above, and to ensure that all income and expenditure are properly recorded and accounted for.

B2.8 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Officer (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

B2.9 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the Budget and taking appropriate corrective action where significant variations from the approved budget are forecast.

B2.10 To ensure that a monitoring process is both in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.

B2.11 To ensure prior approval by Full Council or Committee (as appropriate) for new proposals, of whatever amount, that:

- (a) create financial commitments in future years
- (b) change existing policies, initiate new policies or cease existing policies
- (c) materially extend or reduce the Authority's services.

*(A report on new proposals should explain the full financial implications, following consultation with the Director of Finance and Corporate Services. Unless Full Council or Committee has agreed otherwise, Chief Officers must plan to contain the financial implications of such proposals within their cash limit).*

B2.12 To ensure compliance with the scheme of virement.

B2.13 To agree with the relevant Chief Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Chief Officer's level of service activity.

#### **Guidance**

- (a) the format complies with all legal requirements
- (b) the format complies with CIPFA's ~~Best Value Accounting~~ Code Accounting Code of Practice
- (c) the format reflects the accountabilities of service delivery.

#### **BUDGETS AND MEDIUM-TERM PLANNING**

**The Authority 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 weighed priorities. The Budget is the financial expression of the Authority's plans and policies.**

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

**The Council has an agreed Service and Financial Planning Cycle which sets out the role of the Director of Finance and Corporate Services and Chief Officers within this process.**

**The Council also prepares financial forecasts on a rolling 35 year basis which are detailed in the Corporate Plan.**

#### **Director of Finance and Corporate Services**

B2.14 To review and update on an annual basis the Council's Financial Strategy and 5 year financial projection.

B2.15 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the financial strategy approved by Full Council.

B2.16 To prepare and submit reports to the ~~Committee~~committee on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.

B2.17 To advise on the medium-term implications of spending decisions.

B2.18 To encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

B2.19 To advise Full Council on Committee proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

#### **Chief Officers**

B2.20 To prepare estimates of income and expenditure, in consultation with the Director of Finance and Corporate Services, to be submitted to Full Council.

B2.21 To prepare Budgets that are consistent with any relevant cash limits, with the Authority's Annual Budget cycle and with guidelines issued by the Director of Finance and Corporate Services. The format should be prescribed by the Director of Finance and Corporate Services in accordance with Full Council's general directions.

B2.22 To ensure service plans are based on existing resources.

B2.23 In consultation with the Director of Finance and Corporate Services and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate committee.

#### **Guidance**

Medium-term planning of Budgets requires:

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

## **RESOURCE ALLOCATION**

**A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.**

### **Director of Finance and Corporate Services**

B2.24 To advise on methods available for the funding of resources, such as grants from Central Government and borrowing requirements.

B2.25 To advise Full Council on reallocating resources to meet changing spending priorities.

### **Chief Officers**

B2.26 To work within Budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

B2.27 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

### **Guidance**

- (a) resources are acquired in accordance with the law and using an approved authorisation process
- (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for
- (c) resources are securely held for use when required
- (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

## **CAPITAL PROGRAMMES**

**Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Authority, such as land, buildings, and major items of plant, 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 investment is planned in accordance with the Council's Capital Strategy.**

### **Director of Finance and Corporate Services**

B2.28 To co-ordinate the production of the Council's Capital Strategy and monitor its implementation.

- B2.29 To provide guidance on submitting and prioritising capital bids within the overall capital resources available to the Council.
- B2.30 To submit a five-year Capital Programme for consideration and review by Members on an annual basis.
- B2.31 To obtain authorisation from the Committee for individual schemes where the estimated expenditure exceeds the Capital Programme provision by more than a specified amount.
- B2.32 To ensure a system of Capital Programme monitoring is in place to maximise the use of capital resources.
- B2.33 To ensure that due regard is paid to the Code of Practice on a *Prudential Approach to Local Authority Commitments* (see **Appendix C**) in preparing the Capital Programme.

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### Chief Officers

- B2.34 To comply with guidance concerning capital schemes and controls issued by the Director of Finance and Corporate Services.
- B2.35 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Director of Finance and Corporate Services.
- B2.36 To ensure that adequate records are maintained for all capital contracts.
- B2.37 To proceed with projects only when there is adequate provision in the Capital Programme and with the agreement of the Director of Finance and Corporate Services, where required.
- B2.38 To prepare and submit reports, jointly with the Director of Finance and Corporate Services, to the Committee, of any variation in contract costs greater than the approved limits.
- B2.39 To prepare and submit reports, jointly with the Director of Finance and Corporate Services, to the Committee, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- B2.40 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Director of Finance and Corporate Services and, if applicable, approval of the scheme through the Capital Programme.
- B2.41 To consult with the Director of Finance and Corporate Services and to seek Committee approval where the Chief Officer proposes to bid for supplementary credit approvals to be issued by Government departments to support expenditure that has not been included in the current year's Capital Programme.

## **Guidance**

Capital programming requires:

- (a) specific approval by Full Council for the programme of capital expenditure
- (b) expenditure on capital schemes is subject to the approval of the Director of Finance and Corporate Services
- (c) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Committee
- (d) approval by the Committee where capital schemes are to be financed from the revenue Budget, up to a specified amount, and subject to the approval of Full Council, where the expenditure exceeds this amount
- (e) that proposals for improvements and alterations to buildings must be approved by the appropriate Chief Officer
- (f) that schedules for individual schemes within the overall Budget approved by Full Council must be submitted to the Committee for approval (for example, minor works), or under other arrangements approved by Full Council
- (g) the development and implementation of asset management plans
- (h) accountability for each proposal is accepted by a named manager
- (i) monitoring of progress in conjunction with expenditure and comparison with approved Budget.

### **B3. MAINTENANCE OF RESERVES**

**Reserves are maintained as a matter of prudence. They enable the Authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.**

#### **Director of Finance and Corporate Services**

B3.1 To advise the Committee and/or Full Council on prudent levels of reserves for the Authority, and to take account of the advice of the External Auditor in this matter.

#### **Chief Officers**

B3.2 To ensure that reserves are used only for the purposes for which they were intended.

#### **Guidance**

Reserves must be maintained in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies.

For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

Authorisation for expenditure from reserves by a Chief Officer is needed from the Director of Finance and Corporate Services.

## **C. RISK MANAGEMENT**

### **C.1 MANAGEMENT**

All organisations, whether 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 the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice.

Risk Management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

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

#### **Director of Finance and Corporate Services**

- C1.1 To prepare and promote the Authority's Risk Management Policy Statement.
- C1.2 To develop Risk Management controls in conjunction with other Chief Officers.
- C1.3 To include all appropriate employees of the Authority in ~~a suitable~~ suitable fidelity guarantee/~~professional indemnity~~ insurance.
- C1.4 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

#### **Chief Officers**

- C1.5 To notify the Director of Finance and Corporate Services immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the Director of Finance and Corporate Services or the Authority's insurers.
- C1.6 To take responsibility for Risk Management, having regard to advice from the Director of Finance and Corporate Services and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- C1.7 To ensure that there are regular reviews of risk within their departments.
- C1.8 To notify the Director of Finance and Corporate Services promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

C1.9 To consult the Director of Finance and Corporate Services ~~and the~~ on the terms of any indemnity that the Authority is requested to give.

C1.10 To ensure that employees, or anyone covered by the Authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

### **Guidance**

Risk management requires that:

- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority
- (b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
- (c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
- (d) provision is made for losses that might result from the risks that remain
- (e) procedures are in place to investigate claims within required timescales
- (f) acceptable levels of risk are determined and insured against where appropriate
- (g) the authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

## **C2. INTERNAL CONTROLS**

The Authority is a diverse and complex organisation with many statutory obligations; it is also exposed to a wide range of financial and commercial risks. The Authority is beyond the control of individuals and in order to meet strategic objectives the Council has established a Corporate Plan.

To enable the Council to manage its affairs, minimise risk and meet its objectives, it is necessary to establish a system of internal control in order to provide measurable achievement of:

- (a) efficient and effective operations**
- (b) reliable financial information and reporting**
- (c) compliance with laws and regulations**
- (d) Risk Management**

### **Director of Finance and Corporate Services**

C2.1 To assist the Authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial probity and stewardship.

### **Chief Officers**

C2.2 To ensure all staff are aware of the importance of internal controls and adhere to them.

C2.3 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

C2.4 To review existing controls in the light of changes affecting the Authority and to establish and implement new ones or remove unnecessary controls in line with guidance from the Director of Finance and Corporate Services.

### **Guidance**

Systems of internal control require that:

- (a) key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- (b) managerial control systems exist, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
- (c) financial and operational control systems and procedures exist, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems

- (d) an effective Internal Audit function that is properly resourced and operates in accordance with the principles set out in Public Sector Internal Auditing Standards. ~~It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline *Guidance for Internal Auditors*, CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.~~

### **C3. AUDIT REQUIREMENTS**

#### **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”. The Accounts and Audit Regulations 2011 more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.

Accordingly, Internal Audit is an independent and objective appraisal function established by the Authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

#### **Director of Finance and Corporate Services**

- C3.1 To maintain an adequate and effective Internal Audit of the Council's activities.
- C3.2 The Director of Finance and Corporate Services shall, in conducting the internal audit activity, observe the principles contained in the "Code of Practice for Internal Audit in Local Government" as published by the Chartered Institute of Public Finance and Accountancy.
- C3.3 To ensure that Internal Auditors have the authority to:
  - (a) access Authority premises at reasonable times
  - (b) access all assets, records, documents, correspondence and control systems
  - (c) receive any information and explanation considered necessary concerning any matter under consideration
  - (d) require any employee of the Authority to account for cash, stores or any other Authority asset under his or her control
  - (e) access records belonging to third parties, such as contractors, when required
  - (f) directly access the Head of Paid Service, the Management Team and Committee.
- C3.4 To approve the strategic and annual audit plans prepared by the Audit Manager, which take account of the characteristics and relative risks of the activities involved.

C3.5 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity. ~~(Internal Audit Investigation Procedures)~~

### Chief Officers

C3.6 To ensure that Internal Auditors are given access at all reasonable times to premises, Personnel, documents and assets that the Auditors consider necessary for the purposes of their work.

C3.7 To ensure that Auditors are provided with any information and explanations that they seek in the course of their work.

C3.8 To consider and respond promptly to recommendations in Audit reports.

C3.9 To ensure that any agreed actions arising from Audit recommendations are carried out in a timely and efficient fashion.

C3.10 To notify the Director of Finance and Corporate Services immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

C3.11 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Audit Manager prior to implementation.

### Guidance

Internal Audit:

- (a) is independent in its planning and operation
- (b) direct access to the Head of Paid Service, all levels of management and directly to elected members
- (c) complies with the ~~Public Sector Internal Auditing Standards Auditing Practices Board's guideline Guidance for Internal Auditors, as interpreted by CIPFA's Code of Practice~~ for Internal Audit ~~in Local Government~~ in the United Kingdom.
- (d) the Director of Finance and Corporate Services should be the line manager for the Head of Internal Audit and ensure that the quality of his or her work is monitored.

### EXTERNAL AUDIT

~~The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing External Auditors to each Local Authority in England and Wales. The External Auditor has rights of access to all documents and information necessary for audit purposes.~~

The basic duties of the External Auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, Section 4 of the 1998 Act requires ~~the Audit Commission~~ the National Audit Office to prepare a Code of Audit Practice, which External Auditors follow when carrying out their duties. The Code of Audit Practice ~~issued in March 2000~~ sets out the Auditor's objectives to review and report upon:

- (a) the financial aspects of the audited body's corporate governance arrangements
- (b) the audited body's financial statements
- (c) whether the Authority has proper arrangements in place to secure value for money in the delivery of its services, aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the BVPP.

The Authority's accounts are scrutinised by External Auditors, who must be satisfied that the Statement of Accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

#### Director of Finance and Corporate Services

C3.12 To ensure that External Auditors are given access at all reasonable times to premises, Personnel, documents and assets that the External Auditors consider necessary for the purposes of their work.

~~C3.13 To ensure there is effective liaison between External and Internal Audit.~~

C3.14~~3~~To work with the External Auditor and advise Full Council, Committee and Chief Officers on their responsibilities in relation to External Audit.

#### Chief Officers

C3.15~~4~~To ensure that External Auditors are given access at all reasonable times to premises, Personnel, documents and assets which the External Auditors consider necessary for the purposes of their work.

C3.16~~5~~To ensure that all records and systems are up to date and available for inspection.

#### Guidance

External auditors are appointed by the ~~Audit Commission~~ Public Sector Audit Appointments Limited normally for a minimum period of up to five years. ~~The Audit Commission prepares a code of audit practice, which External Auditors follow when carrying out their audits.~~

## AUDIT COMMITTEE

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, 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, and to oversee the financial reporting process. The role is different to that of the Scrutiny function, whose purpose is to review policy and to challenge whether the Executive has made the right decisions to deliver policy goals.

Audit Committees represent best practice for local authorities. This is reflected across other parts of the public and private sectors. Accordingly, CIPFA's Code of Practice for Internal Audit in Local Government recommends an Audit Committee (or equivalent) should exist.

The Audit Committee will also review the Annual Governance Statement of Internal Control (prior to approval by the organisation).

South Derbyshire is a fourth option committee structured authority and has established an Audit Sub-Committee of the Finance and Management Committee to meet this role.

### Director of Finance and Corporate Services

C3.176 To maintain an Audit Sub-Committee.

C3.187 To maintain an effective working relationship between the Sub-Committee and internal audit.

C3.198 To ensure there is effective liaison between the Sub-Committee and external audit.

C3.2019 To ensure that the Internal Audit Manager has the authority to directly access the Audit Sub-Committee.

### Chief Officers

C3.240 To ensure that the Audit Sub-Committee is provided with any information and explanations that are deemed necessary, when agreed audit recommendations have not been implemented.

### Guidance

Best practice is found in CIPFA's "*Audit Committees Practical Guidance*".

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Standard 4 in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom details internal audit's relationship with the audit committee.

The Audit Sub-Committee's terms of reference confirm the Audit Manager's direct access to the Chairman.

## **C4. PREVENTING FRAUD AND CORRUPTION**

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

**The Authority'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 Authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.**

### **Director of Finance and Corporate Services**

- C4.1 To develop and maintain an anti-fraud and anti-corruption policy.
- C4.2 To maintain adequate and effective internal control arrangements.
- C4.3 To ensure that all suspected irregularities are reported to the Audit Manager, the Head of Paid Service and relevant Chief Officer.
- C4.4 To report to the Finance and Management Committee of all circumstances which are found, after full investigation, to identify irregularities in excess of £2,500 **(see Appendix A)**.

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### **Chief Officers**

- C4.5 To ensure that all suspected irregularities are reported to the Director of Finance and Corporate Services or his appointed representative.
- C4.6 To instigate the Authority's disciplinary procedures where the outcome of an Audit investigation indicates improper behaviour.
- C4.7 To co-operate with Internal Audit investigations as determined within the fraud investigation procedure.
- C4.8 To ensure register of interests are completed.

### **Guidance**

Regarding the prevention of financial irregularities:

- (a) the Authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption
- (b) all Members and Officers act with integrity and lead by example
- (c) Senior Managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt
- (d) high standards of conduct are promoted amongst Members by the Standards Committee
- (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded

- (f) whistle-blowing procedures are in place and operate effectively
- (g) legislation including the Public Interest Disclosure Act 1998 is adhered to.

## **C5. ASSETS**

### **SECURITY**

**The Authority holds assets in the form of property, vehicles, equipment, furniture and 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.**

#### **Director of Finance and Corporate Services**

- C5.1 To receive the information required for accounting, costing and financial records from each Chief Officer.
- C5.2 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC)*.

#### **Chief Officers**

- C5.3 The appropriate Chief Officer shall maintain a property database in a form approved by the Director of Finance and Corporate Services for all properties, plant and machinery and moveable assets currently owned or used by the Authority. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use. The appropriate Chief Officer is the Chief Executive.
- C5.4 To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Chief Officer in consultation with the Director of Finance and Corporate Services, has been established as appropriate.
- C5.5 To ensure the proper security of all buildings and other assets under their control.
- C5.6 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Chief Officer and the Director of Finance and Corporate Services.
- C5.7 To pass title deeds to the Chief Executive who is responsible for custody of all title deeds.
- C5.8 To ensure that no Authority asset is subject to personal use by an employee without proper authority.
- C5.9 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority.

- C5.10 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- C5.11 To consult the Director of Finance and Corporate Services in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- C5.12 To ensure cash holdings on premises are kept to a minimum.
- C5.13 To ensure that 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 ~~Audit Manager~~Chief Executive as soon as possible.
- C5.14 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Director of Finance and Corporate Services, Full Council agrees otherwise.
- C5.15 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Director of Finance and Corporate Services.
- C5.16 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and 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 Authority in some way.

### **Guidance**

The security of resources such as land, buildings, fixed plant machinery, equipment, software and information is implemented by ensuring:

- (a) resources are used only for the purposes of the Authority and are properly accounted for
- (b) resources are available for use when required
- (c) resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits
- (d) an asset register is maintained for the Authority, assets are recorded when they are acquired by the Authority and this record is updated as changes occur with respect to the location and condition of the asset
- (e) that all staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information, including the requirements of the Data Protection Act 1998 and software copyright legislation
- (f) all staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Authority's computer and internet security policies.

## INTELLECTUAL PROPERTY

**Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.**

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

### **Director of Finance and Corporate Services**

C5.17 To develop and disseminate good practice through the Authority's intellectual property procedures.

### **Chief Officers**

C5.18 To 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.

### **Guidance**

In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Authority's approved intellectual property procedures.

## ASSET DISPOSAL

**It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Authority.**

### **Director of Finance and Corporate Services**

C5.19 To issue guidelines representing best practice for disposal of assets in line with the Asset Management Policy.

C5.20 To ensure appropriate accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds if appropriate.

### **Chief Officers**

C5.21 To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.

C5.22 To ensure that income received for the disposal of an asset is properly banked and coded.

## **Guidance**

Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.

Procedures protect staff involved in the disposal from accusations of personal gain.

## **C6. TREASURY MANAGEMENT**

**Many millions of pounds pass through the Authority's books each year. This has led to the establishment of Codes of Practice. These aim to provide assurances that the Authority'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 Authority's capital sum.**

### **TREASURY MANAGEMENT**

#### **Director of Finance and Corporate Services**

- C6.1 To arrange the borrowing and investments of the Authority in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the Authority's Treasury Management Policy Statement and Strategy.
- C6.2 To prepare and keep under annual review the Council's Treasury Management Policy Statement and Strategy including compliance with the approved Treasury Management Schedules.
- C6.3 To report twice a year on Treasury Management activities to the Finance and Management Committee.

#### **Chief Officers**

- C6.4 To follow the instructions on banking issued by the Director of Finance and Corporate Services.

#### **Guidance**

That the Authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the authority's treasury policy statement.

### **INVESTMENTS AND BORROWING**

#### **Director of Finance and Corporate Services**

- C6.5 To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by Full Council.
- C6.6 To ensure that all securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership are held in the custody of the appropriate Chief Officer.
- C6.7 To effect all borrowings in the name of the Authority.
- C6.8 To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority.

### **Chief Officers**

C6.9 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of Full Council, following consultation with the Director of Finance and Corporate Services.

## **TRUST FUNDS AND FUNDS HELD FOR THIRD PARTIES**

### **Chief Officers**

C6.10 To arrange for all trust funds to be held, wherever possible, in the name of the Authority. All Officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Director of Finance and Corporate Services, unless the deed otherwise provides.

C6.11 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Director of Finance and Corporate Services, and to maintain written records of all transactions.

C6.12 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

## **IMPREST ACCOUNTS**

### **Director of Finance and Corporate Services**

C6.13 To provide Officers of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.

C6.14 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

C6.15 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

### **Chief Officers**

C6.16 To ensure that Officers operating an imprest account:

- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
- (b) make adequate arrangements for the safe custody of the account
- (c) produce upon demand by the Director of Finance and Corporate Services cash and all vouchers to the total value of the imprest amount
- (d) record transactions promptly

- (e) reconcile and balance the account regularly and at least ~~(monthly)~~; reconciliation sheets to be signed and retained by the imprest holder
- (f) provide the Director of Finance and Corporate Services with a certificate of the value of the account held at 31 March each year
- (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float.
- (h) on leaving the Authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an Officer shall account to the Director of Finance and Corporate Services for the amount advanced to him or her.

## **C7. STAFFING**

**In order to provide the highest level of service, it is crucial that the Authority recruits and retains high calibre, knowledgeable staff, qualified and/or experienced to an appropriate level.**

### **Director of Finance and Corporate Services**

- C7.1 To ensure that budget provision exists for all existing and new employees.
- C7.2 To act as an advisor to Chief Officers on areas such as National Insurance and pension contributions, as appropriate.

### **Chief Officers**

- C7.3 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- C7.4 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- C7.5 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- C7.6 To ensure that the Chief Executive and the Director of Finance and Corporate Services are immediately informed if the staffing budget is likely to be materially over or underspent.

### **Guidance**

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

## **C8. ANTI MONEY LAUNDERING POLICY AND FRAMEWORK**

### **1.0 INTRODUCTION**

- 1.1 The Policy is written in order for the Council to meet its obligations under the UK's Proceeds of Crime Act 2002 (POCA) and the Money Laundering Regulations 2007 (the Regulations).**
- 1.2 It is adopted under Part 4 of the Council's Constitution and specifically in order to help prevent fraud and corruption under Financial Procedure Rules.**

#### **Policy Statement**

- 1.3 The Council will do all it can to:
- Prevent, wherever possible, the organisation, its employees and Members being exposed to money laundering. This includes temporary and agency staff, the Council's contractors and partners.
  - Identify the potential areas where money laundering may occur and take appropriate action to minimise the risk.
  - Comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.
- 1.4 However, as a public authority, every employee and Member also has a personal responsibility to be vigilant.

### **2.0 SCOPE OF THE POLICY**

- 2.1. The Policy applies to all members and employees of the Council and aims to maintain the high standards of conduct that currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures that must be followed (for example reporting suspicions of money laundering activity) to enable the Council to comply with its legal obligations.
- 2.2 This Policy is designed to alert employees to the risk of the Council receiving sums of money in circumstances that give rise to suspicion and /or knowledge of money laundering.
- 2.3 Anti money laundering legislation places responsibility upon all Council employees to prevent money laundering. This covers a wide area of financial transactions, including possessing, or in any way dealing with, or concealing, the proceeds of any crime.
- 2.3. Specifically, it applies to all employees involved with cash transactions either on a regular or ad-hoc basis.
- 2.4. In addition, under the Proceeds of Crime Act (POCA) 2002, where the Council is carrying out what is termed "**relevant business**," regulations require that satisfactory due diligence is undertaken before any transaction is undertaken.

2.5. In this case, relevant business includes:

- Accountancy
- Audit
- Taxation
- Other Financial Services such as Treasury Management
- Legal Services

2.6. The legislation puts a personal responsibility on all individuals to report suspicions of money laundering. It is a criminal offence to:

- Assist a money launderer.
- “Tip off” a person suspected to be involved in money laundering that they are suspected or that they are the subject of police investigations.
- Fail to report a suspicion of money laundering.
- Acquire, use or possess criminal property.

2.8 Contravening the legislation could lead to a fine or even imprisonment. Formal action in line with the Council’s Disciplinary Procedure would also be taken against any Member or employee suspected of contravening the terms of this Policy.

### **3.0 WHAT IS MONEY LAUNDERING**

3.1 Money laundering is any activity used to conceal/disguise the nature, source, location, ownership or control of currency (or assets). It is most often an attempt to hide the proceeds of dishonest or criminal activity and to try to give the impression that the income is from a legitimate source so that it can be used.

3.2 It is often associated with large scale crime such as drug trafficking, terrorist funding and financial crimes involving fraud. UK legislation also applies to any level of activity used to conceal the source of income to the benefit of an individual.

3.3 This can be anything from the proceeds of petty theft or from hiding income to commit benefit fraud, up to larger corporate crimes which can involve complex and well planned linked transactions.

#### **The Council’s Risk**

3.4 The Council is at risk of being used in money laundering activity as many of its transactions could appear attractive to someone looking to launder money. For example, the Council collects large sources of income including housing rents, business rates and council tax, which could provide channels to use laundered money.

3.5 In addition, overpayments could be deliberately made and then a refund requested. This would generate a payment from the Council and provide a legitimate source for the income.

3.6 Other areas at risk include property deals, including right to buy transactions, regeneration/development schemes, partnerships with private sector firms and treasury management activities.

#### **4.0 PURPOSE OF THE POLICY**

4.1 The overall legislative requirements concerning anti-money laundering procedures are extensive and complex. This Policy has been written so as to enable the Council to meet the legal requirements in a way that is proportionate to the Council contravening this legislation.

4.2 The object of this Policy is to make all employees aware of the legislative requirements and their role in relation to this Policy.

4.3 Potentially, any employee or Member could be caught by the money laundering provisions, if they suspect money laundering and either become involved with it in some way and/or do nothing about it.

4.4 Whilst the risk to the Council of contravening the legislation is considered low, it is extremely important that all Members and employees are familiar with the legal requirements.

4.5 This framework aims to provide all employees and members with a structured, supported process by which they can raise concerns of money laundering and to provide information on how they could be affected by the legislation.

#### **5.0 MONEY LAUNDERING REQUIREMENTS**

5.1 To meet the requirements of the Council, these are:

- Provision of training to relevant Members and employees on the requirements of the legislation, including the identification of suspicious transactions, identity verification and reporting procedures.
- Designation of an officer as the Money Laundering Reporting Officer (MLRO) who will receive any report, keep records and if considered appropriate, make reports to the National Criminal Intelligence Service (NCIS).
- Establishment of procedures for employees to report any suspicions to the Council's nominated MLRO.

#### **6.0 TRIGGER POINTS**

6.1 Under the Policy, employees dealing with money transactions will be required to comply with certain procedures. These procedures apply in the circumstances set out below:

##### **Monetary Receipts**

6.2 A substantial amount of transactions are undertaken electronically via direct debit, BACS and from debit/credit card. However, the Council receives money at the Civic Offices and Etwall Leisure Centre, together with ad-hoc payments that are taken for fees and charges at the point of service delivery.

6.3 Although there are still a large number of transactions, individual values are relatively small, whereas money laundering tends to involve larger amounts of currency.

6.4 Based on this, the procedures in this Policy apply whenever a cash payment is received for £2,000 or more, this being the limit generally recommended in the Regulations.

### **Relevant Business**

6.5 Where the Council is carrying out relevant business (as defined in Section 2.65, above) and forms an ongoing business relationship with a client, the procedures in this Policy apply:

- Each time a one-off transaction is made by or to the client of 15,000 Euro (approximately £12,750) or more.
- Where a series of linked one-off transactions involving a total payment by or to the client of 15,000 Euro (approximately £12,750) or more.
- When it is known or suspected that a one-off transaction (or a series of them) involves money laundering or terrorist financing.

Note – the trigger point of 15,000 Euro is in accordance with the European Union 3<sup>rd</sup> Money Laundering Directive which has been incorporated into UK legislation.

## **7.0 CLIENT IDENTIFICATION PROCEDURE**

7.1. Where a trigger point is reached, any employee involved in one or more of the associated transactions should ensure the client provides satisfactory evidence of their identity. This applies to existing clients as well as new ones.

7.2. This should be done in person by the client, through passport and or driving licence that also incorporates a photograph, plus one other document with their name and address. These documents must be one of the following:

- Gas, Water or Electricity Bill
- Telephone Bill (but not a Mobile)
- Mortgage Statement
- Bank or Building Society Book
- Pension Book

7.3. In the case of a company, partnership or sole trader, etc. corporate identity should be obtained. This should be through company formation documents with a company registration number where appropriate, together with a business rate demand notice.

7.4. Clearly, monetary transactions or relevant business which breach the trigger points may well be legitimate.

7.5. However, it is important in these circumstances that the employee only explains to the client that they are acting in accordance with the Council's Financial Procedural Rules if they are challenged when asking to provide evidence. To avoid a possible "tipping off" scenario, they should say no more or they may be committing a criminal offence.

- 7.6. In circumstances where the client cannot be physically identified the employee should be aware that there is greater potential for money laundering where they are not physically present. If the client acts, or appears to act for another person, reasonable measures must be taken for the purposes of identifying that person.
- 7.7. This should include authorisation from the person concerned or from other legal title that the client is acting for another person. The client should also be asked for identification as set out in 7.1 and 7.2 above.
- 7.8. If satisfactory evidence is not obtained the relationship or the transaction should not proceed.

## **8.0 CUSTOMER DUE DILIGENCE PROCEDURE**

- 8.1 Customer Due Diligence (CDD) is a procedure which is carried out when undertaking relevant business. To meet the POCA regulations, this requires that extra care is taken to check the identity of the client.
- 8.2 This need not be onerous, especially where the client is known to the Council and some simple and quick checks can be made. Firstly, the following questions should be asked to determine whether CDD is relevant:
- Is the service being provided a regulated activity?
  - Is the Council charging for the service?
  - Is the service being provided to a customer other than a UK public authority?
- 8.3 If the answer to any of the above questions is no then it is not necessary to carry out any further CDD. If the answer to all these questions is yes it is then necessary to undertake CDD before any business relationship can commence with the customer. If there is any uncertainty whether CDD is required, the MLRO should be contacted for advice.
- 8.4 CDD should be proportionate and its purpose is to verify that the customer is who they say they are and that their money comes from a legitimate source, is being used for a legitimate purpose and that the transaction taking place is legitimate.
- 8.5 CDD can be achieved by conducting some simple enquiries such as:
- Checking with the Customer's web-site to confirm their business address.
  - Conducting a credit/company check through Companies House to confirm the nature of their business, trading position, VAT status and the identity of the directors (this query should be referred to the Council's Internal Audit Unit).
- 8.6 It is a requirement under CDD that it applies as soon as the Council becomes involved with a new customer. CDD is an ongoing process and it should also be applied on a proportionate basis for existing customers taking into account the risk of money laundering and terrorist funding.
- 8.7 Where doubt exists, enhanced CDD may be required where additional evidence should be gathered. In particular, this will be relevant where:

- The Customer's appointed representative has not been physically present for identification.
  - The customer is a politically exposed person; that is an individual who at any time in the previous year has held a prominent public function outside of the UK and EU or international institution/body, this also includes their immediate family members or close associates.
  - There is a beneficial owner who is not the direct client. A beneficial owner is a person who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.
- 8.8 To satisfy the requirements of enhanced CDD, additional documentation, data or information confirming the client's identity and/or the source of the finances to be used in the business relationship or transaction should be obtained.
- 8.9 If it becomes necessary to engage in enhanced CDD, the MLRO must be notified prior to undertaking any action.

#### **Record Keeping Procedure**

- 8.10 Details of all relevant business transactions, including client identification evidence must be maintained for at least five years from the completion of the transaction. Details may be required as evidence in any subsequent investigation by the authorities into money laundering.
- 8.11 The precise nature of the records is not prescribed by law. However, they must provide an audit trail that can be used during any subsequent investigation. This should include details of the client and the relevant transaction, together with a record of what form funds were received or paid.

#### **9.0 THE MONEY LAUNDERING REPORTING OFFICER (MLRO)**

- 9.1 The Officer nominated to answer queries and to receive disclosures about money laundering activity within the Council is the Section 151 (Chief Finance Officer) which is the Director of Finance and Corporate Services.
- 9.2 The MLRO will utilise the services of Internal Audit, the Council's Monitoring Officer and the **Internal** Fraud Investigation Unit, where this is considered necessary.

#### **10.0 INTERNAL REPORTING PROCEDURE**

- 10.1 Where an employee takes a payment or enters into relevant business where the trigger points have been breached but the associated transactions meet the identification and CDD requirements as set out in this Policy, i.e. they are deemed legitimate, then details should be recorded on a prescribed form. The form should be completed immediately after the transaction has taken place and passed directly by the employee to the MLRO.
- 10.2 In addition, where an employee is aware that money laundering may have taken place or may be taking place they must immediately contact the MLRO for guidance regardless of the amount involved. In such circumstances, no money must be taken or a transaction entered into until this has been done.

- 10.3 Any employee knowing or suspecting money laundering, fraud or the use of the proceeds of crime must also report this to the MLRO on a prescribed form. Again, the form should be completed immediately a suspicion arises and passed directly by the employee to the MLRO.
- 10.4 Examples of how money laundering could take place, together with possible warning signs to observe, are set out in **Appendix 1**.
- 10.5 Upon receiving a report, the MLRO will consider all of the admissible information in order to determine whether there are grounds to suspect money laundering.
- 10.6 If the MLRO determines that the information or matter should be disclosed it will be reported to the National Criminal Intelligence Service (NCIS).

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#### **Reporting to the NCIS**

- 10.7 Disclosure to the NCIS must be as soon as practicable on their standard report form and in the prescribed manner unless there is a reasonable excuse for non-disclosure. Where consent is required from the NCIS for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCIS has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCIS.
- 10.8 Where the MLRO suspects money laundering but has reasonable excuse for non-disclosure, the report must be recorded and consent given for any ongoing transactions to proceed. Where there are no reasonable grounds to suspect money laundering, the report will be marked accordingly and consent given for any ongoing transactions to proceed.
- 10.9 Once the details have been referred to the MLRO, employees must follow their directions, but must not make additional enquiries into the matter themselves. Employees will be required to co-operate with the MLRO and investigating authorities where required.
- 10.10 The MLRO commits a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCIS.

#### **Tipping Off**

- 10.11 During this process the client must not be tipped off. At no time and under no circumstances should an employee voice any suspicions to the person(s) suspected of money laundering, even if the NCIS has given consent to a particular transaction proceeding, otherwise the employee may be committing a criminal offence of "tipping off."
- 10.12 Therefore, no reference should be made on a client file to a report having been made to the MLRO. Should the client exercise their right to see a file, then such a note will obviously tip them off to the report having been made and may render the employee liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

## **11.0 OTHER PROCEDURES**

### **Regular Receipts**

- 11.1 The Council in the normal operation of its services accepts many payments from individuals and organisations. For all transactions under £2,000 the Money Laundering regulations do not apply.
- 11.2 However, employees should be aware of regular cash payments and if there are reasonable grounds to suspect money laundering activities, proceeds of crime or is even simply suspicious, the matter should still be reported to the MLRO on the relevant form.

### **Refunds**

- 11.3 Care should be taken when dealing with refunds. For example, a significant overpayment which results in a repayment will need to be properly investigated and authorised before payment.
- 11.4 In the event of any suspicious transactions, the MLRO must be contacted immediately to investigate the case.
- 11.5 As highlighted elsewhere in the Policy, the client should not be informed and consequently “tipped off.”

### **Training**

- 11.6 The Council will take appropriate measures to ensure that all Members and employees are made aware of the regulations and the existence of this Policy, together with their roles and responsibilities.
- 11.7 Staff that are more likely to be involved in monetary payments and in relevant business as defined by the regulations are given specific training in how to recognise and deal with transactions that may be related to money laundering.
- 11.8 This mainly applies to employees in Finance, Customer Services, Legal and Housing, together with anyone else nominated by a Head of Service.

## **APPENDIX 1**

### Money Laundering - Warning Signs

The following examples could indicate that money laundering is taking place:

**1. Transactions or trade that appear to make no commercial or economic sense from the perspective of the other party**

A money launderer's objective is to disguise the origin of criminal funds and not necessarily to make a profit. A launderer may therefore enter into transactions at a financial loss if it will assist in disguising the source of the funds and allow the funds to enter the financial system.

**2. Large volume/large cash transactions**

All large cash payments should be the subject of extra care and before accepting cash the reasons for such payments should be fully understood. Payments should be encouraged through the banking system to avoid problems.

**3. Payments received from third parties**

Money launderers will often look to legitimate business activity in order to assist in 'cleaning' criminal funds and making payments on behalf of a legitimate company can be attractive to both parties. For the legitimate company it can be a useful source of funding and for the launderer the funds can be repaid through a banking system.

**4. Warning signs of organised money laundering**

- Use of cash where other means of payment are normal
- Unusual transactions or ways of conducting business
- Unwillingness to answer questions/secretiveness generally
- Use of overseas companies
- New companies
- Overpayments of Council Tax where refunds are needed

## **D. FINANCIAL ADMINISTRATION**

### **D1. SYSTEMS AND PROCEDURES**

Departments have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Departments are increasingly reliant on computers for their financial 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 and errors detected promptly.

The Director of Finance and Corporate Services has a professional responsibility to ensure that the Authority's financial systems are sound and should therefore be notified of any new developments or changes.

#### **Director of Finance and Corporate Services**

- D1.1 To make arrangements for the proper administration of the Authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for Officers and others acting on the Authority's behalf
  - (b) determine the accounting systems, form of accounts and supporting financial records
  - (c) establish arrangements for audit of the Authority's financial affairs
  - (d) approve any new financial systems to be introduced **and** approve any changes to be made to existing financial systems.

#### **Chief Officers**

- D1.2 To ensure that accounting records are properly maintained and held securely.
- D1.3 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Director of Finance and Corporate Services.
- D1.4 To 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.
- D1.5 To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed
  - (b) all processing is carried out in an accurate, complete and timely manner
  - (c) output from the system is complete, accurate and timely.

- D1.6 To 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.
- D1.7 To consult with the Director of Finance and Corporate Services before changing any existing system or introducing new systems.
- D1.8 To comply with the guidelines embodied within the Authority's Information Technology Standards Manual establishing best practice for the operation of IT systems.
- D1.9 To establish a scheme of delegation identifying Officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- D1.10 To supply lists of authorised Officers, with specimen signatures and delegated limits, to the Director of Finance and Corporate Services, together with any subsequent variations.
- D1.11 To ensure that, where appropriate, computer systems are registered in accordance with the Data Protection Act 1998 and that Officers are aware of their responsibilities under the legislation.

### **Guidance**

The key controls for systems and procedures are:

- (a) basic data exists to enable the Authority's objectives, targets, budgets and plans to be formulated
- (b) performance is communicated to the appropriate managers on an accurate, complete and timely basis
- (c) early warning is provided of deviations from target, plans and budgets that require management attention
- (d) operating systems and procedures are secure.

## D2. INCOME AND EXPENDITURE

### INCOME

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

#### Director of Finance and Corporate Services

- D2.1 To supervise the collection of all money due to the Council.
- D2.2 To be notified promptly of all money due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council.
- D2.3 To take all reasonable measures for the recovery of debts due to the Council in connection with the recovery of the National Non-Domestic Rate and Council Tax. The Director of Finance and Corporate Services shall be authorised to initiate such legal proceedings as they may deem appropriate in the Magistrates' Court. In any other circumstances arising where legal action is necessary, all details shall be passed to the Chief Executive to initiate legal proceedings for recovery.
- D2.4 Sums due to the Council shall not be written-off except on
- (a) the authority of the ~~Client Services~~ Revenues and Customer Services Manager in respect of a sum not exceeding £25 (See Appendix A)
  - (ba) the authority of ~~the Chief Executive and~~ the Director of Finance and Corporate Services in respect of a sum not exceeding £2,500 (See Appendix A)
  - (cb) the authority of the Finance and Management Committee on recommendation of the ~~appropriate committee~~ Chief Executive and Director of Finance and Corporate Services in respect of a sum in excess of £2,500 (see Appendix A)

The term "sum" shall be construed as meaning the total amounts owed by one debtor.

- D2.5 Cases involving liquidation, receivership, court decisions, etc be written-off at the culmination of that process within the timescales of the appropriate legislation (Insolvency Acts etc)

#### Guidance

There is no necessity for Member approval to write-off amounts appertaining to D 2.5, however in the case of significant amounts it is appropriate to advise Members accordingly.

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## Chief Officers

- D2.6 To promptly notify the Director of Finance and Corporate Services, in the manner prescribed, particulars of all charges to be made for work done, services rendered, or goods supplied to the various departments of the Council and of all other amounts due.
- D2.7 To prepare, in conjunction with the Director of Finance and Corporate Services, a report to the appropriate Committee by the relevant Chief Officer, of any proposed new charges or changes in existing or temporary charges
- D2.8 To prepare, in conjunction with the Director of Finance and Corporate Services, a report to the appropriate Committee by the relevant Chief Officer, of any proposed changes to charges by way of discounts, promotions, etc. Additional Committee approval of any such arrangements within the terms of a previously approved scheme is not required.
- D2.9 In cases where the services have been made the subject of competition, whether compulsory or voluntary, financial rules D.2.7 & D.2.8 shall not apply where the responsibility for setting charges is passed to the successful contractor who shall be bound by the terms and conditions of the contract.
- D2.10 To submit to the appropriate Committee after consultation with the Chief Executive, Director of Finance and Corporate Services and the Corporate Management Team a list of charges made by ~~his~~their department, the date they were last revised and his recommendations on them.
- D2.11 To ensure all money received by an Officer on behalf of the Council shall, without delay, be paid without deductions to the Director of Finance and Corporate Services or, as he may direct, to the Council's bank ~~or~~ ~~National Girobank-Bank a~~Account.
- D2.12 To ensure personal cheques shall not be cashed out of the money held on behalf of the Council.
- D2.13 To determine, with the Director of Finance and Corporate Services, maximum limits for cash held within any department which shall not be exceeded without ~~his~~their permission.
- D2.14 To obtain clearance from the Director of Finance and Corporate Services as to any VAT implications for any new proposal which generates income to the Council.

## Guidance

- (a) all income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery

- (c) all money received by an Officer on behalf of the Authority is paid without delay to the Director of Finance and Corporate Services or, as he or she directs, to the Authority's ~~b~~Bank or ~~National Giro~~ ~~a~~Account, and properly recorded. The responsibility for cash collection should be separated from that:
  - for identifying the amount due
  - for reconciling the amount due to the amount received
- (d) effective action is taken to pursue non-payment within defined timescales
- (e) formal approval for debt write-off is obtained
- (f) appropriate write-off action is taken within defined timescales
- (g) appropriate accounting adjustments are made following write-off action
- (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
- (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

## **ORDERS FOR WORKS AND GOODS**

**All Officers of the Council shall ensure that they obtain value for money before placing any order for goods and services.**

**All orders for goods and services shall be issued in accordance with the Council's Code of Practice on Purchasing, set out in Appendix B1 hereto, where they fall outside the provisions of the Council's Procedure Rules.**

### **Director of Finance and Corporate Services**

- D2.15 To approve the form of official orders and associated terms and conditions.
- D2.16 To make payments from the Authority's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations.
- D2.17 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- D2.18 To make payments to contractors on the certificate of the appropriate Chief Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

D2.19 To provide advice and encouragement on making payments by the most economical means.

### **Chief Officers**

D2.20 To ensure that unique pre-numbered official orders are used for all goods and services, other than the exceptions specified in agreements and contracts.

D2.21 To ensure that orders are only used for goods and services provided to the department. Individuals must not use official orders to obtain goods or services for their private use.

D2.22 To ensure that only those Officers authorised by him or her sign orders and to maintain an up-to-date list of such authorised Officers, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best Value principles should underpin the Authority's approach to procurement. Value for money should always be achieved.

### **Guidance**

- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
- (b) all goods and services shall be ordered in accordance with the Authority's Code of Practice for Purchasing and/or Contracts unless they are purchased from sources within the Authority
- (c) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
- (d) payments are not made unless goods have been received by the Authority to the correct price, quantity and quality standards
- (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
- (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule
- (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
- (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

## **PAYMENT OF ACCOUNTS**

The certification of all invoices, vouchers and other documents initiating the disbursement of Council monies shall be in a form approved by the Director of Finance and Corporate Services.

Officers shall follow the procedure for certifying and authorising the payment of invoices as set out in the payment procedure and referred to in the Council's Code of Practice on Purchasing (Appendix B1).

## **PAYMENTS TO OFFICERS AND MEMBERS - SALARIES, WAGES, EXPENSES, ETC**

Staff costs are the largest item of expenditure for most Authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority 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 authorised in accordance with the scheme adopted by Full Council.

### **Director of Finance and Corporate Services**

- D2.23 To authorise the payment of all salaries, wages, allowances etc, and to make such administrative arrangements for this purpose as are necessary.
- D2.24 To be advised, as soon as possible, of all appointments, resignations or other circumstances affecting the salary, wages or emoluments or any Officer in the form prescribed therefor.
- D2.25 To be provided with all information necessary to maintain records of service, Superannuation, Statutory Sick Pay, Income Tax and National Insurance liability and any other similar requirement which may be imposed by statute.
- D2.26 The maintenance of National Insurance records shall be the responsibility of the Director of Finance and Corporate Services.

### **Chief Officers**

- D2.27 All time records and other pay documents shall be in a form prescribed or approved by the Director of Finance and Corporate Services and shall be signed by the Officer and certified by the Chief Officer or a member of his staff authorised for the purpose.

## Guidance

- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starters
  - leavers
  - variations
  - enhancements
- and that payments are made on the basis of timesheets or claims
- (b) frequent reconciliation of payroll expenditure against approved budget and bank account
- (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
- (d) that Inland Revenue regulations are complied with.

## IMPREST ACCOUNTS

**There will be occasions when it will be necessary to make advances to Officers which will be re-imbursed on an imprest basis. The main use of such advances is to allow for the payment of small items of expenditure. Designated Officers will hold advances and reimburse Officers for such items, this is known as petty cash.**

### Director of Finance and Corporate Services

D2.28 To make imprest advances to Officers for the payments of small items of expenditure. Any individual reimbursement shall not exceed £15XX (see Appendix A) in value for the purchase of goods and materials.

### Chief Officers

D2.29 To ensure Officers responsible for a petty cash advance shall keep a petty cash record and, when claiming reimbursement of expenditure, shall submit an account to the Director of Finance and Corporate Services setting out details of the expenditure with supporting vouchers and receipts.

D2.30 To ensure that income received on behalf of the Council is not paid into an imprest account but must be banked in accordance with Financial Procedure Rule D2.11.

D2.31 To make available, at all times, the balance of any imprest account for examination by the ~~Director of Finance and Corporate Services~~ Internal Audit Section.

D2.32 To provide the Director of Finance and Corporate Services with a certificate as to the state of any imprest account under the control of any Officer as at the 31 March every year, or at any time as requested.

D2.33 On leaving the employment of the Council, or otherwise ceasing to be entitled to hold an imprest account, an Officer shall account to the Director of Finance and Corporate Services for the amount advanced to him.

## **STOCKS AND STORES**

**An Authority holds stocks of materials in order to ensure the uninterrupted continuance of its activities and to provide for emergencies. In most instances the value of stock presently held is not substantial as purchases are made on a regular basis. However it is necessary to secure what stocks are in use.**

### **Chief Officers**

- D2.34 To make arrangements for the care and custody of stocks and stores in the department.
- D2.35 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- D2.36 To investigate and remove from the Authority's records (i.e. write-off) discrepancies as necessary, or to obtain executive approval if they are in excess of a predetermined limit.
- D2.37 To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Director of Finance and Corporate Services, the Management Team decides otherwise in a particular case.
- D2.38 To seek approval to the write-off of redundant stocks and equipment in excess of a predetermined sum £500 (see Appendix A).
- D2.39 To ensure stores records shall be in a form approved by the Director of Finance and Corporate Services.
- D2.40 To ensure record relating to physical stocks shall be available at all times for inspection by Internal Audit.
- D2.41 For accounting purposes, on the 31 March in each year, the Appropriate Chief Officer shall prepare and certify an inventory of stocks held.
- D2.42 The appropriate Chief Officer may, with the approval of the Director of Finance and Corporate Services, write off deficiencies and obsolete stock and equipment up to a value for any one commodity of £500 (see Appendix A). Amounts in excess of £500 (see Appendix A) shall be referred to the appropriate Committee.
- D2.43 Nothing which is surplus to the requirements of the Council shall be disposed of:
- (a) Without the consent of the Director of Finance and Corporate Services where the expected sale price does not exceed £2,500 (see Appendix A);

- (b) Without the consent of the appropriate Committee where the expected sale price exceeds £2,500 (see Appendix A).

D2.44 To report to Internal Audit any discrepancy between physical stock and records.

### Guidance

Officers involved in the management and operation of stocks and stores are aware of the appropriate systems in operation for controlling them.

## INVENTORIES

**Chief Officers shall prepare and keep up to date inventories. Any material deficiencies shall be reported, in the first instance, to the Internal Audit.**

### Chief Officers

D2.45 To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above ~~£50XX~~ (see Appendix A) in value.

D2.46 To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority.

D2.47 To make sure that property is only used in the course of the Authority's business, unless the Chief Officer concerned has given permission otherwise.

### Guidance

Officers are made aware of the inventory system

## BANKING ARRANGEMENTS

**All arrangements with the Council's bankers shall be made by, or under arrangements approved by, the Director of Finance and Corporate Services who shall be authorised to operate such banking accounts ~~including National Girobank accounts~~ as he may consider necessary.**

### Director of Finance and Corporate Services

D2.48 To operate Bank Accounts as are considered necessary.

D2.49 To make proper arrangements for the procurement and safe custody of all cheques, ~~including National Girobank payment forms.~~

D2.50 To ensure that cheques on the Council's main banking accounts, ~~including National Girobank accounts,~~ shall bear the signature (actual or facsimile) of the Chief Executive, Director of Finance and Corporate Services, ~~Financial Finance Services Manager~~ or the Revenues and Customer Client Services Manager, ~~Revenue Manager or Audit Manager.~~

D2.51 To make proper arrangements for the appropriate use of Electronic Funds Transfers (EFT) such as BACS and CHAPS etc.

#### **Chief Officers**

D2.52 To obtain the approval of the Director of Finance and Corporate Services to open or close any ~~of~~ bank account on behalf of the Council.

#### **FINANCIAL STATIONERY**

**All official receipt forms or books, licences, tickets and other documents representing money, or money's worth is controlled and issued by the Director of Finance and Corporate Services, who shall supply all departments according to their various needs. All receipts and issues of such documents shall be properly recorded and acknowledged.**

#### **Director of Finance and Corporate Services**

D2.53 To ensure that stocks of financial stationery are maintained and properly accounted for.

#### **Chief Officers**

D2.54 To ensure that approved financial stationery is used where applicable.

#### **INSURANCE AND SECURITY**

**The Director of Finance and Corporate Services shall be responsible for effecting all insurance cover and Chief Officers shall promptly notify ~~him~~them of the extent and nature of all new risks to be insured and of alterations affecting insurable risks.**

#### **Director of Finance and Corporate Services**

D2.55 To review all insurances, in consultation with the Chief Officers, at such intervals as deemed necessary.

D2.56 To ensure all appropriate employees of the Council are included in a suitable fidelity guarantee/professional indemnity liability insurance.

D2.57 To submit to the Council's Insurers all claims except those where an employee or third party is involved in an accident or third party property is damaged either by the Council or their agents. In which case, the Director of Finance and Corporate Services shall in turn notify the Chief Executive.

D2.58 To indemnify all employees against any expenses, liability, loss, claim or proceedings whatsoever arising from their neglect, act, error or omission in the course of their employment (whether they were acting for the Council itself or another person or body with the Council's consent), subject to the exceptions listed below,

- i. The indemnity will not extend to loss or damage directly or indirectly caused by or arising from:
  - (a) fraud, dishonesty or a criminal offence committed by the employee (except when the criminal offence is an offence under the Health & Safety at Work Act 1974);
  - (b) any neglect, act, error or omission by the employee otherwise than in the course of his/her employment;
  - (c) liability in respect of surcharges made by the District Auditors or orders made under Section 19 of the Local Government Finance Act 1982.
- ii. The indemnity will not apply if an employee, without the express permission of the Authority, admits liability or negotiates or attempts to negotiate a settlement of any claim falling within the scope of this resolution.

#### **Chief Officers**

D2.59 To send to the Director of Finance and Corporate Services all details of Insurance claims.

D2.60 To be responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture and equipment, cash etc., under his/her control.

#### **COMPUTER SERVICES**

**The Council's Computer facilities are governed by the Information Technology Strategy. The specific responsibilities for the service rest with the Chief Executive and the Director of Finance and Corporate Services.**

#### **Director of Finance and Corporate Services**

D2.61 To be responsible for the daily management of the Computer Services Section of the Council and for ensuring that the output from that section is produced in the format required and within the specified timescales.

#### **Chief Officers**

D2.62 The Chief Executive shall be responsible for the overall strategic issues of information technology within the Council.

D2.63 To be responsible for ensuring that input to the Computer Services Section is submitted within the agreed timescales and to the agreed format.

## **PRIVACY AND SECURITY OF INFORMATION**

The Chief Executive and all Chief Officers shall make adequate arrangements for the privacy and security of data which is held under their control and shall notify the Director of Finance and Corporate Services as soon as possible of any new system which may require registration under the relevant legislation.

## **E. EXTERNAL ARRANGEMENTS**

### **E1. PARTNERSHIPS**

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local Authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local Authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.

Local Authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local Authorities will be measured by what they achieve in partnership with others.

#### **Director of Finance and Corporate Services**

E1.1 To advise on effective controls that will ensure that resources are not wasted.

E1.2 To advise on the key elements of funding a project. They include:

- (a) a scheme appraisal for financial viability in both the current and future years
- (b) risk appraisal and management
- (c) resourcing, including taxation issues
- (d) audit, security and control requirements
- (e) carry-forward arrangements.

To ensure that the accounting arrangements are satisfactory.

To maintain a register of all contracts entered into with external bodies.

### **Chief Officers**

- E1.3 To ensure all contracts entered into with external bodies are registered in accordance with procedures specified by the Director of Finance and Corporate Services.
- E1.4 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Director of Finance and Corporate Services in accordance with the Council's Capital Appraisal mechanism.
- E1.5 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.
- E1.6 To ensure that all agreements and arrangements are properly documented.
- E1.7 To provide appropriate information to the Director of Finance and Corporate Services to enable a note to be entered into the Authority's Statement of Accounts concerning material items.

### **Guidance**

Requirements for an Authority's partners are:

- (a) if appropriate, to be aware of their responsibilities under the Authority's Financial Regulations and the Code of Practice on Purchasing and/or Contracts.
- (b) to ensure that risk management processes are in place to identify and assess all known risks
- (c) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- (d) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- (e) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

## E2. EXTERNAL FUNDING

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Authority. Local Authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies ~~such as the National Lottery and the Single Regeneration Budget~~ provide additional resources to enable the Authority to deliver services to the local community. However, 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 Authority's overall plan.

### Director of Finance and Corporate Services

- E2.1 To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- E2.2 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- E2.3 To ensure that audit requirements are met.

### Chief Officers

- E2.4 To ensure that a capital appraisal as set out in the Council's Capital Strategy is undertaken for all projects seeking external funding.
- E2.5 To ensure that all claims for funds are made by the due date.
- E2.6 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

### **E3. WORK FOR THIRD PARTIES**

**Current legislation enables the Authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.**

#### **Director of Finance and Corporate Services**

E3.1 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

#### **Chief Officers**

E3.2 To ensure that the approval of the Committee is obtained before any negotiations are concluded to work for third parties.

E3.3 To ensure all contracts entered into with third parties are registered in accordance with procedures specified by the Director of Finance and Corporate Services.

E3.4 To ensure that appropriate insurance arrangements are made.

E3.5 To ensure that the Authority is not put at risk from any bad debts.

E3.6 To ensure that no contract is subsidised by the Authority.

E3.7 To ensure that, wherever possible, payment is received in advance of the delivery of the service.

E3.8 To ensure that the department/unit has the appropriate expertise to undertake the contract.

E3.9 To ensure that such contracts do not impact adversely upon the services provided for the Authority.

E3.10 To ensure that all contracts are properly documented.

E3.11 To provide appropriate information to the Director of Finance and Corporate Services to enable a note to be entered into the Statement of Accounts.

**QUICK REFERENCE GUIDE TO MONETARY LIMITS**

**A. Financial Management**

None at present

**B. Financial Planning**

None at present

**C. Risk Management**

3.20 To report to the Finance and Management Committee of all circumstances which are found, after full investigation, to identify irregularities in excess of ~~£12,0500~~

**D. Financial Administration**

~~2.4~~ 2.4 Sums due to the Council shall not be written off except on

~~(a)~~ (a) the authority of the ~~Revenues and Customer Client Services~~ Manager in respect of a sum not exceeding ~~£25~~

~~(b)~~ (a) the authority of the ~~Chief Executive and the~~ Director of Finance and Corporate Services in respect of a sum not exceeding ~~£2,500~~

~~(b)~~ (c) the authority of the Finance and Management Committee on recommendation of the ~~Chief Executive and Director of Finance appropriate Committee (if not the Finance and Management Committee)~~ in respect of a sum in excess of ~~£2,500~~

2.28 To make imprest advances to officers for the payments of small items of expenditure. Any individual reimbursement shall not exceed ~~£1540~~ in value for the purchase of goods and materials.

2.38 To seek approval to the write-off of redundant stocks and equipment in excess of ~~£500~~.

2.42 The appropriate Chief Officer may, with the approval of the Director of Finance and Corporate Services, write off deficiencies and obsolete stock and equipment up to a value for any one commodity of ~~£500~~. Amounts in excess of ~~£500~~ shall be referred to the appropriate Committee.

2.43 Nothing which is surplus to the requirements of the Council shall be disposed of:

(a) Without the consent of the Director of Finance and Corporate Services where the expected sale price does not exceed ~~£2,500~~;

(b) Without the consent of the appropriate Committee where the expected sale price exceeds ~~£2,500~~.

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## Appendix A

2.45 To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above an individual value of £5025.

### E. External Arrangements

None

### PURCHASING CODE OF PRACTICE

#### 1. FOREWORD

This section provides guidance on the purchase of goods and services (repairs to equipment etc) that are required to support the provision of services by the Council.

~~It should be noted that the Council is developing a Procurement Strategy for Service Delivery in line with Best Value principles. Therefore there will be a need, in the future, to provide such guidance for other methods of Service Delivery in which the Authority plays some role e.g. joint venture, partnering, trusts etc.~~

#### 2. INTRODUCTION

All Officers shall ensure that they obtain value for money before placing any orders for goods and services. They shall also ensure that the specification of goods and services is appropriate in all cases.

The Council has adopted Financial Regulations and Contracts Procedure Rules to control the way in which Officers conduct the Council's day-to-day affairs and, in particular, to obtain value for money.

The Code shall be made available to all Officers and shall be used as a minimum standard by which value for money will be measured when placing orders for goods and services. It also deals with procedures which shall be undertaken when goods are received or services are provided and when invoices are paid.

The Code of Practice may be updated occasionally to reflect changes and improvements.

#### 3. OBTAINING THE BEST TERMS

- 3.1 Orders for goods and services over £25,000 should be made in accordance with the Contract Procedure Rules set out in this Constitution.
- 3.2 Provided that the expenditure concerned is approved by an annual or supplementary estimate, the Chief Officer shall be authorised to order without reference to Committee, works or goods to a value not exceeding £10,000 in any one instance.
- 3.3 Competitive written quotations (at least three) should be obtained for individual purchases in excess of £2,500 and at least once a year where the same item or similar groups of items (e.g. plumbing supplies) will cost in excess of £10,000. The receipt and opening of quotations shall be in accordance with paragraphs 3.5 and 3.6.

- 3.4 Where the anticipated total purchases between the Council and a particular supplier is in excess of £10,000 then a formal supply agreement should be entered into. If the anticipated level of business exceeds £25,000 then a formal contract of supply should be entered into in accordance with (See the Contract Procedure Rules).
- 3.5 Where, in pursuance of this Code of Practice, quotations are sought they shall be submitted in sealed envelopes which shall have the name and address of the Council and the subject to which it relates shown thereon; but no other identifying mark.
- 3.6 Quotations shall be kept in the custody of the appropriate Chief Officer or his authorised representative until the date and time specified for their opening. Quotations shall be opened by the appropriate Chief Officer or his authorised representative in the presence of at least one other member of staff.
- 3.7 The lowest quotations should always be accepted provided that the goods meet the required specifications, delivery dates can be met, and it is administratively efficient to do so.
- 3.8 Where, on account of urgency, it is essential to place an immediate order for work or goods of a value exceeding £10,000 for which provision has been made in the annual estimates and to which prior approval of a Committee would normally be required, a Chief Officer may, with the approval of the Chief Executive in consultation with the Leader of the Council (and if appropriate, the local ward member), order the work or goods. The purpose and amount of the order and the reason causing the order to be placed shall be reported by the Officer responsible for the ordering, to the next meeting of the appropriate Committee for confirmation.
- 3.9 Where it is not possible for the requisite number of quotations to be obtained by reason of their being an insufficient number of bodies or persons supplying such goods and/or it is intended that other than the lowest quotation should be accepted, then below £10,000 a Chief Officer's authorisation is required. In excess of £10,000 a report, similar to that under paragraph 3.2, shall be submitted to the next meeting of the appropriate Committee. This shall include written details of such circumstances and the reasons therefore.
- 3.10 For purchases less than the limits in paragraph 3.3, use should be made wherever possible of the lists of purchasing organisations used by the Council and catalogue price comparisons. Where formalised arrangements exist with certain suppliers for the supply of goods and services under contractual, agreement or specific/joint purchasing arrangements, the terms of the said arrangements may over-ride specific conditions of this Code.
- Note: Care should be taken not to be influenced by manufacturers who may claim that only certain brands of consumables will operate on their equipment. Such claims should be independently verified.
- 3.11 As orders placed relate directly to the spending of public money, copies of tenders and competitive quotations must be kept to prove the lowest and most efficient use of public funds.

- 3.12 Keep all correspondence for three years (invoices for 6 years plus current year).
- 3.13 Notwithstanding the provisions of this Code of Practice a Chief Officer may, if he feels the situation so demands, apply the provisions of the Contracts Procedure Rules set out in Part 4 of this Constitution on contracts over £25,000 to contracts of a lesser sum or the provisions of this Code of Practice to sums below those set out in paragraph 3.3 of this Code.

#### 4. RELATIONSHIPS WITH SUPPLIERS

Officers must not benefit personally in any way from their dealing with previous, current or prospective suppliers. The Code of Conduct for both Members and Officers along with the Anti-Fraud and Corruption Strategy provides additional guidance.

##### 4.1 Impartiality

Officers must not allow themselves to be in a position where they might be considered by others to have been influenced in their dealings with previous, current or prospective suppliers.

##### 4.2 Gifts, Prizes or Commission

Any gifts, prizes or commission offered to Officers by a supplier shall be reported at once to their Chief Officer who will decide what action shall be taken.

##### 4.3 Hospitality

Officers must not accept any hospitality which is likely or might be seen to be likely to influence their decisions. If they are in any doubt they should report the facts to their Chief Officer who will decide what action shall be taken. All hospitality accepted must be entered in the Hospitality Register(s).

##### 4.4 "Pressure Selling"

Officers must also be on their guard against "pressure selling", particularly where goods are received "on approval" or otherwise without an order. Any such instances shall be reported at once to their Chief Officer who will decide what action shall be taken.

#### 5. OBTAINING GOODS AND SERVICES

The quality and quantity of goods and services is the responsibility of the Officer who places the order. ~~NO ORDER SHOULD BE PLACED FOR GOODS AND SERVICES UNLESS THERE IS SUFFICIENT MONEY LEFT IN THE APPROPRIATE BUDGET HEAD TO MEET THE FULL COST.~~ No order should be placed for goods and services unless there is sufficient money left in the appropriate budget head to meet the full cost.

##### 5.1 Price List

~~Price lists are available and current lists showing the suppliers who give the best prices and quality should have been supplied to your Department for office equipment and furniture (others may be supplied in the future).~~

~~These price lists satisfy the regulations for competitive quotations included in paragraph 3 above.~~

~~Officers should ensure that goods ordered are not covered by an existing supply contract. If this is the case requisitions/orders must be placed with the relevant supplier.~~

## 5.2 Bulk Contracts Framework Agreements

Certain goods and services have been ~~arranged procured on bulk contracts framework agreements to cover the requirements of the Council. and some goods supplied in bulk to other sections, such as paper, may be available in small quantities.~~

## 6. ORDERS FOR GOODS AND SERVICES UP TO £25,000

6.1 Official orders, in a form prescribed by the Director of Finance and Corporate Services shall be issued for all work to be carried out and goods required and shall be ~~authorised electronically signed~~ by the Chief Officer or a member of his staff specifically authorised for that purpose.

Certain specialist materials are subject to different rules, the arrangements for these should be formalised. Custom and practice applies to certain bulky materials e.g. tarmac. Where goods are collected the supplier must satisfy himself that the driver carries a current identity card.

~~6.2~~ All sections of the official order must be completed and particular care taken to ensure that a full description of the goods and services required is given and that the actual or estimated price inserted. ~~**IF AN OFFICER DOES NOT KNOW HOW MUCH SOMETHING IS GOING TO COST, HE SHOULD NOT BE ORDERING IT**~~ As a rule, if an employee does not know how much something is going to cost, they should not be ordering it.

## 7. CONDITIONS OF CONTRACT

7.1 All orders placed are subject to the Council's Standard Conditions of Contract attached at Appendix 'B2'. These ~~should be~~ are sent to all suppliers ~~of goods electronically with the order.~~ ~~The reverse of the order is endorsed with these conditions.~~ ~~Any order sent electronically e.g. fax etc, a copy of the conditions should accompany the transmission.~~

7.2 Any instance of a supplier seeking to impose alternative conditions should be reported to your Chief Officer who will decide on what action to take and, if appropriate, consult with the Director of Finance and Corporate Services.

## 8. GOODS RECEIVED OR SERVICES PROVIDED

8.1 When the goods are received:

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- 8.1.1 Check that all the goods on the delivery note have been delivered
- 8.1.2 Check that the goods are not damaged/faulty  
If they are, DO NOT ACCEPT THEM and notify the supplier immediately

- 8.1.3 Check the delivery note against the filed copy of the Purchase Order
- 8.1.4 Check that the goods are what were ordered

If not, DO NOT ACCEPT THEM and notify the supplier immediately

- 8.1.5 Write any errors on the delivery note before it is signed
- 8.1.6 Enter the goods received, initials and date onto the Goods Received Voucher and attach a copy of the delivery note to the Goods Received Voucher (or cross-refer to a file containing the delivery notes). Take care with part-deliveries.

## 8.2 Inventories

When goods have been accepted and they form part of the office equipment or furniture, details must be entered promptly on the office inventory.

The office inventory will be checked periodically.

## 8.3 Stocks

If goods in excess of ~~your~~ immediate requirements have been purchased enter the details, quantity and value (excluding VAT) on the stock record where appropriate.

The stock record will be checked periodically.

## 8.4 Utility Payments

It is not necessary to raise a Purchase Order for certain periodical payments, eg. electricity, gas, telephone and water bills, and some service or maintenance agreements. However, adequate records must be kept to avoid duplicate or incorrect payments.

## 8.5 Staff Expenses

Officers claiming travel or subsistence must use the appropriate procedure. Receipts shall be attached ~~wherever possible~~. Current rates are available from ~~Personnel~~, Payroll ~~and HR~~.

## 9. PAYMENT OF INVOICES

### 9.1 Payment Timetable

~~Creditors cheques are normally produced on Tuesdays and Thursdays. Is weekly on a Wednesday.~~

### 9.2 Urgent Payments

~~This should be agreed with the Director of Finance and Corporate Services. If same day payment is required, this should be Manual cheque requests, duly authorised, and should be received by no later than 12.00 noon on the required day in Financial Services.~~

### 9.3 Certification of Invoices

~~A supplier forwards his invoice to the Authority, usually for the attention of the Chief Officer, for payment and this is input to the Council's Payments System. The appropriate invoice processing section then carries out the certification procedure, which is co-ordinated by the Accounts Section.~~

~~The certified invoices and relevant Goods Received Vouchers should be authorised electronically on the Council's Payments System by the designated officers, are then forwarded to the Creditors Section of the Finance Department.~~

~~Signatures for cheques for a special collection by outside bodies should be accompanied by adequate identification. The Secretariat should be satisfied, in all other cases, that the member of staff signing for the release of a cheque is bona fide.~~

9.4 The Director of Finance and Corporate Services shall be entitled to rely on the certification of authorised officers and shall be authorised to pay accounts so certified within 30 days by not later than one month after certification of receipt (subject to the Late Payment of Commercial Debts legislation). Immediately upon payment he shall ensure that all paid invoices are marked accordingly.

9.5 Apart from petty cash payments, the normal method of payment of money due from the Council shall be by electronic bank transfer. eCheque payments are only made in exceptional circumstances or for "one-off" supplies and individual payments, or other instrument drawn on the Council's bank account or National Girobank account or by BACS or by Electronic Funds Transfer (EFT) by the Director of Finance and Corporate Services.

9.6 Chief Officers shall, as soon as possible after 31st March and in any case within such reasonable limits prescribed by the Director of Finance and Corporate Services in each year, supply to the Director of Finance and Corporate Services schedules of all outstanding accounts relating to their departments for the previous financial year. Such schedules shall be in a form prescribed by the Director of Finance and Corporate Services.

## 10. VALUE ADDED TAX

10.1 The treatment of all matters relating to Value Added Tax shall be in accordance with the Council's VAT Manual.

## 11. E-PROCUREMENT

~~The development of electronic procurement methods will affect the way this and other Councils purchase goods and services. The use of procurement cards such as the government card, the use of consortia and procurement over the internet will change the way goods are requisitioned, supplied and paid for. The use of secure ordering and payment methods such as smartcards, smartcred~~

scratch cards and internet payment mechanisms (paypal etc) will be considered by the Council as the technology evolves. The adoption of new purchasing methods will be integrated into future revisions of the Code. ~~It's already~~ here!

## Appendix B2

### **STANDARD CONDITIONS OF CONTRACT FOR THE SUPPLY AND DELIVERY OF MATERIALS AND SERVICES**

#### **Application**

1. These Standard Conditions of Contract bind the Contractor and shall prevail over any other conditions set out in any antecedent or subsequent quote, bill, invoice or in any other form whatsoever.

#### **Cancellation**

2. The Council may cancel any Contract, in whole or in part, if the Contractor fails to comply with the contract terms herein relating to price, delivery, quality or quantity. In the event of cancellation as aforesaid the Council may, at its complete discretion, obtain the materials or service elsewhere and, except where non-compliance results from the circumstances set out in clause 5 hereof, recover all loss resulting from such cancellation.
3. If a Contract is determined as a result of non-delivery of goods and any other goods already delivered under the contract cannot be effectively and practically used by reason of the non-delivery of the goods as aforesaid the Council shall be entitled:-
  - (a) to return to the Contractor at the Contractor's risk and expense any of the goods already delivered but which cannot be effectively and practically used as aforesaid and to recover from the Contractor any monies paid by the Council in respect of such goods;
  - (b) to recover from the Contractor any additional expenditure reasonably incurred by the Council in obtaining other goods in replacement of those in respect of which the Contract has been determined.
4. If the Contractor, being an individual (or when the Contractor is a firm, any partner in that firm), shall at any time become bankrupt or, shall have a Receiving Order or Administration Order made against him or, shall make any composition or arrangement with, or for, the benefit of his creditors, or shall make any conveyance or assignment for the benefit of his creditors or shall purport to do so, or if in Scotland he shall become insolvent or notour bankrupt or any application shall be made under any Bankruptcy Act for the time being in force for the sequestration of his estate or a Trust Deed shall be granted by him on behalf of his creditors, or if the Contractor being a company, shall pass a resolution or the Court shall make an order that the company shall be wound-up (not being a members winding-up for the purposes of reconstruction or amalgamation) or if a receiver or manager on behalf of a creditor, shall be appointed or if circumstances shall arise which entitle the Court or a creditor to appoint a receiver or manager or which entitle the Court to make a Winding-up Order then the Council shall be at liberty to cancel the Contract summarily by notice in writing without compensation to the Contractor the exercise of this

power to be without prejudice to any right or remedy accrued or accruing to the Council.

5. The Council may cancel the Contract in whole or in part if the Contractor fails to comply with the Contract terms therein as a result of any act of God, governmental restriction, condition or control, any industrial action or stoppage or any other matter or thing beyond the reasonable control of the Contractor.
6. The Council may cancel any Contract in whole or in part and recover from the Contractor the amount of any loss resulting from such cancellation, if the Contractor shall have offered or given or agreed to give to any person any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or foreborne to do any action in relation to the obtaining or execution of the Contract or any other Contract with the Council or for showing or forbearing to show favour or disfavour to any person in relation to the Contract or any other Contract with the Council, or if the like acts shall have been done by any person employed by him or acting on his behalf (whether with or without the knowledge of the Contractor) or if in relation to any Contract with the Council the Contractor or any person employed by him or acting on his behalf shall have committed any offence under the Prevention of Corruption Acts, or shall have given any fee or reward the receipt of which is an offence under Section 117 of the Local Government Act 1972.

#### **Quality and Description**

7. The goods or services shall:-
  - (a) Conform as to quantity, quality and description with particulars stated in the order.
  - (b) Be of sound materials and workmanship.
  - (c) Be equal in all respects to the samples, patterns or specification provided or given by either party.
  - (d) Be capable of any standard of performance specified in the order.
  - (e) If the purpose for which they are required is indicated in the order either expressly or by implication be fit for that purpose.

#### **Inspection and Testing**

8.
  - (a) Before despatching the goods the Contractor shall carefully inspect and test them for compliance with the specification. The Contractor shall if requested by the Council, give the Council reasonable notice of such tests and the Council shall be entitled to be represented thereat. The Contractor shall also at the request of the Council and without charge supply to the Council a copy of the Contractor's test sheets certified by the Contractor to be a true copy.
  - (b) If it is expressly agreed the Council will without charge be entitled to inspect and test the goods during manufacture, processing or storage. If the Council exercises this right, the Contractor shall provide or shall

procure the provision of all such facilities without charge as may reasonably be required by the Council therefore.

- (c) If as a result of any inspection or test under sub-clause (a) or (b) of this clause the Council's representative is of the reasonable opinion that the goods do not comply with the order, or are unlikely on completion of manufacture or processing so to comply he shall inform the Contractor accordingly in writing and the Contractor shall take such steps as may be necessary to ensure such compliance.

### **Delivery**

- 9. Any goods, properly packed and secured in such a manner as to reach their destination in good condition under normal conditions of transport shall be delivered free of charge to a delivery point specified in the Contract. Delivery will be made by the agreed date and between the hours of 8.30 a.m. to 12.30 p.m. and 1.30 p.m. to 4.30 p.m. Monday to Friday unless otherwise agreed.
- 10. The Council shall not be responsible for the return of or the payments for wooden packing cases, skids, drums, empties, packages used for the packing of goods unless agreed in writing by the Council. Any packages which are to be paid for will be collected by the Contractor and clearly marked "Returnable" with the amount of the charge.

### **Storage**

- 11. If, for any reason the Council is unable to accept delivery of any goods at the time when goods are due and ready for delivery the Contractor shall, if his storage facilities permit, store the goods, safeguard them and take all reasonable steps to prevent their deterioration until their actual delivery and the Council shall be liable to the Contractor for the reasonable cost (including insurance) of his so doing.

### **Passing of Property**

- 12. (a) Subject to the provisions of paragraph (b) below the property in the goods shall pass to the Council on delivery being accepted and a signature being given for the receipt without prejudice to any right of rejection which may accrue to the Council under these conditions.
- (b) If the Contractor postpones delivery at the request of the Council pursuant to clause 11 hereof the property in the goods shall pass to the Council seven days after the date of receipt of notification from the Contractor that the goods are due and ready for delivery or on such other date as may be agreed but the goods shall nevertheless remain at the Contractor's risk until delivery has been completed.

### **Damage or Loss in Transit**

- 13. The Contractor will repair or replace free of charge goods damaged or lost in transit. All complaints about damage, shortage or loss in transit will be made direct to the Contractor who will have the responsibility of contacting the carrier.

### **Statutory Requirements**

14. The Contractor warrants that all goods and materials used or supplied and all workmanship performed under the Contract comply in all respects with all relevant requirements of any statute, statutory rule or order or other instrument having the force of law which may be enforced at the time when the same are supplied. Without prejudice to the generality of the foregoing, all goods and materials will be to British Standards Specification on British Standards Code or any like specification or code of practice to which recognition is required to be accorded within Great Britain under or by virtue of the provisions of the European Communities Act 1972 (or any enactment amending or replacing the same) where applicable and materials and packaging must conform with the Health and Safety at Work etc. Act 1974.

### **Assignment and Sub-Contracting**

15. (1) The Contractor shall not without the consent in writing of the Council assign or transfer the Contract or any part of it to any other person except as part of a company amalgamation or reconstruction.
- (2) The Contractor shall not without the consent in writing of the Council sub-let the Contract or any part thereof other than for materials, minor details or for any part of the goods of which the makers are named in the order or the specification, but this shall not prevent the sub-letting part of the Contract to any company which is a member of the group to which the Contractor belongs or to a company with whom the contractor is associated. Any such consent shall not relieve the Contractor of any of his obligations under the Contract.

### **Variation**

16. In the case of a Contract containing a rise and fall clause the Contractor shall produce to the Council's Chief Executive or other Officer designated by him such time-sheets, invoices, vouchers, certificates or other records as he may consider necessary for the verification of the charges.

### **Payment**

17. Payment shall be made within 30 days of written notice of the amount of the debt being received by the Council. Should any delay occur for any reason whatsoever the Council will not be liable to pay interest charges or any extra costs. This is subject to the requirements of the "Late Payment of Commercial Debts (Interest) Act 1998.

### **Official Order Receipt**

18. The Council shall not be held accountable for any goods or materials or for their payment unless the Council has placed an official order for their delivery.

### **Rejections**

19. Any goods or materials which in the opinion of the Council or its authorised officer are not of the stipulated sort, quality, weight or measure or not otherwise approved may be rejected. Any materials rejected shall be removed by and at the expense of the Contractor within seven days of notice of rejection being given. If the rejects are not moved within seven days the Council has the right to move the goods and charge the Contractor with all removal expenses.

### **Indemnity**

20. (a) The Contractor shall subject to sub-clauses (b), (c) and (d) of this clause indemnify the Council in respect of all damage or injury occurring to any person or to any property and against all actions, suits, claims, demands, costs, charges or expenses arising in connection therewith to the extent that the same shall have been occasioned by any defective goods and materials supplied and workmanship performed or by the negligence of the Contractor, his servants or agents during such time as he or they were on, entering onto or departing from the Council's premises for any purpose connected with the Contract.
- (b) The Contractor shall not be liable to the Council for any damage or injury to the extent that the same is caused by or arises out of the acts or omissions of the Council or of others (not being the Contractors servants or agents).
- (c) In the event of any claim being made against the Council by reason of any matter referred to and in respect of which the Contractor is liable under this clause the Contractor shall be promptly notified thereof and may at his own expense conduct all negotiations for the settlement of the same and any litigation that may arise therefrom. The Council shall not unless and until the Contractor shall have failed to take over the conduct of the negotiations or litigation make any admission which might be prejudicial thereto. The conduct by the Council of such negotiations or litigation shall be conditional upon the Contractor having first given to the Council such reasonable security as shall from time to time be required by the Council to cover the amount ascertained, or agreed, or estimated as the case may be, of any compensation, damages, expenses and costs for which the Council may become liable. The Council shall at the request of the Contractor afford all available assistance for any such purpose and shall be repaid any out of pocket expenses incurred in so doing.
- (d) Except in respect of personal injury or damage to property conferring on a person other than the Council a good cause of action against the Contractor, the liability of the Contractor to the Council for any one act of default shall not exceed the Contract price.

### **Infringement of Patents**

21. (1) The Contractor shall fully indemnify the Council against any action, claim, demand, costs, charges and expenses arising from or incurred by reason of any infringement or alleged infringement of any letters patent, registered design, trade mark, or trade name protected in the United Kingdom by the use or sale of any goods and against all costs and damages which the Council may incur in any action for such infringement or for which the Council may become liable in any such action. PROVIDED ALWAYS that this indemnity shall not apply to any infringement which is due to the Contractor having followed a design or instruction furnished by the Council or to the use of any goods in a manner or for a purpose not reasonable to be inferred by the Contractor or disclosed to the Contractor prior to the making of the Contract.
- (2) In the event of any claim being made or action brought against the Council arising out of the matters referred to in this clause the Contractor shall be promptly notified thereof and may at his own expense conduct all negotiations for the settlement of the same, and any litigation that may arise therefrom. The Council shall not, unless and until the Contractor shall have failed to take over the conduct of the negotiations or litigation, make any admission which might be prejudicial thereto. The conduct by the Contractor of such negotiations or litigation shall be conditional upon the Contractor having first given to the Council such reasonable security as shall from time to time be required by the Council to cover the amount ascertained or agreed or estimated, as the case may be, of any compensation, damages, expenses and costs for which the Council may become liable. The Council shall, at the request of the Contractor, afford all available assistance for any such purpose, and shall be repaid any expenses incurred in so doing.
- (3) The Council on its part warrants that any design or instructions furnished or given by it shall not be such as will cause the Contractor to infringe any letters patent, registered designs, trade mark, or trade name in the performance of the Contract.

## Appendix C

### **CODE OF PRACTICE ON A PRUDENTIAL APPROACH TO LOCAL AUTHORITY COMMITMENTS**

**Approved and recommended for adoption by  
The Association of County Councils  
The Association of Metropolitan Authorities  
The Association of District Councils  
The Audit Commission for Local Authorities in England and Wales**

#### **Background and Purpose of the Code**

1. During 1987, the Audit Commission became concerned about aspects of Local Authority commitments and in particular:
  - (i) that a small number of Authorities had built up very considerable future indebtedness so that their capacity even to service the debt was in serious doubt;
  - (ii) that the financial practices of this small number of Authorities had contributed to a climate of doubt and uncertainty surrounding the financial health of local government in general;
  - (iii) that the situation had led to genuine concern within the money market about the appropriate basis on which to evaluate Local Authority credit worthiness in a world of rate or charge capping and where central government was explicit about its unwillingness to back authority load debt;
  - (iv) that a wide range of restrictive and sometimes conflicting restraints and pressures on Local Authority financial management had been imposed by central government, partly in pursuit of tighter control of public expenditure, and partly as a response to the activities of a small number of authorities; and
  - (v) some Local Authorities therefore found themselves in an increasingly difficult position, with no clear criteria against which to judge how far they might reasonable go in taking on further financial commitments or undertaking transactions which might resolve a short-term budget crisis at the expense of generating additional burdens on revenue in the future.
2. Responding to these concerns the Local Authority Associations agreed to the formation of a Working Group to examine the issues and to consider the practicability of establishing guidelines as an aid to decisions-making.
3. The Working Group concluded that there was a need for guidance to Local Authorities on how to assess the implications of their forward commitments, both those arising from their capital programmes and from commitments to additional revenue expenditure. It should not be the purpose of the guidance to prescribe an overall level of appropriate indebtedness for Local Authorities. Rather the need was to establish good practice procedures for operation within the new financial environment, taking account both of the new capital regime and of the introduction of community charge.

4. To meet these needs, the Working Group has prepared this voluntary Code of Practice to help Local Authorities to make careful assessments of their total revenue commitments on a systematic and regular basis and to consider the implications of proposals for new spending, whether on revenue or capital. The Code draws on existing good practice. Its purpose is to guide Members and Officers in assessing the financial health of their authorities and the affordability of proposed new commitments. The Code has been approved by the Association of County Councils, the Association of Metropolitan Authorities, the Association of District Council and the Audit Commission who recommend its adoption by all Local Authorities.

### **The Code of Practice**

5. Local Authority procedures should include two essential strands in the consideration of commitments. The first of these arises at the time of the consideration of significant individual proposals which would lead to new commitments. The second is the periodic projection of the aggregate position into a medium-term commitment plan which can be used to assess the implications for revenue requirements in future years.
6. In considering proposals of whatever nature which would lead to new or increased commitments, Local Authorities need to be aware of the extent of those commitments. Treasurers should ensure that reports made on the proposals include the estimated effect of any decisions, on the various options, on the revenue and expenditure in the future. Such reports should include at least the following information:
  - (i) the revenue consequences of the decision over a three year period (i.e. the budget year in question and the following two years) and the consequences for any other future year where these are significant;
  - (ii) in the case of capital expenditure a cost comparison illustrating the difference between the costs of a conventional borrowing route and the chosen financing option. PWLB lending rates of the appropriate maturity should be considered as the benchmark for this purpose;
  - (iii) the implications for the medium-term commitment plan (see paragraph 7) of any decision to take on new commitments.
7. Local Authorities should prepare and make public a medium-term commitment plan giving a three year forward assessment (for the next budget year and the two following years) of their revenue commitments based on present levels of service and efficiency but reflecting also decisions already taken on new commitments. This plan should highlight total net expenditure (after income from fees and charges) on services and on financing costs, shown separately to make the implications explicit. The plan should also express the net commitments for each year both in absolute terms and in terms of commitments per adult. For this purpose the number of adults may be taken to be the number of persons registered for community charge. The attached pro-forma illustrates the information to be set out in the plan for publication; local authorities may wish to devise their own documentation so long as the essential factors are included.

8. In assessing the affordability of commitments an Authority may wish to consider its likely income from the Collection Fund in respect of grant and the redistributed non-domestic rate. In doing so an Authority needs to reach an informed view based on its knowledge of its own position.

**Monitoring of Conforming with the Code**

9. It is for each Local Authority to adopt and to ensure conformity with this Code. Once adopted, it is recommended that Local Authorities incorporate the provisions of the Code in appropriate Financial Regulations and Financial Procedure Rules relating to financial management. Auditors will be advised to regard the Code as a statement of best professional practice for the purpose of their duties of reviewing the financial management of Local Authorities.