

**Appendix A**



**PETERBOROUGH CITY COUNCIL**

**DRAFT FINANCIAL REGULATIONS**

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# **1. INTRODUCTION TO FINANCIAL REGULATIONS**

## **1.1 PURPOSE**

1.1.1 Financial Regulations provide the framework for managing the council's financial affairs, including allocation of capital and revenue resources, ensuring good financial governance, internal control and the management of risks. They are set out in the council's constitution and provide rules on accounting, audit, administrative procedures, financial systems, roles and responsibilities and provides a framework for decision making.

## **1.2 STATUS**

1.2.1 All employees, members and anyone acting on behalf of the council have a duty to abide by the highest standards of probity in dealing with financial issues and should be clear on the standards and controls they are operating within to ensure this is complied with. This is achieved by setting clear standards and putting appropriate controls in place to ensure that the standards are met.

1.2.2 Section 151 of the Local Government Act 1972 requires every local authority to "make arrangements for the proper administration of their financial affairs" and appoint an officer to be responsible for its financial affairs, in Peterborough City Council this is the Executive Director of Corporate Services and Section 151 officer.

1.2.3 All decisions which have financial implications, explicitly or not, must have regard to proper financial control. If there is any doubt as to whether a financial proposal is appropriate, or whether a financial action is correct, this must be clarified with the Executive Director Corporate Services and Section 151 officer.

1.2.4 The regulations will refer to the responsibility of Directors, but it is required that all employees abide by the Financial Regulations and are aware of their own personal responsibility and in their capacity as a representative of their Director.

1.2.5 These regulations apply to every member and employee and anyone acting on the council's behalf, including those employed by another authority or agency.

1.2.6 Failure to follow financial regulations could result in action under the council's disciplinary procedure.

## **1.3 FINANCIAL ROLES AND RESPONSIBILITIES OVERVIEW**

### **Chief Executive**

1.3.1 The Chief Executive, as the Head of Paid Service, is responsible for the overall strategic management of the council. They must report to, and provide information for Cabinet, Full Council, Scrutiny and other Committees.

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

### **Executive Director of Corporate Services and Section 151 Officer**

- 1.3.2 Section 151 of the 1972 Local Government Act requires that the council shall make arrangements for the proper administration of its financial affairs. One officer is responsible for the administration of those affairs and this has been assigned to the Executive Director of Corporate Services.
- 1.3.3 Reporting to all Members, following consultation with the Corporate Leadership Team, the Cabinet and External Audit if there is likely to be unlawful expenditure or an unbalanced budget (Section 114, Local Government Finance Act 1988, as amended).
- 1.3.4 Ensures the proper administration of the financial affairs of the council as required by the Accounts and Audit Regulations 2015 as amended.
- 1.3.5 Set the financial management standards.is the head of profession in relation to these standards, promotes them throughout the council, and ensures compliance with them.
- 1.3.6 Ensures proper professional practices are adhered to in relation to the standards, performance and development of finance employees throughout the council.
- 1.3.7 Advises on the key strategic controls, including these Financial Regulations, necessary to secure sound financial management.
- 1.3.8 Sets out in the scheme of financial delegation which activities can be undertaken by their team of staff as cannot personally undertake all the activities in the remit of the Section 151 role.

### **Corporate Directors and Budget Managers**

- 1.3.9 For the purposes of these regulations 'Corporate Directors' means the Chief Executive, Monitoring Officer and the Executive Directors of the Peterborough City Council. This is in line with Part 3 Section 3 – Delegations – Officer Delegations of the council's constitution.
- 1.3.10 A Director will delegate responsibility for spending and services to their senior managers and the financial delegation is recorded on the financial system. Executive Directors are responsible for reviewing this on a regular basis to ensure delegations are up to date and appropriate.
- 1.3.11 Directors and budget managers are accountable for the decisions and actions of their employees.
- 1.3.12 For the avoidance of doubt these regulations apply to all employees.

- 1.3.13 Promote the financial management standards set by the Executive Director of Corporate Services and Section 151 Officer in their respective departments and to ensure adherence to the standards and practices, liaising as necessary with the Executive Director of Corporate Services and Section 151 Officer.
- 1.3.14 Promote sound financial practices in relation to the standards, performance and development of employees in their respective departments.
- 1.3.15 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.

### **Members**

- 1.3.16 Members are responsible for the overarching policy and direction of the financial affairs of the council, and this is exercised through:
- a) **Full Council**. This body is responsible for:
    - i. Approving the overall Budget Policy Framework.
    - ii. Setting the budget for both revenue and capital
    - iii. Setting Council Tax level.
    - iv. Setting Treasury Management Strategy including prudential indicators.
    - v. Setting limits for budget virements.
    - vi. Approving the Asset Management Plan
    - vii. Approving the Investment Strategy.
  - b) **Cabinet**. The Cabinet is responsible for:
    - i. Proposing the policy framework to the Full Council.
    - ii. Proposing the annual revenue and capital budget to the Full Council
    - iii. Regular management and oversight of the approved revenue and capital budgets.
    - iv. Delegating executive decisions either to a Cabinet Committee or to an individual Cabinet Member.
  - c) **Audit Committee**. The Committee is responsible for:
    - i. Maintaining and reviewing the regulatory framework, this includes the Financial Regulations
    - ii. Approving the Annual Financial Statements
    - iii. Overseeing audit and anti-fraud activity.

d) **Constitution and Ethics Committee.** The Committee is responsible for:

- i. Maintaining and reviewing the Financial Regulations.

e) **Full Council**

- i. Approving the Financial Regulations and any recommended changes to them.

### **Key principles**

1.3.17 Promotion and observance of the Financial Regulations throughout the council

1.3.18 A robust monitoring system to review compliance with financial regulations.



## **2. FINANCIAL PLANNING**

### **2.1 CORPORATE PLAN AND PERFORMANCE REPORTING**

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

- 2.1.1 The purpose of the Corporate Plan is to set out priorities and objectives, current performance and proposals for further improvement. Performance management supports the efficient, effective and economic delivery of council services and ensures the council can deliver its priorities as set out in the Corporate Plan. The council's performance management framework details how performance is managed in the council.
- 2.1.2 The strategic plans of the council comprise of the key documents, the corporate plan, the medium term financial strategy and the workforce strategy. The Corporate Plan sets out the council's key service priorities as agreed by Members. Policies proposed to Cabinet or Full Council should be in accordance with these priorities. The Medium Term Financial Strategy looks forward to the next three years and examines the forecast resources available (both income and expenditure levels) for revenue and capital. This should demonstrate how the council will fund the Corporate Plan's priorities. The Workforce Strategy looks at staff deployment and employment strategies linked to the Corporate Plan. Constraints imposed by the council's financial resources often limit what the council can achieve, within a given time frame.
- 2.1.3 Directors and Service Managers, working with their Cabinet Members are required to produce service Delivery and Improvement Plans detailing service provision and level of performance linked to their budget for each financial year. Initial draft plans should be created in Autumn of each year inline with the budget setting process. With the final plans being available alongside the agreed annual budget. This ensures they are in place for each service before the commencement of the financial year (1 April).
- 2.1.4 The council has a responsibility to publish various plans, some of which are statutory, including education plans, community strategies, etc. as well as having a local responsibility to its stakeholders. The purpose of these is to explain overall priorities and objectives, current performance, and proposals for further improvement.
- 2.1.5 External audit is required to report on the council's Value for Money arrangements in particular regarding improving economy, efficiency and effectiveness as well as how the council uses information about its costs and performance to improve the way it manages and delivers its services.

#### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 2.1.6 Advise on the financial information that needs to be included in these plans in accordance with statutory requirements and agreed timetables.

- 2.1.7 Ensure that systems are in place to measure financial activity and collect accurate financial information for performance indicator purposes.
- 2.1.8 Ensure that financial performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.
- 2.1.9 Provide clarity and understanding of external audit requirements and ensure directors and service managers prepare the plans in accordance with this.
- 2.1.10 Ensure that financial information is available to enable accurate and timely monitoring and reporting of comparison of national and local financial performance indicators.

### **Responsibilities of Corporate Directors and Budget Managers**

- 2.1.11 Contribute to the development of these plans in line with statutory requirements.
- 2.1.12 Contribute to the development of Corporate Plan and service priorities and objectives.
- 2.1.13 Develop key performance measures with appropriate targets to demonstrate achievement of priorities and objectives.
- 2.1.14 Deliver effective and efficient services through the council's performance management framework.
- 2.1.15 Ensure that service delivery is supported by a comprehensive performance management system that tracks the implementation of corporate priorities and objectives.

### **Key principles**

- 2.1.16 Ensure all plans are in a consistent format.
- 2.1.17 Produce plans in accordance with statutory requirements.
- 2.1.18 Meet the timetables set.
- 2.1.19 Accurate, complete, up to date and accessible.
- 2.1.20 Include improvement targets which are meaningful, realistic and challenging.
- 2.1.21 Ensure that financial plans and performance plans are fully integrated with the Medium-Term Financial Strategy and that they underpin the Corporate Plan.

## **2.2 MEDIUM TERM FINANCIAL PLANNING**

### **Why this is important**

- 2.2.1 The council is a complex organisation responsible for commissioning and delivering a wide range of services and collecting council tax and business rates. It needs to plan effectively and to develop an approach to allocating its resources in accordance with the priorities set out in the corporate plan. The Medium-term Financial Strategy is the financial expression of the council's plans and policies.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 2.2.2 Prepare and submit reports on the Medium-Term Financial Strategy to members on a regular and timely basis. This is based on the councils expected financial resource and future service strategies and used each year to set the annual budget.
- 2.2.3 Facilitate an environment for directors to achieve best use of resources, value for money and enabling them to identify opportunities to improve economy, efficiency and effectiveness.
- 2.2.4 Support and advice for directors to enable them to achieve good practice by conducting benchmarking, financial appraisals of development or savings options.

### **Key Principles**

- 2.2.5 A Medium-Term Financial Strategy which projects forward all potential income and expenditure over at least the following three years.
- 2.2.6 A budget deficit plan where there is an identified budget gap in any of the years in the medium-term financial strategy. There is a legal duty for the council to set a balanced annual budget,

## **2.3 ANNUAL BUDGET**

### **Format of the budget**

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

- 2.3.1 The format of the budget determines the level of detail to which financial control and management will be exercised. It also shapes the rules around how virements and cash limits operate and sets the level at which funds may be reallocated within budgets.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 2.3.2 Advise the Cabinet on the format of the budget that is approved by the council.

### **Responsibilities of Corporate Directors and Budget Managers**

- 2.3.3 Comply with accounting guidance provided by the Executive Director of Corporate Services and Section 151 Officer.

### **Key principles**

- 2.3.4 The format complies with all legal requirements.
- 2.3.5 The format reflects the accountabilities of service delivery and the structure of the councils Corporate Leadership Team. and
- 2.3.6 In published statements where it is required, the format complies with the most up to date version of CIPFA's Code of Practice on Local Authority Accounting.

### **Setting the Budget**

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

- 2.3.7 The revenue and capital budgets must be constructed to ensure that resource allocation accurately 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.
- 2.3.8 The Corporate Leadership Team shall prepare annually (normally for submission to Cabinet in February), draft estimates of income and expenditure for the coming financial year, in a form agreed with the Executive Director of Corporate Services and Section 151 Officer together with any necessary explanations.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 2.3.9 Prepare and submit reports on budget prospects for the 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.
- 2.3.10 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.
- 2.3.11 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.
- 2.3.12 Advise on the medium-term implications of spending decisions.
- 2.3.13 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.

- 2.3.14 Advise the council on the robustness of budget estimates set and the adequacy of reserves in accordance with section 25 of the Local Government Act 2003.

### **Responsibilities of Corporate Directors and Budget Managers**

- 2.3.15 Prepare estimates of income and expenditure, in consultation with the Executive Director of Corporate Services and Section 151 Officer, to be submitted to the Cabinet.
- 2.3.16 Changes in estimates between financial years shall be analysed between inflation, demand and other causes in line with the budget preparation guidelines issued each year by the Executive Director of Corporate Services and Section 151 Officer.
- 2.3.17 Prepare budgets that are in line with the cash limits and guidelines issued by the Executive Director of Corporate Services and Section 151 Officer and in accordance with the council's annual budget cycle timetable
- 2.3.18 Integrate financial and budget service plans with service delivery planning, so that both are consistent and can be supported by financial and non-financial performance measures.
- 2.3.19 Prepare detailed draft revenue and capital budgets for consideration by Cabinet in consultation with the Executive Director of Corporate Services and Section 151 Officer and in accordance with the laid-down guidance and timetable,
- 2.3.20 Ensure that budget proposals underpin the council's strategic priorities and objectives, in line with the council's Corporate Plan.
- 2.3.21 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) corporate policy requirements as defined by the Cabinet in the approved policy framework
  - (d) initiatives already under way(e) identifying all risks to delivering the budget
  - (e) Future longer term implications of proposals included.

### **Key principles**

- 2.3.22 There is a clear understanding of the income and expenditure budgets allowing approval to be provided.
- 2.3.23 Directors and Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability for managing their budgets and the level of service to be delivered

- 2.3.24 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 this is important**

- 2.3.25 Resources may include employees, money, property, information, equipment, supplies and materials. Available resources may not be adequate to meet all identified needs. It is, therefore, imperative that such needs are carefully prioritised and that resources are fairly allocated, to meet all legal responsibilities.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 2.3.26 Advise on methods available for the funding of resources, such as government grants and contributions, Sales, Fees and Charges and borrowing restrictions.
- 2.3.27 Advise on the allocation of resources to budget managers.

### **Responsibilities of Corporate Directors and Budget Managers**

- 2.3.28 Work within cash limits and to utilise resources allocated in the most efficient, effective and economic way.
- 2.3.29 Seek to identify more efficient ways of working and best practice service delivery models.

#### **Key principles**

- 2.3.30 Resources are acquired in accordance with the law and using an approved authorisation process
- 2.3.31 Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for.
- 2.3.32 Resources are securely held for use when required.
- 2.3.33 Resources are used with the minimum level of waste, inefficiency or loss for other reasons.

### **Capital Programme Why this is important**

- 2.3.34 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 and create financial commitments for the future in the form of financing costs and running costs (revenue). Capital expenditure can also result in the creation of an intangible asset, for items such as software licenses which have no physical substance.

2.3.35 The council is required to set its Capital Programme having regard to the most up to date CIPFA Prudential Code for Capital Finance in Local Authorities, ensuring that it is affordable, prudent and sustainable. This means that capital expenditure forms part of an investment strategy that is carefully prioritised 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 Executive Director of Corporate Services and Section 151 Officer**

2.3.36 Prepare a capital programme covering at least three future financial years. If there is a need to accelerate the preparation, commencement or completion of a scheme, the proposal will follow the governance process set out within the Capital Strategy. Firstly it will be considered by an officer led Capital and Invest to Save Programme Board and if agreed will then be reported to Cabinet for final approval within the quarterly Budgetary Control Reporting. If an urgent and/or unforeseen need arises to undertake a project of more than the current approved capital programme, a Capital and Invest to Save Programme Board will be convened as a matter of urgency to approved this and if agreed a separate report will be submitted to Cabinet.

2.3.37 Prepare and submit regular reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates. Also, to inform the Cabinet where estimated expenditure on any scheme exceeds its capital programme provision by more than 10% or £100,000 whichever is lower.

2.3.38 Issue guidance concerning capital contracts and controls, for example, on project appraisal. The definition of 'capital' will be determined by the Executive Director of Corporate Services and Section 151 Officer, having regard to government regulations and accounting requirements.

### **Responsibilities of Corporate Directors and Budget Managers**

2.3.39 Comply with guidance concerning capital schemes and controls issued by the Executive Director of Corporate Services and Section 151 Officer.

2.3.40 Ensure that all estimates, business cases and programmes prepared in connection with capital expenditure includes reference to the estimated revenue implications of such expenditure in each year and how it will be funded as agreed with the Executive Director of Corporate Services and Section 151 Officer.

2.3.41 Review the capital programme requirements for their services and the estimated final costs of schemes in the approved capital programme for submission to the Capital Review Group and onward to the Capital and Invest to Save Programme Board.

2.3.42 Ensure that adequate records are maintained for all capital contracts (see also Contract Rules).

- 2.3.43 Proceed with projects / contracts only when it forms part of the approved capital programme, expected external funding is confirmed and with the agreement of the Executive Director of Corporate Services and Section 151 Officer, where required, all following the appropriate project appraisal.
- 2.3.44 Notify the Executive Director of Corporate Services and Section 151 Officer (Corporate Finance Team) immediately if the total value of a contract or its annual sum is likely to be different from the original figures included within the Capital Programme. This should be reviewed by the Capital and Invest to Save Programme Board for approval to proceed.
- 2.3.45 Ensure that credit arrangements, such as leasing agreements and contract hire agreements, are not entered into without first seeking advice from the Executive Director of Corporate Services and Section 151 Officer (Corporate Finance Team) and, are accounted for in line with IFRS 16.
- 2.3.46 Consult the Executive Director of Corporate Services and Section 151 Officer and seek Cabinet or Cabinet Member approval where the director proposes to bid for specific funding from the Government 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 principles**

- 2.3.47 Annual approval by Full Council for the Capital Programme, which sets out specific scheme expenditure and funding.
- 2.3.48 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 and Invest to Save Programme Board and subsequent approval by the Cabinet or Full Council, depending on the financial value.
- 2.3.49 Proposals for improvements and alterations to buildings and land must be approved by the appropriate director and Executive Director of Corporate Services and Section 151 Officer.
- 2.3.50 Schedules for individual schemes within the Capital Programme approved by the council, must be submitted to the relevant Cabinet Member for a decision on contracts over £500k. This is set out in the contract rules.
- 2.3.51 Development and implementation of asset management plans.
- 2.3.52 Accountability for each proposal is accepted by a named project manager.
- 2.3.53 Monitoring of progress should take place in conjunction with monthly Budgetary Control Reporting.
- 2.3.54 Capital schemes have been determined in accordance with the approved prioritisation scheme that applies to such schemes



2.3.55 Monitoring of Prudential Indicators throughout the year.

## **Reserves Management**

### **Why this is important**

2.3.56 The council holds reserves for one of three purposes:

- (a) working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing (General Fund).
- (b) a contingency to cushion the impact of unexpected events or emergencies (General Reserve or specific risk reserves)
- (c) a means of building up funds (earmarked and ringfenced reserves) to meet known or predicted liabilities

2.3.57 It is the responsibility of the Executive Director of Corporate Services and Section 151 Officer to advise the council as to the level of General Fund balance to be held. The reserves strategy and policy is agreed as part of the annual budget and Medium-Term Financial Strategy report pack.

2.3.58 The Executive Director of Corporate Services and Section 151 Officer will review any underspend or overspend at year end and allocate in the first instance to/from the General Fund balance. Allocation to an earmarked reserve will be considered having appraised the following:

- (a) Reason for the underspend, i.e. an analytical review of the outturn.
- (b) Any legal or statutory duties.
- (c) Any specific project funding that may have slipped.
- (d) Proposed use of the reserves, i.e. invest to save, improve business efficiency.
- (e) Level of General Fund balance remaining after the transaction has taken place.
- (f) The plan set out within the Reserves Strategy and Policy

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

2.3.59 Advise the Cabinet and / or the Full Council on prudent levels of reserves for the council, having regard to advice from the external auditor.

### **Responsibilities of Corporate Directors and Budget Managers**

2.3.60 Ensure that reserves are used only for the purposes for which they were intended.

### **Key principles**

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

2.3.62 For each reserve established the following must be provided:

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

2.3.63 Authorisation and expenditure from reserves by the relevant Director in consultation with the Executive Director of Corporate Services and Section 151 Officer.

### 3. FINANCIAL MANAGEMENT

#### 3.1 BUDGETARY CONTROL

##### Why this is important

- 3.1.1 Budgetary control is how the council manages its finances and ensures their effective use in accordance with the budget approved by Full Council in advance of the new financial year... The budget is the financial expression of the council's planned activity for the financial year. Budgetary control is a continuous process, enabling the council to review adjust and analyse its forecasts against the budget position throughout the year. It also provides the mechanism that holds to account managers responsible for defined elements of the budget.
- 3.1.2 Through continuously identifying and explaining variances against the budgets, the council can identify and recognise 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.
- 3.1.3 For the purposes of budgetary control, budgets are broken down into income and expenditure types. There is then a hierarchy (chart) of accounts which allocates this to a directorate, service area and cost centre. Each cost centre is allocated to the relevant Budget Manager accountable and responsible for the service's financial management and service delivery.

##### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 3.1.4 Facilitate 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) significant variances from approved budgets are investigated and reported by budget managers regularly.
  - (c) each Director has available timely financial information on receipts and payments **relevant to their** budget.
  - (d) expenditure is only committed against an approved revenue cost centre or capital project code.
  - (e) all employees responsible for committing expenditure comply with relevant guidance, and these Financial Regulations.
  - (f) each revenue cost centre or capital project code has a single named budget manager, determined by the relevant Director. As a general principle, budget manager responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure
- 3.1.5 Review and administer the council's Scheme of Virements.

- 3.1.6 Submit reports to the Cabinet and to Full Council, in consultation with the relevant Director, where a Director is unable to balance expenditure and resources within existing approved budgets under their control.
- 3.1.7 Prepare and submit quarterly reports to the Cabinet on the council's projected income and expenditure compared with the budget (formally known as the Budgetary Control Report)

### **Responsibilities of Corporate Directors and Budget Managers**

- 3.1.8 Maintain budgetary control within their departments, in line with the principles in paragraph 3.1.4, and to ensure that all income and expenditure are recorded and accounted for properly.
- 3.1.9 Ensure that an accountable budget manager is identified for each cost centre under the control of the Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 3.1.10 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.
- 3.1.11 Ensure that a monitoring process is in place to review financial and non-finance performance in an integrated manner, to ensure that the service is operating effectively.
- 3.1.12 Prepare and submit to monthly Budgetary Control Reports setting out the service projected expenditure compared with its budget, to the Executive Director of Corporate Services and Section 151 Officer (Financial Management Team) to enable to overall financial position of the council to be reviewed by the Corporate Leadership Team and Cabinet.
- 3.1.13 Ensure prior approval by Full 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.
- 3.1.14 Ensure reports on new proposals explain the full financial implications, following consultation with the Executive Director of Corporate Services and Section 151 Officer. Unless Full Council or Cabinet has agreed otherwise, Directors in consultation with Corporate Leadership Team must plan to contain the financial implications of such proposals within their cash limit.
- 3.1.15 Ensure compliance with the Scheme of Virements.

- 3.1.16 Agree with the relevant Director where it appears that a budget proposal, including a proposed virement, may impact materially on another service area or Director's level of service activity.
- 3.1.17 Ensure that savings or contributions are only transferred to reserves in accordance with the agreed process of the Executive Director of Corporate Services and Section 151.

### **Key principles**

- (a) budget managers should be responsible and accountable for income and expenditure that they can influence.
- (b) there is a nominated budget manager for each revenue cost centre or capital project code.
- (c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities in line with these financial regulations.
- (d) all budgets are appropriately profiled through the financial year.
- (e) budget managers follow the approved authorisation and approval processes for all expenditure.
- (f) income and expenditure are recorded and accounted for properly. and
- (g) Financial and non-financial performance of service are monitored in an integrated manner and necessary action is taken to align service outputs and budget.

## **3.2 SCHEME OF VIREMENT**

### **Why this is important**

- 3.2.1 Virements refer to changes between budgets, either permanent (multi-year) or one-off (single year), that reflect fundamental changes in activity.
- 3.2.2 The Scheme of Virement is intended to enable Directors and their employees to manage budgets with a degree of flexibility within the overall policy framework determined by Full Council (as part of the annual budget setting report) and, therefore, to optimise the use of resources.
- 3.2.3 There are both business as usual and extraordinary adjustments to budgets that can occur during each financial year relating to issues such as:
- (a) Correction of mistakes or coding.
  - (b) Inflation.
  - (c) Savings targets.
  - (d) Restructure spanning multiple services
  - (e) New grant funding
  - (f) Emergencies
  - (g) Changes in the responsibilities of directorates.

## **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 3.2.4 Oversee the arrangements for managing budget virements, including ensuring the approval limits are reviewed on an annual basis and confirmed within the budget setting report.
- 3.2.5 Submit a report to Corporate Leadership Team and Cabinet where significant virements are proposed between directorate areas
- 3.2.6 Ensure that budgetary control reports set out directorates use of reserves and temporary control total increases

## **Responsibilities of Corporate Directors and Budget Managers**

- 3.2.7 A Director may exercise virement on budgets under their control during the year up to the financial limit as set out within the Virement Limits, approved by Full Council as part of the annual budget setting report.
- 3.2.8 A Director will need to ensure the appropriate level of approval is obtained from Cabinet or Full Council where a virement is in excess of £0.250m and spans across multiple Directorates or Cabinet Portfolios.
- 3.2.9 Where a virement is likely to impact on another Directors budget or level of service activity, the virement should only be exercised after agreement with the other relevant Director, and in line with the approved virement limits.
- 3.2.10 Local Authority Controlled Schools are able 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. Schools follow the Scheme for the Financial Management of Schools and the Supplementary Financial Regulations but they must not be in conflict with any aspect of the council's Financial Regulations.
- 3.2.11 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 more than the financial limits are subject to approval by the Executive Director of Corporate Services and Section 151 Officer.

## **Key principles**

- 3.2.12 Administration overseen by the Executive Director of Corporate Services and Section 151 Officer within guidelines and virement limits set by the council.
- 3.2.13 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 virement guidelines and limits are in place as its recognised there may be a requirement in year to transfer resources between cost centres or account headings for the reasons set out within this section. 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) and a “service area” is a group of cost centres that are the responsibility of a Cabinet Member or a Director
- 3.2.14 A virement does not create a net increase in budget, each side of the virement should net off to nil. 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 this is important**

- 3.3.1 The council’s treatment of year-end balances (that is, the arrangements for over and under spends at the end of the financial year) is important to ensure the effective use of resources and promote accountability for Directors. It is important that overspends 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 for the council to deal with year-end balances. However, they may be suspended or varied by the Cabinet when it reviews the financial outturn for each year in response to the overall budget position of the council.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 3.3.3 Undertake a review, as part of the closure of the accounts, to establish whether overspending on service budgets (in total) under the control of each Director will be carried forward to the following financial year.

- 3.3.4 Present proposals to the Corporate Leadership Team and Cabinet on underspends 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 of the balances for a different purpose will require approval by the Cabinet.
- 3.3.5 Administer the appropriate treatment of year end balances, and where applicable ensure this is inline with the Reserves Strategy and Policy, as approved by Full Council.
- 3.3.6 Report to the Cabinet all significant over/underspends against service budgets with a recommendation on how over/underspends will be dealt with, e.g. use of reserves or following year budget reduction for overspends.

### **Responsibilities of Corporate Directors and Budget Managers**

- 3.3.7 Support the Executive Director of Resources and Section 151 Officer in undertaking a review of the under spends and savings to allocate to and from reserves.
- 3.3.8 Executive Director of Children's Services should review the Schools' balances 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, they should ensure that the governing body prepares a detailed financial recovery plan for consideration by the Cabinet Member for Children's Services, which they have evaluated with the Executive Director of Corporate Services and Section 151 Officer. 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.
- 3.3.9 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 Children's Services, following evaluation by the Executive Director of Children's Services and the Executive Director of Corporate Services and Section 151 Officer.

### **Key principles**

- 3.3.10 Administered by the Executive Director of Corporate Services and Section 151 Officer as outlined in the reserves strategy and policy approved by Full Council.
- 3.3.11 Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

## **3.4. ACCOUNTING POLICIES**



### **Why this is important**

- 3.4.1 The council is required to apply specific principles, bases, conventions, rules and practices in preparing and presenting its Financial Statements. 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 Executive Director of Corporate Services and Section 151 Officer**

- 3.4.2 Establish suitable accounting policies and to ensure that they are applied consistently.
- 3.4.3 Ensure that the accounting policies are consistent with proper practices as set out in the CIPFA *Code of Practice on Local Authority Accounting* 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 including property, plant and equipment.
  - (d) receipts from sale of fixed assets.
  - (e) depreciation and impairment.
  - (f) capital charges.
  - (g) repayment of borrowing.
  - (h) stocks and work in progress
  - (i) financial relationships with companies and other bodies.
  - (j) government grants.
  - (k) leasing.
  - (l) pensions.
  - (m) value added tax
  - (n) impairment of debt.

### **Responsibilities of Corporate Directors and Budget Managers**

- 3.4.4 Adhere to the accounting policies and guidelines approved by the Executive Director of Corporate Services and Section 151 Officer.

### **Key principles**

- (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 this is 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 Executive Director of Corporate Services and Section 151 Officer**

- 3.5.2 Determine the accounting policies, procedures and the method for recording transactions for the council. Where these are maintained outside of the Finance Service, the relevant Director should consult with the Executive Director of Corporate Services and Section 151 Officer.
- 3.5.3 Arrange for the compilation of all accounts and accounting records under their direction.
- 3.5.4 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 Make proper arrangements for the external audit of the council's annual accounts in accordance with the Accounts and Audit Regulations, as amended.
- 3.5.6 Ensure that all claims for funds (including grants) are made accurately and by the due date.
- 3.5.7 Prepare and publish the draft and final audited annual accounts of the council for each financial year, in accordance with the statutory deadlines set by Government.
- 3.5.8 Administer the council's arrangements for carry forward of underspends and overspends to the following financial year.
- 3.5.9 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 Ensure that an asset register is maintained and assets are appropriately revalued and categorised in accordance with most up to date CIPFA *Code of Practice on Local Authority Accounting*.

### **Responsibilities of Corporate Directors and Budget Managers**

- 3.5.11 Ensure that a copy of any approved funding from a third party, including government grant, is immediately passed to the Executive Director of Corporate Services and Section 151 Officer and the Service directors for Financial Management and Corporate Finance
- 3.5.12 Ensure that all necessary service-related information is available in a timely manner to support all claims for funds, including government grants.
- 3.5.13 Consult and obtain the approval of the Executive Director of Corporate Services and Section 151 Officer before making any changes to accounting records and procedures for any central or local financial systems.
- 3.5.14 Ensure that directorates reconcile their local accounting records to the council's central financial information system on a regular basis during the financial year.
- 3.5.15 Ensure that budget managers monitor their cost centre's performance throughout the year and notify their director of significant variations from that planned, of both an adverse and favourable nature.
- 3.5.16 Comply with the principles outlined in paragraph 3.5.4 when allocating accounting duties.
- 3.5.17 Maintain adequate records to provide a management and audit trail leading from the source of income and expenditure through to the accounting statements.
- 3.5.18 Supply information required to enable the statement of accounts to be completed and published in accordance with the timetable and guidelines issued by the Executive Director of Corporate Services and Section 151 Officer.

### **Key principles**

- 3.5.19 All Members, employees and anyone acting on behalf of the council operates within the required accounting standards and timetables.
- 3.5.20 All the council's transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- 3.5.21 Procedures are in place to enable accounting records to be reconstituted in the event of systems failure.
- 3.5.22 Reconciliation procedures are carried out to ensure transactions are correctly recorded.

- 3.5.23 Prime documents are retained in accordance with legislative and other requirements, as set out in the council's Document Retention Schedule.
- 3.5.24 The finance (ERP) system of the council, administered by the Executive Director of Corporate Services and Section 151 Officer, is the prime system upon which the financial position of the council, or any part of the council, will be assessed.
- 3.5.25 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 ANNUAL STATEMENT OF ACCOUNTS**

#### **Why this is 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 true and fair manner. The council is responsible for approving the statutory annual statement of accounts, through delegation to the Audit Committee.

#### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 3.6.2 Establish suitable accounting policies and to apply them consistently.
- 3.6.3 Make judgements and estimates that are reasonable and prudent.
- 3.6.4 Comply with the CIPFA Code of Practice on Local Authority Accounting.
- 3.6.5 Sign and date the statement of accounts, stating that it presents truly and fairly the financial position of the council at the accounting date, including its income and expenditure for the financial year and its assets and liabilities held on the balance sheet.
- 3.6.6 Establish the timetable and requirements for final accounts preparation and to advise employees and the external auditor accordingly.

#### **Responsibilities of Corporate Directors and Budget Managers**

- 3.6.7 Comply with accounting guidance provided by the Executive Director of Corporate Services and Section 151 Officer and supply the Executive Director of Corporate Services and Section 151 Officer with any requested information in a timely manner.

### **Key principles**

- 3.6.8 The council is required to arrange 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 Executive Director of Corporate Services and Section 151 Officer. and
- 3.6.9 The council's statement of accounts must be prepared in accordance with proper practices as set out in the CIPFA *Code of Practice on Local Authority Accounting*.

## **4. RISK MANAGEMENT, CONTROL OF RESOURCES AND GOVERNANCE**

### **4.1 RISK MANAGEMENT**

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

- 4.1 The council faces risks to people, property and service delivery. Risk is considered using a matrix of likelihood and impact of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action, event or outcome. The council's Risk Management Framework supports the consistent and robust identification, evaluation and management of risks and opportunities across the different levels of the council. Its objectives are to secure the assets of the organisation, to ensure the continued financial and organisational well-being of the council and as a means of supporting the achievement of the council's strategic objectives. 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.

#### **Responsibilities of Audit Committee**

- 4.1.2 Approve the council's Risk Management Strategy and to promote a culture of risk management awareness throughout the council.

#### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 4.1.3 Prepare and promote the council's Risk Management Framework.
- 4.1.4 Develop risk reduction strategies (including business continuity planning) in conjunction with other Directors and to monitor their effectiveness.
- 4.1.5 Include all appropriate employees of the council in a suitable fidelity guarantee insurance policy.
- 4.1.6 Effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims, in consultation with other officers where necessary.

#### **Responsibilities of Corporate Directors and Budget Managers**

- 4.1.7 Notify the Executive Director of Corporate Services and Section 151 Officer 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 Executive Director of Corporate Services and Section 151 Officer or the council's insurers.

- 4.1.8 Take responsibility for risk management and minimising exposure to loss, having regard to advice from the Executive Director of Corporate Services and Section 151 Officer and other specialist advisers (e.g. crime prevention, fire prevention, health and safety, emergency planning).
- 4.1.9 Ensure that there are regular reviews of Corporate and Directorate 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 Notify the Executive Director of Corporate Services and Section 151 Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 4.1.11 Consult the Executive Director of Corporate Services and Section 151 Officer and the Director of Legal and Governance and Monitoring Officer on the terms of any indemnity that the council is requested to give.
- 4.1.12 Ensure that employees, or anyone covered by the council's insurance, do not acknowledge any 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 timescales.

### **Key principles**

- 4.1.13 Procedures are in place to identify risks, to evaluate the 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.
- 4.1.14 Corporate and Directorate Risk Registers are produced, regularly reviewed and action taken when appropriate.
- 4.1.15 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.
- 4.1.16 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
- 4.1.17 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 this is important**

- 4.2.1 The council has statutory obligations, and, therefore, requires effective internal controls in place to meet and monitor compliance with these obligations. The Accounts and Audit Regulations requires that the council must ensure that it has a sound system of internal control which:
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives.
  - (b) ensures that the financial and operational management of the council is effective.
  - (c) includes effective arrangements for the management of risk.
- 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 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.
  - (e) compliance with laws and regulations.
  - (f) the management of risks.

#### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 4.2.4 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 Corporate Directors and Budget Managers**

- 4.2.5 Manage processes to check that established controls are being adhered to and to evaluate their effectiveness, to be confident in the proper use of resources, achievement of objectives and management of risks.
- 4.2.6 Review existing controls in the light of changes affecting the council and to establish and implement new ones in line with guidance from the Executive Director of Corporate Services and Section 151 Officer. 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 Report annually, as requested by the Chief Internal Auditor, on the systems of control in place within their Directorate.
- 4.2.8 Ensure employees have a clear understanding of the consequences of lack of control.



- 4.2.9 Ensure that all members, employees and those acting on behalf of the council complete mandatory training and have access to, ongoing guidance and refresher training to ensure their knowledge of the following council policies remains up to date:
- (a) Officers' Code of Conduct
  - (b) Anti-Money Laundering Policy.
  - (c) Anti-Fraud and Corruption Policy.
  - (d) Whistleblowing Policy.

### **Key principles**

- 4.2.10 Internal controls should be reviewed on a regular basis and the council should make a formal statement annually in the Statement of Accounts to confirm that it is satisfied that the systems of internal control are operating effectively.
- 4.2.11 Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and non-financial 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.
- 4.2.12 Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems. and
- 4.2.13 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, the most up to date CIPFA Code of Practice for Internal Audit in Local Government* and with any other statutory obligations and regulations.

## **4.3 AUDIT REQUIREMENTS**

### **Internal Audit**

#### **Why this is 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 the Accounts and Audit Regulations, as amended, more specifically requires that the council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. 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 Executive Director of Corporate Services and Section 151 Officer**

- 4.3.3 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 systems.
  - (c) request and receive any information and explanation considered necessary concerning any matter under consideration.
  - (d) require any employee or anyone working on behalf of the council to account for cash, stores or any other council asset under their control.
  - (e) access, or have sight of, relevant records of external parties (eg contractors) as may be required.
  - (f) directly access the Chief Executive, Cabinet Members and Scrutiny Members.
- 4.3.4 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 Ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

#### **Responsibilities of Corporate Directors and Budget Managers**

- 4.3.6 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 Ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 4.3.8 Consider and respond promptly to recommendations in audit reports.
- 4.3.9 Ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.
- 4.3.10 Notify the Executive Director of Corporate Services and Section 151 Officer, the Chief Executive or Chief Internal Auditor 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 and in this period all persons involved should regard the information, and its source, as confidential.

- 4.3.11 Ensure that new systems for maintaining financial or asset records or changes to such systems, are discussed with and agreed to by the Chief Internal Auditor prior to both procurement and implementation.

### **Key principles**

- 4.3.12 Internal Audit is independent in its planning and operation.
- 4.3.13 The Chief Internal Auditor has direct access to the Chief Executive, all levels of management and directly to elected members. and
- 4.3.14 The internal auditors comply with the Public Sector Internal Audit Standards 2017 (applying the IIA International Standards to the UK Public Sector)

### **External audit**

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

- 4.3.15 Under the Local Audit and Accountability Act 2014, the council can choose to appoint its own external auditor or use Public Sector Audit Appointments (PSAA) to make their external audit appointments. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 4.3.16 The basic duties of the external auditor are set out in Part V of the Local Accountability and Audit Act 2014. Schedule 6 of that Act requires the Comptroller and Auditor General (Head of National Audit Office) to prepare a code of audit practice, which external auditors follow when carrying out their duties. The Code of Audit Practice, which is reviewed every five years, sets out the auditor's role of work on:
- (a) the audit of the financial statements
  - (b) value for money arrangements i.e. the council has made proper arrangement for securing economy, efficiency and effectiveness in its use of resources.
- 4.3.17 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 Executive Director of Corporate Services and Section 151 Officer**

- 4.3.18 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.
- 4.3.19 Ensure there is effective liaison between external and internal audit.

- 4.3.20 Work with the external auditor and advise the council, Cabinet and directors on their responsibilities in relation to external audit.

#### **Responsibilities of Corporate Directors and Budget Managers**

- 4.3.21 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.
- 4.3.22 Ensure that all records and systems are up to date and available for inspection.

#### **Key principles**

- 4.3.23 The Public Sector Appointments (PSAA), following approval by the Audit Committee are to appoint external auditors, normally for a minimum period of five years. The National Audit Office prepares a Code of Audit Practice, which external auditors follow when carrying out their audits.

### **4.4 PREVENTING FRAUD AND CORRUPTION**

#### **Why this is 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, employees and anyone acting on behalf of the council 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 Executive Director of Corporate Services and Section 151 Officer**

- 4.4.4 Develop and maintain an anti-fraud and corruption policy.
- 4.4.5 Maintain adequate and effective internal control arrangements.
- 4.4.6 Ensure that all suspected irregularities are reported to the Chief Internal Auditor. Suspected housing benefit fraud will be reported to the Department for Work and Pensions.
- 4.4.7 Ensure that procedures are in place to respond to National Fraud Initiatives.

#### **Responsibilities of the Director of Legal and Governance (Monitoring Officer)**

- 4.4.8 Develop, maintain and promote an effective whistleblowing policy.

## **Responsibilities of Corporate Directors and Budget Managers**

- 4.4.9 Ensure that all suspected irregularities are reported to the Chief Internal Auditor and Executive Director of Corporate Services and Section 151 Officer.
- 4.4.10 Instigate the council's disciplinary procedures when the outcome of an investigation indicates improper behaviour.
- 4.4.11 Ensure that where financial impropriety is discovered, the Executive Director of Corporate Services and Section 151 Officer and the Chief Executive are 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 Maintain a directorate 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).
- 4.4.13 Maintain a directorate register of hospitality, benefits or gifts received as a consequence of their employment. See also the Officer Code of Conduct in the council's constitution (Part 5, section 2).

### **Key principles**

- 4.4.14 The council has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption.
- 4.4.15 All members and employees act with integrity and lead by example.
- 4.4.16 Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the council or who are corrupt.
- 4.4.17 High standards of conduct are promoted amongst Members by the Audit Committee, in accordance with the Code of Conduct for Members.
- 4.4.18 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).
- 4.4.19 Compliance with the council's Contract Rules.
- 4.4.20 Whistle blowing procedures are in place and operate effectively.
- 4.4.21 Compliance with legislation including the Public Interest Disclosure Act 1998.

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

### **Acquisitions**

#### **Why this is 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 must exercise control over its purchasing activity, including asset acquisition (e.g. property, vehicles, plant, equipment and furniture).

#### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 4.5.2 Issue guidelines on the best practice in respect of asset acquisition.
- 4.5.3 Periodically review all guidelines to ensure that they still reflect best practice.
- 4.5.4 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 Director of Commercial Partnerships, Property and Assets, who has the delegated responsibility to report on strategic property decisions and asset management through the Executive Director of Corporate Services and Section 151 Officer to the Cabinet.
- 4.5.6 Ensure that the Director of Commercial Partnerships, Property and Assets 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 Maintain an asset register identifying unique establishment reference number, tenure, name and address of property, current valuation, user group and classification determined by CIPFA or Central Government.
- 4.5.8 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.
- 4.5.9 Ensure that where land or property is to be acquired by the council under compulsory purchase powers, the Director of Commercial Partnerships, Property and Assets 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).

- 4.5.10 Ensure that where land or property is to be acquired by the council, the Director of Commercial Partnerships, Property and Assets advises the decision-maker of the proposed acquisition and estimate of its market value. The Executive Director of Corporate Services and Section 151 Officer shall advise the decision-maker of the anticipated financial implications, both capital and revenue, including budget provision.
- 4.5.11 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 Director of Commercial Partnerships, Property and Assets shall obtain a Red Book Valuation from an external Chartered Surveyor and shall report such opinions to the decision-maker for a recommendation to be made to Cabinet.
- 4.5.12 Ensure that the Director of Commercial Partnerships, Property and Assets maintains a current land terrier indicating the freehold ownership of all council land and those areas of land held by the council on lease.
- 4.5.13 The terrier shall also record:
- (a) buildings erected on the land.
  - (b) the controlling executive function.
  - (c) the powers under which the land is held.
  - (d) the location, extent and plan reference
  - (e) purchase details.
  - (f) particulars of nature of interest.
  - (g) rents payable and particulars of tenancies granted.
- 4.5.14 Land boundaries will be recorded, as soon as practicable, on the Corporate Geographical Information System (GIS) and shall be maintained and kept current in conjunction with the Corporate Asset Management process.

#### **Responsibilities of Corporate Directors and Budget Managers**

- 4.5.15 Ensure that the council's policies and procedures are complied with.
- 4.5.16 Ensure that the necessary separation of duties is observed, as referred to in paragraph 4.5.18.
- 4.5.17 Ensure that assets purchased are in accordance with the council's approved acquisition policy.
- 4.5.18 Directors must liaise with the Director of Commercial Partnerships, Property and Assets when considering the acquisition or disposal of any assets that would be recorded on the council's asset register.

### **Key principles**

- 4.5.19 Council policies in respect of the acquisition of assets are always complied with. This includes compliance with Contract Rules for all asset acquisitions except land and buildings.
- 4.5.20 There are at least two employees involved in the process of acquisition, with a separation of duties between employees involved in the various parts of the process.
- 4.5.21 Procedures protect employees involved in the acquisition of assets from accusations of impropriety.

### **Asset disposal and transfer**

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

- 4.5.22 It would be uneconomic and inefficient for the cost of maintaining assets to outweigh their benefits. Obsolete (surplus to requirements) , non-repairable or is uneconomical to retain should be disposed of in accordance with the law and the council's policies and procedures, such as the Asset Disposal Policy (as set out in the Asset Management Plan).
- 4.5.23 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 Executive Director of Corporate Services and Section 151 Officer**

- 4.5.24 Issue guidelines representing best practice for disposal of assets.
- 4.5.25 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 Corporate Directors and Budget Managers**

- 4.5.26 Seek advice from the Executive Director of Corporate Services and Section 151 Officer on the disposal of surplus or obsolete materials, stocks, equipment and vehicles.
- 4.5.27 Seek advice from the Executive Director of Corporate Services and Section 151 Officer and the Director of Legal and Governance and Monitoring Officer where assets are to be transferred or used by an external party.
- 4.5.28 Ensure that income received for the disposal of an asset is properly received and accounted for.



- 4.5.29 Investigate discrepancies in stock and to authorise write-offs required to adjust the council's records, or to obtain Cabinet approval if they are more than the predetermined limits (as referred to in paragraph 4.5.32).
- 4.5.30 Authorise the write off and disposal of obsolete or surplus materials, stocks and equipment, or to seek the Cabinet's approval if they are more than the predetermined limits (referred to in paragraph 4.5.32).
- 4.5.31 Ensure that the disposal of obsolete or surplus materials, stocks and equipment, is by competitive quotation or auction, unless, following consultation with the Executive Director of Corporate Services and Section 151 Officer, the Cabinet decides otherwise.
- 4.5.32 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 one of the following:
    - (i) Private Treaty.
    - (ii) Auction.
    - (iii) Tender.
    - (iv) Sealed Offer.
    - (v) Exchanges of land. or
    - (vi) Compulsory Purchase Order.
  - (b) Ensure that where land is to be disposed of by the council, the Director of Commercial Partnerships, Property and Assets shall act in accordance with Financial Regulations and Section 123 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 Housing, Communities and Local Government shall be obtained unless a General Disposal Consent has already been given.
  - (c) Ensure that following determination by Cabinet that the land is surplus to requirements, the Director of Commercial Partnerships, Property and Assets in consultation with the Executive Director of Corporate Services and S. 151 Officer shall recommend the method of disposal to Cabinet for approval. Cabinet shall be informed of the capital and revenue financial implications of any disposal including any loss of rental or other income and saving in expenditure.
  - (d) 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
  - (v) the period during which tenderers are bound to keep their tenders open.
  - (vi) The receipt, custody and opening of tenders shall be in accordance with conditions laid down in Contract Rules.
- (e) Ensure that, where a disposal is by negotiation with a third party and the negotiated price exceeds £500,000 or the Director of Commercial Partnerships, Property and Assets has doubt as to the open market value of the land, they will refer the matter to a consultant chartered surveyor for a Red Book Valuation. They shall then report to the decision-maker for a recommendation to be made to the Cabinet.
  - (f) Ensure that if land is being disposed of by way of assistance to “a provider of housing” in accordance with Section 24 and Section 25 of the Local Government Act 1988, a report on the value of the land will be required from a qualified Valuer and the consent of the Secretary of State for the Ministry of Housing, Communities and Local Government shall be obtained before disposal.
  - (g) Ensure that where land or property is to be acquired by the council under compulsory purchase powers, the Director of Commercial Partnerships, Property and Assets 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 principles**

- 4.5.33 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.
- 4.5.34 Procedures protect employees involved in the disposal of assets from accusations of personal gain.

### **Security**

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

- 4.5.35 The council holds assets in the form of property, vehicles, equipment, furniture and other items worth millions of pounds. Information (digitally and hard copies) held and systems used by the council are 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 Executive Director of Corporate Services and Section 151 Officer**

- 4.5.36 Ensure that a fixed asset register is maintained in accordance with good practice for all assets with a value of £10,000 and over, and an inventory maintained for all other items over £250. The function of the fixed asset register and inventory is to provide the council with information about fixed assets so that they are:
- (a) Safeguarded.
  - (b) used efficiently and effectively.
  - (c) adequately maintained. and
  - (d) accounted for.
- 4.5.37 Receive the information required for accounting, costing and financial records from each director.
- 4.5.38 Ensure that assets are valued in accordance with the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom*.

### **Responsibilities of Corporate Directors and Budget Managers**

- 4.5.39 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 Legal and Governance and Monitoring Officer, has been established as appropriate.
- 4.5.40 Ensure the proper security of all employees, buildings, information, systems and other assets under their control.
- 4.5.41 Pass title deeds to the Director of Legal and Governance and Monitoring Officer who is responsible for custody of all title deeds.
- 4.5.42 Ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the council.
- 4.5.43 Ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 4.5.44 Consult the Executive Director of Corporate Services and Section 151 Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 4.5.45 Ensure cash holdings on premises are kept to a minimum and that maximum limits are agreed by the Executive Director of Corporate Services and Section 151 Officer.
- 4.5.46 Ensure that keys to safes and similar receptacles are always carried on the person of those responsible, loss of any such keys must be reported to the

Executive Director of Corporate Services and Section 151 Officer (Internal Audit) as soon as possible.

- 4.5.47 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 Executive Director of Corporate Services and Section 151 Officer.
- 4.5.48 Arrange for the valuation of assets for accounting purposes to meet requirements specified by the Executive Director of Corporate Services and Section 151 Officer.
- 4.5.49 Ensure that all employees and those acting on behalf of the Council are aware that they have a personal responsibility regarding 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.
- 4.5.50 Arrange for the care and custody of stocks and stores in the directorate, such that they are held securely and that damage and deterioration are prevented.
- 4.5.51 Ensure stocks and stores records are kept in a form to be agreed by the Executive Director of Corporate Services and Section 151 Officer and directors shall supply such information relating to stores as is reasonably required.
- 4.5.52 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 Executive Director of Corporate Services and Section 151 Officer, 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 directorates on 31st March each year.
- 4.5.53 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.
- 4.5.54 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.
- 4.5.55 Maintain an asset register and record an adequate description of furniture, fittings, equipment, vehicles, plant and machinery of £10,000 and over in value, in a manner approved by the Executive Director of Corporate Services and Section 151 Officer and an inventory for items more than £250.

- 4.5.56 A central register of IT equipment will be maintained by the Service Director for IT & Digital Services
- 4.5.57 Appropriate cyber security controls are to be in place to protect the Councils information and systems from a cyber-attack. This is to be secured by the Service Director for IT & Digital Services.
- 4.5.58 Carry out an annual check of all items on the inventory to verify location, review, condition and to act 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.
- 4.5.59 Make sure that property is only used in the council's business, unless the director concerned has given permission otherwise.

### **Intellectual property**

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

- 4.5.60 Intellectual property is a generic term that includes inventions, name of a brand, design of a product or writing. If these are created by the employee during employment, then, generally, they belong to the employer, not the employee. Various Acts of Parliament cover distinct types of intellectual property.
- 4.5.61 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 Executive Director of Corporate Services and Section 151 Officer**

- 4.5.62 Develop and disseminate good practice through the council's intellectual property procedures.

#### **Responsibilities of Corporate Directors and Budget Managers**

- 4.5.63 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 regarding intellectual property.

#### **Key principles**

- 4.5.64 If 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 this is important**

- 4.6.1 Treasury Management is the management of the council's cash flows, its banking, money market and capital market transactions. The effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The Prudential Code For Capital Finance In Local Authorities and CIPFA Code of Practice on Treasury Management are followed to ensure assurances are provided that the council's money is properly managed in a way that balances risk with return, but with overriding consideration being given to the security of the council's capital sum.

## **Responsibilities of Executive Director of Corporate Services and Section 151 Officer**

- 4.6.2 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 Report quarterly on treasury management activities and the prudential indicators to the Audit Committee.
- 4.6.4 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 Executive Director of Corporate Services and Section 151 Officer.
- 4.6.5 Ensure that detailed arrangements are made regarding the council's bank accounts and for the issue of cheques and purchasing cards (P-cards). All cheques and P- cards shall be ordered only on the authority of the Executive Director of Corporate Services and Section 151 Officer who shall advise on proper arrangements for their safe custody. Any cheques must only be used by the Executive Director of Corporate Services and Section 151 Officer.
- 4.6.6 All council bank accounts must either be in the name of "Peterborough City Council" or, include a reference to "PCC" in the name of the account. The only approved exception relates to those schools authorised to operate bank accounts in the school name, in accordance with the council's Scheme for the Financial Management of Schools.
- 4.6.7 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 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 Ensure that all borrowing is in the name of the council.

- 4.6.10 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 Ensure that in circumstances where the council has decided to finance capital expenditure by way of leasing, deferred purchase, or similar arrangements, the Executive Director of Corporate Services and Section 151 Officer or his authorised representative shall as 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 Corporate Directors and Budget Managers**

- 4.6.12 Follow the instructions on banking issued by the Executive Director of Corporate Services and Section 151 Officer.
- 4.6.13 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 Executive Director of Corporate Services and Section 151 Officer and the Director of Legal and Governance and Monitoring Officer.
- 4.6.14 Ensure loans are set in accordance with the council's Treasury Management Strategy, rates and security arrangements.
- 4.6.15 Ensure that the Executive Director of Corporate Services and Section 151 Officer (Corporate Finance Team and Insurance Team) is advised 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 Ensure that the Executive Director of Corporate Services and Section 151 Officer (Corporate Finance Team and Insurance Team) is advised 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 Executive Director of Corporate Services and Section 151 Officer.
- 4.6.17 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 Executive Director of Corporate Services and Section 151 Officer (Treasury Management and Insurance Sections) before entering into any financial agreements.

#### **Responsibilities of Executive Director of Corporate Services and Section 151 Officer – trust funds and funds held for third parties**

- 4.6.18 Ensure that, whenever possible, all trust funds are held in the name of the Peterborough City Council unless otherwise approved by the Executive Director of Corporate Services and Section 151 Officer.

- 4.6.19 Ensure that all officers acting as trustees by virtue of their official position deposit securities etc. relating to the trust with them, 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 Corporate Directors and Budget Managers – trust funds and funds held for third parties**

- 4.6.21 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 Executive Director of Corporate Services and Section 151 Officer, unless the Executive Director of Corporate Services and Section 151 Officer has approved otherwise.
- 4.6.22 Arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Executive Director of Corporate Services and Section 151 Officer, and to maintain written records of all transactions.
- 4.6.23 Ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- 4.6.24 Ensure that where bank accounts are established for third parties where there is significant council involvement in the activities of the third party (e.g. armed forces committee) follow the council's financial regulations, and in particular the following rules apply to and must be agreed by the third party:
  - (a) must have at least one council officer on the management board
  - (b) accounts must not go overdrawn
  - (c) where the third party requires a cheque facility this is at the expense of the third party
  - (d) council officers involved in operating those accounts must get permission to do so from their line manager and must declare their involvement as part of an annual interest declaration.

**Responsibilities of the Executive Director of Corporate Services and Section 151 Officer – imprest accounts and cash floats**

- 4.6.25 Determine the processes, controls and accounting treatment for imprest accounts and cash floats.
- 4.6.26 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 always ensuring the safekeeping of the floats under their control.



- (b) **Bank Imprest Account** – a separate council bank account set up for, and administered by, a designated officer for the purposes of paying specified expenses for a specific operational area. It is only necessary where there is a need for a petty cash float from which low value cash disbursements/reimbursements will be made. The expectation is that where there is no need for a cash float, or where electronic payment is required, normal council payment systems (e.g. via the accounts payable system or purchasing card transactions) will be used, unless there are compelling reasons why payment via imprest is necessary and approval has been provided by the Executive Director of Corporate Services and Section 151 Officer. Such officers shall maintain a record of their payments (including receipts / invoices) and reimbursements in the form and manner prescribed by the Executive Director of Corporate Services and Section 151 Officer.
- (c) **Petty Cash Floats** – a small cash holding from which payments for minor expenses are made in exceptional circumstances only. The float is created and replenished from cash withdrawn from the related imprest bank account. As the account balance is depleted, replenishment claims are submitted and the account balance is topped up.

Officers should maintain a record of their payments (including supporting receipts) and reimbursements in the form and manner prescribed by the Executive Director of Corporate Services and Section 151 Officer.

Individual payments shall not exceed £50, although this limit can be exceeded in the following circumstances:

- Young Person's allowances which are determined by the national benefit rates (ESA, IS, & JSA) for a single person under 25. These benefit rates are updated annually.
  - Test purchases carried out by the Trading Standards Service.
  - For other types of payment, where prior written approval has been provided by the Executive Director of Corporate Services and Section 151 Officer.
- (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 Corporate Directors and Budget Managers – imprest accounts and cash floats**

4.6.27 Ensure that employees operating an imprest / petty cash account:

- (a) Obtain and retain vouchers to support each payment from the imprest account/petty cash float. Where appropriate, an official receipted VAT invoice must be obtained to enable the VAT element of the transaction to be reclaimed from HMRC

- (b) Make adequate arrangements for the safe custody of the account and float and only the current administrator of the imprest is permitted access to the cash float and imprest account cheque book
- (c) Produce upon demand by the Executive Director of Corporate Services and Section 151 Officer 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 with reconciliation sheets signed and retained by the imprest holder
- (f) Provide the Executive Director of Corporate Services and Section 151 Officer with a certificate of the value of the account held on 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) When an imprest holder leaves the council, changes roles, or goes on leave, such that another officer within the service area or team is required to take over as imprest holder, there must be a formal reconciliation of the imprest at the time of handover to establish that the sum totals values in the bank, of cash held in the float, of any replenishment claims that have been submitted but not yet paid into the bank matches the total value of the imprest.
- (j) Where the imprest account is to be closed, the cash float must be paid into the imprest bank account and a reconciliation of the imprest completed, checked by an independent officer. The imprest holder must ensure that all transactions are accounted for within the finance (ERP) system.
- (k) Cash payments made from the petty cash float may be paid as reimbursements where the staff member or service user has already paid for goods or services (e.g. to make the purchase), or disbursements where the money is advanced to the staff member or service user (e.g. to enable the purchase to go ahead). Authorisation for each disbursement/reimbursement, and the budget code (cost centre and account code) to be charged, should be evidenced by the signature of the appropriate budget manager. For disbursements the payee should sign off a petty cash voucher to acknowledge receipt of the disbursement and the member of staff should return the receipt from the purchase and any change to the administrator of the imprest account in a timely manner. The receipt should be attached to the original petty cash voucher,
- (l) Every transfer of official money from one employee to another shall be evidenced in the records of the directorate(s) concerned by the entry of the amount and signature of the receiving officer.

## **Key principles**

- 4.6.28 The council's borrowing and investments comply with the council's Treasury Management Strategy, which is based upon the CIPFA Code of Practice on Treasury Management.
- 4.6.29 All bank accounts and cash, petty cash and imprest accounts are regularly reconciled.
- 4.6.30 Annual certificates are produced for cash, petty cash and imprest accounts.

## **4.7 WORKFORCE**

### **Why this is important**

- 4.7.1 The council sees its employees as an asset to running its business. 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 Executive Director of Corporate Services and Section 151 Officer**

- 4.7.2 Ensure that Directors have identified budget provision for all existing and new employees.
- 4.7.3 Act as an advisor to directors on areas such as National Insurance and pension contributions, as appropriate.
- 4.7.4 Together with the Service Director for People Operations, Business Intelligence and Transformation, develop a workforce strategy, policy and procedures and ensure they are disseminated and enforced

### **Responsibilities of Corporate Directors and Budget Managers**

- 4.7.5 Produce an annual workforce budget, in line with the workforce plan.
- 4.7.6 Ensure that the workforce budget is an accurate reflection of the expected workforce levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 4.7.8 Monitor employee activity to ensure adequate control over such costs as sickness, overtime, training and temporary employees.
- 4.7.9 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.
- 4.7.10 Ensure that the Service Director for People Operations, Business Intelligence and Transformation and the Executive Director of Corporate Services and Section 151 Officer are immediately informed if the workforce budget is likely to be materially over- or underspent.

- 4.7.11 Comply with, and ensure employees comply with, the council's Human Resource policies (for example: recruitment, training and flexible working policies).

**Key principles**

- 4.7.12 An appropriate workforce strategy, plan and policies exists, in which employee requirements and budget allocation are matched.
- 4.7.13 Procedures are in place for forecasting workforce requirements and associated costs.
- 4.7.14 Controls are implemented that ensure that employee time is used efficiently and to the benefit of the council. and
- 4.7.15 Checks are undertaken prior to appointing new employees to ensure that they are appropriately qualified and experienced, in line with the expectations of the role recruited for.

**4.8 CORPORATE GOVERNANCE**

**Why this is important**

- 4.8.1 The council is responsible for approving the council's Code of Corporate Governance following consideration by the Audit Committee. The principle of the Code is openness, integrity and accountability and will cover the areas required by the CIPFA Delivering Good Governance in Local Government framework which includes:
- 4.8.2 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- 4.8.3 Ensuring openness and comprehensive stakeholder engagement.
- 4.8.4 Defining outcomes in terms of sustainable economic, social and environmental benefits.
- 4.8.5 Determining the interventions necessary to optimise the achievement of the intended outcomes.
- 4.8.6 Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- 4.8.7 Managing risks and performance through robust internal control and strong public financial management.
- 4.8.8 Implementing good practices in transparency, reporting and audit to deliver effective accountability

## **Responsibilities of the Director of Legal Services and Monitoring Officer**

4.8.9 To ensure the Local Code of Corporate Governance is up to date and presented to Ethics and Governance Committee.

4.8.10 Compliance with the Local Code of Corporate Governance is reported in the Annual Governance Statement and action plan in place to correct any non-compliance.

### **4.9 MONEY LAUNDERING**

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

4.9.1 Money Laundering can be defined as “the crime of moving money that has been obtained illegally through banks and other businesses to make it appear that the money has been obtained legally”.

4.9.2 When the council (or any of its employees, Members or anyone acting on behalf of the council) is accepting or dealing with money or other assets there is a risk that such money or assets could come from a criminal source. In the vast majority of cases this is unlikely, but everyone should bear in mind that they could contravene the law if they become aware of or suspect criminal activity and continue to be involved in the matter without reporting their concerns.

4.9.3 Recognising money laundering and possible indicators of money laundering may include:

- (a) Cash based businesses which are more likely to add criminal funds to legitimate business takings.
- (b) Large cash receipts generally and always amounts over the equivalent of 15,000 Euros.
- (c) A person who is reluctant to supply evidence of identity or address.
- (d) Large overpayment of fees or money on account.
- (e) Cancelled transactions without good reason, requiring a repayment.
- (f) Requests to forward balances on to a third party.
- (g) Information received about an individual which may reveal criminality or association with criminality.
- (h) The use of over-complicated financial systems or funds received from third parties.
- (i) A buyer’s or seller’s financial profile not “fitting” the transaction they are undertaking.
- (j) Unexplained use of an out of area solicitor/agent in relation to a property transaction.

4.9.4 This list is not exhaustive but gives examples of when employees should consider whether their suspicions should be aroused and in such circumstances should suggest to the employee that they should be asking themselves questions such as:

- (a) Would I expect this individual to have this amount of cash?

- (b) Why do they wish to pay in cash?
- (c) Why is this person offering to pay more than the going rate for this item/service? etc.

**Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 4.9.5 Establish and monitor the council's money laundering policy to ensure it is up to date.
- 4.9.6 Nominate a Money Laundering Reporting Officer (MRLO).

**Responsibilities of Corporate Directors and Budget Managers**

- 4.9.7 Report any suspicion relating to any transaction to the council's money laundering officer.

**Key principles**

- 4.9.8 No receipts over £10,000 shall be accepted without the formal consent of the Money Laundering Reporting Officer. The council's nominated Reporting Officer is the Director of Legal and Governance and Monitoring Officer.

## 5. FINANCIAL SYSTEMS AND PROCEDURES

### 5.1 GENERAL

#### Why this is important

5.1.1 Directorates have many systems and procedures (both manual and electronic) relating to the control of the council's assets, including purchasing, costing and management systems. All financial activity is conducted, recorded and controlled through these systems. It is the procedures and controls that are put in place around the financial systems that safeguard the assets of the council.

5.1.2 The Executive Director of Corporate Services and Section 151 Officer has a professional responsibility to ensure that the council's financial systems are sound and should, therefore, be notified of any proposed developments or changes.

5.1.3 The areas of activity are as follows:

- (a) **Accounting:** The main accounting system, or general ledger, is the source of financial data for statutory accounts, management accounts and government returns. The system must be capable of producing information that complies with the regulatory framework. The key principles are that information is recorded in a timely manner, accurately and comprehensively. Errors should be identified and corrected promptly.
- (b) **Income:** Systems must be able to identify all income that is due to the council. This must then be collected, receipted, recorded and banked. It is also essential to:
  - i. Collect income as early as is reasonable to improve cash flow.
  - ii. Recommend the write off of debts only when all avenues of collection have been exhausted and it is either unlikely that they can be collected or it has become uneconomic to do so.
- (c) **Expenditure:** Expenditure should only take place under the following circumstances:
  - i. Where there is a budget allocated for the purpose.
  - ii. Where authorisation has been given.
  - iii. Procurement and contract rules are followed.
  - iv. A purchase order (PO) is raised for the purpose.
  - v. In circumstances where the PO system is not being used, expenditure must strictly follow the protocols for that form of expenditure e.g. Mosaic, P-Card or petty cash and expenditure on land and loans.
- (d) **Banking:** All transactions that go through the bank accounts of the council must be correctly processed, recorded and reconciled.
- (e) **Treasury Management:** This relates to controls on cash balances and borrowings. Controls need to keep any risk to a minimum, while also ensuring that the council is able to have access to competitive deals in this area. All treasury management activity must comply to the Treasury Management Strategy (TMS).

- (f) **Taxation:** Systems in place must be able to capture all the council's tax liabilities. They must then be accurately recorded, accounted for and paid in the format prescribed by HM Revenue and Customs (HMRC) or any other relevant agency.
- (g) **Asset Management:** The assets of the council must be accurately recorded and valued, both in the general ledger and in the asset register. The purchase and disposal of these assets must be controlled. Maximum use should be made of them and they need to be kept physically safe.
- (h) **Insurance:** All council assets must be appropriately insured against loss.

## 5.2 ACCOUNTING SYSTEMS

### Responsibilities of the Executive Director of Corporate Services and Section 151 Officer

- 5.2.1 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, including agreement on the control regime in the feeder systems that have their own finance modules, and the form of accounts and supporting financial records
  - (c) establish arrangements for the audit of the council's financial affairs
  - (d) approve any new financial systems, and the controls within those systems, to be introduced
  - (e) approve any changes to be made to existing financial systems.
- 5.2.2 Ensure that secure procedures are employed for the authorisation of:
  - (a) cheques.
  - (b) bonds.
  - (c) BACS.
  - (d) leasing agreements.
  - (e) direct debits / standing orders.
  - (f) bank transfers.
  - (g) use of Purchasing Card.
- 5.2.3 The Executive Director of Corporate Services and Section 151 Officer shall approve all signatories for items (a) to (g) above.
- 5.2.4 Approve those officers required to represent the council on financial matters at the HM Courts and Tribunal Services. (This does not apply to officers within Legal Services).
- 5.2.5 Ensure that the general responsibility for advising on and setting standards for appropriate data protection relating to information held in any council system shall be that of the Head of Information Governance & Data Protection Officer.



## **Responsibilities of Corporate Directors and Budget Managers**

- 5.2.6 Ensure that accounting records are properly maintained and held securely.
- 5.2.7 Ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Executive Director of Corporate Services and Section 151 Officer and in line with the document retention schedule.
- 5.2.8 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.
- 5.2.9 Incorporate appropriate controls to ensure that, where relevant:
  - (a) all input is genuine, complete, accurate, timely and not previously processed.
  - (b) all processing is carried out in an accurate, complete and timely manner.
  - (c) output from the system is complete, accurate and timely.
- 5.2.10 Ensure that the organisational structure provides an appropriate segregation of duties to minimise the risk of fraud or other malpractice.
- 5.2.11 Ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 5.2.12 Ensure that systems are documented and employees trained in operations.
- 5.2.13 Consult and obtain approval from the Executive Director of Corporate Services and Section 151 Officer before the introduction or amendment of any system, manual or electronic.
- 5.2.14 Establish a directorate 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 5.2.19 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 directorate officers are aware of them.
- 5.2.15 Supply to, and in a form approved by, the Executive Director of Corporate Services and Section 151 Officer, details of officers approved to authorise the various payment types. It should include a specimen signature and the value of the delegated limits. The Executive Director of Corporate Services and Section 151 Officer (Payments) should also be notified when approved officers leave the Council or their role changes.
- 5.2.16 Officer Delegations sets out that Directors are budget holders for their directorates, and they have ability to delegate day-to-day responsibility for some or all of their budgets to officers within their directorates (known as

budget managers). Approval hierarchies for revenue and capital expenditure are built into the main financial system. The cost centres in the revenue hierarchy, and project codes in the capital hierarchy set out the budget/project manager for those codes. The hierarchies also include additional ‘financial approvers’ with financial approval limits. For each purchase/payment within the main accounting system two approvals are required. The first approval is from the budget manager to say they approve the commitment to the cost. The second stage approval is dependent on the financial value and is provided by a financial approver that has sufficient seniority for amount being spent. A financial approver has no authority to require a payment from a budget they are assigned to without the prior agreement of either the relevant Director or budget manager. Budget managers and financial approvers may only approve expenditure against the budgets they have been assigned to.

5.2.17 The approval requirements set out in the hierarchies in the main accounting system should apply to all other finance modules in feeder systems, and to any manual approval processes, but must be read in conjunction with any other Financial Regulations relevant to the type of payment (e.g. petty cash approval is typically capped to £50). Deviation from the standard approach may be permitted where there is justification if approved by the Executive Director Corporate Services and Section 151 Officer once they are satisfied that associated controls are adequate. The financial approval limits set out in the table below are linked to Automatic Data Processing (APD) Tiers assigned to posts in the HR & Payroll system.

5.2.18 The APD tier (and thus approval tier) assigned to a particular post should be confirmed with HR and should be reviewed when necessary (e.g. following change of post, restructuring or regrading).

5.2.19 Approval Table

<b>APD Tier</b>	<b>Approval Tier</b>	<b>Staffing Hierarchies</b>	<b>Approval Limit</b>
None	Tier 0	Chief Executive, Executive Director of Corporate Services and Section 151 Officer (in absence Service Director for Financial Management or Service Director for Corporate Finance)	£10million
1	Tier 1	Executive Director of Adult Social Care, Executive Director of Children’s Services, Executive Director of Place and Economy, Director of Public Health, Director of Legal and Governance and Monitoring Officer, Service Director for Financial Management and Service Director for Corporate	£1.5million

		Finance (in their absence Heads of Finance and Chief Accountant)	
2	Tier 2	Other Service Directors, <i>Directors, Assistant Directors and some Heads of Service.</i>	£1million
3	Tier 3	Other Managers	£100k
4	Tier 4	Other Managers	£50k
5	Tier 5	Other Managers	£10k
6	Tier 6	Other Managers	£1k

- 5.2.20 Where a manager or director is absent, they should set a substitution rule to appoint an officer to perform any necessary tasks.
- 5.2.21 Exceptions to this approval hierarchy must be approved by the Executive Director of Corporate Services and Section 151 Officer (Internal Audit).
- 5.2.22 Comply with secure authorisation procedures as directed by the Executive Director of Corporate Services and Section 151 Officer. 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 service.
- 5.2.23 Contract Rules must be followed by Officers first before authorisations are made in the finance (ERP) system using the authorities set out in 5.2.19 and 5.2.19.
- 5.2.24 Ensure that the officer and agency workings on behalf of the council (covering a substantive role with these responsibilities) approved to authorise items as set out in 5.2.19. Exceptions may be agreed subject to the prior approval by the Executive Director of Corporate Services and Section 151 Officer (Internal Audit).
- 5.2.25 Ensure that the Executive Director of Corporate Services and Section 151 Officer shall be notified immediately of any authorised signatories who leave the 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.
- 5.2.26 All authorised signatories shall either:

- (a) sign in their own name either via wet signature or electronic signature.
  - (b) use the relevant IT system using their own unique password and username to approve transactions.
- 5.2.27 Any variations to these procedures must be approved in writing beforehand by the Executive Director of Corporate Services and Section 151 Officer (Internal Audit).
- 5.2.28 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.
- 5.2.29 Ensure that, where appropriate, computer systems are registered in accordance with General data protection Regulations (GDPR) and that employees are aware of their responsibilities under the legislation.
- 5.2.30 Ensure that relevant standards, policies and guidelines for computer systems issued by the Service Director for Corporate Finance are observed by all employees and Members.
- 5.2.31 Ensure that computer equipment and software are protected from cyber-attack, loss and damage through theft, vandalism, etc.
- 5.2.32 Comply with the council's policy, the Copyright, Designs and Patents legislation and 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 principles**

- 5.2.33 Basic data exists to enable the council's objectives, reporting requirements, targets, budgets and plans to be formulated.
- 5.2.34 Performance is communicated to the appropriate managers on an accurate, complete and timely basis.
- 5.2.35 Early warning is provided of deviations from targets, plans and budgets that require management attention. and
- 5.2.36 Operating systems and procedures are secure.

## **5.3 INCOME**

### **Why this is important**

- 5.3.1 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 providing supplies or services as this improves the council's cashflow and avoids the time and cost of administering debts.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 5.3.2 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 2015 (as amended).
- 5.3.3 Order and supply to directorates all receipt forms, books or tickets and related items and to satisfy themselves regarding the arrangements for their control.
- 5.3.4 To oversee and monitor the process for writing-off debt (a combination of debt, or individual debt within any one financial year) to an approved limit as set out below:

### **Sundry Debt**

- (a) Service Director- Financial Management: up to £5,000
- (b) Executive Director of Corporate Services and Section 151 Officer: up to £10,000
- (c) Cabinet: over £10,000

### **Council Tax & Housing Benefit Overpayment**

- (a) Service Director- Financial Management: up to £5,000
- (b) Executive Director of Corporate Services and Section 151 Officer: to £10,000
- (c) Cabinet: over £10,000

### **NNDR**

- (a) Service Director- Financial Management: £25,000
- (b) Executive Director of Corporate Services and Section 151 Officer: up to £50,000
- (c) Cabinet: over £50,000

- 5.3.5 A record of all sums written off should be maintained and the requirements of the Accounts and Audit Regulations (as amended) adhered to.
- 5.3.6 Obtain the approval of Cabinet to write off debt requiring their approval. However, if the Director of Legal and Governance and Monitoring Officer is satisfied that there is no basis on which legal action may be taken to recover the debt, the Executive Director of Corporate Services and Section 151 Officer may instruct that the account be written off.
- 5.3.7 Ensure that appropriate accounting adjustments are made following write-off approval.
- 5.3.8 Periodically report to the Cabinet the 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.
- 5.3.9 Regularly review and agree the council's Sales, Fees and Charges Policy

#### **Responsibilities of Corporate Directors and Budget Managers**

- 5.3.10 Establish a charging policy, in consultation with the Executive Director of Corporate Services and Section 151 Officer (Financial Management), for the supply of supplies 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.
- 5.3.11 To undertake a review of income (sales, fees and charges), at least annually, for consideration normally at the January meeting by the relevant executive function. These revised charges should be correctly implemented at the commencement of the financial year. Additional reviews may take place during the year, it is not confined to an annual process.
- 5.3.12 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 Rules.
- 5.3.13 Consult with the Executive Director of Corporate Services and Section 151 Officer before the first letting of part or whole of a building to a third party.
- 5.3.14 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:
  - (a) the collection or receipt of income.
  - (b) the recording and banking of income.
  - (c) reconciliations of income to cash banked.
  - (d) authorising debt write-offs
  - (e) custody of supplies/materials for sale.

- 5.3.15 Establish and initiate appropriate recovery procedures, including legal action, with the assistance of the Director of Legal and Governance and Monitoring Officer, where necessary, for debts that are not paid promptly.
- 5.3.16 Ensure that all accounts, receipt forms or books, licenses, tickets are in the form approved by the Executive Director of Corporate Services and Section 151 Officer and are ordered, controlled and issued in a manner agreed by them. All stock of controlled stationery shall be delivered directly to the Corporate Finance Team. The delegated representative of the Executive Director of Corporate Services and Section 151 Officer 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.
- 5.3.17 Ensure that at least two employees are present, in a controlled entry environment, when post is opened so that any money that may be received by post is properly identified and recorded.
- 5.3.18 Securely hold all records of income for the appropriate period, in accordance with the Document Retention Schedule.
- 5.3.19 Ensure that all employees who receive cash on behalf of the council always acknowledge its receipt by means of an official council receipt. In general the council no longer accepts payment in cash but there may be some related third parties where a council officer or councillor has to handle cash income as part of their duties (e.g. Mayor of Peterborough's Charity fund)
- 5.3.20 Lock away all cash / cheques to safeguard against loss or theft, and to ensure the security of cash handling.
- 5.3.21 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 Executive Director of Corporate Services and Section 151 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 Executive Director of Corporate Services and Section 151 Officer.
- 5.3.22 Ensure that all payments of sums received, to the Executive Director of Corporate Services and Section 151 Officer or to the council's bank directly, shall be made in accordance with the Accounts and Audit Regulations 2015 (as amended)
- 5.3.23 Ensure income is not used to cash personal cheques or other payments.

- 5.3.24 Ensure that all account forms shall require remittances to be sent in accordance with instructions issued by the Executive Director of Corporate Services and Section 151 Officer, 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 Executive Director of Corporate Services and Section 151 Officer.
- 5.3.25 Supply the Executive Director of Corporate Services and Section 151 Officer with details relating to work done, products supplied, services rendered or other amounts due, to enable the Executive Director of Corporate Services and Section 151 Officer to correctly record the sums due to the council and to ensure accounts are sent out promptly. To do this, directors should use established systems and processes to monitor recovery of income and flag up areas of concern to the Executive Director of Corporate Services and Section 151 Officer. Directors have a responsibility to assist the Executive Director of Corporate Services and Section 151 Officer 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.
- 5.3.26 The use of external debt collection agencies shall be authorised by the Executive Director of Corporate Services and Section 151 Officer (Service Director for Financial Management) Arrangements with debt collection agencies will be set in line with Contract Rules. The debt collection agencies will be required to operate under a formal code of practice, as set out by the council in the service specification, in addition to the national standards they should follow.
- 5.3.27 Maintain a record of every transfer of money between individuals, whether they are employees of the council or members of external organisations (e.g. cash collection agencies). The receiving officer must sign for the transfer and the transferor must retain a copy.
- 5.3.28 Recommend to the Executive Director of Corporate Services and Section 151 Officer all debts to be written off, and to keep a record of all such debts, up to the approved limit (as detailed in section 5.3.4). 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.
- 5.3.29 To notify the Executive Director of Corporate Services and Section 151 Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Executive Director of Corporate Services and Section 151 Officer.

### **Key principles**

- 5.3.30 All income due to the council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.



- 5.3.31 All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery.
- 5.3.32 All money received by an employee on behalf of the council is paid without delay direct, to the council's bank account, notifying the Executive Director of Corporate Services and Section 151 Officer (Corporate Finance Team) and ensuring a proper record is maintained. The responsibility for cash collection should be separated from that of:
- (a) identifying the amount due. and
  - (b) reconciling the amount due to the amount received
- 5.3.33 Effective action is taken to pursue non-payment of debt within defined timescales.
- 5.3.34 Formal approval for debt write-off is obtained.
- 5.3.35 Appropriate write-off action is taken after all recovery options are exhausted.
- 5.3.36 Appropriate accounting adjustments are made following write-off approval.
- 5.3.37 All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule. and
- 5.3.38 Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

## **5.4 EXPENDITURE**

- 5.4.1 The council spends many millions of pounds annually, but there are several types of expenditure, and different rules and approaches will apply depending on type.
- (a) For procurement of supplies, works and services from a supplier
  - (b) To service users, which are awards rather than purchases
  - (c) To staff for salary and expenses and to third parties in relation to salaries

### **Procuring and paying for supplies, works and services**

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

- 5.4.2 All purchases constitute a contract. The council's Contract Rules set out the contractual arrangements that must apply when purchasing and describe what actions to take when deciding from whom and, by what method, to purchase supplies, works and services. The Financial Regulations set out the council's internal financial procedures and describe its requirements for ordering and paying for supplies, works and services.

## General

- 5.4.3 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 Section 117 of the Local Government Act 1972 and the Officer Code of Conduct and Code of Conduct for Members. Where there is direct financial interest, the officer or member concerned should take no part in the awarding or administering of that contract. Council systems, processes, and contracts must not be used by officers or members for private or personal purchasing.
- 5.4.4 Directors and budget managers have authority to incur expenditure on routine matters and within approved estimates provided such expenditure complies with:
- (a) Contract Rules
  - (b) Financial Regulations
  - (c) Approved Council policy, as applicable.
- 5.4.5 Officers must estimate the value of any proposed purchase (contract), and ensure they comply with the correct procurement process, as set out in Contract Rules. For larger value contracts requiring a formal contract, it is expected that the purchase will take place only when the contract has been finalised and signed off. There may be occasions where the purchase needs to commence sooner. This should only happen following consultation and agreement with the Procurement and Legal Services teams.
- 5.4.6 The standard requirement for a purchase is that a purchase order (PO) for the expected value of the purchase is raised in the financial system in advance of the delivery of supplies, works or services and the invoice for payment being received. This is to ensure that the financial commitment is recorded in the accounts, and to ensure that all necessary approvals for the purchase and subsequent payment have been provided before the invoice is processed. This requirement is irrespective of the purchase value, and whether there is a separate formal contract. The PO should be considered the financial expression of the contract. A copy of the PO is provided to the supplier, and it is expected that this will be quoted on the invoice. In the context of Financial Regulations, reference to PO means raised in the main financial system unless specifically stated.
- 5.4.7 Some purchases do not need a PO raised in the main financial system, these are where:
- (a) The purchase is made via Government Procurement Card (also known as GPC or P-Card). P-Cards work in a similar way to a credit card, with the card provider (currently Barclaycard) paying the merchant at time of transaction, and the council reimbursing the card provider via variable direct debit in the following month.
  - (b) The purchase is being made via petty cash.
  - (c) There is an official exemption from the requirement for a PO due to the specific nature of the payments being made. There is an official list of

all PO-exemptions, maintained, periodically reviewed, and published by the Procurement team. Each exemption type must be approved by the Executive Director of Corporate Services and S151 Officer. Example exemptions include (but not limited to) utility supplies (gas, water, electricity, telecoms etc), rent, rates, insurance and HMRC payments.

- (d) Payments to be made are uploaded to the main financial system based on the processing of invoices in an approved feeder system (also known as an interface). There is no requirement for a PO to be raised in the feeder system. Example being social care direct payments.
- (e) It is necessary to make a payment as a bank transfer via CHAPS.

5.4.8 A PO created in the main financial system will need to have had approval from the relevant budget manager and possibly other managers, based on the approval hierarchies present in the main financial system and the value of the transaction. The PO should generally be created for the full value of the purchase (contract) so that the correct value of commitment is recorded in the accounts, and the appropriate approvers are involved. Exceptions can be allowed where it impractical to create a PO for the full value. The two main exceptions are where:

- (a) The purchase is covered by an existing corporate contract being used by multiple teams, and a separate PO is needed so that a team's budget is only being charged for the cost that team will incur (e.g. the procurement of an agency staff member for that team). In this scenario the team should raise the PO for the full expected cost to their team.
- (b) The contract is due to last for multiple years, in which case the PO could be raised for the expected value for the year. In this scenario, POs for later years will need to be raised at the appropriate time.

5.4.9 Ensure that no authorised signatory shall approve their own claim for reimbursement of expenditure.5.4.10. Where there is a corporate contract or framework that requires one or more specified contractors(suppliers) to be used across the council, then officers in all directorates should place orders in line with guidance and in accordance with the contract rules.

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

- (a) Contract Rules.
- (b) Financial Regulations
- (c) Approved Council policy, as applicable.

- 5.4.12 Official orders are Purchase Orders generated by the council's purchasing software (Unit4 Purchases to Pay (P2P)) in a format approved by the Executive Director of Corporate Services and Section 151 Officer. Purchase 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 purchasing software enables information on committed expenditure to be included in the financial management system to enhance budgetary control. It also provides a mechanism for identifying more than the order value and preventing incorrect payments.
- 5.4.13 The normal method of council payment to suppliers shall be by bank automated clearing system (BACS), as the faster, cost effective and more secure option, or other instrument or approved method, drawn on the council's bank account by the Executive Director of Corporate Services and Section 151 Officer. Cheques are no longer considered a normal method. 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).
- 5.4.14 Electronic ordering of supplies and services via the Internet may be undertaken by those officers who are approved authorised signatories (see paragraph 5.1.18). Invoices relating to supplies and services purchased electronically must be processed through the council's P2P software, unless the purchase was done by using a council purchasing card.
- 5.4.15 P-Cards are used for their efficiency of process for low value items or services. They may also be used for higher value transactions when payment by card is the only practical method, or when advised by the Procurement team as being the most reasonable and efficient method given the nature of the proposed purchase. Guidance notes provide instructions and guidance on the use and security of P-Cards.
- 5.4.16 The Corporate Finance Team are able to make bank transfers direct from the council's bank account using Clearing House Automated Payment System (CHAPS). This happens in very limited circumstances where quick payment cannot be facilitated through the main accounting system, such as:
- (a) Acquisition of property
  - (b) Investment of money to maximise returns
  - (c) Payments to be made in a genuine emergency
- 5.4.17 CHAPS will lead to transaction fees and should be considered a last resort. The key requirements are that:
- (a) The need for payment via this method is agreed between the relevant directorate and the Corporate Finance Team.
  - (b) The requesting directorate accepts that their budget will pay for the transaction fees.
  - (c) Sufficient supporting evidence for the need for the transaction must be provided to the Corporate Finance Team,

- (d) Approval for the payment is provided by both the budget manager and financial approver as set out in the approval hierarchy in the main accounting system, and
- (e) The transactions are properly accounted for within the general ledger.

### **Key principles**

- 5.4.18 All orders for supplies, works and services (whether the method of payment is via PO or non-PO invoice, petty cash, PCard, or another method) are placed only by appropriate persons and are correctly recorded. The appropriate person will be determined by the relevant Director or budget manager.
- 5.4.18 All purchases (contracts) of supplies, works and services are made in accordance with the council's Contract Rules.
- 5.4.19 Supplies 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.
- 5.4.20 At least two employees are involved in the ordering, receiving and payment process. As a minimum, the controls listed below should be applied:
  - (a) Supplies, works or services should be received (and evidenced as such) by someone other than the person who authorised the order
  - (b) Payments should be certified by someone other than the person who received the supplies, works or services or who checked the payment details
  - (c) As P-Cards can be used without 2nd officer approval being enforced, it is imperative that an appropriate manager performs a timely retrospective check on the appropriateness of a cardholder's transactions
- 5.4.21 Generally, payments should not be made unless supplies, works and services have been delivered, provided or performed for the council at the correct price, time, quantity and quality standards. There will some occasions where it is necessary to make payment upfront and in that scenario the team making the purchase must ensure that when received, supplies/services provided are what was ordered and of appropriate quality.
- 5.4.22 All payments are made to the correct supplier, for the correct amount and are properly recorded, regardless of the payment method.
- 5.4.23 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 Rules and the Document Retention Schedule.
- 5.4.24 All expenditure, including VAT, is accurately recorded against the correct budget.

5.4.25 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 Executive Director of Corporate Services and Section 151 Officer**

5.4.26 Ensure that all the council's financial systems and procedures in relation to purchasing are sound and properly administered.

5.4.27 Approve any changes to existing financial systems or processes, and to approve any new systems or processes before they are introduced.

5.4.28 Approve the form of official orders.

5.4.29 Monitor the aggregate value of supplies, works and services purchased across the council.

5.4.30 Make payments from the council's funds following authorisation from the relevant director or budget manager that the expenditure has been duly incurred in accordance with Contract Rules and Financial Regulations.

5.4.31 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.

5.4.32 Make payments in relation to formally awarded 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.

5.4.33 Examine, as far as is considered necessary, all invoices or other payment requests passed for payment. The Executive Director of Corporate Services and Section 151 Officer is entitled to make all such enquiries and to receive such information and explanations considered necessary to ensure that the payment is valid.

5.4.34 Maintain an up-to date list of employees authorised to approve purchase orders, payments, certificates and letters of intent, identifying in each case the limits of authority.

5.4.35 Ensure that cheque payments equal to and greater than £50,000 are authorised by two cheque signatories.(cheques are being phased out)

5.4.36 Ensure that secondary approval is obtained for individual payments made by BACS equal to and greater than £50,000.

5.4.37 Subject to satisfaction that an invoice or payment request is valid, to pay the invoices or other payment requests authorised by the director or budget manager and make any deductions that may be required by HMRC.

5.4.38 Provide advice and encouragement on making payments by the most economical means.

5.4.39 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 considered in budget monitoring reports.

5.4.40 Ensure that appropriate processes, controls, and written guidance/instructions, are put in place for payments via P-Card and petty cash.

#### **Responsibilities of Corporate Directors and Budget Managers**

5.4.41 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 for Corporate Finance.

5.4.42 Ensure that at least two officers are involved in the ordering, receiving and payment process, so that there is appropriate separation of duties between

5.4.43 The officer evidencing of the receipt of supplies/services and the officer approving the order.

5.4.44 The officer approving the payment and the officer(s) involved in evidencing receipt of supplies/services and checking the appropriateness of the invoice.

5.4.45 Ensure that all requests submitted to the Executive Director of Corporate Services and Section 151 Officer to establish periodical payments are:

5.4.46 In writing in a form approved by the Executive Director of Corporate Services and Section 151 Officer (Payments).

5.4.47 Approved by the relevant director or budget manager.

5.4.48 State the total value to be paid, the schedule and amount of each required instalment, and make clear the end date of the arrangement.

5.4.49 Ensure that all supplies/services are marked as received (GRN) against the relevant PO in a timely manner, to facilitate payment of the subsequent invoice, and prevent unnecessary delays. The Accounts Payable Team should be notified immediately where an invoice is disputed with the supplier, and how the dispute is resolved.

5.4.50 Where payments must be made by direct debit, it is essential that it, and the controls to manage this, have the prior approval of the Executive Director of Corporate Services and Section 151 Officer (Service Director for Corporate Finance)

5.4.51 Ensure that confirmatory POs are issued and dispatched no later than the next working day following an order that is placed (electronically, by telephone, in person).

5.4.52 Ensure that the council obtains value for money from purchases by taking appropriate steps to obtain competitive prices for products, works and services of the appropriate quality.

- 5.4.53 Comply with the council's Contract Rules.
- 5.4.54 Ensure that no contract is made, nor any expenditure incurred in connection with a contract, unless the council has approved capital or revenue resources to cover such expenditure either as an individual item or as part of a programme.
- 5.4.55 Ensure that the Executive Director of Corporate Services and Section 151 Officer, Director of Legal and Governance and Monitoring Officer and the Procurement team 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.
- 5.4.56 Ensure that employees are aware of the Officer Code of Conduct, Contract Rules and other council policies or documents affecting procurement.
- 5.4.57 Ensure that contracts, loans, leasing or rental arrangements are not entered into without prior agreement from the Executive Director of Corporate Services and Section 151 Officer, and in consultation with the Director of Legal and Governance and Monitoring Officer where necessary. This is to protect the council against entering into unapproved credit arrangements and to ensure that value for money is obtained.
- 5.4.58 Notify the Executive Director of Corporate Services and Section 151 Officer of outstanding expenditure relating to the previous financial year, (otherwise known as accruals) in line with the closure timetable determined by the Executive Director of Corporate Services and Section 151 Officer.
- 5.4.59 Notify the Executive Director of Corporate Services and Section 151 Officer immediately of any expenditure to be incurred because of statute, binding contract or court order where there is no budgetary provision.
- 5.4.60 Ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Document Retention Schedule.
- 5.4.61 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 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 Executive Director of Corporate Services and Section 151 Officer, Service Director for People, Operations, Business Intelligence and Transformation and Director of Legal and Governance and Monitoring Officer before engaging the services of such an individual.



- 5.4.62 All arrangements as set out in 5.4.57 (contractor or self employed individuals) must undergo a test of their employment status to determine whether they should be treated as an employee for tax purposes or if they fall inside the off payroll IR35 rules, the formal name for the rules for work that is considered off-payroll. The purpose of the IR35 legislation is to ensure that all contractors/workers working in an organisation, in the same way as permanently hired staff would pay the same Tax and National Insurance contributions as an employee.
- 5.4.63 Ensure that the Director of Legal and Governance and Monitoring Officer receives all formal contract documents for contracts over £50,000 for safe and secure storage, and that all contracts are recorded on the councils Contract Register.
- 5.4.64 Ensure that the director determines who may hold a P-Card in their directorate, the default budget (i.e. cost centre) to be applied to the P-Card's transactions, and any individual and monthly transaction limits that must apply to the card.
- 5.4.65 Ensure that all P-Card holders:
- (a) Comply with the council's instructions on the use of P-Cards.
  - (b) Provide their P-Card statement and all supporting documentation (including receipts) to the appropriate manager for checking on a monthly basis. Where the cardholder is junior to the budget manager, the appropriate manager is the budget manager. Where the cardholder is the budget manager or more senior than the budget manager, the appropriate manager will be either the cardholder's line manager or the director.
  - (c) Ensure their transactions are allocated to the correct budget codes, including any VAT elements, in a timely manner.
- 5.4.66 Ensure that purchase orders are used in the purchase of all supplies, works and services, other than the exceptions specified in 5.2.34.
- 5.4.67 Ensure that PO's are only used for supplies, works and services provided to the council. Individuals must not use official orders to obtain supplies or services for their private use.
- 5.4.68 Ensure that the names of all officers to whom they have delegated authorisation responsibilities within their directorate, details of the limits of their authority, are updated within the finance system and available for the Executive Director of Corporate Services and Section 151 Officer.
- 5.4.69 Ensure that only the director, or officer to whom they have formally delegated responsibility, authorise POs, letters of intent and payments.
- 5.4.70 Ensure that all officers are aware of whom may provide such authorisations in their directorate.

- 5.4.71 Ensure that only those employees approved by them to authorise orders, letters of intent and payments are able to and that officers are made aware of the identity of the authorised signatories in their directorate.
- 5.4.72 Ensure that POs and letters of intent are only authorised when satisfied that: the supplies, 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 Rules. The Value for Money framework should underpin the council's approach to procurement, to ensure that efficiency, economy and effectiveness should always be achieved.
- 5.4.73 Ensure that supplies 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.
- 5.4.74 Ensure that each payment made to a supplier via the invoice route is supported by a valid VAT receipt or invoice wherever possible to enable the council to reclaim any VAT charged, from HMRC. Where an invoice is referred to the team making the purchase for approval, it should be checked to confirm that:
- (a) It accurately reflects the supplies, works or services provided.
  - (b) The invoice has not previously been paid.
  - (c) Prices and arithmetic are correct
  - (d) Tax is correctly dealt with
  - (e) Correct budget code is used.
- 5.4.75 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 for Corporate Finance.
- 5.4.76 Ensure that two authorised employees are involved in the ordering, receiving and payment process.
- 5.4.77 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. Such approval should be reviewed periodically to ensure its ongoing suitability.
- 5.4.78 Ensure that payments are made on an original invoice through the electronic invoice process, via the finance (ERP) system.
- 5.4.79 Ensure that no employee shall approve their own claim for reimbursement of expenditure.
- 5.4.80 Ensure that all requests submitted to the Executive Director of Corporate Services and Section 151 Officer (Service Director- Corporate Finance) to establish periodical payments are:

- (a) in writing in a form approved by the Executive Director of Corporate Services and Section 151 Officer (Payments) .
  - (b) are approved 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.
- 5.4.81 Ensure that all orders are supplies receipted (GRN) 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 Payments Team as soon as the dispute is resolved. The purchase order number shall be quoted unless the expenditure falls into the category of exceptions detailed in paragraph 5.2.34 or the directorate has approval not to do so.
- 5.4.82 Encourage suppliers of supplies and services to receive payment by BACS.
- 5.4.83 Where payments must be made by direct debit, it is essential that it, and the controls to manage this, have the prior approval of the Executive Director of Corporate Services and Section 151 Officer.
- 5.4.84 Ensure that confirmatory purchase orders are issued and dispatched not later than the next working day following an order that is placed on the telephone or in person.
- 5.4.85 Ensure that the council obtains value for money from purchases by taking appropriate steps to obtain competitive prices for supplies, works and services of the appropriate quality.
- 5.4.86 In respect of contracts, to document and agree with the Executive Director of Corporate Services and Section 151 Officer 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.

## **5.5 EMPLOYEES AND MEMBERS**

### **Why this is important**

- 5.5.1 Employees costs are a large item of expenditure for council services. It is 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 principles**

- 5.5.2 Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- (a) starters.

- (b) leavers.
  - (c) variations
  - (d) enhancements.
  - (e) that payments are made based on timesheets or claims
- 5.5.3 An authorised establishment structure exists that is maintained accurately and is up to date and reconciles to budget.
- 5.5.4 Frequent reconciliation of payroll expenditure against approved budget and bank account.
- 5.5.5 All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule. and
- 5.5.6 HMRC regulations are complied with.

**Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 5.5.7 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.
- 5.5.8 Make redundancy and severance payments following certification by the Service Director for People Operations, Business Intelligence and Transformation . Any redundancy or severance payments anticipated that are outside the scope of express statutory provisions or published council policy must be considered by the Cabinet with advice from the Director of Legal and Governance and Monitoring Officer and the Executive Director of Corporate Services and Section 151 Officer. Special Severance payments should be approved according to the following process:
- (a) payments of £100,000 and above must be approved by a vote of full council, as set out in the Localism Act 2011.
  - (b) payments of £20,000 and above, but below £100,000, must be approved and signed off by the Head of Paid Service,
  - (c) payments below £20,000 must be approved by the Director following consultation with the Executive Director of Corporate Services and Section 151 Officer.
- 5.5.9 Where the proposed payment is to the Head of Paid Service, to avoid a conflict of interest it is expected that the payment should be approved by a panel including at least two independent persons.
- 5.5.10 Record and make arrangements for the accurate and timely payment of tax, national insurance. pension and other deductions in respect of employees and members (ensuring that the records and arrangements are in line with any statutory requirements).

- 5.5.11 Determine on the most appropriate method of payment for contracted or self-employed people (via the payroll or payments system in line with the IR35 rules) and to retain a record of all such people.
- 5.5.12 Arrange 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.
- 5.5.13 Provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 5.5.14 Ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.

### **Responsibilities of Corporate Directors and Budget Managers**

- 5.5.15 Ensure appointments are made in accordance with council procedures and approved establishments, grades and scale of pay, and that adequate budget provision is available.
- 5.5.16 Notify the Executive Director of Corporate Services and Section 151 Officer (HR and Payroll Team) 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 Executive Director of Corporate Services and Section 151 Officer.
- 5.5.17 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.
- 5.5.18 Ensure that any retention, long service or additional performance award payments made to employees are in accordance with HR policies and procedures
- 5.5.19 Ensure an up-to-date list of the names of officers authorised to sign records (for example timesheets, expense claims, and starter and leaver forms) is maintained and made available to the Executive Director of Corporate Services and Section 151 Officer (HR & Payroll Team)).
- 5.5.20 Ensure that payroll transactions are processed only through the payroll system. Directors should consider the employment status of individuals employed on a self-employed consultant or contract basis, in line with the IR 35 rules. The employment status of all arrangements should be checked and the outcome confirmed with the Service Director for People Operations, Business Intelligence and Transformation (HR Business Partner Team).

- 5.5.21 Approve travel and subsistence claims and other allowances in the form set out by the Executive Director of Corporate Services and Section 151 Officer, together with relevant VAT receipts. Approval 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. Consideration should be given to tax implications and that the Executive Director of Corporate Services and Section 151 Officer is informed where appropriate.
- 5.5.22 Ensure that the Executive Director of Corporate Services and Section 151 Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting in line with HMRC guidance.
- 5.5.23 Ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Document Retention Schedule.
- 5.5.24 Ensure that all members' claims submitted are signed by the Chief Executive or such officer as they shall designate within the council. 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.
- 5.5.25 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 Executive Director of Corporate Services and Section 151 Officer for approval.
- 5.5.26 Ensure that normal certification procedures are applied to payments made to members in their personal capacity e.g. any benefit payments etc. as either claimant or landlord.

### **Responsibilities of Members**

- 5.5.27 Submit claims for members' travel and subsistence allowances to the Chief Executive in the form agreed by the Executive Director of Corporate Services and Section 151 Officer, monthly and the final claim, within one two weeks of the end of the financial year.

### **Grants to external organisations**

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

- 5.5.28 The council may make small grants to external 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 under a Service Contract awarded under the Contract Rules. It is important that the council puts in place adequate procedures to monitor the Contract to ensure that an effective and economic service is provided.

### **Key principles**

- 5.5.29 Grants to external organisations are approved in accordance with the council's agreed criteria.
- 5.5.30 Applications are processed in a timely fashion and according to agreed practices.
- 5.5.31 There are adequate controls in place to ensure that the payments are used for the purpose intended
- 5.5.32 Procedures have been established that set out the council's requirements for contracting with the voluntary sector.

### **Responsibilities of Corporate Directors and Budget Managers**

- 5.5.33 Ensure that all grants have been approved by the relevant Cabinet Member or delegated officer.
- 5.5.34 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.
- 5.5.35 Put measures in place to ensure the external organisation is using the grant for its intended purpose and published on the council's website in line with the Local Authority Transparency Code.
- 5.5.36 Ensure that organisations receiving financial grant aid from the council allow the Executive Director of Corporate Services and Section 151 Officer to access their books, records and premises to enable them to verify that the grant has been used for the purpose it was given.

## **5.6 TAXATION**

### **Why this is important**

- 5.6.1 The council is responsible for ensuring its tax affairs are in order. Tax issues are often complex and the penalties for incorrectly accounting for tax are severe. It is, therefore, important for all officers to be aware of their role.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 5.6.2 Ensure systems are in place to identify all taxable transactions and complete all necessary returns and ensure that their treatment complies with the relevant statutory requirements.
- 5.6.3 Complete a monthly return of VAT inputs and outputs to HMRC.

- 5.6.4 Monitor the council's level of expenditure on VAT exempt activities, and to report on action taken or needed to remain within the 5% partial exemption threshold level.
- 5.6.5 Make monthly returns to the HMRC regarding the construction industry scheme (CIS).
- 5.6.6 Maintain up-to-date guidance and advice to council employees on taxation issues.
- 5.6.7 Ensure systems are in place to record other tax due to HMRC (such as PAYE), and to complete the necessary returns.

#### **Responsibilities of Corporate Directors and Budget Managers**

- 5.6.8 Ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- 5.6.9 Ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax registration requirements.
- 5.6.10 Ensure that all persons employed by the council are added to the council's payroll, and that tax is deducted from any payments via Pay as You Earn (PAYE), except where the individuals are employed by a recognised employment agency.
- 5.6.11 Follow the guidance on taxation issued by the Executive Director of Corporate Services and Section 151 Officer.

#### **Key principles**

- 5.6.12 Budget managers are provided with relevant information, training and kept up to date on tax issues.
- 5.6.14 Budget managers are instructed on required record keeping.
- 5.6.15 All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- 5.6.16 Records are maintained in accordance with instructions. and
- 5.6.17 Returns are made to the appropriate authorities within the stipulated timescale.



## **5.7 TRADING ACCOUNTS AND BUSINESS UNITS**

### **Why this is important**

5.7.1 Trading accounts and business units became important as local authorities developed a more commercial culture. Trading powers are contained in the Local Authorities (Goods and Services) Act 1970 and the council is allowed to trade with other local authorities and other defined public bodies. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost, as they are not limited to cost recovery and can legitimately make a profit. They need to be shown in the Statement of Accounts.

5.7.2 The main types of internal trading activity permitted include those who are:

- a) Providing all, or the majority, of their services in an environment where their customers have the option to use them or an alternative service provider; and
- b) Charging for the full cost of the supplies / services they provide, on the basis of an agreed charge or rate.

5.7.3 Services are only permitted to operate as a trading activity with the prior approval of the Council, following consultation with the Executive Director of Corporate Services and Section 151 Officer and Director of Legal and Governance and Monitoring Officer.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

5.7.4 Advise on the establishment and operation of trading accounts and business units.

### **Responsibilities of Corporate Directors and Budget Managers**

5.7.5 Ensure trading activities maintain a Trading Account into which all expenditure related to the provision of their services will be charged (i.e. including direct costs, the full costs of services provided by the Council's support services, any service management provided by senior managers and asset and other accounting charges).

5.7.6 Consult with the Executive Director of Corporate Services and Section 151 Officer 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.

- 5.7.7 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 (support service) costs, is charged, and to produce an annual report in support of the final accounts.
- 5.7.8 Ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 5.7.9 Ensure that each business unit prepares an annual business plan.

## **5.8 PROPERTY MATTERS**

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 5.8.1 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 Corporate Directors and Budget Managers**

- 5.8.2 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.
- 5.83 The Director of Commercial Partnerships, Property and Assets, in conjunction with the Director of Legal and Governance and Monitoring Officer, is responsible for ensuring that all notices are served at the proper times in respect of rent reviews, lease renewals, etc. for business tenancies.
- 5.8.4 Ensure that the Director of Legal and Governance and Monitoring Officer has custody of all title deeds under secure arrangements agreed with the Executive Director of Corporate Services and Section 151 Officer (Internal Audit).

## **6. EXTERNAL ARRANGEMENTS**

### **6.1 PARTNERSHIPS**

#### **Why this is 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:

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

6.1.3 Any contracts the council awards under a non-commercial partnership must comply with the Contract Rules.

#### **General**

6.1.4 Some key reasons for entering a partnership are:

- (a) to share risk.
- (b) the ability to access additional resources and to bring investment to the council.
- (c) to provide new expertise 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) a private or public organisation 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, for example a joint venture. In other cases, it will simply be several 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 to:

- (a) be willing to take on a role in the broader programme appropriate to the skills and resources of the partner.
- (b) always act in good faith and in the best interests of the partnership's aims and objectives.
- (c) be open, transparent and to work together to resolve, any conflict of interests that might arise.
- (d) encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors.
- (e) hold confidentially any information received because of of partnership activities or duties that is of a confidential or commercially sensitive nature.
- (f) act wherever possible as ambassadors for the project
- (g) allocate and share risks according to which partner is best able to manage them.

### **Key principles**

6.1.9 Project appraisal processes are in place to assess the viability of the project in terms of achievement of strategic objectives, resources, staffing and expertise.

6.1.10 Mechanisms are in place to ensure that the most appropriate partner is selected.

6.1.11 To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences.

6.1.12 To ensure that risk management processes are in place to identify, assess and allocate all known risks.

6.1.13 Ongoing monitoring of the project to ensure that stated objectives are being met.

- 6.1.14 All members of the partnership to be aware of their responsibilities under the contract
- 6.1.15 Regular communication with the partners throughout the project so that problems can be identified and shared to achieve a successful resolution.

**Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 6.1.16 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.
- 6.1.17 Ensure that the accounting arrangements are correctly applied.

**Responsibilities of Corporate Directors and Budget Managers**

- 6.1.18 Maintain a register of all contracts, including partnership agreements with external bodies in accordance with procedures specified by the Executive Director of Corporate Services and Section 151 Officer.
- 6.1.19 Ensure that, before entering partnerships, a detailed business case and risk appraisal has been prepared for, and agreed by, the Executive Director of Corporate Services and Section 151 Officer.
- 6.1.20 Ensure that such agreements and arrangements do not impact adversely upon the services provided by the council.
- 6.1.21 Ensure that all agreements and arrangements are properly documented.
- 6.1.22 Provide appropriate information to the Executive Director of Corporate Services and Section 151 Officer to enable an entry to be inserted into the council's statement of accounts concerning material items.
- 6.1.23 Ensure that the responsibilities of Cabinet regarding the council's companies, partnerships or charities are adhered to (Part 3, Section 3 – 3.2.17)

## **6.2 EXTERNAL FUNDING**

### **Why this is important**

- 6.2.1 External funding is an 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. Councils are increasingly encouraged to provide seamless service delivery through working closely with other service providers from the charitable, not for profit and private sectors.
- 6.2.2 Funds from external and government departments 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.
- 6.2.3 The cost of preparing and submitting a bid versus the likelihood of the bid being successful must also be considered when deciding whether to apply for funds for specific projects.

### **Key principles**

- 6.2.4 Ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- 6.2.5 Ensure that funds are acquired only to meet the priorities approved in the policy framework by the council.
- 6.2.6 Ensure that any match-funding requirements are given consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements or an exit strategy is agreed.
- 6.2.7 Ensure risks are identified, within acceptable limits and are capable of being managed.
- 6.2.8 Ensure monitoring and reporting frameworks are established and followed.  
and
- 6.2.9 Ensure adequate controls and governance arrangements are in place and are followed.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 6.2.10 Ensure that all funding notified by external bodies is received and properly recorded in the council's accounts.
- 6.2.11 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.

- 6.2.12 Ensure that audit requirements are met.
- 6.2.13 Ensure that all claims are submitted by the due date.

### **Responsibilities of Corporate Directors and Budget Managers**

- 6.2.14 Ensure that the Executive Director of Corporate Services and Section 151 Officer is advised of all applications of external funding.
- 6.2.15 Give the Executive Director of Corporate Services and Section 151 Officer a copy of all approvals received from government departments or other sources of external funds.
- 6.2.16 Ensure that all supporting information is kept supporting claims for funds.
- 6.2.17 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 this is important**

- 6.3.1 Legislation enables the council to provide a range of services to other organisations. The provision of such services by the council may enable a directorate 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 are minimised and that such work is in accordance with the enabling legislation.

### **Key principles**

- 6.3.2 Ensure that proposals are costed properly in accordance with guidance provided by the Executive Director of Corporate Services and Section 151 Officer
- 6.3.3 Ensure that contracts are drawn up using guidance provided by the Executive Director of Corporate Services and Section 151 Officer and the Director of Legal and Governance and Monitoring Officer and that the formal approvals process is adhered to
- 6.3.4 Issue guidance regarding to the financial aspects of such contracts and the upkeep of the contract register

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 6.3.5 Issue guidance regarding the financial aspects of contracts with other organisations and the maintenance of the contract register.

## **Responsibilities of Corporate Directors and Budget Managers**

- 6.3.6 Obtain legal advice from the Procurement team within Legal Services in relation to the legal powers of the council charging for services and the contract documentation.
- 6.3.7 Ensure that work is only carried out for other organisations in accordance with Contract Rules.
- 6.3.8 Maintain a register of all contracts with other organisations in accordance with procedures specified by the Executive Director of Corporate Services and Section 151 Officer.
- 6.3.9 Ensure that appropriate insurance arrangements are made, after consultation with the Executive Director of Corporate Services and Section 151 Officer or his / her representative.
- 6.3.10 Ensure that proper provision is made to issue 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.
- 6.3.11 Ensure that bids are not submitted to other organisations without consulting with the Executive Director of Corporate Services and Section 151 Officer or the Director of Legal and Governance and Monitoring Officer 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 (including those of support services and management time).
- 6.3.12 Ensure that the council's services do not suffer because of resources being engaged on work for external parties.
- 6.3.13 Ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 6.3.14 Ensure that the directorate/service has the appropriate expertise and time to undertake the contract according to its stated requirements.
- 6.3.15 Ensure that such contracts do not impact adversely upon the services provided for the council.
- 6.3.16 Ensure that proper contract management arrangements are in place which includes ensuring all contracts are properly documented and detailed records are maintained of all work conducted and payments made / received in a form agreed with the Executive Director of Corporate Services and Section 151 Officer.
- 6.3.17 Provide appropriate information to the Executive Director of Corporate Services and Section 151 Officer to enable an entry to be inserted into the statement of accounts.



## **6.4 ALTERNATIVE DELIVERY MODELS – LOCAL AUTHORITY TRADING COMPANIES**

### **Why this is important**

- 6.4.1 The Local Government Act 2003 (sections 95 & 96) contains powers for the council to trade in function related activities through a company.
- 6.4.2 The 2011 Localism Act gave the council revised powers to trade and allow it to look at alternative delivery models and these alternative delivery models range from wholly owned companies, joint ventures with either the public or private sector, to social enterprises to deliver a wide range of services.
- 6.4.3 .All Local Authority Trading Companies (LATCos) must abide by the financial regulations of the council unless a specific agreement is in place for alternative governance arrangements of the company.

### **Responsibilities of the Executive Director of Corporate Services and Section 151 Officer**

- 6.4.4 Advise on the financial aspects of LATCos and the selection of the model and give approval to seek external professional advice.
- 6.4.5 Advise on the contract and procurement arrangements.
- 6.4.6 Determine the provision of any internal support services.
- 6.4.7 Approve the financial regulations of the trading company, if a specific arrangement is proposed.

### **Responsibilities of Corporate Directors and Budget Managers**

- 6.4.8 Set out a clear vision, purpose and objectives for the operation of the services to enable the correct model to be selected, for example financial returns, quality, risk appetite and control.
- 6.4.9 Establish the business planning process required and regular review of this
- 6.4.10 Undertake vendor due diligence (in accordance with the advice of the Director of Legal and Governance and Monitoring Officer.
- 6.4.11 Determine the amount of contract relationship management which will be required.
- 6.4.12 Set out the key success factors and Key Performance Indicators.

### **Responsibilities of Director of Legal Services and Monitoring Officer**

- 6.4.13 Approve the governance arrangements of the company.
- 6.4.14 Advise on the use of the 'Teckal Exemption.

- 6.4.15 Support the Executive Director in undertaking the appropriate level of due diligence.
- 6.4.16 Advise on appropriateness of the use of Alternative Delivery Models in addition to advising on Local Authority Trading Companies.



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