

FINANCIAL PROCEDURE RULES

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1. Introduction

- 1.1 These Financial Procedure Rules provide for a consistent and corporate approach to all financial and information and communications technology (ICT) procedures to be achieved throughout the Council.
- 1.2 Specific responsibilities under these Financial Procedure Rules are set out below.

2. Council Responsibilities

It is the responsibility of the Council to ensure that it has adequate regulations and policies covering the conduct of its financial and ICT affairs by adopting:-

- (a) the following principle:-
- (i) that the Officer with delegated responsibility under Section 151 Local Government Act 1972, issues standards for all Directorates to follow for the financial controls required throughout the Council to ensure the safe and efficient arrangements for the payment of expenditure, the collection of income and the safeguarding of assets;
 - (ii) that the Council's ICT Assets and Activities are protected in a cost effective manner.
- (b) the following policies:-
- (i) a coherent published anti-fraud and corruption policy which identifies the strategy the Council will adopt in relation to:-
 - measures to prevent the incidence of fraud and corruption.
 - positive action to detect fraud; and
 - the investigation of all cases of fraud and corruption.
 - (ii) an Officer Code of Conduct to be issued to all staff which incorporates the standards of integrity that staff must adopt when they are dealing with financial matters;
 - (iii) an Information Security Policy that identifies the procedures which must be taken to adequately protect the Council's ICT Assets and Activities in a cost effective manner.

3. Cabinet Responsibilities

It is the responsibility of the Cabinet to issue instructions on the preparation of the Annual Budget.

4. Council Officer Responsibilities

4.1 The Section 151 Officer

- 4.1.1 The delegated Officer for the purposes of Section 151 Local Government Act 1972, who is the Head of Finance, will issue detailed standards (Section 151 Standards) setting down the levels of financial control to be adopted to ensure that safe and efficient arrangements are in place for the payment of expenditure, the collection of income and the safeguarding of assets of the Council.
- 4.1.2 The Section 151 Officer will issue Section 151 standards on financial systems and procedures to the Chief Officers as he/she considers necessary.
- 4.1.3 The Section 151 Officer will review and where necessary, update his/her Section 151 Standards on an annual basis, taking into account changing circumstances, and will notify the Chief Officers accordingly.
- 4.1.4 The Section 151 Officer will be responsible for ensuring that the Section 151 Standards meet the requirements of the Council's External Auditors.
- 4.1.5 The Section 151 Officer will be responsible for ensuring that the separate Section 151 Standards for the central control environment are issued and complied with.
- 4.1.6 The Section 151 Officer will issue a separate Section 151 Standard on Contracts, setting down the controls required to demonstrate value for money, ensure all transactions are valid and authorized and ensure compliance with Contracts Procedure Rules.
- 4.1.7 The Section 151 Officer will be responsible for reporting to the Cabinet or the Standards Committee as appropriate consistent failures by Services in complying with Section 151 Standards.

4.2 Information Governance Board

The Information Governance Board will be responsible for installing the required ICT Organisational Structure, the production of an organisational structure document, setting timescales for and monitoring the progress of the installation of the ICT Control Environment.

4.3 Head of Finance

The Head of Finance will be responsible for the following in relation to the Anti-Fraud and Corruption Strategy:

- (a) Preparation and subsequent updating of the Anti-Fraud and Corruption Strategy.
- (b) Preparation and subsequent updating of an Advice and Guidance to Managers and Staff document on Anti-Fraud and Corruption matters.
- (c) Issue of an Anti-Fraud and Corruption Leaflet to all staff of the Authority.

4.3A Business Change and Performance Management

The Head of Business Change and Performance Management will be responsible for the following in relation to the ICT Control Environment:-

- (a) Production of ICT Control Environment – Policies and Procedures.
- (b) Production of Standard Requirement Statements relating to the development/purchase of New Systems.
- (c) The ICT Control Environment at the central computer installation.

4.4 Head of Human Resources

The Head of Human Resources will be responsible for the production of all employee related policies, codes of practice, guidance documents etc in relation to the ICT Control Environment.

4.5 Chief Executive and Directors - The Financial Control Environment within all Services

4.5.1 The Chief Executive and Directors will be responsible for ensuring that the financial procedures within their Services comply with the Section 151 Standards and will adopt the following 6 principles of control:-

- (a) Clear roles and responsibilities
- (b) Clear separation of duties
- (c) Clear hierarchy of control
- (d) Adequate staff training and supervision
- (e) Sound audit trails
- (f) Effective monitoring by management.

4.5.2 The Chief Executive and Directors will be responsible for ensuring that their Services complies with the policies and procedures detailed in the Anti-Fraud and Corruption Policy.

4.5.3 The Chief Executive, Deputy Chief Executive and Directors will be responsible for ensuring that all staff in their Services are aware of their responsibilities under the Code of Conduct for Council Employees and that procedures are in place which are consistent with the Code of Conduct.

4.5.4 The Chief Executive and Directors will be responsible for ensuring that their Services:

- (a) Comply with the Information Security Policy.
- (b) Adopt a risk-based approach to the ICT Control Environment.
- (c) Produce and issues specific Data Protection Guidance for their Service areas.

4.5.5 The Chief Executive and Directors shall immediately notify the Head of Finance's Internal Audit Section of any circumstances which may suggest the possibility of an irregularity affecting cash, stores or any other Council property.

4.6 Internal Audit

4.6.1 The Internal Audit Section of the Finance Service will be responsible for conducting audit checks on a cyclical basis of cost centres within the Council with a particular emphasis on whether the Section 151 Standards, Contracts Procedure Rules of the

Council and the Information Security Policy are being complied with.

The Internal Audit Section will issue to the Chief Officer a written audit report on the completion of the audit for their consideration.

- 4.6.2 The Internal Audit Section will be responsible for ensuring that the following elements of the Anti-Fraud and Corruption Policy are in place:-
- (a) a confidential fraud hotline available to all employees
 - (b) advice to Services on the conduct of any fraud investigations
 - (c) an effective Police liaison service.
- 4.6.3 The Internal Audit Section will be responsible for conducting periodic checks to ensure that the policies and procedures laid down in the Anti-Fraud and Corruption Policy are being adhered to by Services.
- 4.6.4 The Assistant Head of Finance (Internal Audit) or his/her authorised representative shall have authority to visit all Council establishments and have access to such reports, documents and persons as he/she deems necessary. He/she may require the production of cash, stores and other property without prior notice and shall be entitled to receive such explanations as he/she feels necessary.
- 4.6.5 The Assistant Head of Finance (Internal Audit) shall have responsibility after the necessary investigations to refer to the Police those cases where it is suspected that a criminal offence has been committed. This will only be done after consultation with the Chief Officer.
- 4.6.6 If upon preliminary investigations the Assistant Head of Finance (Internal Audit) is satisfied that a significant irregularity or breach of regulations exists, the matter shall be reported to the Chief Executive and/or the Audit Committee as appropriate.
- 4.6.7 The Assistant Head of Finance (Internal Audit) will be responsible for reporting to the Section 151 Officer consistent failures by Services in complying with the Section 151 Standards.
- 4.6.8 The Assistant Head of Finance (Internal Audit) will be responsible for preparing an annual report, taking into account risk, forming an opinion on the control environment in place throughout the Council as a whole for presentation to the Audit Committee for approval. Following approval of the annual report the Assistant Head of

Finance's opinion will be included within the annual Statement of Internal Control.

4.7 Revenue Budget Preparation

4.7.1 Budget Forecast(s)

4.7.1.1 Each year before the detailed General Fund Revenue Budget is prepared the Cabinet will issue financial guidance to the Chief Officers based upon a report from the Section 151 Officer showing a forecast of the following years budget position.

4.7.1.2 Following the issue of financial guidance the Chief Officers shall provide the Section 151 Officer with the necessary information required by the Cabinet. Such information shall be provided in a format and timetable prescribed by the Section 151 Officer in detailed guidance notes which shall comply with the Council's Budget and Policy Framework Procedure Rules.

4.7.2 Preparation of Revenue Budget

4.7.2.1 The Chief Officers shall provide the Section 151 Officer with the necessary information for the preparation of the annual standstill revenue budget(s). Such information shall be provided in a format and timetable prescribed by the Section 151 Officer in detailed guidance notes.

4.7.2.2 The Section 151 Officer will ensure that standstill budgets are presented to a meeting of the Cabinet to be held no later than January in each year.

4.7.3 Approval of the Revenue Budget(s)

Proposals relating to the budgets (4.4.2.2 above) shall be submitted by the Cabinet for consideration and approval by the Council in accordance with the Budget and Policy Framework Procedure Rules.

4.7.4 Approval to incur Expenditure

The inclusion of any item in a revenue budget shall, unless specifically indicated otherwise in the Council's approval thereof, confer authority on the Chief Officer to incur such expenditure, subject to:-

- The Budget and Policy Framework Procedure Rules
- the Rules relating to Key Decisions
- the Contract Procedure Rules

4.7.5 Revenue Budget Control

- 4.7.5.1 The Chief Officers shall not approve any item of expenditure which increases the total of their annual revenue budget for the current or future years.
- 4.7.5.2 All requests for additional General Fund Revenue Budget provision must first be considered by the Cabinet upon the receipt of written reports from the Chief Officer and the Section 151 Officer. The Cabinet is authorised to approve such requests provided expenditure will be incurred in the current financial year only and will not result in the Council's balances falling below the level approved to be retained for meeting unforeseen circumstances.
- 4.7.5.3 All expenditure and income within a revenue budget is Service Controlled other than a specific list of items agreed by the Cabinet following consideration of a report by the Section 151 Officer. These are described as Centrally Controlled. Service Controlled budgets are the responsibility of the Chief Officers. The monitoring of Centrally Controlled budgets are the responsibility of the Chief Officers for report to the Cabinet.
- 4.7.5.4 The Chief Officers shall provide to the Section 151 Officer a forecast of the net expenditure compared to the budget for the year three times per annum. Such information shall be provided in the format and timetable prescribed, and in accordance with detailed guidance issued by the Section 151 Officer.
- 4.7.5.5 The Section 151 Officer shall collate the Chief Officers' forecasts of net expenditure and report the overall position to the Cabinet for the following budgets:-
- General Fund
 - Trading Accounts.
- 4.7.5.6 If the Chief Officer forecasts to overspend the service controlled budget in the current or any future financial year he/she must report to the next meeting of the

Cabinet identifying the appropriate action to eliminate the overspend.

- 4.7.5.7 The Cabinet shall have the authority to suspend or withdraw the right of a Chief Officer to use the powers of virement (see 4.4.6) following a report from the Section 151 Officer.
- 4.7.5.8 Following the end of each financial year the Chief Officers shall provide details of Service Controlled over and underspendings in accordance with detailed guidance notes issued by the Section 151 Officer who shall then submit a summary report to the Cabinet.
- 4.7.5.9 If the Chief Executive or a Director underspend their Service Controlled budgets the underspend will be carried forward to the following year.
- 4.7.5.10 If a Chief Officer overspends his/her Service Controlled budget the overspend will be carried forward to the following year with a requirement that at the first available Cabinet, the Chief Officer will provide recommendations on how the overspend will be eliminated.

4.7.6 Budget Virement

- 4.7.6.1 The Cabinet shall be authorised to vire budgets between Directorates provided it does not involve any change in policy or major change in level of service.
- 4.7.6.2 The Chief Executive and Directors are authorised to transfer revenue budget within the limit of their total service Directorate controlled budget in current or future years provided it does not involve any changes in policy or it does not involve a major change in the level of service.
- 4.7.6.3 Heads of Service shall be authorised to transfer revenue budget within the limit of their total service controlled budget in current or future years provided it does not involve any changes in policy or it does not involve a major change in level of service.
- 4.7.6.4 All budget virements must be carried out in accordance with detailed guidance notes issued by the Section 151 Officer.

4.7.7 Allocations from Budget Contingencies

The issue of budget allocations to Services from the Council's budget contingencies along with the full year financial effect will be made by the Section 151 Officer in accordance with the Cabinet's approval.

4.8 Final Accounts

4.8.1 The Chief Officers shall provide information to the Section 151 Officer in order for their accounts to be closed in accordance with the timetable and accounting instructions/principles issued by him/her to ensure compliance with the current Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in Great Britain.

4.8.2 Each year, prior to 30 September, the Section 151 Officer shall submit Statement of Accounts to the Council for approval.

4.9 Capital Expenditure

4.9.1 Approval of Capital Expenditure

4.9.1.1 The capital programme forms part of the Council's Budget and Policy Framework which is approved by the Council. The Cabinet will be responsible for implementation of the capital programme in accordance with the Budget and Policy Framework Procedure Rules.

4.9.1.2 The Section 151 Officer shall determine the expenditure which shall be treated as capital expenditure and included in the capital programme.

4.9.1.3 As schemes in the capital programme must be Project Appraised by the Council's Project Appraisal Team, the Chief Officers shall seek the approval of the Cabinet, and where necessary the Council, for the inclusion of schemes into the approved capital programme, together with any associated revenue effect, in accordance with detailed guidance issued by the Section 151 Officer.

4.9.1.4 Approval to commit capital expenditure will be determined by guidance approved by the Cabinet.

4.9.2 Capital Budget Control

- 4.9.2.1 The Chief Officers shall report to the Cabinet a forecast of capital expenditure in respect of each scheme within their approved Capital Programme. Such information shall be provided in the format and timetable prescribed and in accordance with the detailed guidance issued by the Section 151 Officer. The Section 151 Officer shall collate the results of the expenditure forecasts and shall provide the Council's capital resources forecast to report the overall capital financial position to Cabinet at least three times a year.
- 4.9.2.2 Following approval to commit capital expenditure as referred to in paragraph 4.6.1.4 above, the Chief Officers are authorised to incur expenditure on approved capital schemes subject to compliance with the Council's Rules.
- 4.9.2.3 Where the tender to be accepted can be contained in the approved budget for the scheme, the budget shall be reduced accordingly.
- 4.9.2.4 Where the proposed tender exceeds the approved budget the scheme must be referred back to Cabinet. The Cabinet is authorised to approve the additional cost where the Section 151 Officer confirms that the additional cost can be contained within the Council's overall capital resources.

4.9.3 Budget Adjustments

The Chief Officers shall report all capital scheme forecast over and underspendings to the Cabinet and provide reasons for the forecast overspend. The Cabinet is authorised to approve additional cost where the Section 151 Officer confirms that the additional cost can be contained within the Council's overall capital resources.

4.9.4 Capital Budget - Revenue Implications

The annual revenue implications of approved capital schemes shall be incorporated into the Council's revenue budgets in accordance with guidance issued by the Section 151 officer.

4.9.5 Procurement of Contractor Services

The strategy for the procurement of capital works shall be recommended by the Director, Economy and Environment after consultation with the client.

5. Treasury Management

5.1 The Council will create and maintain, as the cornerstones for effective Treasury Management:

- a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its Treasury Management activities
- suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities

The contents of the Policy Statement and the TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular sentences of this Authority. Such amendments will not result in the Council materially deviating from the Code's key principles.

5.2 Cabinet/Council will receive reports on its treasury management policies, prudential indicators and borrowing limits in advance of the year, in the form prescribed in its Treasury Management Practices (TMP).

5.3 The Audit Committee will be responsible for the regular monitoring of treasury management policies and practices, and the Head of Finance for the execution and administration of treasury management decisions who will act in accordance with the Council's policies and Treasury Management Practices and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

5.4 The Audit Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies and to receive the mid-term and annual reports on Treasury Management, with the option to recommend that the reports be submitted to Cabinet if the Audit Committee feels that it is necessary.

6. Partnership Working

- 6.1 All Partnerships using the Council's financial systems will follow these regulations.
- 6.2 No agreement shall be entered into with a partnership which commits the Council to any additional expenditure or other financial risk without approval as detailed within the Council's Partnership Arrangement Toolkit.
- 6.3 All duly approved Partnerships must comply with all the governance arrangements as set out within the Council's Partnership Arrangement Toolkit.
- 6.4 The duly approved Partnerships must be recorded on the Council's Partnership Register.
- 6.5 The relevant Director will report at least annually to the appropriate Scrutiny Panel on the purpose, performance and outcomes of the partnership.