

# **Peterborough City Council**

## **Financial Regulations**

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## GLOSSARY

## INTRODUCTION

### 1.1 FINANCIAL REGULATIONS

#### Why are these important?

- 1.1.1 All employees and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is achieved by setting clear standards and putting appropriate controls in place to ensure that the standards are met. All staff and Members of the Council 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.
- 1.1.2. Financial Regulations form a major part of how the Council manages its business and clarify responsibilities and provide a framework for decision making.

#### Responsibilities of the Corporate Director Resources

- 1.1.3 To discharge the statutory duties for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972.
- 1.1.4 To discharge the statutory duties under section 114 of the Local Government Act 1988.
- 1.1.5 To ensure the proper administration of the financial affairs of the Council as required by the Accounts and Audit Regulations 2003 (amended 2006).
- 1.1.6 To set the financial management standards, and to act as head of profession in relation to the standards, promote them throughout the Council, and to ensure compliance with them.
- 1.1.7 To ensure proper professional practices are adhered to in relation to the standards, performance and development of finance employees throughout the Council.
- 1.1.8 To advise on the key strategic controls necessary to secure sound financial management.
- 1.1.9 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

#### Responsibilities of Directors

- 1.1.10 To promote the financial management standards set by the Corporate Director Resources in their respective departments and to ensure adherence to the standards and practices, liaising as necessary with the Corporate Director Resources.
- 1.1.11 To promote sound financial practices in relation to the standards, performance and development of employees in their respective departments.
- 1.1.12 No Director shall:

- (a) cause or allow its expenditure, whether of a revenue or capital nature, to exceed its financial allocation, including any subsequent variations made available to it;
- (b) divert financial provision from one heading to another heading in the revenue estimates, or from one project to another in the capital estimates, except in accordance with the rules for virement specified in 3.2.

### **Responsibilities of Members**

- 1.1.13 To approve the Financial Regulations.
- 1.1.14 To set the budget framework and monitor performance.
- 1.1.15 Scrutinise financial probity through the Audit Committee.

### **Key controls**

- 1.1.16 The key controls for Financial Regulations are:-
  - (a) their promotion and observance throughout the Council; and
  - (b) a robust monitoring system to review compliance with financial regulations.

## FINANCIAL PLANNING

### 2.1 PERFORMANCE PLANS

#### Why are these important?

- 2.1.1 The Council has a statutory responsibility to publish various performance plans, including best value performance plans, education plans, community strategies, etc. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The Council is required to publish annually the Best Value Performance Plan (BVPP), which summarises its performance and position in relation to best value. The BVPP is a key element in the Council's programme of engaging with the public. External audit is required to report on whether the Council has complied with statutory requirements in respect of the preparation and publication of the BVPP.

#### Responsibilities of the Corporate Director Resources

- 2.1.2 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 2.1.3 To contribute to the development of corporate and service targets and objectives and performance information.
- 2.1.4 To ensure that systems are in place to measure activity and collect accurate information for performance indicator purposes.
- 2.1.5 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

#### Responsibilities of Directors

- 2.1.6 To contribute to the development of performance plans in line with statutory requirements.
- 2.1.7 To contribute to the development of corporate and service targets and objectives and performance information.

#### Key controls

- 2.1.8 The key controls for performance plans are: -
- (a) to ensure that all relevant plans are produced and that they are consistent;
  - (b) to produce plans in accordance with statutory requirements;
  - (c) to meet the timetables set;

- (d) to ensure that all performance information is accurate, complete and up to date;
- (e) to provide improvement targets which are meaningful, realistic and challenging; and
- (f) to ensure that financial plans and performance plans are fully integrated, and that both underpin the Corporate Plan.

## 2.2 BUDGETING

### Format of the budget

#### Why is this important?

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

#### Responsibilities of the Corporate Director Resources

- 2.2.2 To advise the Cabinet on the format of the budget that is approved by the Council.

#### Responsibilities of Directors

- 2.2.3 To comply with accounting guidance provided by the Corporate Director Resources.

#### Key controls

- 2.2.4 The key controls for the budget format are: -
- (a) that the format complies with all legal requirements;
  - (b) that the format reflects the accountabilities of service delivery; and
  - (c) that, in published statements where it is required, the format complies with CIPFA's *Best Value Accounting – Code of Practice*.

### Budgets and medium-term planning

#### Why is this important?

- 2.2.5 The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and develop systems to enable limited resources to be allocated in accordance with carefully assessed priorities. The budget is the financial expression of the Council's plans and policies.
- 2.2.6 The revenue and capital budgets must be constructed to ensure that resource allocation properly reflects the service plans and corporate priorities of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit.
- 2.2.7 CMT shall prepare annually (normally for submission to Cabinet each January), draft estimates of income and expenditure for three years (the ensuing year and the following two years), in a form agreed with the Corporate Director Resources together with any necessary explanations.

### **Responsibilities of the Corporate Director Resources**

- 2.2.8 To prepare and submit reports on budget prospects for Cabinet in accordance with the Constitution, including resource constraints set by the Government. Reports should take account of medium-term prospects and review where appropriate.
- 2.2.9 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Council, and following consultation with the Cabinet Member responsible for finance and Directors.
- 2.2.10 To prepare and submit reports to the Cabinet Member responsible for finance on the overall position, and to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 2.2.11 To advise on the medium-term implications of spending decisions.
- 2.2.12 To encourage the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.2.13 To advise the Council on the Cabinet's proposals on robustness of budget set and the adequacy of reserves in accordance Accounts and Audit Regulations 2003 (amended 2006).

### **Responsibilities of Directors**

- 2.2.14 To prepare estimates of income and expenditure, in consultation with the Corporate Director Resources, to be submitted to the Cabinet.
- 2.2.15 Changes in estimates between financial years shall be analysed between inflation and other reasons in line with the budget preparation guidelines issued each year by the Corporate Director Resources.
- 2.2.16 To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Cabinet. The format should be prescribed by the Corporate Director Resources in accordance with the Cabinet's general directions.
- 2.2.17 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.2.18 In consultation with the Corporate Director Resources and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate executive function.
- 2.2.19 To ensure that budget proposals underpin the Council's strategic priorities and objectives.
- 2.2.20 When drawing up draft budget requirements, to have regard to: -

- (a) spending patterns and pressures revealed through the budget monitoring process;
- (b) demographic, legal and external funding requirements;
- (c) policy requirements as defined by the Cabinet in the approved policy framework;  
and
- (d) initiatives already under way
- (e) identifying all risks of achieving the budget

### **Key controls**

2.2.21 The key controls for budgets and medium-term planning are: -

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

### **Resource allocation**

#### **Why is this important?**

2.2.22 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to meet all identified needs. It is, therefore, imperative that such needs are carefully prioritised and that resources are fairly allocated, in order to meet all legal responsibilities. Resources may include employees, money, property, information, equipment, goods and materials.

#### **Responsibilities of the Corporate Director Resources**

2.2.23 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.

2.2.24 To assist in the allocation of resources to budget managers.

#### **Responsibilities of Directors**

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

2.2.26 To seek to identify more efficient means of working that do not have a detrimental effect on service delivery.

## Key controls

2.2.27 The key controls for resource allocation are: -

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

## Capital programme

### Why is this important?

2.2.28 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets can shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. Capital expenditure can also result in the creation of an intangible asset, for items such as software licenses which have no physical substance. Capital expenditure on assets which are not owned by the Council create what is known as a deferred charge which does not appear on the Council's Balance Sheet at the end of the year.

2.2.29 The Council is required to set its Capital Programme having regard to the Prudential Code, ensuring that it is affordable, prudent and sustainable. This means that capital expenditure forms part of an investment strategy that is carefully prioritised in order to maximise the benefit of limited resources. The Council must also approve its Prudential Indicators which are used to monitor performance throughout the year.

### Responsibilities of the Corporate Director Resources

2.2.30 To prepare a capital programme covering at least two future financial years. If an urgent and unforeseen need arises to undertake a project in excess of the current approved capital programme or to accelerate the preparation, commencement or completion of a scheme, the proposal will be considered by the Capital Programme Group and if agreed will then be reported via CMT to Cabinet for final approval as part of the monthly Budgetary Control Reporting.

2.2.31 To prepare and submit regular reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates. Also, to inform Cabinet where estimated expenditure on any scheme exceeds the capital programme provision by more than 10% or £50,000 which ever is lower. (This does not include City Services Schedule of Rates contracts).

- 2.2.32 To issue guidance concerning capital contracts and controls, for example, on project appraisal. The definition of 'capital' will be determined by the Corporate Director Resources, having regard to government regulations and accounting requirements.

### **Responsibilities of Directors**

- 2.2.33 To comply with guidance concerning capital schemes and controls issued by the Corporate Director Resources.
- 2.2.34 To ensure that all estimates and programmes prepared in connection with capital expenditure shall include reference to the estimated revenue implications of such expenditure in each of the development years and in a full cost year as agreed with the Corporate Director Resources.
- 2.2.35 To review the capital programme provisions for their services and the estimated final costs of schemes in the approved capital programme for submission to the Capital Programme Group.
- 2.2.36 To ensure that adequate records are maintained for all capital contracts (see also Contract Regulations).
- 2.2.37 To proceed with projects / contracts only when there is adequate provision in the capital programme and guarantees of any external funding are in place, and with the agreement of the Corporate Director Resources, where required, following the appropriate project appraisal where this is necessary.
- 2.2.38 To notify the Corporate Director Resources (Internal Audit and Capital Accounting Team) immediately if the total value of a contract or its annual sum is likely to be different from the original figure by more than the approved limits referred to in paragraph 2.2.31 and Cabinet Member decision.
- 2.2.39 To ensure that credit arrangements, such as leasing agreements and contract hire agreements, are not entered into without first seeking advice from the Corporate Director Resources (Treasury and Insurance) and, if applicable, approval of the scheme through the capital programme.
- 2.2.40 To consult the Corporate Director Resources and to seek Cabinet or Cabinet Member approval where the director proposes to bid for specific funding approvals from government departments or contributions from other third parties to support expenditure that has either not been included in the current year's capital programme or is already in the programme with funding from elsewhere.

### **Key controls**

- 2.2.41 The key controls for capital programmes are: -
- (a) specific approval by the Cabinet for the planned programme of capital expenditure;

- (b) Each capital project must be subject to a project appraisal in line with Programme and Project Management procedures and assessed against the Council's strategic objectives, prior to discussion at Capital Project Group and subsequent approval by the relevant Cabinet Member;
- (c) proposals for improvements and alterations to buildings and land must be approved by the appropriate director and Corporate Director Growth & Regeneration;
- (d) schedules for individual schemes within the overall budget approved by the Council must be submitted to the relevant Cabinet Member for a decision on contracts over £500k;
- (e) the development and implementation of asset management plans;
- (f) accountability for each proposal is accepted by a named manager;
- (g) monitoring of progress in conjunction with expenditure and comparison with approved budget; and
- (h) the capital schemes have been determined in accordance with the approved prioritisation scheme that applies to such schemes.
- (i) monitoring of Prudential Indicators throughout the year.

## 2.3 Maintenance of reserves

### Why are these important?

2.3.1 The Council holds reserves for one of three purposes:

- working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing (general reserve);
- a contingency to cushion the impact of unexpected events or emergencies (general reserve); and
- a means of building up funds (earmarked reserve) to meet known or predicted liabilities

2.3.2 It is the responsibility of the Section 151 Officer to advise the Council as to the level of general reserves, which is agreed as part of the Medium Term Financial Plan. Earmarked reserves can be requested by Directorates up to a maximum contribution of 50% of the Departmental underspend. Requests will be subject to initial scrutiny by the Service Director Financial Services, prior to approval by CMT and members. When reviewing requests, the following will be taken into consideration:

- The overall underspend across the Council and within the specific Directorate, i.e. if the Council or Directorate is overspent, a contribution to reserves cannot be met.
- The reason for the underspend, i.e. an analytical review of the outturn
- Any legal or statutory duties
- Any specific project funding that may have slipped
- The proposed use of the reserves, i.e. invest to save, improve business efficiency

### Responsibilities of the Corporate Director Resources

2.3.3 To advise the Cabinet and / or the Council on prudent levels of reserves for the Council, having regard to advice from the external auditor.

### Responsibilities of Directors

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

### Key controls

2.3.5 To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA / LASAAC) and agreed accounting policies.

2.3.6 For each reserve established the following must be provided:

- The reason for / purpose of the reserve
- How and when the reserve can be used
- Procedures for the reserves management and control
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy

2.3.7 Authorisation and expenditure from reserves by the relevant Director in consultation with the Corporate Director Resources.

## FINANCIAL MANAGEMENT

### 3.1 BUDGETARY CONTROL

#### Why is this important?

- 3.1.1 Budgetary control is the means by which the Council manages its finances and ensures their effective use in accordance with the budget agreed at the start of the year ready for the new financial year. The budget is the financial expression of the Council's planned activity for the financial year of April to March. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 3.1.2 By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it. This section should also be read in conjunction with Section 1, Financial Management, which includes the Council's scheme of virement. Detailed procedures can be found in the Council's Budgetary Control Manual.
- 3.1.3 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by a Director's scheme of delegation.

#### Responsibilities of the Corporate Director Resources

- 3.1.4 To administer an appropriate framework of budgetary management and control that ensures: -
- (a) budget management is exercised within annual cash limits unless the Cabinet agrees otherwise;
  - (b) each Director has available timely information on receipts and payments on each budget;
  - (c) expenditure is only committed against an approved budget head;
  - (d) all officers responsible for committing expenditure comply with relevant guidance, and these Financial Regulations;

- (e) each budget heading has a single named manager, determined by the relevant director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure;
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

- 3.1.5 To administer the Council's Scheme of Virement (see 3.2).
- 3.1.6 To submit reports to the Cabinet and to the Council, in consultation with the relevant Director, where a Director is unable to balance expenditure and resources within existing approved budgets under his/her control.
- 3.1.7 To prepare and submit reports to each Cabinet meeting on the Council's projected income and expenditure compared with the budget.
- 3.1.8 To only carry forward savings from the previous financial year after prior approval from the Cabinet Member responsible for finance.

#### **Responsibilities of Directors**

- 3.1.9 To maintain budgetary control within their departments, in line with the principles in paragraph 3.1.4 above, and to ensure that all income and expenditure are recorded and accounted for properly.
- 3.1.10 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 3.1.11 To ensure that spending remains within the service's overall cash limit, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 3.1.12 To ensure that a monitoring process is in place to review performance levels and levels of service in conjunction with the budget and that it is operating effectively.
- 3.1.13 To prepare and submit to the Cabinet, reports on the service's projected expenditure compared with its budget, in consultation with the Corporate Director Resources and CMT.
- 3.1.14 To ensure prior approval by the Council or Cabinet (as appropriate) for new proposals, of whatever amount, that: -
  - (a) create financial commitments in future years;
  - (b) change existing policies, initiate new policies or cease existing policies; or
  - (c) materially extend or reduce the Council's services.

A report on new proposals should explain the full financial implications, following consultation with the Corporate Director Resources. Unless the Council or Cabinet has agreed otherwise, Directors in consultation with CMT must plan to contain the financial implications of such proposals within their cash limit.

3.1.15 To ensure compliance with the Scheme of Virement (see 3.2).

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

3.1.17 To ensure that savings are only carried forward from the previous financial year, subject to following the agreed process with the Corporate Director Resources and approval by the relevant Cabinet Member responsible for finance.

### **Key controls**

3.1.18 The key controls for managing and controlling the revenue budget are: -

- (a) budget managers should be responsible only for income and expenditure that they can influence;
- (b) there is a nominated budget manager for each budget heading;
- (c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- (d) all budgets are appropriately profiled through the financial year;
- (e) budget managers follow an approved certification process for all expenditure;
- (f) income and expenditure are recorded and accounted for properly; and
- (g) performance levels / levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

## 3.2 SCHEME OF VIREMENT

### Why is this important?

- 3.2.1 The Scheme of Virement is intended to enable Cabinet Members together with Directors and their employees to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and, therefore, to optimise the use of resources.

### Responsibilities of the Corporate Director Resources

- 3.2.2 To work with the Service Director Financial Services: -
- (a) to submit a report to the CMT and Cabinet where virements are proposed between directorate areas;
  - (b) to ensure that budgetary control reports set out directorates use of reserves and temporary control total increases;
  - (c) to prepare a report for the Cabinet Member responsible for finance when any virements are proposed between salary and non-salary budgets.

### Responsibilities of Directors

- 3.2.3 A director may exercise virement on budgets under his / her control during the year, provided the Corporate Director Resources or his representative has been notified, and the relevant Cabinet Member has been consulted under arrangements agreed by the Council. This is subject to the conditions in paragraphs 3.2.5 to 3.2.8 below.
- 3.2.4 Any virements between salary and non-salary budgets irrespective of the amount require the approval of the Cabinet Member responsible for finance.
- 3.2.5 The prior approval of the Cabinet is required for any virement (irrespective of amount) where it is proposed to: -
- (a) vire between budgets of different Cabinet Members; or
  - (b) vire between budgets managed by different Directors.
- 3.2.6 Virement that is likely to impact on the level of service activity of another department should be implemented only after agreement with the relevant Director.
- 3.2.7 Schools are free to vire between account heads in the expenditure of their budget shares, but governors are advised to establish criteria for virements and financial limits above which the approval of governors is required. This Regulation may not apply to some earmarked funds that have been devolved to schools for a specific purpose.
- 3.2.8 Where an approved budget is a lump-sum budget, contingency or efficiency saving intended for allocation during the financial year, a specific reserve brought forward, specific grant or third party contribution, its allocation will not be treated as a virement, provided that: -

- (a) the amount is used in accordance with the purposes for which it has been established; and
- (b) the use of the provision is in accordance with any terms, including financial limits, which have been placed by the Cabinet on how it will be used. Individual allocations in excess of the financial limits are subject to approval by the Cabinet Member responsible for finance.

### **Key controls**

#### 3.2.9 Key controls for the Scheme of Virement are: -

- (a) it is administered by the Corporate Director Resources within guidelines set by the Council. Any variation from this scheme requires the approval of the Cabinet;
- (b) the overall budget is recommended by the Cabinet and approved by the Council. Directors and budget managers are authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement, that is, switching resources between cost centres or account headings. For the purposes of this scheme: -
  - an account heading is considered to be a line in the budgetary control report (for example, stationery costs may be an account heading within a cost centre for a department);
  - a “service area” is a group of cost centres that are the responsibility of a Cabinet Member or a Director;
- (c) virement does not create a net increase in budget. Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. They should avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a financial year, for which they have not identified future resources. Directors must plan to fund such commitments from within their own budgets (cash limits).

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

#### **Why are these important?**

- 3.3.1 The Council's treatment of year-end balances (that is, the arrangements for carry forward of over and under spends to the following financial year) is very important in order to ensure the effective use of resources and promote accountability for budget managers. It is important that over-spends are fully recovered and under-spends allocated appropriately to ensure that cash limits are not breached.
- 3.3.2. These rules are regarded as the normal way of the Council dealing with year-end balances. However, they may be suspended or varied by the Cabinet when it reviews the financial out-turn for each year in response to the overall budget position of the Council.

#### **Responsibilities of the Corporate Director Resources**

- 3.3.3. To administer the scheme of carry-forward and specific reserves within the guidelines approved by the Cabinet.
- 3.3.4. To report to the Cabinet all significant over-spends and under-spends on service estimates together with the actual cash limit total for each department.

#### **Responsibilities of Directors**

- 3.3.5. A review will be carried out as part of the closure of the accounts to establish whether overspending on service budgets (in total) under the control of the director will be carried forward to the following financial year. The Corporate Director Resources will report the extent of over-spends carried forward to the Cabinet.
- 3.3.6. The Corporate Director Resources will present proposals to CMT and Cabinet on under-spends and savings on a services cash limit that could be carried forward as specific reserves which are earmarked for a particular purpose or for the service. Use of these reserves for the purpose for which they were set up will not be treated as virement. Use for a different purpose will require approval by the Cabinet.
- 3.3.7. Schools' balances shall be available for carry-forward to support the expenditure of the school concerned. The value that can be carried forward must be calculated in line with the Scheme for the Financial Management of Schools. Where an unplanned deficit occurs, the governing body shall prepare a detailed financial recovery plan for consideration by the Cabinet Member for Education, Skills and University, following evaluation by the Executive Director People & Communities Cambridgeshire and Peterborough and the Corporate Director Resources. Schools will normally be expected to agree a plan to recover the deficit within a defined period, in accordance with the Local Management for Schools guidelines.

- 3.3.8. In exceptional circumstances, schools may seek to incur expenditure to be financed by the anticipated budget share for the following financial year. Proposals shall be accompanied by a detailed plan setting out how the arrangement is to be accommodated as the first call on the reduced budget share. Such arrangements require the prior approval of the Cabinet Member for Education, Skills and University, following evaluation by the Executive Director People & Communities Cambridgeshire and Peterborough and the Corporate Director Resources.

**Key controls**

- 3.3.9. This scheme is administered by the Corporate Director Resources within guidelines set by the Cabinet. Any variation from this scheme requires the approval of the Cabinet.
- 3.3.10. Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

### 3.4. ACCOUNTING POLICIES

#### Why are these important?

- 3.4.1 The Council is required to follow proper practices in preparing its Statement of Accounts. The Council's Accounting Policies are a key part in ensuring that this is done and these are detailed in the Statement of Accounts.

#### Responsibilities of the Corporate Director Resources

- 3.4.2 To establish suitable accounting policies and to ensure that they are applied consistently.
- 3.4.3 To ensure that the accounting policies are consistent with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA / LASAAC), for each financial year. The accounting policies are set out in the annual Statement of Accounts, and cover such items as: -
- (a) any significant estimates included in debtors and creditors at year-end;
  - (b) details on material provisions and reserves;
  - (c) fixed assets;
  - (d) receipts from sale of fixed assets;
  - (e) depreciation;
  - (f) capital charges;
  - (g) repayment of borrowing;
  - (h) stocks and work in progress;
  - (j) financial relationships with companies and other bodies;
  - (k) government grants;
  - (l) leasing; and
  - (m) pensions.

#### Responsibilities of Directors

- 3.4.4. To adhere to the accounting policies and guidelines approved by the Corporate Director Resources.

#### Key controls

- 3.4.5. The key controls for accounting policies are:

- (a) systems of internal control are in place to ensure that financial transactions are lawful;
- (b) suitable accounting policies are established and applied consistently;
- (c) proper accounting records are maintained;
- (d) financial statements are prepared which present fairly the financial position of the Council and its expenditure and income; and
- (e) accounting policies are set out in the Statement of Accounts and are subject to external audit.

## 3.5. ACCOUNTING RECORDS AND RETURNS

### Why are these important?

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

### Responsibilities of the Corporate Director Resources

- 3.5.2 To determine the accounting policies, procedures and the method for recording transactions for the Council. Where these are maintained outside the Strategic Resources Department, the relevant Director should consult with the Corporate Director Resources.
- 3.5.3 To arrange for the compilation of all accounts and accounting records under his direction.
- 3.5.4 To comply with the following principles when allocating accounting duties: -
- (a) of providing information about sums due to or from the Council and calculating, checking and recording these sums should be separated from the duty of collecting or disbursing them; and
  - (b) that employees with the duty of examining or checking the accounts of cash transactions must not be engaged in those transactions.
- 3.5.5 To make proper arrangements for the audit of the Council's annual accounts in accordance with the Accounts and Audit Regulations 2003 (amended 2006) as maybe amended from time to time.
- 3.5.6 To ensure that all claims for funds (including grants) are made accurately and by the due date.
- 3.5.7. To prepare and publish the audited annual accounts of the Council for each financial year, in accordance with the statutory timetable.
- 3.5.8 To administer the Council's arrangements for carry forward of underspends and overspends to the following financial year.
- 3.5.9 To ensure the proper security and retention of financial documents in accordance with the requirements set out in the Council's Document Retention Policy.
- 3.5.10 To ensure that an asset register is maintained and assets are appropriately revalued and categorised in accordance with *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA / LASAAC).

### **Responsibilities of Directors**

- 3.5.11 To ensure that a copy of any approved funding from a third party, including government grant, is immediately passed to the Corporate Director Resources, their authorised officer or the Budget and Grants Controller.
- 3.5.12 To ensure that all necessary service related information is available to support all claims for funds, including government grants.
- 3.5.13 To consult and obtain the approval of the Corporate Director Resources before making any changes to accounting records and procedures for any central or local financial systems.
- 3.5.14 To ensure that departments or establishments reconcile their local accounting records to the Council's central financial information system on a regular basis during the course of the financial year.
- 3.5.15 To ensure that managers monitor their cost centre's performance throughout the year and notify their director or head of service of significant variations from that planned, of both an adverse and favourable nature.
- 3.5.16 To comply with the principles outlined in paragraph 3.5.4 when allocating accounting duties.
- 3.5.17 To maintain adequate records to provide a management/audit trail leading from the source of income/expenditure through to the accounting statements.
- 3.5.18 To supply information required to enable the statement of accounts to be completed and published in accordance with the timetable and guidelines issued by the Corporate Director Resources.

### **Key controls**

- 3.5.19 The key controls for accounting records and returns are:
  - (a) all Cabinet Members, finance employees and budget managers operate within the required accounting standards and timetables;
  - (b) all the Council's transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
  - (c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
  - (d) reconciliation procedures are carried out to ensure transactions are correctly recorded; and
  - (e) prime documents are retained in accordance with legislative and other requirements, as set out in the Council's Document Retention Policy.

- (f) the central accounting system of the Council, administered by the Corporate Director Resources, is the prime system upon which the financial position of the council, or any part of the Council, will be assessed. Any authorised local financial systems will use the central financial information system as the prime accounting record. The sole approved exception relates to those schools and other organisations authorised to operate local bank accounts in accordance with the Scheme for the Financial Management of Schools or equivalent arrangements.

## 3.6 THE ANNUAL STATEMENT OF ACCOUNTS

### Why is this important?

- 3.6.1. The Council has a statutory responsibility to prepare its own accounts to present its operations during the financial year in a fair manner. The Council is responsible for approving the statutory annual statement of accounts, through delegation to the Audit Committee.

### Responsibilities of the Corporate Director Resources

- 3.6.2 To establish suitable accounting policies and to apply them consistently.
- 3.6.3 To make judgements and estimates that are reasonable and prudent.
- 3.6.4 To comply with the Statement of Recommended Practice [SORP].
- 3.6.5 To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the financial year.
- 3.6.6 To draw up the timetable and requirements for final accounts preparation and to advise employees and the external auditor accordingly.

### Responsibilities of Directors

- 3.6.7 To comply with accounting guidance provided by the Corporate Director Resources and to supply the Corporate Director Resources with information when required.

### Key controls

- 3.6.8 The key controls for the annual statement of accounts are: -
- (a) the Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the Corporate Director Resources; and
  - (b) the Council's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP)* (CIPFA / LASAAC).

## **RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **4.1 RISK MANAGEMENT**

#### **Why is this important?**

4.1.1 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action, event or outcome. Risk management is a planned and systematic approach to identifying, evaluating and controlling risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well being of the Council. It is, therefore, an integral and essential part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action needed to control these risks effectively. Such action could include the following:

- (a) Transferring risk (where it is insurable or is better managed by an external partner)
- (b) Terminating risk (prevent the risk from occurring by doing things differently)
- (c) Treating risk (put in place measures to reduce risk to an acceptable level)
- (d) Tolerating risk (accept that risk cannot be avoided at a reasonable cost and, if necessary, put in place contingency plans)

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

### **Responsibilities of the Corporate Director Resources**

- 4.1.3 To prepare and promote the Council's Risk Management Strategy.
- 4.1.4 To develop risk reduction strategies (including continuity planning) in conjunction with other Directors and to monitor their effectiveness.
- 4.1.5 To include all appropriate employees of the Council in a suitable fidelity guarantee insurance policy.
- 4.1.6 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims, in consultation with other officers where necessary.

### **Responsibilities of Directors**

- 4.1.7 To notify the Corporate Director Resources immediately of any injury, loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Corporate Director Resources or the Council's insurers.
- 4.1.8 To take responsibility for risk management and minimising exposure to loss, having regard to advice from the Corporate Director Resources and other specialist advisers (e.g. crime prevention, fire prevention, health and safety, emergency planning).
- 4.1.9 To ensure that there are regular reviews of Corporate and Departmental risk registers to identify and evaluate risk and to determine the ways in which risk can be managed. The risks and the mitigating actions should be recorded and monitored on an ongoing basis.
- 4.1.10 To notify the Corporate Director Resources promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 4.1.11 To consult the Corporate Director Resources and the Director of Governance on the terms of any indemnity that the Council is requested to give.
- 4.1.12 To ensure that employees, or anyone covered by the Council's insurance, do not acknowledge a claim, admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim. Directors and their officers shall provide all assistance to enable the claim to be defended or progressed effectively and in accordance with statutory or other prescribed time-scales.

### **Key controls**

- 4.1.13 The key controls for risk management are: -
  - (a) procedures are in place to identify risks, to evaluate their likely impact and probability of occurring, and to determine suitable risk reduction strategies. The risk management process operates continually to ensure that changes in circumstances and new risks are identified, evaluated and managed;

- (b) Corporate and Departmental Risk Registers are produced and are regularly reviewed and action taken when appropriate;
- (c) risk management procedures are communicated effectively throughout the Council. Managers know that they are responsible for managing risks in their areas and are provided with relevant information on risk management initiatives;
- (d) acceptable levels of risk are determined and insured against where appropriate; and provision is made through balances or reserves for losses where insurance is not appropriate;
- (e) the Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

## 4.2 INTERNAL CONTROLS

### Why are these important?

- 4.2.1 The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations. Regulation 4(2) of The Accounts and Audit Regulations 2003 (amended 2006) requires the Council to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement on internal control with any statement of accounts.
- 4.2.2 The Council faces a wide range of financial, operational, legal and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks and minimise the occurrence of significant control failings and weaknesses.
- 4.2.3 The system of internal controls is established in order to provide measurable achievement of: -
- (a) efficient and effective operations;
  - (b) reliable financial information and reporting;
  - (c) the accomplishment of goals, objectives and targets;
  - (d) the safeguarding of assets;
  - (c) compliance with laws and regulations; and
  - (d) the management of risks.

### Responsibilities of the Corporate Director Resources

- 4.2.4 To assist the Council to put in place an appropriate control environment and effective internal controls that provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

### Responsibilities of Directors

- 4.2.5 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 4.2.6 To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Corporate Director Resources. Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 4.2.7 To report annually, as requested by the Chief Internal Auditor, on the systems of control in place within their Department.

4.2.8 To ensure employees have a clear understanding of the consequences of lack of control.

**Key controls**

4.2.9 The key controls are: -

- (a) key controls should be reviewed on a regular basis and the Council should make a formal statement annually in the Statement of Accounts to the effect that it is satisfied that the systems of internal control are operating effectively;
- (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance, taking appropriate anticipatory and remedial action and ensuring that personnel are competent, suitably qualified and trained. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
- (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems; and
- (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline *Guidance for Internal Auditors*, CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006* and with any other statutory obligations and regulations.

## **4.3 AUDIT REQUIREMENTS**

### **Internal Audit**

#### **Why is this important?**

- 4.3.1 The requirement for an Internal Audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities make arrangements for the proper administration of their financial affairs. Regulation 6 of the Accounts and Audit Regulations 2015 more specifically requires that a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. All auditing activity within the Council is accountable to the Audit Committee.
- 4.3.2 Accordingly, Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. However, it is the responsibility of management to establish and maintain an effective system of internal control, irrespective of the Internal Audit function.

#### **Responsibilities of the Corporate Director Resources**

- 4.3.3 To ensure that internal auditors have the authority to: -
- (a) access all Council utilised premises as and when required;
  - (b) access all assets, records, documents, correspondence and control systems;
  - (c) request and receive any information and explanation considered necessary concerning any matter under consideration;
  - (d) require any employee or contractor of the Council to account for cash, stores or any other council asset under his control;
  - (e) access or have sight of relevant records of external parties (eg contractors) as may reasonably be required; and
  - (f) directly access the Chief Executive, Cabinet Members and Scrutiny Members.
- 4.3.4 To ensure that strategic and annual audit plans, an annual activity report and an annual opinion on internal control are prepared by the Chief Internal Auditor and approved by the Audit Committee.
- 4.3.5 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

### **Responsibilities of Directors**

- 4.3.6 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 4.3.7 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 4.3.8 To consider and respond promptly to recommendations in audit reports.
- 4.3.9 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 4.3.10 To notify the Corporate Director Resources, the Chief Executive or Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration. All employees involved shall regard the information, and its source, as confidential.
- 4.3.11 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Internal Auditor prior to implementation.

### **Key controls**

- 4.3.12 The key controls for Internal Audit are: -
  - (a) that it is independent in its planning and operation;
  - (b) the Chief Internal Auditor has direct access to the Chief Executive, all levels of management and directly to elected members; and
  - (c) the internal auditors comply with the Auditing Practices Board's guideline *Guidance for Internal Auditors*, as interpreted by CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*.

### **External audit**

#### **Why is this important?**

- 4.3.13 Under the Local Audit and Accountability Act 2014 Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing external auditors to each local authority in England and Wales up to 2017/18. From 2018/19 local authorities can opt for PSAA to make their external audit appointments. The external auditor has rights of access to all documents and information necessary for audit purposes.

4.3.14 The basic duties of the external auditor are set out in Part V of the Local Accountability and Audit Act 2014. In particular, Schedule 6 of that Act requires Comptroller and Auditor General to prepare a code of audit practice, which external auditors follow when carrying out their duties. The Code of Audit Practice sets out the auditor's role:

- (a) the audit of the financial statements;
- (b) work on value for money
- (c)

4.3.15 The Council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Council and its income and expenditure for the financial year in question and complies with the legal requirements.

#### **Responsibilities of the Corporate Director Resources**

4.3.16 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.

4.3.17 To ensure there is effective liaison between external and internal audit.

4.3.18 To work with the external auditor and advise the Council, Cabinet and directors on their responsibilities in relation to external audit.

#### **Responsibilities of Directors**

4.3.19 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

4.3.20 To ensure that all records and systems are up to date and available for inspection.

#### **Key controls**

4.3.21 External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a Code of Audit Practice, which external auditors follow when carrying out their audits.

## **4.4 PREVENTING FRAUD AND CORRUPTION**

### **Why is this important?**

- 4.4.1 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.
- 4.4.2 The Council expects all members and employees to act with propriety and accountability. It expects them to lead by example in adhering to legal requirements, rules, procedures and practices.
- 4.4.3 The Council also expects that individuals and organisations with whom the Council comes into contact (for example, suppliers, contractors and service providers) will act towards the Council with integrity and without thought or actions involving fraud and corruption.

### **Responsibilities of the Corporate Director Resources**

- 4.4.4 To develop and maintain an anti-fraud and corruption policy.
- 4.4.5 To develop and maintain a whistleblowing policy
- 4.4.6 To maintain adequate and effective internal control arrangements.
- 4.4.7 To ensure that all suspected irregularities are reported to the Chief Internal Auditor and Benefit Fraud Manager.
- 4.4.8 To ensure that procedures are in place to respond to National Fraud Initiatives.

### **Responsibilities of Directors**

- 4.4.9 To ensure that all suspected irregularities are reported to the Chief Internal Auditor, Benefit Fraud Manager and Corporate Director Resources.
- 4.4.10 To instigate the Council's disciplinary procedures when the outcome of an investigation indicates improper behaviour.
- 4.4.11 To ensure that where financial impropriety is discovered, the Corporate Director Resources and / or the Chief Executive is informed. Where sufficient evidence exists to believe that a criminal offence may have been committed, and pending their authorisation to proceed, the police may be called in to determine with the Crown Prosecution Service if any prosecution will take place.
- 4.4.12 To maintain a departmental register of interests recording potential conflicts of interest (financial or otherwise) between employees and organisations or individuals that the Council deals with (for example, suppliers, contractors, voluntary organisations). See also the Officer Code of Conduct.

**Key controls**

4.4.13 The key controls regarding the prevention of financial irregularities are: -

- (a) the Council has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption;
- (b) all members and employees act with integrity and lead by example;
- (c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt;
- (d) high standards of conduct are promoted amongst Members by the Audit Committee, in accordance with the Code of Conduct for Members;
- (e) the maintenance of both a register of interests (to record potential conflicts of interest between employees or members and the Council) and a register of hospitality (to record any hospitality or gifts accepted);
- (f) compliance with the Council's Contract Regulations;
- (f) whistle blowing procedures in place and operate effectively; and
- (g) compliance with legislation including the Public Interest Disclosure Act 1998.

## **4.5 ASSETS – (LAND, BUILDINGS, STOCKS, STORES, ETC.)**

### **Acquisitions**

#### **Why are these important?**

- 4.5.1 As the Council is funded by public monies, it is publicly accountable for the way that it spends its money. Value for money must be demonstrated, therefore, the Council has to exercise control over its purchasing activity, including asset acquisition (e.g. property, vehicles, plant and equipment, furniture).

#### **Responsibilities of the Corporate Director Resources**

- 4.5.2 To issue guidelines on the best practice in respect of asset acquisition.
- 4.5.3 To periodically review all guidelines to ensure that they still reflect best practice.
- 4.5.4 To ensure that all expenditure is properly recorded in the Council's accounts and records.

#### **Specifically relating to the acquisition of land and buildings: -**

- 4.5.5 The Council's corporate property officer is the Corporate Director Growth & Regeneration, who has the delegated responsibility to report on strategic property decisions and asset management through the Corporate Director Resources to the Cabinet.
- 4.5.6 To ensure that the Corporate Director Growth & Regeneration maintains and keeps current all information relating to land and built assets either owned or leased by the Council, through the Corporate Asset Management process.
- 4.5.7 To maintain an asset register identifying unique establishment reference number, tenure, name and address of property, current valuation, user group and CIPFA or other Central Government classification.

Approved methods of purchase shall be by: -

- a) Private Treaty;
  - b) Auction;
  - c) Tender;
  - d) Sealed Offer;
  - e) Exchanges of land;
  - f) Section 120 Agreements and Deeds of Planning Obligations; or
  - g) Compulsory Purchase Order.
- 4.5.8 To ensure that where land or property is to be acquired by the Council under compulsory purchase powers, the Corporate Director Growth & Regeneration shall advise the decision-maker of the proposed compulsory purchase order of the estimate of the market value and conduct negotiations on the decision-makers behalf. (Examples include

derelict houses to be purchased under Section 17 Housing Act 1985 for sub-standard or empty properties; under Section 290 Housing Act 1985 for unfit properties needing to be demolished; the Highways Act 1980; the Acquisition of Land Act 1981; Compulsory Purchase Act 1965 etc.).

- 4.5.9 To ensure that where land or property is to be acquired by the Council, the Corporate Director Growth & Regeneration advises the decision-maker of the proposed acquisition and estimate of its market value. The Corporate Director Resources shall advise the decision-maker of the anticipated financial implications, both capital and revenue, including budget provision.
- 4.5.10 To ensure that in all cases where the estimated market value of a property to be acquired exceeds £500,000, and in other cases where there is significant doubt as to the market value, the Corporate Director Growth & Regeneration shall obtain a second opinion from the District Valuer or from a consultant Chartered Surveyor and shall report such opinions to the decision-maker for a recommendation to be made to Cabinet.
- 4.5.11 To ensure that the Corporate Director Growth & Regeneration maintains a current land terrier indicating the freehold ownership of all Council land. It shall also record: buildings erected on the land; the controlling executive function; the powers under which the land is held; the location, extent and plan reference; purchase details; particulars of nature of interest; rents payable and particulars of tenancies granted. The Terrier shall also record those areas of land held by the Council on lease. As soon as practicable, land boundaries will be recorded on the Corporate Geographical Information System and shall be maintained and kept current in conjunction with the Corporate Asset Management process.

#### **Responsibilities of Directors**

- 4.5.12 To ensure that the Council's policies and procedures are complied with.
- 4.5.13 To ensure that the necessary separation of duties is observed, as referred to in paragraph 4.5.16.
- 4.5.14 To ensure that assets purchased are necessary.

#### **Specifically relating to the acquisition of land and buildings: -**

- 4.5.15 Directors must liaise with the Corporate Director Growth & Regeneration when considering acquisition or disposal of any assets that would be recorded on the Council's asset register.

#### **Key controls**

- 4.5.16 The key controls for asset acquisition are:
  - (a) Council policies in respect of the acquisition of assets are complied with at all times. This includes compliance with Contract Regulations for all asset acquisitions except land and buildings.

- (b) There are at least two employees involved in the process of acquisition, with a separation of duties between employees involved in the different parts of the process. As a minimum, this should be as stated in paragraph 4.4.13.
- (c) Procedures protect employees involved in the acquisition of assets from accusations of impropriety.

## **Asset disposal and transfer**

### **Why is this important?**

- 4.5.17 It would be uneconomic and inefficient for the cost of maintaining assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the Council's policies and procedures.
- 4.5.18 Assets are sometimes used by or transferred to an external party, for example as part of an outsourced contract or partnership arrangement. It is important that the legal and financial basis for the transfer is determined and properly documented, so that the interests of the Council are protected.

### **Responsibilities of the Corporate Director Resources**

- 4.5.19 To issue guidelines representing best practice for disposal of assets.
- 4.5.20 To ensure appropriate accounting entries are made to remove the value of disposed or transferred assets from the Council's records and to include the sale proceeds, if appropriate.

### **Responsibilities of Directors**

- 4.5.21 To seek advice from the Corporate Director Resources on the disposal of surplus or obsolete materials, stocks, equipment and vehicles.
- 4.5.22 To seek advice from the Corporate Director Resources and the Director of Governance where assets are to be transferred or predominantly used by an external party.
- 4.5.23 To ensure that income received for the disposal of an asset is properly banked and coded.
- 4.5.24 To investigate discrepancies in stock and to authorise write-offs required to adjust the Council's records, or to obtain Cabinet approval if they are in excess of the predetermined limits (as referred to in paragraph 4.5.30).
- 4.5.25 To authorise the write off and disposal of obsolete or surplus materials, stocks and equipment, or to seek the Cabinet's approval if they are in excess of the predetermined limits (referred to in paragraph 4.5.30).
- 4.5.26 To ensure that the disposal of obsolete or surplus materials, stocks and equipment, is by competitive quotation or auction, unless, following consultation with the Corporate Director Resources, the Cabinet decides otherwise.

**Specifically relating to the disposal or acquisition of land and buildings: -**

4.5.27 To ensure that all disposals of land and buildings are in accordance with the Council's land sale policy current at the time. Where disposal of land and buildings is allowed, it shall be conducted in accordance with the provisions detailed in paragraphs (i) – (vi) below.

- (a) Approved methods of disposal shall be by:-
  - (i) Private Treaty;
  - (ii) Auction;
  - (iii) Tender
  - (iv) Sealed Offer;
  - (v) Exchanges of land; or
  - (vi) Compulsory Purchase Order
- (b) To ensure that where land is to be disposed of by the Council, the Corporate Director Growth & Regeneration shall act in accordance with Financial Regulations and S123 of the Local Government Act 1972. The latter states that a council shall not dispose of land under this section otherwise than by way of a short tenancy or lease (that is one for less than 7 years) for a consideration less than the best price that can be reasonably obtained. In all cases where land is intended to be disposed of at below market value, the prior approval of the Department for Communities and Local Government shall be obtained unless a General Disposal Consent has already been given.
- (c) To ensure that following determination by the land holding executive function that the land is surplus to requirements, the Corporate Director Growth & Regeneration in consultation with the land holding executive function shall recommend the method of disposal to the decision-maker for approval. The decision-maker shall be informed of the capital and revenue financial implications of any disposal including any loss of rental income and saving in expenditure on upkeep.
- (d) To ensure that where disposal is by tender, 10 days clear notice shall be given in one or more local newspapers circulating in the district and where appropriate in journals circulating amongst persons who undertake such purchases. The notice shall contain such of the following information as is relevant: -
  - (i) the nature and location of the land;
  - (ii) the invitation for tenders for the purchase;
  - (iii) the latest date and time by which tenders must be received;
  - (iv) the requirement that the tender must be sent in a plain sealed envelope which shall bear the words "Tender" followed by the subject to which it relates, but shall not bear any name or mark indicating the tenderer; and
  - (v) the period during which tenderers are bound to keep open their tenders.The receipt, custody and opening of tenders shall be in accordance with conditions laid down in Contract Standing Orders;
- (e) To ensure that, where a disposal is by negotiation with a third party and the negotiated price exceeds £500,000 or the Corporate Director Growth & Regeneration has doubt as to the open market value of the land, he / she will refer the matter to the District Valuer or a consultant chartered surveyor for a second

opinion. He / she shall then report to the decision-maker for a recommendation to be made to the Cabinet.

- (f) To ensure that if land is being disposed of by way of assistance to “a provider of housing” in accordance with S24 and S25 of the Local Government Act 1988, a report on the value of the land will be required from the District Valuer and the consent of the Secretary of State for Communities and Local Government shall be obtained before disposal.
- (g) To ensure that where land or property is to be acquired by the Council under compulsory purchase powers, the Corporate Director Growth & Regeneration advises the decision-maker of the proposed compulsory purchase order, the estimate of the market value and conduct negotiations on the decision-makers behalf to dispose of the land when instructed to do so. (For example, where land is to be acquired under the Highways Act 1980 by another acquiring authority.)

### **Key controls**

- 4.5.28 Assets for disposal or transfer are identified and are disposed of or transferred at the most appropriate time, and only when it is in the best interests of the Council, and the best price or contract terms are obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.
- 4.5.29 Procedures protect employees involved in the disposal of assets from accusations of personal gain.
- 4.5.30 A financial limit for approving individual surpluses or deficiencies or disposal of obsolete stocks is in place. It is **£5,000** in relation to any individual stock line based on book value in any one financial year.

### **Security – (Including Inventories)**

#### **Why is this important?**

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

### **Responsibilities of the Corporate Director Resources**

- 4.5.32 To ensure that an asset register is maintained in accordance with good practice for all assets with a value in excess of £10,000, and an inventory maintained for all items between £250 and £10,000. The function of the asset register and inventory is to provide the Council with information about fixed assets so that they are: -
  - safeguarded;
  - used efficiently and effectively;

adequately maintained; and  
accounted for.

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

#### **Responsibilities of Directors**

- 4.5.35 To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the director in consultation with the Director of Governance, has been established as appropriate.
- 4.5.36 To ensure the proper security of all employees, buildings and other assets under their control.
- 4.5.37 To pass title deeds to the Director of Governance who is responsible for custody of all title deeds.
- 4.5.38 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- 4.5.39 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 4.5.40 To consult the Corporate Director Resources in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 4.5.41 To ensure cash holdings on premises are kept to a minimum and that maximum limits are agreed by the Corporate Director Resources.
- 4.5.42 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Corporate Director Resources (Internal Audit) as soon as possible.
- 4.5.43 To record all disposal of surplus, obsolete or damaged vehicles, plant, equipment etc. or part exchange of assets that should normally be by competitive tender or trade or public auction, unless the decision maker agrees otherwise, following consultation with the Corporate Director Resources.
- 4.5.44 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Corporate Director Resources.
- 4.5.45 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or

computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

- 4.5.46 To make arrangements for the care and custody of stocks and stores in the department, such that they are held securely and that damage and deterioration are prevented.
- 4.5.47 Stocks and stores records shall be kept in a form to be agreed by the Corporate Director Resources and directors shall supply him with such information relating to stores as is reasonably required by him.
- 4.5.48 To ensure stocks are maintained at reasonable levels (minimising obsolete, excessive or slow moving stocks) and are subject to a regular independent physical check at least once per year, except where continuous stocktaking arrangements, agreed with the Corporate Director Resources, are operating. All discrepancies should be investigated and pursued to a satisfactory conclusion. Directors shall certify the quantities and values of stocks held by their departments at 31st March each year.
- 4.5.49 To ensure that whenever a storekeeper or person in charge of stocks/stores hands over responsibility, leaves or ceases to have custody of the stores, the director or head of service shall ensure that a prior check is made of the stores concerned and that a handing over certificate is signed by the outgoing and incoming officer
- 4.5.50 To maintain an asset register and record an adequate description of furniture, fittings, equipment, vehicles, plant and machinery above £10,000 in value, in a manner approved by the Corporate Director Resources and an inventory for items in excess of £250 up to a value of £10,000. The latter should also include any desirable or portable items below £250. A central register of IT equipment will be maintained.
- 4.5.51 To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- 4.5.52 To make sure that property is only used in the course of the Council's business, unless the director concerned has given permission otherwise.

## **Intellectual property**

### **Why is this important?**

- 4.5.53 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- 4.5.54 Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

**Responsibilities of the Corporate Director Resources**

- 4.5.55 To develop and disseminate good practice through the Council's intellectual property procedures.

**Responsibilities of Directors**

- 4.5.56 To ensure that controls are in place to ensure that employees do not carry out private work in Council time and that employees are aware of an employer's rights with regard to intellectual property.

**Key controls**

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

## 4.6 Treasury management

### Why is this important?

- 4.6.1 Many millions of pounds pass through the Council's books each year, leading to the need for codes of practice. These aim to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

### Responsibilities of Corporate Director Resources – treasury management and banking

- 4.6.2 To arrange the borrowing and investments of the Council, including bank overdrafts, in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management*, the Prudential Code, the Council's Treasury Management Strategy and the Council's Treasury Management Practices. This strategy is subject to agreement by the Council each year.
- 4.6.3 To report twice a year on treasury management activities to the Cabinet.
- 4.6.4 To operate bank accounts as are considered necessary. All arrangements with the Council's approved bankers regarding the Council's bank accounts, (other than school bank accounts referred to in 4.6.6 below), and the terms on which they are conducted shall be made by the Corporate Director Resources.
- 4.6.5 To ensure that detailed arrangements are made regarding the Council's bank accounts and for the issue of cheques and cards. All cheques or cards shall be ordered only on the authority of the Corporate Director Resources who shall advise on proper arrangements for their safe custody.
- 4.6.6 All of the Council's bank accounts must either be in the name of "Peterborough City Council" or (as in the case of schools) include a reference to "PCC" in the name of the account. The only approved exception relates to those schools authorised to operate local bank accounts in accordance with the Council's Scheme for the Financial Management of Schools.
- 4.6.7 To ensure that all investments or utilisation of monies and other accumulations and the sale or realisation of investments are made in the name of the Council or in the name of nominees approved by the Cabinet.
- 4.6.8 To ensure that all securities that are the property of the Council or its nominees are held in the custody of the appropriate responsible officer.
- 4.6.9 To effect all borrowings in the name of the Council.
- 4.6.10 To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money and investment by the Council.
- 4.6.11 To ensure that in circumstances where the Council has decided to finance capital expenditure by way of leasing, deferred purchase, or similar arrangements, the Corporate Director Resources or his authorised representative shall so far as possible, obtain

competitive quotations from relevant funding sources and such arrangements shall be subject to approval by the relevant Cabinet Member.

**Responsibilities of Directors – treasury management and banking**

- 4.6.12 To follow the instructions on banking issued by the Corporate Director Resources.
- 4.6.13 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Cabinet, following consultation with the Corporate Director Resources and the Director of Governance.
- 4.6.14 To ensure loans are set in accordance with the Council's policies, rates and security arrangements.
- 4.6.15 To ensure that Directors advise the Corporate Director Resources (Loans & Insurance Section) of the disposal of any vehicle or item of equipment that is subject to a lease arranged by that section at least one month prior to the intended disposal or surrender taking place.
- 4.6.16 To ensure that directors and heads of service advise the Corporate Director Resources (Treasury and Insurance Section) of any vehicle or item of equipment required to be leased at least two months in advance or at such other time interval as laid down by the Corporate Director Resources.
- 4.6.17 To ensure that where the Council has decided to finance capital expenditure by way of leasing, deferred purchase, or similar arrangements, advice is sought from the Corporate Director Resources (Treasury and Insurance) before entering into any financial agreements.

**Responsibilities of Corporate Director Resources – trust funds and funds held for third parties**

- 4.6.18 To ensure that, whenever possible, all trust funds are held in the name of the Peterborough City Council unless otherwise approved by the Corporate Director Resources.
- 4.6.19 To ensure that all officers acting as trustees by virtue of their official position deposit securities etc. relating to the trust with him / her, unless the deed itself states alternative provision.
- 4.6.20 Where funds are held on behalf of third parties, to approve the arrangements for their secure administration.

**Responsibilities of Directors – trust funds and funds held for third parties**

- 4.6.21 To arrange for all trust funds to be held, wherever possible, in the name of the Council. All Members and officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Corporate Director Resources, unless the Corporate Director Resources has approved otherwise.
- 4.6.22 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Corporate Director Resources, and to maintain written records of all transactions.
- 4.6.23 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

**Responsibilities of the Corporate Director Resources – imprest accounts**

- 4.6.24 To make advances to officers where necessary, after consultation with the Director or head of service concerned, in the following forms: -
  - (a) **Cash Floats** - being fixed sums for the purposes of providing change in operational areas. Officers shall be responsible for ensuring the safekeeping of the floats under their control at all times.
  - (b) **Petty Cash Account** – cash held by a designated officer for payment of minor expenses. Individual petty cash payments shall not exceed £50 (apart from Trading Standards). (This amount may be exceeded with the prior agreement of the Corporate Director Resources (Service Director Financial Services ,Chief Internal Auditor or Head of Business Support)). The designated officers shall maintain a record of their payments (including supporting receipts) and reimbursements in the form and manner prescribed by the Corporate Director Resources.
  - (c) **Bank Imprest Account** – a balance held under the control of a designated officer, in a separate Council bank account, for payment of specified expenses for a specified operational area. Such officers shall maintain a record of their payments (including receipts / invoices) and reimbursements in the form and manner prescribed by the Corporate Director Resources.
  - (d) **Bank Accounts (Delegated)** – Advances will be made under the appropriate scheme of delegation, which will also set out the records that are required to be kept.

**Responsibilities of Directors– imprest accounts**

- 4.6.25 To ensure that employees operating an imprest / petty cash account: -
- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
  - (b) make adequate arrangements for the safe custody of the account;
  - (c) produce upon demand by the Corporate Director Resources cash and all vouchers to the total value of the imprest amount;
  - (d) record transactions promptly;
  - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
  - (f) provide the Corporate Director Resources with a certificate of the value of the account held at 31st March each year;
  - (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made;
  - (h) ensure that the float is never used to make payments relating to employee costs (eg salaries, wages and travel costs)
  - (i) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Corporate Director Resources for the amount advanced to him or her by having the imprest independently checked and reconciled. In the case of imprest accounts, an account should be submitted together with the vouchers for the amount expended for reimbursement;
  - (j) Cash advances will not normally be made. However in appropriate circumstances where they are made, the controls relating to imprests shall apply. Final repayment of the balance outstanding shall be promptly made to the cash office and all receipts which have not been the subject of reimbursement should be forwarded to the Financial Controller together with a reconciled statement detailing the advance, expenditure and monies banked.
  - (k) Every transfer of official money from one employee to another shall be evidenced in the records of the department(s) concerned by the entry of the amount and signature of the receiving officer.
  - (l) Disbursements are only made after claims have been properly authorised.

**Key controls**

- 4.6.26 That the Council's borrowings and investments comply with the Council's treasury policy statement, which is based upon the CIPFA *Code of Practice on Treasury Management*.
- 4.6.27 That all bank accounts and cash, petty cash and imprest accounts are regularly reconciled.
- 4.6.28 That annual certificates are produced for cash, petty cash and imprest accounts.

## 4.7 WORKFORCE

### Why is this important?

- 4.7.1 The Council sees its employees as a valuable asset to running its business. In order to provide the highest level of service, it is essential that the Council recruits and retains high calibre, knowledgeable employees, who are qualified to an appropriate level.

### Responsibilities of the Corporate Director Resources

- 4.7.2 To ensure that Directors have identified budget provision exists for all existing and new employees.
- 4.7.3 To act as an advisor to directors on areas such as National Insurance and pension contributions, as appropriate.
- 4.7.4 To develop a workforce strategy, policy and procedures and ensure they are disseminated and enforced.

### Responsibilities of Directors

- 4.7.5 To produce an annual workforce budget.
- 4.7.6 To ensure that the workforce budget is an accurate forecast of workforce levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 4.7.7 To monitor employee activity to ensure adequate control over such costs as sickness, overtime, training and temporary employees.
- 4.7.8 To ensure that the workforce budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- 4.7.9 To ensure that the Assistant Director for Human Resources and Development and the Corporate Director Resources are immediately informed if the workforce budget is likely to be materially over- or underspent.
- 4.7.10 To comply with, and ensure employees comply with, the Council's Human Resource policies (for example: recruitment, training and flexible working policies).

### Key controls

- 4.7.11 The key controls for employees are: -
- (a) an appropriate workforce strategy and policy exists, in which employee requirements and budget allocation are matched;
  - (b) procedures are in place for forecasting workforce requirements and cost;
  - (c) controls are implemented that ensure that employee time is used efficiently and to the benefit of the Council; and

- (d) checks are undertaken prior to appointing new employees to ensure that they are appropriately qualified, experienced and trustworthy.

## FINANCIAL SYSTEMS AND PROCEDURES

### 5.1 GENERAL

#### Why are these important?

- 5.1.1 Departments have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Departments are increasingly reliant on computers for their financial management information. The information must, therefore, be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 5.1.2 The Corporate Director Resources has a professional responsibility to ensure that the Council's financial systems are sound and should, therefore, be notified of any new developments or changes.
- 5.1.3 The implementation of Procure to Pay on a roll out basis means that Officers will follow two authorisation processes. All directorates will follow the authorisation rules set out in 5.1.18, once the directorates use Procure to Pay, the rules set out in 5.1.19 will be followed.

#### Responsibilities of the Corporate Director Resources

- 5.1.4 To make arrangements for the proper administration of the Council's financial affairs, including to:
  - (a) issue advice, guidance and procedures for officers and others acting on the Council's behalf;
  - (b) determine the accounting systems, form of accounts and supporting financial records;
  - (c) establish arrangements for audit of the Council's financial affairs;
  - (d) approve any new financial systems to be introduced; andapprove any changes to be made to existing financial systems.
- 5.1.5 To ensure that secure procedures are employed for the authorisation of: -
  - a) cheques;
  - b) bonds;
  - c) BACS;
  - d) leasing agreements;
  - e) direct debits / standing orders; and

- f) bank transfers;
- g) use of Government Procurement Card.

With the exception of school bank accounts and school bank imprest account / card signatories, the Corporate Director Resources shall approve all signatories for items (a) to (g).

- 5.1.6 To approve those officers required to represent the Council on financial matters at the Magistrates Court and Valuation Tribunal. (This does not apply to officers within Legal Services).
- 5.1.7 To ensure that standards for proper information security management within the Council are drawn up by the Service Director Financial Services in consultation with Internal Audit. The standards which have been drawn up must be formally approved by the Strategic Governance Board.
- 5.1.8 To ensure that the general responsibility for advising on and setting standards for appropriate data protection relating to information held in any Council computer installation shall be that of the Service Director Financial Services.

#### **Responsibilities of Directors**

- 5.1.9 To ensure that accounting records are properly maintained and held securely.
- 5.1.10 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Corporate Director Resources and in line with the document retention policy.
- 5.1.11 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 5.1.12 To incorporate appropriate controls to ensure that, where relevant: -
  - (a) all input is genuine, complete, accurate, timely and not previously processed;
  - (b) all processing is carried out in an accurate, complete and timely manner; and
  - (c) output from the system is complete, accurate and timely.
- 5.1.13 To ensure that the organisational structure provides an appropriate segregation of duties to minimise the risk of fraud or other malpractice.
- 5.1.14 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 5.1.15 To ensure that systems are documented and employees trained in operations.
- 5.1.16 To consult and obtain approval from the Corporate Director Resources before the introduction or amendment of any system, manual or computerised.

5.1.17 To establish a departmental written scheme of delegation that covers both financial and non-financial matters. It should identify those officers authorised to act on the Director's behalf in respect of those items set out in section 5.1.18 below, as well as any other area considered necessary. It should show the limits of their authority. Directors should ensure that their internal schemes of delegation are comprehensive and up to date, and that departmental officers are aware of them.

5.1.18 To supply to the Corporate Director Resources (Payments), in a form approved by him, details of officers approved to authorise the items listed below. It should include a specimen signature and the value of the delegated limits. The Corporate Director Resources (Payments) should also be notified when approved officers leave the Council or their role changes.

- a) orders and certification of invoices arising from orders;
- b) certification of invoices and cheque requisitions;
- c) contract payments and deductions;
- d) letters of intent or acceptance on contracts;
- e) petty cash vouchers;
- f) purchase cards;
- g) sundry debtor invoice requisitions, cancellations and amendments;
- h) Car park pass requests;
- i) Printing requisitions;
- j) mileage and subsistence claims;
- k) wages and salaries forms, timesheets and overtime sheets, plant and bonus sheets; and
- l) any other area considered necessary e.g. credit / debit cards, imprest account signatories, grant cheque requisitions etc.

5.1.19 An approval hierarchy is also set within the Agresso financial system of the Council. These are determined by the APD Tiers within the Human Resources systems. The table below states the approval limits for each tier.

APD Tier	Approval Tier	Approval Limit
None	Tier 0	£10 million
1	Tier 1	£1.5 million
2	Tier 2	£1 million
3	Tier 3	£100k
4	Tier 4	£50k
5	Tier 5	£10k
6	Tier 6	£1k

5.1.20 The approval tiers are driven by the staffing hierarchies within the Human Resources systems of the Council. The approval tiers cover the following Council Officers:

- Tier 0 – Chief Executive, Corporate Director Resources (in absence Service Director Financial Services )
- Tier 1 –Corporate Director Growth and Regeneration, Executive Director People and Communities Cambridgeshire and Peterborough, Director Public Health, Director of Governance, Service Director Financial Services (in absence Corporate Accounting Manager, Financial Controller, Financial Planning & Business Manager)
- Tier 2 – Heads of Service and Assistant Directors
- Tier 3 – Senior Manager, Service Manager, Section Head
- Tier 4 – Middle Manager
- Tier 5 – Junior Manager, First-line Managers
- Tier 6 – Junior Manager, First-line Managers

5.1.21 Exceptions to this approval hierarchy must be approved by the Corporate Director Resources (Internal Audit).

5.1.22 To comply with secure authorisation procedures as directed by the Corporate Director Resources. The certification or approval of an order by or on behalf of the Director will indicate that the certifying officer is satisfied that the expenditure is authorised, is properly and necessarily incurred and conforms to the needs of the particular service.

5.1.23 Contract Regulations must be followed by Officers first before authorisations are made in Agresso using the authorities set out in 5.1.18 and 5.1.19.

5.1.24 To ensure that the officers approved to authorise (a) to (l) in section 5.1.18 and 5.1.19 above are permanent employees of the Council with at least 6 months service as Local Government officers. Exceptions may be agreed subject to the prior approval by the Corporate Director Resources (Internal Audit).

5.1.25 To ensure that the Corporate Director Resources shall be notified immediately of any authorised signatories who leave the City Council's employment, who are on sick leave for a period anticipated to exceed 4 weeks or cease to be authorised to sign, and of any new signatories.

All authorised signatories shall either: -

- (a) sign in their own name and in their own hand and not use an artificial aid e.g. a rubber stamp.
- (b) use the relevant IT system using their own unique password and username to approve transactions.

Any variations to these procedures must be approved in writing beforehand by the Corporate Director Resources (Internal Audit).

- 5.1.26 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 5.1.27 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that employees are aware of their responsibilities under the legislation.
- 5.1.28 To ensure that relevant standards, policies and guidelines for computer systems issued by the Service Director Financial Services are observed by all employees and Members.
- 5.1.29 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 5.1.30 To comply with the Council's policy, the Copyright, Designs and Patents legislation and, in particular, to ensure that: -
- (a) only software legally acquired and installed by the Council is used on its computers;
  - (b) employees are aware of legislative provisions; and
  - (c) in developing systems, due regard is given to the issue of intellectual property rights.

**Key controls**

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

## 5.2 INCOME AND EXPENDITURE

### Income Controls

#### Why are these important?

- 5.2.1 Income can be vulnerable to loss, delay, theft or misappropriation. Effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and also avoids the time and cost of administering debts.

#### Responsibilities of the Corporate Director Resources

- 5.2.2 To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection in accordance with the requirements of the Accounts and Audit Regulations 2003 (amended 2006).
- 5.2.3 To order and supply to departments all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- 5.2.4 To agree the write-off of bad debts up to an approved limit in each case. The Corporate Director Resources is approved to write-off a debt (or combination of debts) in relation to any individual debtor in any one financial year of up to **£10,000**. The write-off of amounts greater than this are agreed by the Cabinet Member for Resources.
- 5.2.5 To approve all debts to be written off in consultation with the relevant director and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit Regulations 2003 (amended 2006).
- 5.2.6 To obtain the approval of the Cabinet Member for Resources in consultation with the relevant director for writing off debts in excess of the approved limit. However, if the Director of Governance is satisfied that there is no basis on which legal action may be taken to recover the debt, the Corporate Director Resources may instruct that the account be written off.
- 5.2.7 To ensure that appropriate accounting adjustments are made following write-off approval.
- 5.2.8 To periodically report to the Cabinet performance statistics in relation to the effectiveness with which debts are being managed throughout the Council, except where there are specific reports providing this information to the relevant executive function.

## Responsibilities of Directors

- 5.2.9 To establish a charging policy, in consultation with the Corporate Director Resources (Strategic Finance), for the supply of goods or services by the Council, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies and robust budget proposals. Also to undertake, as a minimum, an annual review of income, fees and charges for consideration normally at the January meeting of the relevant executive function. These revised charges should be correctly implemented at the commencement of the financial year.
- 5.2.10 To ensure that where income is obtained by way of granting a concession for facilities, then the concession is let and awarded in line with Contract Regulations.
- 5.2.11 To consult with the Corporate Director Resources before the first letting of part or whole of a building to a third party.
- 5.2.12 To ensure that internal control measures include the separation of employee duties so that, as far as possible, the following procedures are the responsibility of separate employees: -
- the collection or receipt of income;
  - the recording and banking of income;
  - reconciliations of income to cash banked;
  - authorising debt write-offs
  - custody of goods/materials for sale.
- 5.2.13 To establish and initiate appropriate recovery procedures, including legal action, with the assistance of the Director of Governance, where necessary, for debts that are not paid promptly. **NB Invoices shall be raised in respect of work done, services rendered etc. within 10 working days of the work having been done or services provided or supplied.**
- 5.2.14 To ensure that all books of accounts and all official receipt forms or books, licences, tickets are in the form approved by the Corporate Director Resources and are ordered, controlled and issued in a manner agreed by him. All stock of controlled stationery shall be delivered directly to the Strategic Finance Income Section. The authorised representative of the Corporate Director Resources will keep a register of such documents and issues of controlled stationery shall be acknowledged by the signature of the officer to whom the issue is made.
- 5.2.15 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 5.2.16 To hold securely receipts, tickets and other records of income for the appropriate period, in accordance with the Document Retention Policy.
- 5.2.17 To ensure that all employees receiving cash on behalf of the Council shall always acknowledge its receipt by means of an official Council receipt.

- 5.2.18 To lock away all cash / cheques to safeguard against loss or theft, and to ensure the security of cash handling.
- 5.2.19 To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Such bankings to be made daily or at such intervals as the Corporate Director Resources (Internal Audit) may decide. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited by employees must be reconciled to the bank account on a regular basis and they should keep a chronological account of all receipts and deposits in a manner agreed by the Corporate Director Resources.
- 5.2.20 To ensure that all payments of sums received, to the Corporate Director Resources or to the City Council's Bank directly, shall be made in accordance with the Accounts and Audit Regulations 2003 (amended 2006) Regulation 5, in that:-
- (a) Every officer who pays any money into a bank account of the Council or passes it to the Council's security carrier for this purpose shall enter on the paying-in slip, and on the counterfoil or duplicate, particulars of the payment, including in the case of each cheque paid in: -
    - (i) the amount of the cheque; and
    - (ii) a reference (such as the number of the receipt or the name of the payer) which will connect the cheque with the debt(s), in discharge or partial discharge of which it was received.
  - (b) Where any cheque paid in as specified in (a) was not received in discharge or partial discharge of a debt to the Council, the officer shall note the fact on the counterfoil or duplicate paying-in slip.
  - (c) Compliance with this regulation shall be in a form agreed by the Corporate Director Resources.
- 5.2.21 To ensure income is not used to cash personal cheques or other payments.
- 5.2.22 To ensure that all account forms shall require remittances to be sent in accordance with instructions issued by the Corporate Director Resources, and cheques, money orders and postal orders to be drawn in favour of "Peterborough City Council" and crossed for payment through a bank. Acceptance of debit or credit cards and payments by the Internet shall only be in accordance with procedures laid down by the Corporate Director Resources.
- 5.2.23 To supply the Corporate Director Resources with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Corporate Director Resources to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, directors should use established performance management systems to monitor recovery of income and flag up areas of concern to the Corporate Director Resources. Directors have a responsibility to assist the Corporate Director Resources in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf. Only up to approved levels of cash can be held on the premises. However, every effort should be made to secure pre-payment for Council services / facilities wherever possible.

- 5.2.24 The use of external debt collection agencies shall only be authorised by the Corporate Director Resources. Arrangements with debt collection agencies will be let in line with Contract Standing Orders. The debt collection agencies will be required to operate under a formal code of practice.
- 5.2.25 To keep a record of every transfer of money between individuals, whether they are employees of the Council or members of external organisations (eg cash collection agencies). The receiving officer must sign for the transfer and the transferor must retain a copy.
- 5.2.26 To recommend to the Corporate Director Resources all debts to be written off, and to keep a record of all such debts, up to the approved limit (as detailed in paragraph 5.2.4). Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation or billing of the original debt.
- 5.2.27 To obtain the approval of the Corporate Director Resources when writing off debts in excess of the approved limit, and the approval of the relevant Cabinet Member where required.
- 5.2.28 To notify the Corporate Director Resources of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Corporate Director Resources.

### **Key controls**

- 5.2.29 The key controls associated with income are included with the debt protocol for the council and are: -
- (a) all income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed;
  - (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
  - (c) all money received by an employee on behalf of the Council is paid without delay to the Corporate Director Resources or, as he directs, to the Council's bank or National Giro account, and properly recorded. The responsibility for cash collection should be separated from that of: -
    - identifying the amount due; and
    - of reconciling the amount due to the amount received
  - (d) effective action is taken to pursue non-payment within defined timescales;
  - (e) formal approval for debt write-off is obtained;
  - (f) appropriate write-off action is taken after all avenues are exhausted;
  - (g) appropriate accounting adjustments are made following write-off approval;

- (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention policy; and
- (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

## **Procuring and paying for goods, works and services (Contracts)**

### **Why is this important?**

- 5.2.30 The Council spends a significant amount each financial year on procuring goods, works and services, and public money so spent should demonstrate probity and be in accordance with the Council's policies. The Council is a best value authority and it has a duty under S.3 of the Local government Act 1999 to ensure it achieves best value and continuous improvement in relation to the procurement process.
- 5.2.31 All purchases constitute a contract. The Council's Contract Regulations set out the rules that apply to procurement and describe what actions to take when deciding from whom and, by what method, to purchase goods, works and services. The Financial regulations set out the Council's internal financial procedures and describe its requirements for ordering and paying for goods, works and services.

### **General**

- 5.2.32 Every officer and Member of the Council has a responsibility to declare any interests they have in contracts (whether financial or non-financial), in accordance with S.117 of the Local Government Act 1972 and the Officer Code of Conduct and Code of Conduct for Members.
- 5.2.33 Officers must estimate the value of any proposed purchase (contract) strictly in accordance with the rules set out in Contract Regulations to ensure they use the correct procurement procedure.
- 5.2.34 Purchases and Disposals to which Contract Regulation apply are to be dealt with in line with procedures in Contract Regulations. Where contract is under £50,000 an official order must be raised. Official orders, will be approved based on the approval hierarchy determined by the Corporate Director Resources, and must be issued for all goods, works or services to be supplied to the Council up to the value of £50,000, except for:
  - (a) supplies of utilities, for example gas, water, electricity and telephone;
  - (b) periodic payments such as rent or rates;

Contracts over £50,000 are required to be let in line with tender procedures in Contract Regulations and require a formal contract document to be entered into. Some contracts are normally awarded by means of a letter of intent or letter of acceptance. An official order may be used depending on type of contract but where it is it must be appropriately authorised (see paragraph 5.1.17) and there must be mechanisms in place to monitor expenditure on the contract.

5.2.35 Once a contract is awarded, approval within the financial system will be made based on the approval limits set out in 5.1.18 and 5.1.19.

5.2.36 Where there is a corporate contract that requires a single contractor or supplier to be used across the Council, then officers in all departments should place orders in line with that policy.

5.2.37 Directors and heads of service have authority to incur expenditure on routine matters and within approved estimates provided such expenditure complies with:

Contract Standing Orders  
Financial Regulations; and  
approved Council policy, as applicable.

5.2.38 Official orders are those generated by the Council's purchasing system (Oracle) and manual order forms that are supplied by the Corporate Director Resources (Income Section) as controlled stationery. Orders are necessary to provide an adequate level of control over both the purchasing and payment processes, particularly in terms of authorising expenditure. In addition, the use of computerised purchasing systems enables information on committed expenditure to be included in financial management systems and thus enhances budgetary control. It also provides an automated mechanism for identifying and preventing payments in excess of the order sum. For this reason manual orders should only be used when the computerised purchasing systems are not available.

5.2.39 The normal method of Council payment shall be by cheque, bank automated clearing system (BACS) or other instrument or approved method, drawn on the authority's bank account or National Giro account by the Corporate Director Resources. Exceptions to this are petty cash, schools' own bank accounts and other payments from approved imprest accounts or cash advances (one off advances for specific projects). Electronic ordering of goods and services via the Internet may be undertaken by those officers who are approved authorised signatories (see paragraph 5.1.18). Invoices relating to goods and services purchased electronically must be processed by means of the Council's normal Creditors system.

5.2.40 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

### **Key controls**

5.2.41 The key controls for ordering and paying for work, goods and services are: -

- (a) all orders for goods, works and services are placed only by authorised persons and are correctly recorded;
- (b) all purchases (contracts) of goods, works and services are made in accordance with the Council's Contract Regulations;
- (c) goods received are checked, and works and services are monitored, to ensure they are in accordance with the order, are of appropriate quality and have been performed or received at the correct time.
- (d) at least two employees are involved in the ordering, receiving and payment process. As a minimum, the controls listed below should be applied:
  - Goods, works or services should be received (and evidenced as such) by someone other than the person who authorised the order;
  - Payments should be certified by someone other than the person who received the goods, works or services or who checked the payment details
- (d) payments are not made unless goods, works and services have been delivered, provided or performed for the Council at the correct price, time, quantity and quality standards;
- (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
- (f) all appropriate evidence of the procurement transaction (for example, orders, payment documents and contract documents) are retained and stored for the defined period, in accordance with Contract Regulations and the Document Retention Policy;
- (g) all expenditure, including VAT, is accurately recorded against the right budget; and
- (h) where e-commerce and electronic procurement are to be used, adequate processes are put in place before transacting business electronically, to ensure that the Council is protected and to maintain the security and integrity of data.

### **Responsibilities of the Corporate Director Resources**

- 5.2.42 To ensure that all the Council's financial systems and procedures are sound and properly administered.
- 5.2.43 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 5.2.44 To approve the form of official orders.

- 5.2.45 To monitor the aggregate value of goods, works and services purchased across the Council.
- 5.2.46 To make payments from the Council's funds on the director's authorisation that the expenditure has been duly incurred in accordance with Contract Regulations and Financial Regulations.
- 5.2.47 To make payments, whether or not provision exists within the budgets, where the payment is specifically required by statute, binding contract or is made under a court order.
- 5.2.48 To make payments in relation to formally let contracts on the certificate of the appropriate director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 5.2.49 To examine, as far as is considered necessary, all accounts passed for payment. The Corporate Director Resources is entitled to make all such enquiries and to receive such information and explanations considered necessary in order to ensure that the accounts are in order.
- 5.2.50 To maintain an up-to date list of employees authorised to approve orders, payments, certificates and letters of intent, including specimen signatures, identifying in each case the limits of authority.
- 5.2.51 To ensure that cheque payments greater than £50,000 are authorised by two cheque signatories and that secondary approval is obtained for BACS payments over £50,000.
- 5.2.52 Subject to satisfaction that the accounts are in order, to pay accounts certified by, or on behalf of directors and heads of service, which are payable by the Council and make any deductions that may be required by the relevant tax authorities.
- 5.2.53 To provide advice and encouragement on making payments by the most economical means.
- 5.2.54 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

#### **Responsibilities of Directors**

- 5.2.55 To ensure that unique pre-numbered official orders are used for all goods, works and services, other than the exceptions specified in 5.2.34.
- 5.2.56 To ensure that orders are only used for goods, works and services provided to the department. Individuals must not use official orders to obtain goods or services for their private use.
- 5.2.57 To ensure that only those employees approved by him / her authorise orders, letters of intent and payments and that officers are made aware of the identity of the authorised signatories in their department.

- 5.2.58 To ensure that orders and letters of intent are only authorised when satisfied that: the goods, works and services ordered are appropriate and needed; that there is adequate budgetary provision (or a guarantee of funding from an external agency); and that quotations or tenders have been obtained in accordance with Contract Regulations. Best value principles should underpin the Council's approach to procurement. Value for money should always be achieved.
- 5.2.59 To ensure that goods received are checked, and works and services are monitored to verify that they are in accordance with the Council's requirements, are of appropriate quality and have been performed or received at the correct time.
- 5.2.60 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment through the electronic invoice certification process, confirming:
- (a) receipt of goods, works or services;
  - (b) that the invoice has not previously been paid;
  - (c) that expenditure has been properly incurred and is within budget provision;
  - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
  - (e) correct accounting treatment of tax;
  - (f) that the invoice is correctly coded;
  - (g) that discounts have been taken where available;
  - (h) that deductions or retentions have been made as appropriate; and
  - (h) that appropriate entries will be made in accounting records.
- 5.2.61 To ensure that where construction, maintenance or similar work is involved, that the contractor has already provided the documentation under the Construction Industry Scheme unless an exemption has been obtained by the Service Director Financial Services .
- 5.2.62 To ensure that two authorised employees are involved in the ordering, receiving and payment process.
- 5.2.63 To ensure that only appropriate employees are given approval to authorise orders and payments and to sign letters of acceptance or otherwise commit the Council to contracts (see paragraphs 5.1.17, 5.1.18 and 5.1.19). Such approval should be reviewed periodically to ensure its ongoing suitability.
- 5.2.64 To forward the names of authorising officers together with specimen signatures and details of the limits of their authority to the Corporate Director Resources.

- 5.2.65 To ensure that the director or his duly authorised officer in line with a written scheme of delegation signs each account, thereby signifying that Contract Regulations and Financial Regulations have been complied with. Any variations to this procedure must be approved in writing beforehand by the Corporate Director Resources (Internal Audit).
- 5.2.66 To ensure that payments are made on an original invoice through the electronic invoice process. Photocopied or faxed invoices and statements are not appropriate. Any such instances should be authorised by an authorised officer.
- 5.2.67 To ensure that no authorised signatory shall approve his / her own claim for reimbursement of expenditure.
- 5.2.68 To ensure that all requests submitted to the Corporate Director Resources to establish periodical payments are: -
- a) in writing in a form approved by the Corporate Director Resources (Payments);
  - b) are certified by an authorised signatory whose financial limit covers the total value of the periodical payment for the whole of the stated term; and
  - c) has a stated end date.
- 5.2.69 To ensure that all orders are goods receipted or certified for payment each day to enable them to be processed in a timely manner. If an invoice is disputed with the supplier, it should be forwarded to the Corporate Director Resources (Payments) as soon as the dispute is resolved. The official order number shall be quoted unless the expenditure falls into the category of exceptions detailed in paragraph 5.2.34 or the department has approval not to do so.
- 5.2.70 To encourage suppliers of goods and services to receive payment by the most economical means for the Council (usually by BACS). It is essential that payments made by direct debit have the prior approval of the Corporate Director Resources.
- 5.2.71 To ensure that confirmatory orders on official forms are issued and dispatched not later than the next working day following an order that is placed on the telephone or in person.
- 5.2.72 To ensure that the department obtains value for money from purchases by taking appropriate steps to obtain competitive prices for goods, works and services of the appropriate quality.
- 5.2.73 To comply with the Council's Contract Regulations.
- 5.2.74 To ensure that no contract is let, nor any expenditure incurred in connection with a contract, unless the Council has approved capital or revenue estimates to cover such expenditure either as an individual item or as part of a programme.
- 5.2.75 To ensure that the Corporate Director Resources (Service Director Financial Services ), Director of Governance and SPU are consulted by any officer or relevant Cabinet Member of the Council on matters having clear financial implications, before any tender is submitted or accepted.

- 5.2.76 To ensure that employees are aware of the Officer Code of Conduct, Contract Regulations and other Council policies or documents affecting procurement.
- 5.2.77 To ensure that contracts, loans, leasing or rental arrangements are not entered into without prior agreement from the Corporate Director Resources, and in consultation with the Director of Governance where necessary. This is to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 5.2.78 To notify the Corporate Director Resources of outstanding expenditure relating to the previous financial year as soon as possible after 31 March, in line with the timetable determined by the Corporate Director Resources.
- 5.2.79 In respect of contracts, to document and agree with the Corporate Director Resources the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- 5.2.80 To notify the Corporate Director Resources immediately of any expenditure to be incurred as a result of statute, binding contract or court order where there is no budgetary provision.
- 5.2.81 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Document Retention Policy.
- 5.2.82 To ensure that considerable care is exercised when engaging and making payments to individuals providing services to the Council. The nature of the service being provided determines whether or not the individual is an "employee" for tax purposes (even if the Council has engaged them as a consultant under a contract for services). In circumstances such as these, it is probable that these payments should be made by means of the payroll system and not by the Payments system, in order that the tax and National Insurance can be correctly accounted for by the Council. Even if the person to be paid states that they are self-employed (and even if they use a company name rather than their own) the correct method of payment should be verified with the Corporate Director Resources, Assistant Director for Human Resources and Development and Director of Governance *before* engaging the services of such an individual.
- 5.2.83 To ensure that the payment of financial assistance to officers engaged in professional training are dealt with under the post-entry training scheme. Directors and heads of service shall make payments under this scheme in consultation with the Director of Governance (Assistant Director for Human Resources and Development).
- 5.2.84 To ensure the Director of Governance has custody of formal contract documents for contracts over £50,000 under secure arrangements agreed with the Corporate Director Resources (Internal Audit).

## **Payments to Employees and Members**

### **Why are these important?**

5.2.85 Employees costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for, and that members' allowances are authorised in accordance with the scheme adopted by the Council.

### **Key controls**

5.2.86 The key controls for payments to employees and members are: -

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

### **Responsibilities of the Corporate Director Resources**

5.2.87 To arrange the secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date. Where there is any variance from agreed Council policy or discretion is available under a nationally or locally negotiated award, the agreement of the decision-maker must be given.

- 5.2.88 To make redundancy and severance payments following certification by the Assistant Director for Human Resources and Development. Any redundancy or severance payments anticipated that are outside the scope of express statutory provisions or published Council policy must be considered by the relevant executive function of the Council with advice from the Director of Governance and the Corporate Director Resources.
- 5.2.89 To record and make arrangements for the accurate and timely payment of tax, pension and other deductions in respect of employees and members (ensuring that the records and arrangements are in line with any statutory requirements).
- 5.2.90 To decide on the most appropriate method of payment for self-employed persons (via the payroll or payments system) and to retain a record of all such persons.
- 5.2.91 To make arrangements for payment of all travel and subsistence claims or allowances for employees and members upon receiving the prescribed form, duly completed and authorised in accordance authorised signatory lists (for employees) or with the Members' Allowances Scheme.
- 5.2.92 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 5.2.93 To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.

#### **Responsibilities of Directors**

- 5.2.94 To ensure appointments are made in accordance with Council procedures and approved establishments, grades and scale of pay, and that adequate budget provision is available.
- 5.2.95 To notify the Corporate Director Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Corporate Director Resources.
- 5.2.96 To ensure that adequate and effective systems and procedures are operated, so that: -
  - (a) payments are only authorised to bona fide employees;
  - (b) payments are only made where there is a valid entitlement;
  - (c) conditions and contracts of employment are correctly applied; and
  - (d) employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 5.2.97 To ensure that bonus payments made to employees are made as a result of true and complete records of work carried out by an employee, and that profit or performance related payments are only made in accordance with procedures approved by the relevant executive function of the Council.

- 5.2.98 To send an up-to-date list of the names of officers authorised to sign records (for example timesheets, expense claims, and starter and leaver forms) to the Corporate Director Resources (Payments) for use by the payroll provider, together with specimen signatures.
- 5.2.99 To ensure that payroll transactions are processed only through the payroll system. Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status. All decisions regarding the method of paying self-employed persons, including those operating as companies, should be referred to the Director of Governance (Assistant Director for Human Resources and Development).
- 5.2.100 To certify travel and subsistence claims and other allowances on a form approved by the Corporate Director Resources, together with all relevant VAT receipts. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred after completing official journey logs and purpose of journey where appropriate, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Corporate Director Resources is informed where appropriate.
- 5.2.101 To ensure that the Corporate Director Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 5.2.102 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Document Retention Policy.
- 5.2.103 To ensure that all members' claims submitted are signed by the Chief Executive or such officer as he / she shall designate within his / her department. The designated officer shall be responsible for ensuring that the journeys were made and expenses incurred in accordance with the approved list of duties and that the relevant VAT receipts are received to support claims.
- 5.2.104 To ensure that any payments made to a member of Peterborough City Council arising from Council duties, other than those mentioned in the members allowance scheme should be referred to the Chief Executive or the Corporate Director Resources for approval.
- 5.2.105 To ensure that normal certification procedures are applied to payments made to members in their personal capacity e.g. rent allowance payments as either claimant or landlord etc., subject to the normal certification procedures.

### **Responsibilities of Members**

- 5.2.106 To submit claims for members' travel and subsistence allowances to the Chief Executive on forms agreed by the Corporate Director Resources, on a monthly basis and, in any event, within one calendar month of the year end.

## **Grants to external organisations**

### **Why are these important?**

5.2.107 As part of the principle of well being, the Council makes some small grants to voluntary organisations, which may be charitable, not-for-profit or community organisations. The Council also has other arrangements with voluntary sector organisations for providing services for which the Council pay them under a Service Contract (formerly a Service Level Agreement) let under Contract Regulations. It is important that the Council put in place adequate procedures to monitor the Contract to ensure that an effective and economic service is provided.

### **Key controls**

5.2.108 The key controls for awarding grants to external organisations are: -

- (a) grants to external organisations are approved in accordance with the Council's agreed criteria;
- (b) applications are processed in a timely fashion and according to agreed practices;
- (c) there are adequate controls in place to ensure that the payments are used for the purpose intended;
- (d) procedures have been established that set out the Council's requirements for contracting with the voluntary sector.

### **Responsibilities of Directors**

5.2.109 To ensure that all grants have been approved by the relevant Cabinet Member or delegated officer.

5.2.110 To remind external organisations of the need to use the grant for its intended purpose.

5.2.111 To ensure that where grants are made, applications are obtained from the organisation concerned to detail how the grant is to be used together with such information about the organisation's finances and other matters e.g. audited final accounts, business plans etc., as the Council may consider appropriate.

5.2.112 To ensure that organisations receiving grant aid permit access by the Corporate Director Resources to their books, records and premises to enable him to verify that the grant has been used for the purpose it was given.

## 5.3 TAXATION

### Why is this important?

- 5.3.1 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 are severe. It is, therefore, very important for all officers to be aware of their role.

### Responsibilities of the Corporate Director Resources

- 5.3.2 To complete all Inland Revenue returns regarding PAYE.
- 5.3.3 To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.
- 5.3.4 To monitor the Council's level of expenditure on VAT exempt activities, and to report on action taken or needed to remain within the 5% threshold level.
- 5.3.5 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- 5.3.6 To maintain up-to-date guidance for Council employees on taxation issues.
- 5.3.7 To ensure systems are in place to record other tax due to the Inland Revenue, and to complete the necessary returns.

### Responsibilities of Directors

- 5.3.8 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- 5.3.9 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax registration requirements.
- 5.3.10 To ensure that all persons employed by the Council are added to the Council's payroll, and that tax is deducted from any payments, except where the individuals are employed by a recognised employment agency.
- 5.3.11 To follow the guidance on taxation issued by the Corporate Director Resources.

### Key controls

- 5.3.12 The key controls for taxation are: -
- (a) budget managers are provided with relevant information and kept up to date on tax issues;
  - (b) budget managers are instructed on required record keeping;

- (c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
- (d) records are maintained in accordance with instructions; and
- (e) returns are made to the appropriate authorities within the stipulated timescale.

## **5.4 TRADING ACCOUNTS AND BUSINESS UNITS**

### **Why are these important?**

- 5.4.1 Trading accounts and business units are becoming increasingly important as local authorities develop a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost, and to show them in the Statement of Accounts. They are also required to disclose the results of significant trading operations in the Best Value Performance Plan.

### **Responsibilities of the Corporate Director Resources**

- 5.4.2 To advise on the establishment and operation of trading accounts and business units.

### **Responsibilities of Directors**

- 5.4.3 To consult with the Corporate Director Resources where a business unit wishes to enter into a contract with an external party where that contract exceeds the remaining life of their main contract with the Council. In general, such contracts should not exceed the life of the business unit's contractual relationship with the Council, unless it can be terminated without penalty.
- 5.4.4 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- 5.4.5 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 5.4.6 To ensure that each business unit prepares an annual business plan.

## 5.5 PROPERTY MATTERS

### **Responsibilities of the Corporate Director Resources**

- 5.5.1 To ensure that in respect of commercial or residential properties, where a service charge is applicable, a separate account is maintained for all such properties, in respect of expenditure to be recovered under service charges and that interim (where appropriate) and final accounts for service charges are raised promptly and accurately.

### **Responsibilities of Directors**

- 5.5.2 To ensure that all procedures for the letting of commercial or residential properties by the Council (including market stalls) are approved by the relevant executive function. Such procedures shall include the maintenance of up to date waiting lists, allocations based on the pre-stated approval criteria and maintenance of an up to date register of tenants.
- 5.5.3 The Corporate Director Growth & Regeneration, in conjunction with the Director of Governance, is responsible for ensuring that all notices are served at the proper times in respect of rent reviews, lease renewals, etc. for business tenancies.
- 5.5.4 To ensure that the Director of Governance has custody of all title deeds under secure arrangements agreed with the Corporate Director Resources (Internal Audit).

## EXTERNAL ARRANGEMENTS

### 6.1 PARTNERSHIPS

#### Why are these important?

6.1.1 Partnerships can play a key role:

- (a) in delivering community strategies by promoting or improving well-being in the Council area;
- (b) by bringing investment and innovation for the delivery and improvement of Council Services.

6.1.2 There are many different models and types of partnerships. The Council distinguishes partnerships into:

- (c) non-commercial partnerships such as the local strategic partnership or partnerships that the Government requires the Council to set up, for example pooled budget arrangements with health partners or the Children's Fund;
- (d) commercial partnerships such as where the Council 'contracts out' services or works that need to be delivered.

6.1.3 Contract Regulations also distinguishes between two types of partnership. Non-commercial partnerships do not come within Contract Standing Orders, but any contracts the Council lets under such a partnership must comply with them. Commercial partnerships must follow Contract Standing Orders.

#### General

6.1.4 Some key reasons for entering into a partnership are: -

- (a) the desire to find new ways to share risk;
- (b) the ability to access new resources and to bring investment to the Council;
- (c) to provide new and better ways of delivering and improving services and innovative ways of working; and
- (d) to forge new and more flexible relationships.

6.1.5 A partner can be:

- (a) an organisation (private or public) that is undertaking, partly funding or participating as a beneficiary in a project; or
- (b) a body whose nature or status gives it a right or obligation to support the project.

- 6.1.6 In some cases a partnership may be a separate legal entity. In other cases it will simply be a number of organisations that have formally agreed to act for a common purpose.
- 6.1.7 Partners can participate in projects by:
- (a) acting as a project deliverer or sponsor, solely or jointly with others;
  - (b) acting as a project funder or part funder; and
  - (c) being the beneficiary group of the activity undertaken in a project.
- 6.1.8 Partners have common responsibilities:
- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner;
  - (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;
  - (c) to be open, and to work together to resolve, any conflict of interests that might arise;
  - (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
  - (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature; and
  - (f) to act wherever possible as ambassadors for the project.
  - (g) to allocate and share risks according to which partner is best able to manage them.

### **Key controls**

- 6.1.9 The key controls are: -
- (a) project appraisal processes are in place to assess the viability of the project in terms of achievement of strategic objectives, resources, staffing and expertise;
  - (b) mechanisms are in place to ensure that the most appropriate partner is selected;
  - (c) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences;
  - (d) to ensure that risk management processes are in place to identify, assess and allocate all known risks;
  - (e) ongoing monitoring of the project to ensure that stated objectives are being met;
  - (f) all members of the partnership to be aware of their responsibilities under the contract, and

- (g) regular communication with the partners throughout the project so that problems can be identified and shared to achieve a successful resolution.

**Responsibilities of the Corporate Director Resources**

- 6.1.10 To advise on the key elements of funding a project. They include: -
  - (a) a scheme appraisal for financial viability in both the current and future years;
  - (b) risk appraisal and management;
  - (c) resourcing, including taxation issues;
  - (d) audit, security and control requirements;
  - (e) carry-forward arrangements; and
  - (f) treatment of assets used by the partnership.
- 6.1.11 To ensure that the accounting arrangements are satisfactory.

**Responsibilities of Directors**

- 6.1.12 To maintain a register of all contracts, including partnership agreements, entered into with external bodies in accordance with procedures specified by the Corporate Director Resources.
- 6.1.13 To ensure that, before entering into partnerships, a detailed business case and risk appraisal has been prepared for the Corporate Director Resources.
- 6.1.14 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- 6.1.15 To ensure that all agreements and arrangements are properly documented.
- 6.1.16 To provide appropriate information to the Corporate Director Resources to enable a note to be entered into the Council's statement of accounts concerning material items.

## 6.2 EXTERNAL FUNDING

### Why is this important?

- 6.2.1 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the single regeneration budget provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's Corporate Strategy.

### Key controls

- 6.2.2 The key controls for external funding are: -
- (a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
  - (b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council;
  - (c) to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements or an exit strategy is agreed;
  - (d) to ensure risks are identified, within acceptable limits and are capable of being managed;
  - (e) ensure monitoring and reporting frameworks are established and followed; and
  - (f) ensure adequate controls and governance arrangements are in place and are followed.

### Responsibilities of the Corporate Director Resources

- 6.2.3 To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 6.2.4 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements or an exit strategy is agreed.
- 6.2.5 To ensure that audit requirements are met.

6.2.6 To ensure that all claims are submitted by the due date.

**Responsibilities of Directors**

6.2.7 To ensure that the Corporate Director Resources is advised of all applications of external funding.

6.2.8 To give the Corporate Director Resources a copy of all approvals received from government departments or other sources of external funds.

6.2.9 To ensure that all supporting information is kept to support claims for funds.

6.2.10 To ensure that the project progresses in accordance with the agreed conditions and that all expenditure is properly incurred and recorded.

## 6.3 WORK FOR OTHER ORGANISATIONS

### Why is this important?

- 6.3.1 Current legislation enables the Council to provide a range of services to other organisations. The provision of such services by the Council may enable a department or business unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is in accordance with the enabling legislation.

### Key controls

- 6.3.2 The key controls are: -
- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Corporate Director Resources;
  - (b) to ensure that contracts are drawn up using guidance provided by the Corporate Director Resources and the Director of Governance and that the formal approvals process is adhered to; and
  - (c) to issue guidance with regard to the financial aspects of such contracts and the upkeep of the contract register.

### Responsibilities of the Corporate Director Resources

- 6.3.3 To issue guidance with regard to the financial aspects of contracts with other organisations and the maintenance of the contract register.

### Responsibilities of Directors

- 6.3.4 To ensure that work is only carried out for other organisations in accordance with Contract Regulations.
- 6.3.5 To maintain a register of all contracts entered into with other organisations in accordance with procedures specified by the Corporate Director Resources.
- 6.3.6 To ensure that appropriate insurance arrangements are made, after consultation with the Corporate Director Resources or his / her representative.
- 6.3.7 To ensure that proper provision is made to submit invoices, with VAT as appropriate, on a regular basis and that monitoring is undertaken by the relevant director or head of service to ensure that all income due to the Council is promptly received.
- 6.3.8 To ensure that bids are not submitted to other organisations without consulting with the Corporate Director Resources or the Director of Governance and obtaining a decision

from the relevant decision-maker if necessary. All such bids shall be drawn up so that, as far as possible, the Council will achieve full recovery of all relevant costs.

- 6.3.9 To ensure that the Council's services do not suffer as a result of resources being engaged on work for external parties.
- 6.3.10 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 6.3.11 To ensure that the department/unit has the appropriate expertise and time to undertake the contract according to its stated requirements.
- 6.3.12 To ensure that such contracts do not impact adversely upon the services provided for the Council.
- 6.3.13 To ensure that all contracts are properly documented and detailed records are maintained of all work conducted and payments made / received in a form agreed with the Corporate Director Resources.
- 6.3.14 To provide appropriate information to the Corporate Director Resources to enable a note to be entered into the statement of accounts.

## GLOSSARY

**Cabinet** - the executive decision-maker consisting of the members of the cabinet who have been appointed under the Local Government Act 2000.

**Chief Executive** – the officer charged with the role of Head of the Council’s Paid Service under Section 4 of the Local Government and Housing Act 1989.

**Cabinet Member** – a member of the Cabinet who is responsible for making decisions in line with Section 3 of the Constitution.

**Decision-maker** – the Leader, the cabinet, a committee of the cabinet, an individual member of the cabinet or an individual officer so long as the Council or the Leader has delegated decision making powers.

**Corporate Director Resources** – the officer charged with responsibilities under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988. For the purposes of this document, where reference is made to this officer, it shall be interpreted also as including any officer delegated to act on his / her behalf.

**Director of Governance** – the officer with Monitoring Officer responsibilities under the Local Government and Housing Act 1989 as amended.

**Executive function** - a function as set out in the Local Government Act 2000.

**CIPFA** – Chartered Institute of Public Finance Accountants.

**LASAAC** – Local Authority (Scotland) Accounts Advisory Committee.

**CMT** – Corporate Management Team

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