

# Financial Regulations

With effect from [date]

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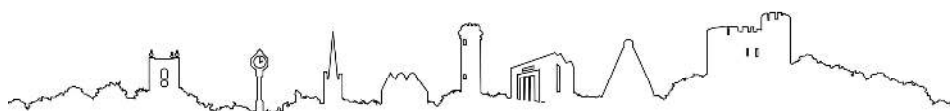
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## **1. Status of Financial Regulations**

- 1.1. Financial Regulations provide the framework for managing the Council's financial affairs and contribute to good corporate governance, internal control and the management of risks. In addition, they assist sound administration, reduce the risk of irregularities and support delivery of effective, efficient and economical services and minimise the risk of legal challenge to the Council.
- 1.2. Financial Regulations apply to all employees and members of the Council and anyone acting on behalf of the Council. They also apply to any partnerships for which the Council is the accountable body, unless the Section 151 Officer is satisfied that Financial Regulations of an equivalent standard are in place. Where the Council is not the accountable body then the appropriate Director is responsible for ensuring proper processes are followed so that the Council's reputation is protected. These Regulations also apply to Local Authority Maintained Schools and, in that case, references to the Director should be taken to mean the Head Teacher.
- 1.3. Directors are responsible for ensuring that all staff in their Directorates are aware of and comply with the Financial Regulations. All Directors should ensure that any financial procedures/guidelines produced by their Directorate are fully compliant with these Financial Regulations.
- 1.4. All members and officers have a general responsibility for taking reasonable action to provide for the security of the resources/assets under their control, and for ensuring that the use of these resources/assets is legal, is properly authorised and provides value for money. Failure to comply with Financial Regulations (or procedures/policies issued under them) may lead to disciplinary action for officers (or for members an investigation by the Monitoring Officer).
- 1.5. All decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the Section 151 Officer.
- 1.6. These Financial Regulations should be read in conjunction with Standing Orders relating to Contracts, the Members' Code of Conduct, the Code of Conduct for Employees, the Anti-Fraud and Corruption Strategy and the Council's Constitution of which they form part.
- 1.7. Policies, procedures or other documents that are referred to in this document should be seen as an integral part of Financial Regulations and must be

complied with. Documents that support Financial Regulations are listed at the end.

- 1.8. The Section 151 Officer in consultation with the Cabinet Member with responsibility for Finance has authority to allow specific exceptions to these Financial Regulations where in their opinion it is in the Council's interest. The Section 151 Officer must keep a written record of such exceptions.

## **2. Financial Management**

### **2.1. Roles and Responsibilities**

#### General

- 2.1.1. All employees and members have a duty to abide by the highest standards of probity in financial matters. They must use the resources and assets entrusted to them in a responsible and lawful manner. Everyone should be clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.
- 2.1.2. All officers must report to their manager or other responsible senior officer any actual or suspected illegality, fraud, impropriety, breach of procedure or serious deficiency in the provision of service. Officers are able to do this without fear of recrimination providing they act in good faith. Compliance with the Council's Anti-Fraud and Corruption Strategy and the Code of Conduct for Employees is mandatory for all officers.
- 2.1.3. Nothing in these Regulations absolves, or is intended to absolve, any person of any statutory responsibilities.

#### Full Council

- 2.1.4. Section 151 of the Local Government Act 1972 places a duty on the Council to make arrangements for the proper administration of its financial affairs, and to nominate an officer to have responsibility for the administration of those matters (see Section 151 Officer below). The Full Council has the responsibility for the Budget and Policy Procedure Rules. This includes the allocation of financial resources to corporate priorities via the Medium Term Financial Strategy, setting the revenue budget and council tax and housing rents, approving the Capital Strategy and capital projects and setting the Treasury Management Strategy.

## Cabinet

- 2.1.5. The Cabinet is responsible for proposing council policy and budget strategies.

## Head of Paid Service (Chief Executive)

- 2.1.6. The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole.

## Monitoring Officer (Lead for Law and Governance)

- 2.1.7. The Monitoring Officer is responsible (in consultation with the Head of Paid Service and Section 151 Officer) for ensuring the lawfulness and fairness of decision making and advising whether decisions are consistent with the budget and policy framework.

## Section 151 Officer (Director of Finance and Legal Services)

- 2.1.8. The Local Government Act 1972 requires all local authorities to appoint a Section 151 Officer. The Section 151 Officer has a fiduciary duty to the Dudley taxpayer and his/her responsibilities include:
- Advising the Council on financial strategy and financial planning.
  - Managing the Council's financial affairs.
  - Setting standards to be followed throughout the Council in all financial systems, process and transactions.
  - Under section 114 of the Local Government Act 1988 the Section 151 Officer must report to the Council if there is (or is about to be) unlawful expenditure or an unbalanced budget.
  - Under section 25 of the Local Government Act 2003 the Section 151 Officer must report to Council on the robustness of the estimates for the purposes of the statutory budget calculation and the adequacy of the proposed financial reserves

## Directors (including the Chief Executive)

- 2.1.9. Directors are responsible for:
- Delivering their service within the approved budget allocation.
  - Completing (and reviewing annually) a scheme of delegation which identifies officers authorised to act upon their behalf in respect of financial matters within defined financial value limits.
  - Ensuring all employees reporting to them, directly or indirectly, are aware of and comply with the Financial Regulations.
  - Providing the Section 151 Officer with such information and explanations as the Section 151 Officer feels are necessary to meet obligations under Financial Regulations and statutory requirements.

- Consulting with the Section 151 Officer and seeking approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.
  - Informing the Section 151 Officer of failures in financial control resulting in additional expenditure or liability, or loss of income or assets.
  - Notifying the Section 151 Officer of any failures to comply with the Financial Regulations as soon as they become aware of them.
  - Ensuring the legality of their directorate's actions (taking advice from the Monitoring Officer as appropriate).
- 2.1.10. A Budget Holder is a Director or any officer who has been delegated by a Director to be accountable for a cost centre or a series of cost centres. Budget Holders must ensure that:
- They understand the requirements of Financial Regulations.
  - Their budget reflects the proposed income and expenditure.
  - They use adequate systems to enable them to monitor their budget.
  - They have explanations for significant budget variances.
- 2.1.11. Accountants within Financial Services are responsible for supporting services in managing their budgets through monitoring and forecasting expenditure and ability to challenge value for money of expenditure.

## **2.2. Accounting Policies and Records**

- 2.2.1. The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in the format required by the CIPFA Code of Practice for Local Authority Accounting in the UK for the relevant year.
- 2.2.2. All accounting policies are reviewed annually and are detailed within the Council's Statement of Accounts. They cover items such as:
- Basis for debtors and creditors
  - Fixed assets
  - Reserves and provisions
  - Investments
  - Pensions
  - Financing
  - Government grants
- 2.2.3. Accounting policies need to be suitable and applied consistently. Judgements should be made and estimates prepared which are reasonable and prudent. Statutory and other professional requirements should be observed to maintain proper accounting records.

- 2.2.4. Proper accounting records help the Council to discharge its responsibility for stewardship of public resources. All of the Council's transactions, material commitments and contracts and other essential accounting information must be recorded completely, accurately and on a timely basis.
- 2.2.5. Financial documents must be retained in accordance with the requirements set out in the Council's Document Retention Policy. Sections 25 and 26 of the Local Audit and Accountability Act 2014 (and subsequent Accounts and Audit Regulations 2015 (S.I. 2014/234)) provide rights for persons to inspect a local authority's accounting records and supporting documentation and to make copies of them.
- 2.2.6. All spending transactions over £500, all procurement card spend and contracts valued over £5,000 should be proactively placed into the public domain in accordance with the Local Government Transparency Code 2015 so as to enable local people to be able to scrutinise how well their local authority manages financial assets.

## **2.3 Best Value/Effective Management**

- 2.3.1 The operations of the Council must be managed effectively. This will help the Council to provide best value services for its customers.
- 2.3.2 Each Director and his/her employees must ensure that they:
- Provide customers and stakeholders with best value services.
  - Follow the Council's policies and procedures.
  - Comply with all laid down quality, professional, management, legal and ethical standards.
- 2.3.3 Each Director must ensure that:
- There are appropriate and clear decision making and reporting lines within their area of responsibility.
  - Decisions are appropriately recorded in an electronic directory that appropriate staff can access.
  - There is an open, honest, transparent and accountable culture within their area of responsibility
  - All of their employees receive up to date training to properly perform their duties.
  - They have the necessary processes in place to collect data against appropriate and challenging performance targets.
  - They identify the scope for efficiencies.
  - Adequate business continuity plans have been prepared.



## **2.4 Financial delegations**

- 2.4.1 Each Director should delegate responsibility for specific financial responsibilities and tasks to appropriate officers within their directorate. In some cases delegations may have limits or restrictions attached. These delegations must be recorded.
- 2.4.2 Directors must ensure, prior to giving delegated authority to an officer, that there is an appropriate separation of duty within the relevant system (e.g. the same officer should not both authorise the order requisition or invoice and acknowledge receipt of the goods or service).
- 2.4.3 Directors are responsible for bringing to the attention of all relevant officers the need to comply with the financial delegations for the Directorate.
- 2.4.4 Each Director must review his financial delegations at least annually against the demands of the service being delivered. Only officers who have been given delegated powers may:
- Authorise order requisitions.
  - Certify invoices (No-Order).
  - Certify expenses claims.
  - Authorise petty cash purchases (but see 5.1 for preferred methods of payment)
  - Certify timesheets and overtime claims.
  - Authorise the completion of personnel documentation.
  - Sign and award contracts.
  - Make purchase card payments.
  - Raise debtor invoices or credit notes.
- 2.4.5 The Section 151 Officer can request details of a directorate's financial delegations and, if they consider the delegation to an officer is inappropriate, they can request that the delegation be changed or removed.

## **3. Financial Planning**

### **3.1 General framework**

- 3.1.1 The Council is responsible for approving the budget (including Medium Term Financial Strategy) which will be proposed by the Cabinet. See Budget and Policy Framework Procedure Rules elsewhere within the Constitution.
- 3.1.2 The Section 151 Officer shall produce forecasts of financial resources and advise upon the financial implications of service development plans and programmes. In exercising this duty they shall be mindful of the Accounts and Audit Regulations 2006, the Prudential Code for Capital Finance in Local



Government, current accepted local government accounting codes and will review levels of reserves and balances and ensure that a robust budget process has been undertaken.

- 3.1.3 The forecasts will indicate the likely changes to the Council's budget for the specified period both in terms of commitments arising out of statutory requirements and council policy and also the likely variations to funding from central or local sources.
- 3.1.4 The Cabinet, having considered the forecasts and options for the specified period, shall propose the overall budget strategy to the Council for approval after the consultation process as outlined in the Budget and Policy Framework Procedure Rules within the Constitution has been undertaken.
- 3.1.5 Revenue and Capital budgets are cash limited and expenditure must be restricted to the amounts approved for each revenue service or capital scheme, unless there are exceptional circumstances.
- 3.1.6 Any "key" decision by the Cabinet, Cabinet Member or Officer relating to the Revenue Budget or Capital Programme which is likely to result in the Council incurring expenditure or making savings of £250,000 or more (or which is likely to be significant in terms of its effects on communities living or working in one or more Wards in the Borough) must be included in the Forward Plan as set out in the Constitution.

## **3.2 Revenue**

- 3.2.1 The Council's financial planning will be undertaken on a medium-term basis. The Medium-Term Financial Strategy (MTFS) will be determined according to the Council's priorities, ensuring that funding is allocated according to the corporate vision, aims and objectives.
- 3.2.2 The proposed revenue budget shall be developed by the Section 151 Officer following informal consultation with Directors and Cabinet Members. The Council's Section 151 Officer must produce a forecast of expected resources and expenditure. Directors and service managers (working with support from Accountancy) should highlight efficiencies and pressures. This assessment of spending need should take account of demographic, political and economic factors. Where there is an overall funding gap the Section 151 officer will work with Directors to produce savings options that must be presented to Cabinet and then onto Council.
- 3.2.3 The Cabinet shall consider a report on the Council's financial circumstances that would include a risk assessment prior to recommending a Budget and Council Tax to the full Council. This will include an indicative three year

Medium Term Financial Strategy. Each Scrutiny Committee will also be formally consulted on the budget proposed by the Cabinet.

- 3.2.4 Full Council shall, before 11<sup>th</sup> March in advance of each financial year, set the Council Tax and the approved revenue budget for each Directorate/Service. Directors will then be accountable for managing within that budget. All spending must be on items of approved policy and incurred in accordance with Financial Regulations. Only Full Council can agree additional allocation of resources.
- 3.2.5 The Corporate Financial Information System (UNIT 4 ERP), determined by the Section 151 Officer, is the Councils prime accounting record. It provides the mechanism for Directors, with the assistance of their Accounting Team, to monitor and control budgets.
- 3.2.6 Directors will nominate an accountable officer (Budget Holder) for each cost centre. This officer will receive and review budget reports on a frequency appropriate to the complexity and volatility of their budget. Reports will be produced by each Director in conjunction with the relevant accountant showing forecast outturn compared with approved budget for each division of service and explaining how any variances have arisen and how they will be dealt with. Directors are responsible for updating their relevant Cabinet Member and Shadow Cabinet Spokesperson on the financial performance of their Directorate.
- 3.2.7 The Section 151 Officer will then report the overall summary position to Cabinet a minimum of three times per year. The Section 151 Officer can at any time decide whether additional reporting is necessary. The draft Revenue Outturn as at 31<sup>st</sup> March, subject to External Audit, should be reported to Cabinet.
- 3.2.8 Directors have powers to incur expenditure in carrying out the functions allocated to them provided:
- The expenditure is lawful.
  - Standing Orders relating to Contracts and Financial Regulations have been followed.
  - Expenditure is within the approved budget or capital programme provision.
  - Expenditure is in respect of Council policy.
  - Consultations, where appropriate, have taken place with appropriate other Directors and/or Cabinet Members.
- 3.2.9 Each Director shall monitor and endeavour to control expenditure within their approved budget and keep the Section 151 Officer informed of any actual or likely changes which will/may have a significant impact on current or future budgets.

- 3.2.10 All reports to Council, Cabinet or other Committees should be made available to the Section 151 Officer or their representative in reasonable time to allow financial implications to be cleared.
- 3.2.11 Each Director may, in consultation with the Section 151 Officer, vire resources from one budget to another in order to facilitate effective and efficient service provision. This does not include the virement of resources for new or substantially altered policies or strategies.
- 3.2.12 Virements may involve consequential variations in budget composition for future years, provided always that the service revenue budget limit of the appropriate Director will not be exceeded in any year as a result of the proposal.
- 3.2.13 Virements between directorates must be agreed by both directors in consultation with the Chief Executive and the Section 151 Officer. Virements for technical accounting purposes, which do not affect the resources available to directors for service delivery (e.g. depreciation), may be approved by the Section 151 Officer.
- 3.2.14 Additional income can only be used to finance additional expenditure when the Section 151 Officer is satisfied that the additional income would not be required to meet an overspending or potential overspending of the Director's approved budget limit.
- 3.2.15 If it is considered that a virement is inappropriate and additional money is required, then a request for extra resources must be submitted to the Cabinet and Council. Additional money will not be made available unless approved by Cabinet and Council.
- 3.2.16 Nothing in these Rules should prevent a Director incurring expenditure essential to meet the needs of an emergency or which is referable to Section 138 of the Local Government Act 1972, subject to their action being reported at the earliest opportunity to the Cabinet and where appropriate the Council.

### **3.3 Capital**

- 3.3.1 Capital Expenditure is defined as expenditure which gives a benefit for a period of more than one year. This may involve the acquisition or enhancement of an asset. See Capital Investment and Disposal Guide for further information.
- 3.3.2 All capital schemes must be approved as part of the Council's Capital Programme before any commitments or contracts can be entered into, no matter what the source(s) of funding. Capital schemes must normally be approved by the Council. In cases of urgency (as set out in the Constitution)

schemes may be approved by the Cabinet or by the Leader in consultation with the Section 151 Officer.

3.3.3 Prior to being put forward for inclusion in the programme, each scheme proposal must be justified against the following criteria:

- Contributes to the delivery of the Council's strategic objectives and/or meets statutory requirements.
- Can be supported by a coherent funding strategy, which will minimise the use of the Council's own resources.
- Has a clear and well thought out brief which defines the objectives of the project.
- Has been fully evaluated against alternative methods of achieving the same objectives and alternative funding sources.

3.3.4 Directors will identify a Lead Officer for each project who will take overall responsibility for co-ordinating all aspects of the project's implementation.

3.3.5 Following each relevant meeting of the Cabinet, each Director will be notified of the individual schemes approved together with any conditions that may be imposed, e.g. dependent on the sale of land, securing resources for revenue implications, reporting back to the Cabinet, etc.

3.3.6 For each service's capital projects, meetings will be arranged at regular intervals between Lead Officers and representatives from Finance and any relevant technical officers to monitor:

- Progress of schemes.
- Problems and difficulties.
- Changes to original proposals e.g. revised costs or work programmes, delays, etc.
- Actual expenditure.

3.3.7 Reports will be submitted regularly to Cabinet with regard to overall progress with each Directorate's capital programme, giving details of the current position. Particular areas for concern will also be highlighted, such as:

- Potential under-spend/overspend of schemes and how the situation can be resolved.
- Changes in the financial resources available, e.g. due to an increase/decrease in usable capital receipts or grant funding.

### 3.4 Leasing



- 3.4.1 Following the adoption of International Reporting Standard 16 (IFRS16) from April 2022 all leases where the Council is the lessee, of duration longer than 12 months and above a set de-minimis (£15,000) will be deemed as finance leases and hence treated as capital expenditure. Therefore formal Council approval will be required.
- 3.4.2 In certain circumstances leases where the Council is a lessor may be also be deemed finance leases in which case the transaction is treated as an asset disposal to the lessee and rental income is a capital receipt and therefore not revenue income.
- 3.4.3 Before entering into any leases for property or equipment managers should consult with Accountancy to ensure such arrangements represent best value for money and are accounted for appropriately.

### **3.5 Reserves and Balances**

- 3.5.1 The Section 151 Officer will report to the Council on the robustness of the estimates and the adequacy of reserves (when considering the budget for the following year) in accordance with the requirements of the Local Government Act 2003 and CIPFA guidance. Specifically, the report on reserves will include a statement on the adequacy of general reserves and provisions for the forthcoming year.
- 3.5.2 Directors may, with the approval of the Section 151 Officer, establish earmarked reserves from within their budgets to fund future service developments (in line with Council priorities) or expenditure of an uneven nature (e.g. renewal of equipment).
- 3.5.3 As part of each year's budget review process, all earmarked reserves will be reviewed by Directors in consultation with the Section 151 Officer. Any reserves no longer required for their original purpose will be transferred to General Reserves.
- 3.5.4 General Reserves will be managed to enable spending pressures and resources to be balanced over the medium term.
- 3.5.5 Separate ringfenced reserves will be held in relation to the Housing Revenue Account (HRA), Public Health and Dedicated Schools Grant.

## **4 Risk Management and Control of Resources**

### **4.1 Risk Management**

- 4.1.1 The Section 151 Officer is the lead officer in respect of risk management and is responsible for the corporate risk management processes of the Council. However, it is the responsibility of all officers and members to be aware of the principles of risk management and to manage risks, where appropriate for their area. All Directors have a responsibility for ensuring that risk management is fully embedded within their Directorate.
- 4.1.2 The Section 151 Officer is responsible for the development, co-ordination and maintenance of the Council's Risk Management Framework. He/she will report on a regular basis to Senior Executive Board and the Audit and Standards Committee.
- 4.1.3 All Directors are responsible for ensuring the Corporate risks are up to date (taking account of emerging risks) and that they reflect the key strategic risks that the Council faces. Where a Director is the designated officer for a risk, he/she will ensure that there are appropriate mitigating actions in place and that these controls are operating effectively. Directors will be required to provide assurance on how a risk is being mitigated on a regular basis.
- 4.1.4 Directors are responsible for implementation of the Risk Management Framework within their Directorate. As part of this they are required to complete the Risk Assurance Protocol on a quarterly basis. By completing this protocol Directors are providing assurance, which includes that appropriate risks have been identified in line with the objectives of the Directorate and that mitigating actions are effective. In preparing the protocol the Director must require all officers reporting directly to him/her to provide similar assurance for their area of responsibility.
- 4.1.5 Directors must undertake a formal risk assessment prior to developing new strategic policies or procedures, making amendments to existing strategic policies/procedures, commencing a new project, entering into a new partnership and/or implementing new or revised services. Pertinent papers should be retained by Directorate Management Teams. If risks are identified, then they should be entered onto the Corporate Risk Management System (Spectrum).
- 4.1.6 Directors submitting a report to Cabinet, the Council or one of the Council's Committees must ensure that any risks arising from the proposed action or decision are explicitly detailed as required by the corporate report format. Any controlling/mitigating actions to be taken to reduce these risks should also be included in the report.



4.1.7 Directors should ensure that positive risks (i.e. relating to opportunities) as well as negative risks (threats) are identified and monitored.

## **4.2 Internal Audit**

4.2.1 The Section 151 Officer under section 114 of the LGFA 1988 and the Accounts and Audit Regulations 2006 has a statutory responsibility for the overall administration of the Council's financial affairs. Section 6 of the Accounts and Audit Regulations 2003, says that the Council "shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices". The Section 151 Officer shall, therefore, in accordance with relevant legislation arrange for a continuous and current internal audit of all areas of Council activities.

4.2.2 "Proper practices" are defined by the CIPFA publication "Code of Practice for Internal Audit in Local Government in the United Kingdom". Audit Services will operate to this Code and any other relevant guidance. The definition of Internal Audit within the Code is: "Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment (comprising risk management, control and governance) by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources."

4.2.3 As the definition outlines, Audit Services has a key role to play in reviewing the Council's arrangements for corporate governance, risk management and internal control. It contributes to the Council's Annual Governance Statement.

4.2.4 The existence of a continuous internal audit service does not in any way diminish the responsibility of Directors for the management of divisions or sections under their control and their responsibilities in respect of the systems of internal control and the management of risk.

4.2.5 The Head of Audit Services shall ensure that Internal Audit remains independent in the planning and operation of its activities. The Head of Audit Services is responsible for maintaining periodic audit plans which have due regard to the key strategic risks of the Council, the risks involved for each service area in delivering their services and any requirements of the External Auditor. The Head of Audit Services will consult with the Section 151 Officer, Directors and the Audit and Standards Committee on the audit plan.

4.2.6 It is the responsibility of Audit Services to review, appraise and report upon:



- The soundness, adequacy and application of internal controls providing assurance within the Annual Governance Statement.
  - The extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud and other offences, waste, extravagance and inefficient administration, poor value for money or other causes.
  - The suitability, reliability, integrity and completeness of financial and other management data developed within the organisation.
  - The soundness and adequacy of the systems operating to collect and report on performance information.
  - The corporate governance arrangements of the Council.
  - The risk management processes of the Council both at Corporate, Directorate and Service Level.
- 4.2.7 The authorised Internal Audit representatives shall be empowered to:
- Enter at all reasonable times any Council premises or land.
  - Have access to all council records, documentation and correspondence relating to any financial and other transactions as considered necessary.
  - Have access to records belonging to third parties such as contractors or partners when required (such rights of access shall be written into appropriate agreements).
  - Require and receive such explanations as are regarded necessary concerning any matter under examination.
  - Require any employee of the Council to account for cash, stores or any other Council property under his/her control or possession.
- 4.2.8 All work carried out shall have due regard for the requirements of the Human Rights Act 1998, the Data Protection Act 2018, Freedom of Information Act 2000, Regulation of Investigatory Powers Act (2000) and other legislation current at the time of the audit.
- 4.2.9 Audit Services should be consulted on any changes in financial, governance or risk management procedures and on the implementation of new or updated computer systems.
- 4.2.10 Directors are responsible for responding to Audit Services reports in accordance with the agreed audit process flowchart. Recommendations should be implemented in accordance with the agreed timescale.
- 4.2.11 It is the duty of any officer or Member to comply with the Corporate Anti-Fraud and Corruption Strategy. Wherever any matter arises which involves actual or potential financial irregularities, misappropriations or indications of



corruption, the Section 151 Officer and/or Head of Audit Services should be notified immediately and he/she shall take such action as he/she considers necessary by way of investigation, report and referral to the Police. The Section 151 Officer and/or Head of Audit Services shall, where necessary, consult with the relevant Directors concerning referral to the Police and notify the Head of Paid Service and the Council's External Auditor in significant cases of fraud or corruption.

4.2.12 Each Director shall:

- Respond without undue delay to any enquiries or recommendations made by the Section 151 Officer.
- Inform the Section 151 Officer as soon as possible of failures of financial control, including matters which involve, or may involve financial irregularity.

4.2.13 The Head of Audit Services has the authority to report, as appropriate, on any matter, without fear or favour, to all levels of the Council. This can include reporting directly to the Chief Executive, the Leader, Cabinet Member with responsibility for Finance, Chair of the Audit and Standards Committee, Section 151 Officer, Directors, the Monitoring Officer or the Council's External Auditor.

### 4.3 External Audit

4.3.1 The Section 151 Officer is responsible for ensuring that:

- The External Auditors are given access at all reasonable times to premises, personnel, documents and/or assets that they consider necessary for the purposes of their work.
- There is effective liaison between external and internal audit.
- The full Council, Cabinet and Directors are advised on their responsibilities in relation to external audit.

### 4.4 Land and Buildings

4.4.1 The Council holds a significant portfolio of land and buildings. These resources should only be used for the purposes of the Local Authority and should be properly accounted for. An asset register should be maintained.

4.4.2 The acquisition or disposal of these assets are considered capital expenditure or capital receipts respectively and therefore compliance with the Capital Investment and Disposal guide is required.

### 4.5 Stocks and Stores



4.5.1 Stock could be defined as items that generally are not held on a long-term basis, are of a consumable nature or have been purchased for resale. As a guide stock held with an aggregate value exceeding £50,000 should be recorded and the controls detailed below should be enforced.

4.5.2 Directors are responsible for:

- Determining an efficient stock holding policy to ensure stock levels are not in excess of operating requirements.
- Determining minimum stock holding levels and efficient order quantities where a stock control system is operated.
- Supplying the Section 151 Officer with such information relating to stores as may be required for the accounting records of the Council.
- Ensuring all stocks are held in a secure location with limited access and appropriately segregated into marked areas.
- Ensuring stock checks are undertaken at least once a year either in full or as part of a rolling programme of checks.
- Supplying the Section 151 Officer with the value of stock in hand as at 31st March certified by the appropriate Director.
- Ensuring that after each stock check a return is completed indicating any differences between actual and recorded stock.
- Ensuring stock check variances are thoroughly investigated and the appropriate adjustments are authorised and applied on a timely basis.
- Reporting to the Section 151 Officer and Head of Audit Services any suspicions of theft or misappropriation or significant unexplained variances.
- Approving the disposal of surplus material or obsolete stock. All disposals should be recorded.
- Ensuring that there is an appropriate separation of duty within the stores processes.

4.5.3 The Section 151 Officer is responsible for:

- Providing the basis for the valuation of stock.
- Ensuring stock values are appropriately recorded in the Authority's accounts.
- (With the Head of Audit Services) investigating suspected theft or misappropriation or significant unexplained variances.

## 4.6 Treasury Management

4.6.1 Treasury management is the management of the Council's cash flows, its borrowing and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.



The Council's investment activities are subject to government guidance issued under Section 15(1) of the Local government Act 2003. It is the responsibility of the Section 151 Officer to maintain a Treasury Management Policy Statement, Treasury Management Practices and an annual Treasury Strategy Statement which is approved by Council.

4.6.2 The Council's primary objective in relation to the investment of public funds is the security of capital. The liquidity or accessibility of the Council's investment followed by the yields earned on investments are important but are secondary considerations.

4.6.3 The Council can borrow to fund capital investment so long as it has sufficient revenue resources to service the resulting debt charges – principal and interest. A Council is unable to borrow for revenue purposes without express permission from Government.

4.6.4 No person shall do, or commit to do, any of the following without the prior approval of the Section 151 Officer:

- Lend or borrow funds under the control of or due to the Council.
- Enter into any credit agreement.
- Enter into an arrangement that is or may be classed as a loan at nil interest.
- Enter into a financial guarantee.
- Enter into any transactions involving financial futures, swaps, options, hedging and other similar financial instruments.
- Take any course of action that would give rise to a financial asset or liability of the Council except where this is in the course of delivering services or capital schemes included in the approved budget and it is in accordance with the other requirements of this paragraph.

## 4.7 Banking and Cash Handling

4.7.1 The Section 151 Officer is responsible for:

- The opening, operating and closing of bank accounts in the name of the Council.
- Ensuring there are satisfactory arrangements in place for the ordering, storage and control of all cheques drawn on the Council's main bank accounts (but see 5.1 for preferred methods of payment).
- Ensuring regular reconciliations are carried out between all bank accounts and the financial ledger of the Council.

4.7.2 Imprest accounts (petty cash) should only be established in exceptional circumstances agreed by the Section 151 Officer where there is no other



practicable means of meeting minor expenditure on behalf of the Council (see 5.1 for preferred methods of payment). The following restrictions and controls should be applied:

- Petty cash must not be used to reimburse staff for miscellaneous expenses (which should be processed through the Council's payroll) or pay suppliers' invoices.
- Individual petty cash payments should not exceed £50.
- Petty cash should be maintained on an imprest basis.
- A petty cash payment slip must be completed for every reimbursement that is made, signed by the claimant, authorised by an appropriate officer and signed by the person receiving payment.
- Receipts must be obtained where practicable.
- The Section 151 Officer reserves the right to withdraw imprest facilities from officers if it is deemed that they are being used inappropriately, the expenditure limit is exceeded, or the facility is rarely used.
- No income received on behalf of the Council may be paid into petty cash but must be separately banked.
- Petty cash accounts must never be used to cash personal cheques or make personal loans.
- The imprest account should be continually kept in balance and regular reconciliations should be undertaken by an independent officer of the cash in hand to the records maintained. These checks should be documented.
- Petty cash payments and petty cash imprest reimbursements should be authorised in accordance with the Directorate financial delegation.
- The officer responsible for an imprest account shall, if requested, give the Section 151 Officer a certificate confirming the amount held.
- Upon leaving the Council or at the request of the Section 151 Officer the responsible officer shall repay to the Council the balance of the imprest held or have the imprest formally transferred to another officer.
- Service Managers are responsible for ensuring that the imprest account is regularly reviewed and reconciled and must provide the Section 151 officer with a certificate of value of the account held at 31<sup>st</sup> March each year.

4.7.3 Same day payment methods such as CHAPs and Faster payments are generally restricted for treasury and emergency payments only. These can only be actioned by Financial Services but access to Faster Payments by the supplier payments system is available (subject to approval by the Section 151 Officer) for specific service areas where emergency payments have to be made.

## 4.8 Assets



- 4.8.1 The Council holds assets in the form of property, vehicles, equipment, furniture, information and other items worth many millions of pounds. It is important that these assets are safeguarded and used efficiently for service delivery.
- 4.8.2 All assets must be held in the name of the Council and not in the name of an individual officer. Managers must ensure the safe custody of vehicles, stock and stores and any other property belonging to the Council. Cash holding on premises should be kept to an absolute minimum. All staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal and is properly authorised. Users of ICT equipment are required to comply with ICT Equipment Guardianship and Usage Policy.
- 4.8.3 All staff have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or electronic records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council.
- 4.8.4 All staff have responsibility for safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.

## **4.9 Insurance**

- 4.9.1 The Section 151 Officer is responsible for:
- Ensuring the Council's assets and liabilities are adequately and properly insured. Only officers authorised by the Section 151 Officer may obtain insurance cover on behalf of the Council.
  - Reviewing insurance covers.
  - Keeping a record of all insurances.
  - Processing all claims relating to the Council's external and internal insurance arrangements and negotiating settlements (where liability is accepted) within the limits and terms and conditions of these insurance arrangements.
  - Where it is deemed an insurance recovery will not be forthcoming, notifying the relevant directorate as soon as possible to enable them to take any further action necessary.
  - Ensuring appropriate cover for losses caused by fraudulent actions/theft by Council employees.

#### 4.9.2 Directors are responsible for:

- Notifying the Insurance Section of acquisitions, disposals or any other material fact impacting upon the status of tangible assets. Failure to do so may mean the asset is uninsured.
- Consulting the Insurance Section on any changes to existing or new working arrangements that may impact on Public Liability, Fidelity Guarantee, Professional Negligence, Officials' Indemnity or other insurance covers.
- Consulting with the Insurance Section in respect of the terms of any indemnity which the Council is requested to give under contract to ensure the adequacy of the Council's insurance arrangements.
- Notifying the Insurance Section of any loss, liability or damage causing event that may give rise to a claim of any kind against the Council as soon as practicably possible.
- Ensuring that anyone covered by the Council's insurances is aware that they must not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- Ensuring that appropriate officers co-operate at all times with the investigations of the Section 151 Officer into any claims, supply all information upon request and comply with the timescales for investigating claims.
- Ensuring that all hirers of the Council's buildings sign a formal hiring agreement requiring them to indemnify the Council against the cost of any damage caused to Council property or legal claim(s) arising from the negligent actions of the hirer.
- Providing the Section 151 Officer with any other information they may require to fulfil their duties outlined above.

## 4.10 Payments to employees

4.10.1 Employee costs form a large proportion of the Council's expenditure. It is essential that the Council recruits and retains employees with appropriate skills and qualifications. Controls should ensure that payments are made only where due in accordance with conditions of employment.

4.10.2 The Head of Human Resources and Organisational Development must ensure that:

- All relevant personnel and payroll records are retained in accordance with the Council's document retention policy and statutory requirements.
- All human resources and payroll policies and procedures are reviewed and updated on a regular basis.
- All key employment checks are undertaken, where appropriate including Criminal Records Bureau, Medical Clearance, References, Identity, Immigration, Asylum and Nationality Act 2006.
- Payments to staff are made at the prescribed intervals.
- Statutory deductions and other payroll deductions are taken at the correct rate and paid over to the relevant body in a timely fashion.
- All required returns are submitted to HM Revenues and Customs by the prescribed dates.
- The permissions within the Corporate Payroll and Personnel System (PIMS) are in accordance with reporting lines. Claims for variable allowances (e.g. expenses or overtime) should be authorised by the line manager. Contractual changes (e.g. change of hours or acting up) should be authorised by the Head of Service.

4.10.3 Directors must ensure that:

- Reporting lines are accurately recorded on the Corporate Payroll and Personnel System and that no amendments are made except as authorised in accordance with the directorate delegations.
- All appointments are made in accordance with the rules of the Council (Recruitment and Selection Policy) and approved establishments, grades, scales of pay and that adequate budget provision is available for the length of the employment contract.





- All changes in contract and variable payments (e.g. overtime) are within budget and where relevant comply with the Collective Agreement and the Council's Pay Policy Statement.
- Appropriate employment status assessments are made for each contractor engaged either as sole traders or as Personal Service Companies, and that payments are made net of tax and national insurance if they are deemed to be employed for tax purposes. Managers must be able to evidence that they have tested the employment status against HM Revenues and Customs rules.
- That their Managers on a regular basis as part of budget monitoring review the salary payments made to their staff. This should be checked to ensure that the staff establishment is correct and that payments made are accurate.
- Changes that would have an impact on an individual's pay (leavers, maternity, sickness, change of hours, change in work pattern, overtime, etc.) are recorded on the Corporate Payroll and Personnel System in a timely fashion and in accordance with published deadlines.
- Any benefits in kind are notified to Human Resources and Organisational Development.
- If temporary staff are required then contact is made in the first instance with the Council's Temp Solutions Team or through the Council's approved contractor.
- The payment of any honorarium is approved by Human Resources and Organisational Development.
- No payment shall be made to a person deemed to be an employee other than through the normal payroll procedure (under no circumstances should an employee be paid in cash).
- The Collective Agreement on grading and pay and the Council's Pay Policy Statement are adhered to. Where a role changes or a new post is created (and in advance of any communication to staff about pay) directorates should liaise with Human Resources and Organisational Development to determine appropriate job grades.
- Any other relevant Human Resources policies and procedures are adhered to.



- All documentation supporting payments to employees is input to the Corporate Payroll and Personnel System.
  - All key employment checks are undertaken, where appropriate including Criminal Records Bureau, Medical Clearance, References, Identity, Immigration, Asylum and Nationality Act 2006.
  - Payments to staff are made at the prescribed intervals.
  - No amendment is made to the Corporate Payroll and Personnel System except as authorised in accordance with the directorate financial delegations.
  - No payment shall be made to a person deemed to be an employee other than through the normal payroll procedure. Under no circumstances should an employee be paid in cash.
- 4.10.4 When authorising payments for travel and subsistence, line managers are responsible for ensuring that:
- Costs have been incurred for valid journeys on official Council business.
  - Mileage is accurate.
  - Subsistence claims are appropriately supported and in line with Council policies
  - Car parking and other expenses are appropriately supported and in line with Council policies.
  - Officers claiming car mileage are appropriately insured and legally allowed to drive and the vehicle has a valid MOT (if required).
  - Claims are made promptly (within three months).

## 4.11 Inventories

- 4.11.1 Items of furniture, equipment, plant and vehicles costing over £1,000 (or that are of a highly attractive and portable nature) should be included on the inventory record.
- 4.11.2 A corporate inventory for all significant ICT assets shall be maintained by the Head of ICT Services. Directorates should not arrange relocation or disposal without appropriate notification to the Head of ICT Services.
- 4.11.3 Where inventory is located in accommodation managed by Corporate Landlord Services, the responsibility for the maintenance of the inventory

record rests with the Director of Regeneration and Enterprise. For other buildings, Directors are responsible for the inventory in buildings which they occupy.

4.11.4 Directors are responsible for:

- Maintaining inventories of equipment that record the full description of the item (including the make, model and serial number, where appropriate), the location of the item, the cost and order number (where appropriate).
- Ensuring the inventory is updated as soon as the item is received
- Ensuring inventory items are marked “Dudley MBC”, where appropriate
- Ensuring that inventory items are held securely at all times, particularly expensive, moveable items.
- Organising an independent annual check of their inventory and getting it approved by a senior officer.
- Ensuring disposal of obsolete items is appropriately authorised and documented.
- Ensuring all leased or third party inventory items are clearly identified and labelled (indicating that the item should not be sold or disposed of).
- Ensuring that all significant discrepancies are reported to the Section 151 Officer.

4.11.5 The Director of Regeneration and Enterprise is responsible for:

- Maintaining a database of all properties owned or rented by the Council and for ensuring that valuations are reviewed on a regular basis.
- The acquisition and disposal of all land and property owned / to be owned by the Council, letting, sublettings, rent reviews and renewal of leases and tenancy agreements.

## **4.12 Management of Information**

- 4.12.1 Directors are responsible for the security of all information within their Directorate. Information exists in many forms. It can be printed or written on paper, stored electronically, transmitted by post or electronically, shown on films, or spoken in conversation. Whatever form the information takes, or means by which it is shared or stored, it must be appropriately protected.
- 4.12.2 Directors must ensure compliance with the Council's information governance policies so that the requirements of the Data Protection Act 2018, UK GDPR, Computer Misuse Act 1990, Copyright and Patents Acts, Human Rights Legislation and the Freedom of Information Act 2000 are met.
- 4.12.3 Directors must ensure that data quality is maintained within their Directorates.
- 4.12.4 Directors are responsible for evaluating third parties' security arrangements and where appropriate ensure that contracts include clauses relating to the processing of personal data in accordance with the requirements of the Data Protection Act 2018.

## **5 Financial Systems and Procedures**

### **5.1 Ordering goods and services**

- 5.1.1 Order requisitions are to be authorised by officers approved by Directors within the scheme of financial delegation. Authorised officers are responsible for ensuring that, before an order is issued, there is adequate budget provision and that Standing Orders Relating to Contracts and Financial Regulations have been complied with.
- 5.1.2 Orders shall indicate clearly the date of the order, the quantity, quality and nature of the goods, works and services and the contract or agreed price. An estimated price shall be provided when an agreed price is not available.
- 5.1.3 It is a requirement that the officer who raises the requisition is different from the officer who approves the requisition. In some services, where there is a requirement to process many small value invoices, it may be appropriate for orders to be self-approved by the requisitioner up to a value of £250 (but as a compensating control managers will review any self-approved orders for their area of responsibility each month). It is also a requirement that the officer who approves the requisition is different from the officer who receipts the goods or service.

- 5.1.4 Purchase orders should be raised and authorised within UNIT 4 ERP for all expenditure other than for specific areas which have been agreed with the Section 151 Officer, where a No-Order invoice should be approved.
- 5.1.5 Where payment is to be made, Directors should ensure that the officers who authorise No Order invoices for payment or have approved invoice variations have prior to authorisation confirmed that:
- A valid invoice has been received.
  - The goods, services and work have been received or carried out, examined and approved as to quality and quantity.
  - The expenditure is necessary, legal and within the estimates provision.
  - The prices are in accordance with any quotation, tender or contract and/or are reasonable.
  - Discounts or credits due have been deducted.
  - VAT or other tax treatment is correctly stated.
  - The account is arithmetically correct.
  - The amount has not been previously paid or certified for payment, either in whole or part.
  - Appropriate entries have been made in asset registers, inventories and stock records.
  - The information shown on the scanned invoice is in agreement with the details to be paid.
  - There is an appropriate separation of duty.
- 5.1.6 Where an invoice is incorrect, e.g. because of an addition error, the VAT is incorrectly calculated or the invoice is not addressed to the Council, it should be returned to the supplier with an explanatory note. Amendments should not be made to an invoice as this may invalidate the recovery of VAT. A credit note should always be requested, where required.
- 5.1.7 Officers should monitor the orders raised and ensure that goods/services are received/provided within the stipulated timetable. Where an order or part of an order is no longer required, then it should be cancelled off the system so that the outstanding commitment is amended on the appropriate budget report.
- 5.1.8 The preferred payment method for suppliers is via BACS. Due to increased risk of fraud and loss, cheque payments must only be made in exceptional circumstances where it is not possible to obtain the payee's bank details.
- 5.1.9 Purchase cards are an alternative payment method which are useful in particular for transactions where a purchase order is not practicable. All purchase card holders must complete relevant training and refer to the Purchase Card Manual for guidance on purchase card payments. Card holders must ensure that they reconcile their payments against their monthly statements and where necessary reclaim unclaimed VAT. Users should

carefully consider the relative advantages and disadvantages of using a purchase order or a purchase card for their specific transactions. Further support is available from the VAT and Creditor teams.

- 5.1.10 Some suppliers will only accept payment via Direct Debit. Usually this is prevalent within certain markets, such as energy. The signing of the contract permits the supplier to debit the Council's bank account and without authorisation being tracked through Business World. Therefore, only the Section 151 Officer can approve contracts that require payment via Direct Debit.
- 5.1.11 Where appropriate in the interests of efficiency, non-financial ICT systems may be interfaced with the UNIT 4 ERP system in order to drive payments to suppliers (e.g. Liquid Logic for social care payments). In these cases, the Section 151 Officer or his/her representatives must be satisfied that there are equivalent controls (including separation of duties) and that these controls are properly documented.

## **5.2 Income**

5.2.1 Council operations are funded by multiple income streams, which can be categorised as:

- Government Grants, e.g. DSG.
- Other Specific Grants and contributions, e.g. Lottery, Section 106 and Community Infrastructure Levy (CIL).
- Local taxation, e.g. Council Tax and Business Rates.
- Fees and Charges, e.g. Leisure Centre charges, Housing Rent.

5.2.2 It is the responsibility of the Section 151 Officer to ensure that procedures for recording, collection, reconciling and recovery of income are effective. Directors must ensure that all income for their directorate is recorded in a timely manner and support is given to debt recovery teams.

5.2.3 For general income, debtor invoices should be raised via UNIT 4 to record and start the recovery process. Where appropriate, other ICT systems may be interfaced with the Unit4 system in order to record and recover income. (e.g. Northgate systems for Housing rents, Council Tax and Business Rates). In these cases, the Section 151 Officer or his/her representatives must be satisfied that there are equivalent controls (including separation of duties) and that these controls are properly documented.

5.2.4 Directors shall, wherever possible, separate the responsibility for identifying the amount due/raising of accounts from the responsibility for collection. They should also ensure that any unbanked income is retained securely to

safeguard against loss or theft and that receipts, tickets and other records of income are held securely for the appropriate period.

- 5.2.5 All debts will be followed up via reminders and debt recovery procedures as prescribed by the Section 151 Officer. No debt in respect of an amount due to the Council once established shall be discharged otherwise than by payment in full except where write-off has been properly authorised.
- 5.2.6 All proposals to write off debt must be approved by the Section 151 Officer. The cost of all write-offs will be borne by the budget holder, whose service originally benefited from the credit.
- 5.2.7 Income should be obtained in advance of supplying goods or services where it is considered that payment may be at risk. Whenever possible for sums below £100 credit should not be given and these sums should be collected on or before service delivery.
- 5.2.8 There are a number of methods of payment available to a Dudley resident, customer, client or funding body:
- Direct debit instalments.
  - BACS/Bank transfer.
  - Payment at Post Offices, Pay point and Payzone Outlets.
  - Card payments (in person, over the telephone or online).
  - Cash at certain locations (but see below for preferred methods of receiving income).
- 5.2.9 Appropriate payment methods should be promoted for each category of income. Due to risk of fraud, loss and costs, payment by cheque is strongly discouraged and should not be promoted on bills or in any other communications. For similar reasons, payment in cash at council-run locations is discouraged. Services may refer to the Income Management Group or Financial Services for further guidance.
- 5.2.10 Each officer who receives money on behalf of the Council, or for which they are accountable to the Council, shall keep such records as required by the Section 151 Officer. All receipts, tickets and other acknowledgements for payments received shall be in a form approved by the Section 151 Officer.
- 5.2.11 All money received by an officer on behalf of the Council shall be paid promptly and completely and at the earliest opportunity to the Council's bankers. In the interim the money should be kept securely, preferably in a locked safe and within the insured amount for that safe. No deductions may be made from such money other than as may be approved by the Section

151 Officer or the Head of Audit Services. When money is banked information as to the reason for its receipt, or its origin, shall be supplied.

- 5.2.12 Money held on behalf of the Council shall not be used to cash personal cheques for members, officers or third parties.
- 5.2.13 In all instances when acknowledgement for payment is not provided, two members of staff must be present when collecting, counting and recording cash and a document must be completed recording the amount collected and signed by the two officers present to certify the accuracy of the information. If this is not possible a suitable record of income due and collected should be maintained with a subsequent check on the completeness of the income by examining and reconciling to supporting information and signed by the person undertaking the check. Any subsequent transfer of cash between two employees shall be acknowledged by both officers signing and dating a record of the transfer.
- 5.2.14 Money laundering is any attempt to convert the proceeds of crime to money or assets that appear to have derived from legitimate activities. Anyone who becomes involved in an activity which they know or suspect is related to the proceeds of crime may be guilty of money laundering. The areas which are most at risk of money laundering include;
- Conveyancing.
  - Cash payments in excess of £8000.
  - Refunds of overpayments to accounts.
  - Suspiciously low tenders.
- 5.2.15 Employees receiving cash on behalf of the Council must:
- Ensure that they are familiar with the Council's Anti-Money Laundering Procedures.
  - Ensure that no payment to the Council should be accepted in cash if it exceeds £8000.

5.2.16 Further information is available in the Council's Anti-Money Laundering Policy.

### **5.3 Taxation**

- 5.3.1 Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax can be severe. It is therefore essential that all officers are aware of their role. Any penalties from incorrect application of VAT or tax will be passed on to the relevant service area.





- 5.3.2 The Section 151 Officer is responsible for submitting claims to HMRC in relation to VAT and the Construction Industry Tax Deduction scheme.
- 5.3.3 The Council is able to recover VAT on its expenditure if it has received the supply. Services are responsible for correctly recording VAT and keeping relevant evidence such as receipts so that claims to HMRC can be completed efficiently and accurately by Financial Services. Managers should liaise with Financial Services should they have any queries.
- 5.3.4 The Council is able to recover VAT incurred in relation to “exempt” business income. The main services impacted are Bereavement, Leisure, Property and Lettings. However, this is subject to not exceeding the Partial Exemption limit imposed by HMRC. Managers of these service areas should consult with Financial Services if they are planning changes to service delivery or expansion of the current service, so that the most VAT efficient arrangements can be explored.
- 5.3.5 Employment status for tax purposes is a complex area but managers who engage workers as sole traders or through Personal Service Companies must carry out assessments of the engagement using HMRC’s online Check for Employments Status Tool (CEST) and liaise with HROD and Financial Services for advice. Where the tax status cannot be determined by the CEST the default position for workers is that they are employed for tax purposes. All invoices for workers deemed to be employed for tax purposes must be paid via PIMS payroll system net of income tax and national insurance deductions.
- 5.3.6 Certain sales and purchases of land and property may fall within the scope of Stamp Duty Land tax. In these situations advice must be sought from Finance and Legal Services.

## **6 External Arrangements**

### **6.1 External Funding**

- 6.1.1 External funding forms an essential source of funding to support and deliver Council services and priorities. Capital and Revenue grants can be automatically awarded to Local Authorities (including Schools) or they are made available via an application process.
- 6.1.2 Bids for external funding should only be made if the purpose of the grant fits with the Council’s objectives. Some funding agencies only provide part of the total project costs so it is essential that other funding sources are secured. It cannot be assumed that the Council’s General Fund can support project initiatives or for example staff costs once the finite funding has run



out. Externally-funded capital expenditure must be included within the Council's Capital Programme.

6.1.3 Managers should ensure that the key conditions of funding and any statutory requirements are complied with and the responsibilities of the Accountable Body are clearly understood. Grant funding must only be used for the designated purposes. All income and expenditure relating to external funding must be recorded via UNIT 4 ERP. Where grant claims or returns are a condition of the grant these must be completed in consultation with the appropriate service accountant.

6.1.4 The Council's External Funding Code of Practice must be complied with in respect of all aspects of external funding and contains further information and guidance.

## **6.2 Partnerships**

6.2.1 Partnership working could be defined as "two or more groups coming together to achieve a common purpose". The Council works in partnership with a wide variety of organisations to help deliver its priorities, find new ways to share risk, access resources, improve services, work in innovative ways and forge relationships with other organisations.

6.2.2 Partnerships can be distinguished into:

- Non-commercial partnerships such as pooled budget arrangements with health partners.
- Commercial partnerships such as where the Council lets a contract or undertakes a formal joint venture with another entity.

6.2.3 Non-commercial partnerships do not come within Contract Standing Orders, but any contracts the Council lets under such a partnership must comply. Commercial partnerships must follow Contract Standing Orders.

6.2.4 The responsibility of the Section 151 Officer is to advise on the key elements of funding a project, including:

- A scheme appraisal for financial viability in both the current and future years.
- Risk appraisal and management.
- Resourcing, including taxation issues.
- Audit, security and control requirements.
- Carry-forward arrangements.
- Treatment of assets used by the partnership.
- Ensuring that the accounting arrangements are satisfactory.

6.2.5 Directors are responsible for:

- Maintaining records of all partnership agreements.
- Ensuring that a detailed business case and risk appraisal has been prepared before entering into the partnership.
- To ensure that there are no adverse impacts on services provided by the Council.
- To provide any information required by the Section 151 Officer where required to disclose the partnership in the Statement of Accounts.

### **6.3 Work for Third Parties**

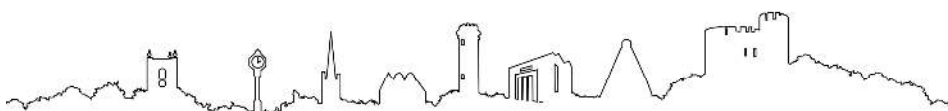
6.3.1 Work can only be undertaken for third parties where the Council has the legal powers to undertake the work. Such work may enable a service area to maintain economies of scale and existing expertise. Directors are responsible for:

- Consulting with the Director of Digital, ICT and Commercial.
- Ensuring the appropriate contractual arrangements are in place between the Council and the customer.
- Ensuring that no contract adversely impacts upon services provided by the council.
- Ensuring that at least all marginal costs of the activity are recovered via the charging mechanism.
- Contacting the Insurance section so that appropriate officer/professional indemnity insurance can be arranged.

6.3.2 Advice must be sought from the Section 151 and Monitoring Officer prior to the Council creating a Local Authority Company or the Council taking an interest in a company. A decision of this nature is made by Full Council.

## 7. Glossary of Terms

Accountable Body	The organisation within a partnership responsible for accounting for proper use of funds
BACS	Bankers' Automated Clearing Services (system for all UK automated payment methods)
Capital expenditure	Expenditure on the acquisition, creation or improvement of assets with long term value
CHAPS	Clearing House Automated Payment System (a same day payment method)
Creditors	Sums owed by the Council
Debtors	Sums owed to the Council
DSG	Dedicated Schools Grant (ringfenced account for schools and education functions)
Faster Payments	A method for payments within up to 2 hours
Fidelity Guarantee	Insurance against losses due to employee dishonesty, theft or fraud
GDPR	General Data Protection Regulation
General Fund	Account for the general functions of the Council (i.e. those not covered by the HRA, DSG or PHG)
HMRC	Her Majesty's Revenue and Customs
HRA	Housing Revenue Account (ringfenced account for housing landlord functions)
Imprest	A fund for small items of expenditure that is restored to a fixed amount periodically
IR35	Tax legislation determining whether an individual is an employee or self-employed for tax purposes
Liquid Logic	Social care ICT system
PHG	Public Health Grant (ringfenced account for public health functions)
PIMS	People Information Management System (corporate payroll and HR system)
Provisions	A charge for an estimated expense
Reserves	Funds held for a specific purpose
Revenue expenditure	Expenditure for day to day purposes, not related to assets of long-term value
Spectrum	The Council's performance and risk management system
UNIT4 ERP	Corporate financial ICT system (formerly known as Business World and Agresso)
Vire (v) / virement (n)	Transfer of budget from one purpose to another



## 8. List of documents to support Financial Regulations

- a. Annual Governance Statement
- b. Anti-Fraud and Corruption Strategy
- c. Anti-Money Laundering Procedures
- d. Budget and Policy Framework Procedure Rules (part of Constitution)
- e. Capital Investment and Disposal guide
- f. Capital Strategy
- g. Code of Conduct for Employees (part of Constitution)
- h. Collective Agreement on Grading and Pay
- i. Constitution
- j. Document Retention Policy
- k. External Funding Code of Practice
- l. ICT Equipment Guardianship and Usage Policy
- m. Members Code of Conduct (part of Constitution)
- n. Pay Policy Statement
- o. Purchase Card Manual
- p. Responsibility for Functions (Scheme of Delegation) (part of Constitution)
- q. Risk Management Framework
- r. Standing Orders Relating to Contracts (part of Constitution)
- s. Treasury Management Policy
- t. Treasury Management Practices
- u. Treasury Strategy Statement