

**EAST LINDSEY DISTRICT COUNCIL
FINANCIAL PROCEDURES**

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EAST LINDSEY DISTRICT COUNCIL FINANCIAL PROCEDURES

1. Introduction

East Lindsey District Council is committed to providing good quality services to the residents of its area.

To conduct its business efficiently and effectively East Lindsey District Council needs to ensure that it has a sound financial management framework in place.

These financial procedures provide the framework for managing East Lindsey District Council's financial affairs. They apply to every elected Member, officer of the Council and anyone acting on its behalf.

These procedures identify the financial responsibilities of the Council, Executive Board, Overview and Scrutiny Committee, Audit and Governance Committee, Management Team and Managers.

All elected members and staff have a general responsibility to ensure that they provide for the security of the assets under their control, for ensuring that the use of those assets is legal and properly authorised and demonstrates efficient and effective use, resulting in achieving value for money and best value.

Why Are Financial Procedures Important

Financial procedures form part of the Council's overall approach to corporate governance and provide a control framework through which the Chief Executive, Monitoring Officer and Section 151 Officer/Deputy Section 151 Officer carry out their statutory duty on behalf of East Lindsey District Council.

Section 151 of the Local Government Act 1972, states "... every Local Authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". The Council has designated the Section 151 Officer/Deputy Section 151 Officer to be the officer so responsible.

Section 114 of the Local Government Finance Act 1988, requires the Section 151 Officer/ Deputy Section 151 Officer to report on unlawful or potentially unlawful expenditure or a course of action likely to cause loss or deficiency.

In these Procedures:-

- "Appropriate officer" means a member of the Management Team of the Council.
- "Council" means the Board which implements the Policy Framework and the Budget of the Council under the Terms of the Constitution.
- Any reference in these Procedures to the masculine gender shall be read as equally applicable to the female gender.
- Any reference in these Procedures to the Management Team shall be to the Chief Executive and such Officers as the Chief Executive deems to be part of the Management Team
- Any reference in these Procedures to "Member Forum" shall include the Council, the Executive Board, Regulatory Committees, Overview and Scrutiny Committees, and all Sub-Committees

- Any reference to Budget Manager refers to an officer of the Council with responsibility for managing a budget.

2. Financial Limits/Controls and Delegations

Why is it important?

Applying limits to financial decisions allows for an appropriate balance of risk management and operational empowerment.

Key Controls

The key controls for financial limits / controls and delegations are:

Function	Limit	Decision Maker
Annual Budget (MTFS)	All	Full Council
In Year Budget Movements	Up to £50,000 £50,001 - £300,000 Over £300,000	S151, Budget Manager Executive Board Full Council
Supplementary Budget	Up to £50,000 £50,001 - £300,000 Over £300,000	S151, Finance PFH, Budget PFH Executive Board Full Council
Reserve Movements	Up to £50,000 £50,001 - £300,000 Over £300,000	S151, Finance PFH, Budget PFH Executive Board Full Council
Fees & Charges	Up to £50,000 £50,001 - £300,000 Over £300,000	S151, Finance PFH, Budget PFH Executive Board Full Council
Asset Disposals	Up to £50,000 £50,001 - £300,000 Over £300,000	S151, Corporate Asset Manager & Asset PFH, Executive Board Full Council
Write Offs	Up to £50,000 £50,001 - £300,000 Over £300,000	S151, Finance PFH, Budget PFH Executive Board Full Council
Orders and Contracts	All	As per Contract Procedure Rules
Staff Recruitment	All	Corporate Management Team
Purchase Cards	All – subject to scheme limits	Card Holder
Urgent Action	All	CX, S151, Finance PFH, Leader – retrospective reporting to Executive Board
Payments	Up to £100,000 In excess of £100,000	Budget Manager Budget Manager, CX, S151 Officer

Responsibility of the S151 Officer / Deputy S151 Officer

- To ensure the organisation has clear awareness of functional responsibilities
- To ensure the organisation has clear awareness of delegated limits
- To ensure the organisation has clear awareness of who the appointed decision makers are and that where necessary these decisions include an adequate separation of duties

3. Financial Management & Planning.

Why is it important?

All staff and members have a responsibility to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls which are in place to ensure that those standards are met.

Key controls

The key controls and control objectives for financial management standards are:

- their promotion throughout the Council; and
- a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Executive Board and Full Council.

Responsibility of the Section 151 Officer/Deputy Section 151 Officer

To ensure the proper administration of the financial affairs of the Council.

To determine the financial management standards and financial policies and to monitor their compliance.

To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council.

To advise on the key strategic controls necessary to secure sound financial management.

To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

To ensure that all grants and subsidies to which the Council is entitled are claimed and received.

To ensure the compilation and certification of all statistical and other information of a financial nature required by any Government Department or other agency;

To ensure the Council's Annual Accounts are prepared and signed, and shall, by the statutory deadline each year, prepare a Statement of Accounts to be reviewed by the Audit and Governance Committee in accordance with best practice.

To ensure the preparation of the Council's Revenue Budgets, Capital Programme and Treasury Management Strategy.

To ensure that there is an effective budgetary control system implemented and adhered to.

To approve the appropriate Council Tax base, and recommend to Executive Board and Council the level of Council Tax for each year.

To ensure quarterly reports are submitted to the Executive Board regarding Revenue and Capital Expenditure and Income.

To ensure Contract Procedure Rules, and these Financial Procedures, together set out the requirements which must be followed in all financial matters.

Treasury

To make arrangements to be informed by each appropriate officer of any matters which may adversely affect the financial affairs of the Council before any commitment is incurred and before reporting the matter to the appropriate Member Forum.

To ensure all accounting procedures and financial records are maintained to support the above requirements and determine and approve such procedures and records.

To report quarterly to the Executive Board any instance of non-compliance with these Procedures as may be considered necessary.

Responsibility of Officers of the Council

To promote the financial management standards set by the Section 151 Officer/ Deputy Section 151 Officer in their service units, and to monitor adherence to the standards and practices within their own areas, liaising as necessary with the Section 151 Officer/ Deputy Section 151 Officer.

To promote sound financial practices in relation to the standards, performance and development of staff in their service units.

Responsibility of Executive Board

All of the Council's finances shall be regulated, co-ordinated and controlled by the Executive Board of the Council, subject to ratification by the Council, where appropriate.

4. Accounting Policies

Why is this important?

The Section 151 Officer/ Deputy Section 151 Officer is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the format required by the relevant CIPFA Accounting Code of Practice.

Key Controls

The key controls for accounting policies are:

- systems of internal control are in place that ensure that financial transactions are lawful;
- suitable accounting policies are selected and applied consistently;
- proper accounting records are maintained; and
- financial statements are prepared which present fairly the financial position of the Council and its expenditure and income.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts which is prepared at 31 March each year.

Responsibility of Budget Managers

To adhere to the accounting policies and guidelines approved by the Section 151 Officer/ Deputy Section 151 Officer.

5. Accounting Records and Returns

Why is this important?

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 its annual Accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the Accounts are prepared properly and 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.

Key Controls

The key controls for accounting records and returns are:

- all Executive Board Members, finance staff and budget managers operate within the required accounting standards and timetables;
- all the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
- procedures are in place to enable accounting records to be reconstituted in the event of a systems failure;
- reconciliation procedures are carried out to ensure transactions are correctly recorded; and
- prime documents are retained in accordance with legislative and other requirements.

Responsibility of the Section 151 Officer/Deputy Section 151 Officer

To determine the accounting procedures and records for the Council.

To arrange for the compilation of all accounts and accounting records under his direction.

To comply with the following principles when allocating accounting duties:

- separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums, from the duty of collecting or disbursing them; and
- employees with the duty of examining or checking the accounts of cash transactions shall not themselves be engaged in these transactions.

To make proper arrangements for the audit of the Council's Accounts in accordance with the Accounts and Audit Regulations 2011 (and any subsequent amendments).

To prepare, obtain approvals, and publish the audited Accounts of the Council for each financial year, in accordance with the statutory timetable.

To ensure the proper retention of financial documents in accordance with the requirements set out in the document retention schedule.

To ensure that all claims for funds including grants are made by the due date.

Responsibility of Budget Managers

To consult and obtain the approval of the Section 151 Officer/Deputy Section 151 Officer before making any changes to accounting records and procedures.

To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.

To carry out regular reconciliations to ensure the integrity of embedded financial systems and to ensure transactions are correctly recorded.

To supply all information required to enable the Section 151 Officer/ Deputy Section 151 Officer to authorise grant claims (any return with financial information must be completed in conjunction with Financial Services).

To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the Section 151 Officer/ Deputy Section 151 Officer.

6. Annual Statement of Accounts

Why is this important?

The Council has a statutory responsibility to produce an annual Statement of Accounts.

Key Controls

The key controls for the annual Statement of Accounts are that:

- the Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the Section 151 Officer/ Deputy Section 151 Officer;
- the Council's Statement of Accounts must be prepared in accordance with proper practices as set out in the relevant CIPFA Code of Practice on Local Authority Accounting in the United Kingdom; and
- the Audit and Governance Committee is responsible for approving the statutory audited annual Statement of Accounts.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To select suitable accounting policies and apply them consistently.

To make judgments and estimates that are reasonable and prudent.

To comply with the code of practice.

To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.

To draw up the timetable for Final Accounts preparation, and to advise staff and external auditors accordingly.

Responsibility of Budget Managers

To comply with accounting guidance provided by the Section 151 Officer/Deputy Section 151 Officer and to supply the Section 151 Officer/ Deputy Section 151 Officer with information when required.

7. Performance Plans

Why is this important?

It is good practice for the Council to prepare and publish performance plans. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement.

Key controls

The key controls for performance plans are to:

- ensure that all relevant plans are produced and that they are consistent with each other;
- produce plans in accordance with statutory requirements;
- meet the timetables set;
- ensure that all performance information is accurate, complete and up to date; and
- provide improvement targets which are meaningful, realistic and challenging.

Responsibility of the Chief Executive

To ensure the development of corporate and service targets, objectives and performance information.

To ensure that systems are in place to measure activity and collect accurate information for use as performance measures.

To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.

Responsibility of Budget Managers

To contribute to the development of performance plans in line with statutory requirements.

To contribute to the development of corporate and service targets and objectives and performance information.

To develop service targets, objectives and performance information.

8. Budgeting – Format of Budget

Why is this important?

The format of the budget determines the level of detail to which financial control and management will be exercised. The format of the budget shapes how the rules around Budget Movements and cash limits operate and sets the level at which funds may be re-allocated within budgets.

Key controls

The key controls for the budget format are:

- complies with all legal requirements;
- complies with the relevant CIPFA Accounting Code of Practice; and
- reflects the accountability of service delivery.

Responsibility of the Section 151 Officer/Deputy Section 151 Officer

To advise the Executive Board on the format of the budget that is approved by the full Council.

Responsibility of Budget Managers

To comply with accounting guidance provided by the Section 151 Officer/ Deputy Section 151 Officer.

9. Budget Bids and Savings Targets

Why is it important?

Budget bids are the process by which funding is granted to develop and enhance existing Services, or introduce new services or projects. Savings targets are the process by which the Council will seek to balance its budget, in line with statutory requirements.

Key controls

The key controls are:

- Council approved budget bid form
- Approval is ultimately given by the Council.
- In accordance with the delegate limits

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer Delegation Limits

To ensure that Officers have the appropriate documentation and guidance to allow them to submit a bid for additional funding.

To ensure that the budget bids are appropriately evaluated by the Management Team and Executive Board.

To include successful budget bids in the revenue budget and/or capital programme as appropriate.

To ensure that savings targets are set, and communicated, to enable officers to prepare plans to deliver reductions in resources, and are approved by the appropriate member forum.

Responsibility of Management Team

To consider the budget bids and savings projects provided by Officers following the work of the appropriate officers as specified below.

Responsibility of Budget Managers

To prepare submissions for consideration in accordance with the agreed format.

Responsibility of Overview & Scrutiny and Audit and Governance Committees

To scrutinise the proposed additional/reduced expenditure, including review of the priority categorisation allocated, where appropriate.

Responsibility of Executive Board

To select the budget bids and savings projects to be included in the Council's overall revenue and capital programme.

10. Revenue Budgets and Medium Term Planning

Why is it important?

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable resources to be allocated in accordance with the Council's main aims and corporate priorities. The budget is the financial expression of the Council's plans and policies.

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets (spending plans), are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit on its General Fund Revenue Account.

Medium term planning involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium term plan. This ensures that the Council is always preparing for events in advance. The Council's process of service delivery planning should be prepared in accordance with the advice of the Section 151 Officer/ Deputy Section 151 Officer on the financial activities of the Council.

Key controls

The key controls are:

- specific budget approval for all expenditure;
- budget managers prepare in liaison with Finance staff, the base budget position for which they will be held responsible and accept accountability within delegations set by the Executive Board for their budgets and the level of service to be delivered; and
- a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To prepare and submit reports on budget prospects for the Executive Board, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.

To determine the detailed form of revenue estimates and the methods for their preparation, after consultation with the Executive Board, Management Team and Officers.

To prepare and submit reports to the Executive Board on the aggregate spending plans of units and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.

To advise on the medium term implications of spending decisions (five years). (MTFS)

To encourage best use of resources and value for money by working with the Management Team and Budget Managers 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.

To advise the full Council on Executive Board proposals in accordance with his responsibilities under Section 151 of the Local Government Act 1972.

Responsibility of Management Team

To consider the detailed revenue estimates provided by the Section 151 Officer/ Deputy Section 151 Officer following the work of the appropriate officers as specified below.

Responsibility of Budget Managers

To prepare estimates of income and expenditure, in consultation with the Section 151 Officer/ Deputy Section 151 Officer, to be submitted to the Executive Board.

In consultation with the Section 151 Officer/ Deputy Section 151 Officer and in accordance with the laid down procedures and timetable to prepare detailed draft revenue and capital budgets for consideration.

To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Executive Board. The format should be prescribed by the Section 151 Officer/ Deputy Section 151 Officer in accordance with the full Council's general directions.

To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

To have regard to:

- spending patterns and pressures revealed through the budget monitoring process;
- legal requirements;
- policy requirements as defined by the full Council in the approved policy framework; and
- initiatives already underway when drawing up draft budget requirements.

Responsibility of Overview & Scrutiny Committee and Audit and Governance Committee

To scrutinise the proposed budgets.

Responsibility of Executive Board

To recommend to Council the overall revenue and capital programmes.

11. Budget Monitoring and Control

Why is this important?

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

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit approved when setting the overall budget.

To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash limited budget allocated to it.

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

Key controls

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

- budget managers should be responsible only for income and expenditure which they can influence;
- there is a nominated budget manager for each cost centre heading;
- budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- budget managers follow an approved certification process for all expenditure;
- income and expenditure is properly recorded and accounted for;
- performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget; and
- all officers responsible for committing expenditure comply with relevant guidance and financial regulations.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To establish an appropriate framework of budgetary management and control which ensures that:

- budget management is exercised within annual cash limits unless the full Council agrees otherwise;
- each officer has available timely information on receipts and payments on each budget that is sufficiently detailed to enable managers to fulfill their budgetary responsibilities;
- expenditure is committed only against an approved budget head; and
- significant variances from approved budgets are investigated monthly and reported quarterly to

the Executive Board.

To administer the Council's scheme of Budget Movements.

To submit reports to the Executive Board and to full Council, in consultation with the relevant service Budget Manager, where an officer is unable to balance expenditure and income within existing approved budgets under his/her control.

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

Responsibility of Budget Managers

To maintain budgetary control within their service, in adherence with the key controls stated above and to ensure that all income and expenditure is properly recorded and accounted for.

To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Budget Manager. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making which commits expenditure.

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

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

To ensure compliance with the scheme of Budget Movements.

Responsibility of Management Team

In consultation with the Section 151 Officer/ Deputy Section 151 Officer, to ensure prior approval by the full Council or Executive Board (as appropriate) for new proposals of whatever amount, which:

- create financial commitments in future years;
- change existing policies, initiate new policies or cease existing policies; or
- materially extend or reduce the Council's services.

To agree with the relevant Budget Manager where it appears that a budget proposal, including a Budget Movements proposal, may impact materially on another Budget Manager's level of service activity.

12. Resource Allocation

Why is this important?

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

Key controls

The key controls for resource allocation are that resources are:

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

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

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

To assist in the allocation of resources to budget managers.

Responsibility of Budget Managers

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

To identify opportunities to minimise or eliminate resource requirement or consumption without a detrimental effect on service delivery.

13. Supplementary Estimates

Why is this important?

There are occasions when additional requests for funding are made by Budget Managers which cannot be contained within the resources allocated.

Key Controls

- specific approval by the Section 151 Officer, Chief Executive and the Management Team up to £50,000
- specific approval by Executive Board for amounts up to £300,000
- specific approval by Full Council, following Executive Board consideration, for all amounts over £300,000.

Responsibility of Section 151 Officer/ Deputy Section 151 Officer

To review requests from Management Team , and seek explanations for the unexpected expenditure requirement.

To prepare reports to the Executive Board and Full Council on the supplementary estimate required. These should include references to the mechanism by which the supplementary expenditure will be funded.

Responsibility of Budget Managers

To explore all avenues open to the Council to avoid unnecessary expenditure.

To consult with the Section 151 Officer/ Deputy Section 151 Officer on the matters behind the reason for requesting a supplementary estimate.

14. Capital Programme

Why Is This Important?

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 and equipment or vehicles. Capital assets shape the way services are delivered for the long-term and create financial commitments for the future in the form of revenue running costs and in some instances financing costs.

The Government introduced the Prudential control regime, releasing its previously more strict control on the financing capacity of the Council. However, capital expenditure should still form part of the Council's investment strategy and should be carefully prioritised in order to maximise the benefit of the available resources.

Key controls

The key controls for capital programmes are:-

- De minimus level for capital expenditure of £10,000 for land and buildings and £5,000 for plant, vehicles and equipment.
- specific approval by the full Council of the annual programme for capital expenditure;
- a scheme and estimate, including capital bid form, progress targets and associated revenue expenditure are prepared for each capital project, for approval by the Executive Board via the Capital Working Group (CWG);
- approval by the Executive Board where capital schemes are to be financed up to £300,000, and subject to the approval of full Council where the expenditure exceeds this amount;
- the development and implementation of the asset management plan;
- accountability for each element of the capital programme is accepted by a named manager; and
- monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To prepare and submit reports to the Executive Board on the projected expenditure, income and other resources compared with the approved estimate.

To issue guidance concerning capital projects and controls. The definition of 'capital' will be determined by the Section 151 Officer/ Deputy Section 151 Officer, having regard to Government regulations and accounting requirements.

Responsibility of Budget Managers

To comply with guidance for capital projects and controls issued by the Section 151 Officer/ Deputy Section 151 Officer.

To ensure that all capital proposals have undergone a project appraisal and are submitted to CPWG.

To undertake an assessment of the capital bids following priority scoring, before submission to Executive Board and Overview and Scrutiny Committee.

To prepare regular reports reviewing the capital programme provisions for their services, including preparation of a monthly return of the estimated final cost of projects in the approved capital programme in conjunction with Finance staff.

To ensure that adequate records are maintained in respect of all capital contracts.

To proceed with projects only when there is adequate provision in the capital programme.

15. Scheme of Budget Movements

Why is it important?

The scheme of Budget Movements is intended to enable the Executive Board and budget managers to manage budgets with a degree of flexibility within the overall policy framework determined by the full Council. Budget Movements is the switching of resources (budget) between approved estimates of expenditure. For the purposes of this scheme, a 'budget' is considered to be a line in the Council's approved budget book.

Key Controls

Key controls in relation to the scheme of Budget Movements are:

- it is administered by the Section 151 Officer/ Deputy Section 151 Officer within guidelines set by full Council.
- the overall budget is agreed by the Executive Board and approved by the full Council, allowing budget managers authorisation to incur expenditure in accordance with the estimates that make up the budget.
- Budget Movements does not create additional budget capacity. Budget Managers are expected to exercise their discretion in managing their budgets responsibly and prudently.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To retrospectively approve amounts of £10,000 to £50,000.

To retrospectively prepare jointly with the budget manager a report to the Executive Board where Budget Movements in excess of £50,000 are proposed.

Responsibility of Budget Managers

A Budget Manager may exercise Budget Movements on budgets under his/her control for amounts up to £10,000 on any one budget head during the year, following approval by the Management Team..

Amounts up to £50,000 require the approval of the Section 151 Officer or Deputy Section 151 Officer. Amounts greater than £50,000 and below £300,000 require the approval of the Executive Board, following a joint report by the Section 151 Officer/ Deputy Section 151 Officer and the Management Team which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. Above this value is a decision for Council.

It is the responsibility of each appropriate officer to expend his budget allocation economically, efficiently and effectively.

Budget managers 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 year, for which they have not identified future resources.

Budget managers must plan to fund such commitments from within their own budgets. A Budget Movements that is likely to impact on the level of service activity of another Budget Manager should be implemented only after agreement with the relevant Budget Manager.

No Budget Movements relating to a specific financial year should be made after 31 March in that year. Where an approved budget is a 'lump sum' budget or reserve intended for allocation during the year, its allocation will not be treated as a Budget Movements for reporting purposes, provided that the amount is used in accordance with the purposes for which it has been established.

Responsibility of Executive Board

To approve all Budget Movements above £50,000 in accordance with Section 2 of the Financial Procedure Rules.

16. Maintenance of Reserves

Why is this important?

The Council must decide the level of general reserves it wishes to maintain before it can decide the level of Council Tax. A general reserve (or working balance) is maintained as a matter of prudence. It enables the Council to provide for unexpected events and thereby protect it from overspending should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

Key Controls

Key controls for the maintenance of reserves are:

- To maintain reserves in accordance with the relevant CIPFA Accounting Code of Practice.
- For each reserve established, the purpose, usage and the basis of transactions should be clearly identified.
- specific approval by Management Team in consultation with the Section 151 Officer/ Deputy Section 151 Officer for all use of reserves up to £50,000
- specific approval by Executive Board for amounts up to £300,000
- use of reserves above this amount will require Full Council approval

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To advise the Executive Board and/or full Council on prudent levels of reserves for the Council to hold, and to take account of advice from the external auditor in this matter.

17. Internal Controls

Why is this important?

The Council requires internal controls to manage and monitor progress towards the main aims and corporate priorities.

Internal controls are also there to deter and prevent fraud.

The Council has statutory obligations to meet, and therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

The system of internal controls is established in order to provide measurable achievement of:

- efficient and effective operations;
- reliable financial information and reporting;
- compliance with laws and regulations; and
- risk management.

Key controls

Key controls and control objectives for internal control systems are:

- key controls should be reviewed on a regular basis;
- managerial control systems including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
- financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems; and
- an effective internal audit function which is properly resourced. It should operate in accordance with current best practice (including guidance from the Financial Reporting Council's Audit and Assurance team, and CIPFA) and with any other statutory obligations and regulations.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

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

Responsibility of Budget Managers

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

To review existing controls in the light of changes affecting the Council and establish and implement new ones in line with guidance from the Section 151 Officer/ Deputy Section 151 Officer/Internal Audit.

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

18. Risk Management

Why is this important?

Risk is the effect of uncertainty on the Council delivering its objectives; the effect can be either positive or negative. The Council needs to manage its risks to minimise their threat and maximise their potential. Risk management is the coordination of activities to direct and control the Council with regard to risk. In essence, it is therefore an integral part of good business practice.

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

Key controls

The key controls for risk management are:

- the Executive Board and the Audit and Governance Committee receive quarterly updates on the strategic risks to the Council;
- procedures are in place to identify, assess, prioritise, and manage risks, and these procedures are operating effectively throughout the Council;
- a dynamic monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls;
- managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives;
- provision is made for losses that might result from the risks that remain;
- acceptable levels of risk are determined and insured against where appropriate; and
- the Council has prepared a business continuity plan for implementation in the event of disaster which results in significant loss or damage to its resources.

Responsibility of the Executive Board

To recommend the Council's Risk Management Strategy to Council, and to promote a culture of risk management awareness throughout the Council.

To consider and challenge the risks involved in making any 'key decisions'.

Responsibility of the Audit and Governance Committee

To oversee the effectiveness of the Council's risk management arrangements.

Responsibility of Management Team

To work with the Executive Board to develop the Council's Risk Management Strategy, risk policies and risk appetite.

To consider and challenge the risks involved in making any 'key decisions'.

To maintain a register and manage the strategic risks to the Authority.

To designate a Chief Risk Officer to have overall responsibility for ensuring the Council has an effective Risk Management Framework.

Responsibility of Managers

To take responsibility for risk management, having regard to advice from the Performance Team and other specialist officers of the Council (e.g. Health and Safety), as well as external organisations (e.g. Crime Prevention, Fire Prevention).

To ensure that there are regular reviews of risk within their services.

19. Insurances

Why is this important?

Insurance is one of the processes that can be put in place to minimise the loss of the Council following a process of risk management.

Key controls

The Section 151 Officer shall effect all insurance cover and negotiate all claims in consultation with other officers, where necessary.

Named individuals of the Council shall be included in a suitable fidelity guarantee insurance.

Responsibility of the Section 151 Officer

The Section 151 Officer/Deputy Section 151 Officer shall, at such period as is considered necessary, review all insurances in consultation with the appropriate officers.

Responsibility of Budget Managers

Appropriate officers shall give prompt notification to the Finance Section of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.

Appropriate officers shall forthwith notify the Finance Section, in writing, of any loss, liability or damage, or any event likely to lead to a claim.

Appropriate officers shall consult the Section 151 Officer with respect to the terms of any indemnity which the Council is requested to give.

20. Internal Audit

Why is this important?

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 require that a "relevant body shall maintain an adequate and effective system of internal audit of the accounting records and of its systems of internal control".

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.

Key controls

The key controls for internal audit are:

- that it is independent in its planning and operation;
- the auditors have direct access to the Chief Executive, all levels of management and directly to elected members;
- the internal auditors comply with relevant guidance issued by the Financial Reporting Council's Audit and Assurance team, and CIPFA;
- enter the Council premises or land at any reasonable time;
- access all assets, records, documents, correspondence and control systems relating to the financial transactions of the Council;
- require and receive any information and explanation considered necessary concerning any matter under consideration;
- require any employee of the Council to produce and account for cash, stores or any other Council asset under his/her control;
- access records belonging to third parties, such as contractors when required;
- the approval of the strategic and annual audit plans which have been prepared by the Internal Audit Manager and which take into account the characteristics and relative risks of the activities involved; and
- ensuring that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibility for Budget Managers

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

To ensure that auditors are provided with any information and explanations which they seek in the course of their work.

To consider and respond promptly to recommendations in audit reports. The expectations are that managers will respond in ten working days.

To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner, and within the self imposed timescales agreed in the action plan following any review.

To notify the Section 151 Officer/ Deputy Section 151 Officer, Chief Executive and Internal Audit Manager immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Budget Manager should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

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

Responsibility of the Audit and Governance Committee

To undertake the functions specified in the Committee's Terms of Reference, as set out in the Council's Constitution.

21. External Audit

Why is this important?

As part of ensuring that public monies are properly accounted for and managed, an external audit regime is in place where the external auditor has rights of access to all documents and information which are necessary for audit purposes.

The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. The Code of Audit Practice (to be produced and maintained by the National Audit Office from 1 April 2015, who will also provide supporting guidance to auditors) sets out the auditor's objectives to review and report upon:

- the audited body's financial statements; and
- whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Council's annual Statement of Accounts is examined by external auditors, who must be satisfied that the Statement of Accounts presents a true and fair view of the financial position of the Council and its income and expenditure for the year in question, and complies with the legal requirements.

Key Controls

External auditors are now appointed following a tender process, normally for a minimum period of five years. The Code of Audit Practice sets out the framework which external auditors follow when carrying out their audits.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

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

To work with the external auditor and advise the Audit and Governance Committee, Executive Board, Management Team and Budget Managers on their responsibilities in relation to external audit.

Responsibility of Budget Managers

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

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

22. Preventing Fraud and Corruption

Why is this important?

The Council will not accept fraud and corruption in the administration of its responsibilities whether from inside or outside the Council.

The Council's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

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

Key Controls

Key controls regarding the prevention of financial irregularities are that:

- the Council has an effective anti-fraud corruption policy and maintains a culture which will not accept fraud or corruption;
- all members and staff act with integrity and lead by example;
- senior managers are required to deal promptly and in accordance with disciplinary policies with those who defraud or attempt to defraud the Council or who are corrupt;
- high standards of conduct are promoted amongst members by the Monitoring Officer;
- the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded;
- whistle blowing procedures are in place and operate effectively; and
- legislation including the Public Interest Disclosure Act 1998 is adhered to.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To maintain adequate and effective internal control arrangements.

To ensure that all suspected irregularities are reported to the Chief Internal Auditor, Chief Executive, and the Executive Board.

Responsibility of Management Team and Budget Managers

To ensure that all suspected irregularities are reported to the Internal Audit Manager.

To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

To ensure that where financial impropriety is discovered, the Section 151 Officer/ Deputy Section 151 Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.

The Bribery Act 2010

Bribery is defined as the promising, requesting, offering, giving or accepting, directly or indirectly, of an inducement or reward that distorts the proper performance of any duty or behaviour required of the recipient of the offer or bribe, for example:-

- The taking or giving of a bribe to secure favourable treatment in the granting of a council service or contract
- The undue use of influence to procure a council service or contract. Under the Bribery Act 2010 bribery is a criminal offence for an employee to request, receive, agree to receive, promise, offer or give any gift, loan, fee, reward or advantage for doing or not doing anything or showing favour or disfavour to any person in their official capacity.

23. Security of Assets

Why is this important?

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

Key controls

The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are that:

- resources are used only for the purposes of the Council and properly accounted for;
- resources are available for use when required;
- resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits;
- an asset register is maintained for the Council and assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset;
- all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.
- all staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act 1998 and software copyright legislation.
- appropriate officers shall be responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc., under their control. They shall consult the Section 151 Officer/ Deputy 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.
- Keys to office premises, safes and similar receptacles, shall be securely kept in a place or manner approved by the appropriate officer.
- Each appropriate officer shall maintain a register of current key holders.
- Each appropriate officer shall be responsible for agreeing limits for cash holding with the S151 Officer.
- Appropriate officers shall be responsible for ensuring that any office keys, identity cards, core keys etc., are obtained from any employee leaving the employment of his department at or before the time of leaving.
- The Section 151 Officer/ Deputy Section 151 Officer shall be responsible for the security of the Council's Information and Communication Technology (ICT) facilities in accordance with Data Protection Regulations and shall be consulted by any appropriate officer wishing to use any data thereon.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

Ensure that an asset register is maintained in accordance with good practice for land and property assets with a value in excess of £10,000 and plant, vehicles and equipment with a value in excess of £5,000. The function of the asset register is to provide the Council with information about fixed assets so that they are:

- safeguarded;
- used efficiently and effectively; and
- adequately maintained.

To receive information from each Budget Manager required for accounting, costing and financial records. To ensure that assets are valued in accordance with the CIPFA Accounting Code of Practice.

Responsibility of Budget Managers

To maintain a property database, for all properties, plant and machinery and moveable assets currently owned or used by the Council. Any use of property by a unit or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of the use.

To ensure that lessees and other prospective occupiers of council land and/or buildings are not allowed to take possession or enter the land and/or buildings until a lease or agreement has been established, as appropriate.

To ensure the proper security of all buildings and other assets under their control.

To ensure that where land or buildings are surplus to requirements, a recommendation for the sale of land is the subject of a joint report by the relevant Director and Section 151 Officer/ Deputy Section 151 Officer.

To ensure that no Council asset is subject to personal use by an employee without proper authority.

To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.

To ensure assets are identified, their location recorded and that they are appropriately marked and insured.

To ensure cash holdings on premises are kept to a minimum and agreed with the Section 151 Officer/ Deputy Section 151 Officer.

To ensure that keys to property, safes and similar receptacles are carried on the person of those responsible at all times and that there is a register of current key holders maintained.

To record all disposal or part exchange of assets, which should normally be by competitive tender or public auction, unless following consultation with the Section 151 Officer/ Deputy Section 151 Officer, the Executive Board agrees otherwise.

To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Section 151 Officer/ Deputy Section 151 Officer.

To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value and its disclosure or loss could result in a cost to the Council in some way.

24. Inventories

Why is this important?

This is important to help safeguard the Council's assets. It is an extension to the Security of Assets part of these procedures.

Key controls

A complete physical check shall be carried out by the appropriate officer at least once a year.

A physical check against the inventory may be carried out by the Section 151 Officer/ Deputy Section 151 Officer or his representative at all reasonable times.

The Council's property shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the appropriate officer concerned. Council property provided to individual officers or Members (e.g. Laptops and PC's for home use) must be controlled in a manner approved by the Section 151 Officer/Deputy Section 151 Officer and inventories noted accordingly.

Movement of inventory items between offices and, more especially, between employees must be recorded in the appropriate inventories.

Any material differences disclosed in an inventory shall be reported to the Section 151 Officer/ Deputy Section 151 Officer by the appropriate officer.

Property belonging to the Council which has been lost, stolen, damaged or destroyed and where the loss is not recoverable from insurance or other sources will require to be formally written off.

Up to a value of £5,000 this may be done by the Section 151 Officer/ Deputy Section 151 Officer. Above this value, write-off is subject to approval by the Executive Board.

Responsibility of Budget Managers

Each appropriate officer shall:

Prepare and keep up-to-date an inventory in a form agreed by the Section 151 Officer for all departmental offices, depots, etc., of the Council, wherein shall be recorded an adequate description of moveable furniture, fittings and equipment, office machinery, plant and machinery and similar property belonging to the Council.

Maintain inventories and record an adequate description of furniture, fittings and equipment, plant and machinery.

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

Make sure that property is only used in the course of the Council's business unless the Head of Service concerned has given permission otherwise.

Prepare reports, in conjunction with the Section 151 Officer/ Deputy Section 151 Officer on write-offs above £5,000 to the Executive Board.

25. Stocks and Stores

Why is this important?

This is important to help safeguard the Council's assets. It is an extension to the Security of Assets part of these procedures.

Key controls

Each appropriate officer shall be responsible for the care and custody of the stocks and stores in his department. Stocks and stores shall not be in excess of normal requirements, except in special circumstances, with the approval of the Executive Board.

The Section 151 Officer/ Deputy Section 151 Officer shall be entitled to receive from each appropriate officer such information as he requires in relation to stocks and stores for accounting, costing and financial records.

Where the value of any stock holding is deemed material, appropriate officers shall arrange for a continuous stock-taking to occur throughout the year, and a complete stock-take carried out at least once in every financial year, by someone other than the stock-keeper. As soon as possible after 31 March in each year, the appropriate officer shall submit to the Section 151 Officer/ Deputy Section 151 Officer a certificate as to the value of stock held at the end of that financial year. The appropriate officer shall maintain a record of all stock deficiencies and surpluses in a manner agreed with the Section 151 Officer/ Deputy Section 151 Officer. Any differences on this account may be the subject of a report to the Executive Board by the Section 151 Officer/ Deputy Section 151 Officer.

The appropriate officer, with the approval of the Section 151 Officer/ Deputy Section 151 Officer is authorised to dispose of by competitive tender or public auction or write-off obsolete stores and equipment or surplus scrap up to a value of £5,000. Disposals or write-offs in excess of this amount are subject to the approval of the Executive Board.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

The Section 151 Officer/ Deputy Section 151 Officer shall arrange for a terrier of all assets owned by the Council (including dwellings provided under the Housing Acts) to be maintained, recording the appropriate Service Area, purpose for which held, location, extent and plan reference, purchase details (e.g. Vendor, price, date), particulars of nature of interest and rents payable, particulars of tenancies granted and rents receivable.

Responsibility of Budget Managers

To make arrangements for the care and custody of stocks and stores in the unit.

To ensure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.

To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction unless, following consultation with the Section 151 Officer/ Deputy Section 151 Officer, the Executive Board decides otherwise in a particular case.

26. Imprest Accounts (Petty Cash)

Why is this important?

Imprest Accounts are used for the purposes of defraying petty cash and other expenses.

Key controls

Imprest Accounts shall be maintained on a full reimbursement basis.

The level of the Imprest Account shall be determined by the Section 151 Officer/ Deputy Section 151 Officer after consultation with the appropriate officer.

No single payment shall exceed £50.00 without the prior consent of the Section 151 Officer/ Deputy Section 151 Officer. No income received on behalf of the Council may be paid into the Imprest Account.

Payments from the Imprest Account shall be limited to items of a minor nature. Generally, payments that are petty cash in nature, will be made using the Council's procurement card.

All payments must, wherever possible, be supported by VAT receipts and certified by the appropriate officer.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To provide employees of the Council with cash imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.

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

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

Responsibility of Budget Managers

To ensure that employees operating an imprest accounts:

- obtain and retain vouchers to support each payment from the imprest account, and where appropriate an official receipted VAT invoice must be obtained;
- make adequate arrangements for the safe custody of the account;
- produce upon demand by the Section 151 Officer/ Deputy Section 151 Officer, cash and **ALL** vouchers to the total value of the imprest amount;
- record transactions promptly;
- reconcile and balance the account at least monthly and ensure that reconciliation sheets are signed and retained by the imprest holder;
- provide the Section 151 Officer/ Deputy Section 151 Officer with a certificate of the value of the account held at 31 March each year;
- 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; and

- on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Section 151 Officer/ Deputy Section 151 Officer for the amount advanced to him/her.

27. Intellectual Property

Why is this important?

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

Key controls

Income received from the sale of intellectual property should be banked in accordance with the Council's banking procedures.

Responsibility of Section 151 Officer/ Deputy Section 151 Officer

To ensure that staff are aware of an employer's rights with regard to intellectual property.

Responsibility of Monitoring Officer

To provide a guidance sheet for the Council on the production of intellectual property.

28. Asset Disposal

Why is this important?

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

Key controls

Assets for disposal are identified and disposed of at the most appropriate time, and only when it is in the best interests of the Council, and that the best price is obtained (with the duty to obtain best consideration, subject to the rules governing disposals at an undervalue), bearing in mind other factors such as economic and environmental issues. The Corporate Asset Manager will recommend the most appropriate method by which surplus property should be disposed of. This method should require the open invitation of competitive bids (either by auction, tender or advertisement) unless an alternative method of disposal would be appropriate (with the decision on the preferred route noted and retained). Examples include:

- Sale to a sitting tenant
- Sale of an access which would enable a purchaser to release development value
- Sale to an adjoining owner or sale of part interest in the property where amalgamation of interests could enable substantial "marriage value" to be realised.
- Sale at "less than best consideration" where justified by either a community asset transfer or other benefits offered to the Council.
- Transfer to the relevant Town or Parish Council.

The Localism Act 2011 contains provisions that create potential controls on disposal, through the Community Right to Bid.

All assets disposed of over £10,000 must be treated as a Capital Receipt. Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To issue guidelines representing best practice for disposal of assets.

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

Responsibility of Budget Managers

To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment, and to document decisions arising from that advice.

To ensure that income received for disposal of an asset is properly banked and returned to central resources.

29. Valuation for Rating

Why is this important?

Non-domestic rates (often called business rates) are the way in which businesses and other occupiers of non-domestic property contribute towards the costs of local authority services.

The Council's role is to be responsible for ensuring that the rateable list maintained by the Valuation Office Agency is complete and up to date, working out the business rates bill, giving any reliefs that may be due, and for collecting the money.

Key controls

Department of Communities and Local Government - responsible for setting the overall government policy on local taxation.

Valuation Office Agency (VOA)- assesses rateable values that are the basis for working out rates bills.

Valuation Tribunals - independent, judicial bodies that have power to deal with appeals relating to non-domestic rating (and Council tax)

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

The Section 151 Officer/ Deputy Section 151 Officer shall be responsible to the Council for ensuring all rateable properties are included in the current Valuation List. The Section 151 Officer/ Deputy Section 151 Officer shall be authorised to sign agreements on behalf of the Council affecting the values of rateable properties.

The Section 151 Officer/ Deputy Section 151 Officer shall be responsible for managing the Collection Fund in an efficient and effective manner.

30. Council Tax

Why is this Important?

Council tax is the income received from residents to contribute towards the provision of services in the District. Council Tax came into effect on 1 April 1993. However, the process of valuing every domestic property in England and Wales for banding purposes started some time before this, and properties are banded according to what the VOA considers their value would have been on 1 April 1991. This means that recent sale prices are not necessarily a good guide to the correct band for a property for Council Tax purposes.

Key controls

The local Valuation Office of the Valuation Office Agency keeps a valuation list showing the valuation band of all properties in their area.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer and Head of Revenues and

Benefits

The Section 151 Officer has delegated responsibility for setting the Council Tax base annually.

The Section 151 Officer/ Deputy Section 151 Officer shall be responsible to the Council for keeping and maintaining the Council Tax Valuation List and raising appropriate accounts to Council Taxpayers.

The Section 151 Officer/ Deputy Section 151 Officer shall be responsible for managing the Collection Fund in an efficient and effective manner.

31. Treasury Management

Why is this important?

Millions of pounds pass through the Council's books each year. This has led to the establishment of Treasury Management codes of practice. These aim to provide assurances that the Council's money is properly managed and controlled in a way which balances risk with return, but with the overriding consideration being given to the security of the Council's investments.

Key controls

The Council shall adopt the key recommendations of CIPFA's *Treasury Management in the Public Services: Code of Practice* as follows:

The Council shall put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.

The Council's policies and practices shall make clear that the effective management of risk, having regard to return, is a prime objective of its treasury management activities.

The Council shall acknowledge that the pursuit of best value in treasury management and the use of suitable performance measures are valid and important tools for it as a responsible organisation to employ in support of its business and service objectives; and that within the context of effective risk management, its treasury management policies and practices will reflect this.

In order to achieve the above, the Council will:

- adopt a treasury management policy statement, as recommended in Section 6 of the Code,
- follow the recommendations in Section 7 of the Code concerning the creation of Treasury Management Practices (TMPs).
- create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies and objectives of its treasury management activities
 - suitable TMPs, setting out the manner in which it will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 - prudential and treasury indicators and a treasury strategy outlining capital plans, minimum revenue provision policy, treasury management strategy and an investment strategy

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the Council materially deviating from the Code's key recommendations.

The Council's Audit and Governance Committee shall receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid year report and an annual report after its close, in the form prescribed in its TMPs. These documents will then need formal approval by Full Council.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive Board, and for the execution and administration of treasury management decisions to the Section 151 Officer/ Deputy Section 151 Officer, who will act in accordance with the organisation's policy statement and TMP's and, as a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management*."

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To arrange borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's treasury management policy statement and strategy.

To report on treasury management activities quarterly to the Executive Board.

To operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Section 151 Officer/ Deputy Section 151 Officer.

To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by full Council.

To effect all borrowings in the name of the Council.

To act as the Council's registrar of stocks, bonds and mortgages, and to maintain records of all borrowing of money by the Council.

Responsibility of Budget Managers

To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures, or other enterprises without the approval of full Council or Executive Committee, following consultation with the Section 151 Officer/ Deputy Section 151 Officer in accordance with delegated limits.

Responsibility of Members

- Full Council – approve the Treasury Management and Investment Strategy Report, the Mid Term Treasury report and finally the Annual Treasury report
- Audit and Governance Committee – To make recommendation to Full Council on all matters of Treasury Management

32. Staffing

Why is this important?

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

Key controls

Key controls for staffing are that:

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

Human Resources

To ensure that the Section 151 Officer/ Deputy Section 151 Officer receives the latest staffing structure, on an ongoing basis.

Responsibility of Section 151 Officer/ Deputy Section 151 Officer and Management Team

To act as an advisor to Budget Managers on areas such as National Insurance and pension contributions as appropriate.

To ensure that all payments are correctly made to employees.

To ensure all deductions made are correctly allocated and accounted for and forwarded to appropriate bodies.

Responsibility of Budget Managers

To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

To ensure that the staffing budget is correctly calculated in conjunction with the Finance staff.

To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

To ensure that Management Team are immediately informed if the staffing budget is likely to be materially over or under spent.

To ensure Vacancy Management business cases are submitted to Management Team for consideration.

33. Financial Systems and Procedures

Why is this important?

Budget Managers have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Budget Managers are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered.

They should contain controls to ensure that transactions are properly processed and errors detected promptly.

The Section 151 Officer/ Deputy Section 151 Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.

Key controls

The key controls for systems and procedures are:

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

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To make arrangements for the proper administration of the Council's financial affairs, including to:

- issue advice, guidance and procedures for officers and others acting on the Council's behalf;
- determine the accounting systems, form of accounts and supporting financial records;
- establish arrangements for the audit of the Council's financial affairs;
- approve any new financial systems to be introduced; and
- approve any changes to be made to existing financial systems.

Managers with Responsibility for Finance and IT

To ensure that adequate back-up of financial systems and recovery procedures are in place.

Responsibility of Budget Managers

To ensure that accounting records are properly maintained and held securely.

To ensure that vouchers and documents with financial implications are not destroyed except in accordance with arrangements approved by the Section 151 Officer/ Deputy Section 151 Officer.

To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

To incorporate appropriate controls to ensure that, where relevant:

- all input is genuine, complete, accurate, timely and not previously processed;
- all processing is carried out in an accurate, complete and timely manner; and
- output from the system is complete, accurate and timely.

To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise the risk of fraud or other malpractice.

To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.

To ensure that systems are documented and staff trained in operations.

To consult with the Section 151 Officer/ Deputy Section 151 Officer before changing any existing financial system or introducing new financial systems.

To establish a scheme of delegation identifying officers authorised to act on the Budget Manager's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.

To supply lists of authorised officers, with specimen signatures and delegated limits, to the Section 151 Officer/ Deputy Section 151 Officer, together with any subsequent variations.

To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off-site, or in an alternative location within the building.

To ensure that, where appropriate, computer systems are registered in accordance with the data protection legislation and that staff are aware of their responsibilities under that legislation.

To ensure that relevant standards and guidelines for computer systems issued by the Information Technology Manager are observed.

To ensure that computer equipment and software are protected from loss and damage through theft, vandalism etc.

To comply with the copyright, designs and patents legislation and, in particular, ensure that:

- only software legally acquired and installed by the Council's ICT Unit is used on its computers;
- staff are aware of legislative provisions; and
- in developing systems, due regard is given to the intellectual property rights section of these procedures.

34. Income

Why is this important?

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all of the income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow and also avoids the time and cost of administering debts. Failing this, recording of the debt in the Council's debtor (sales) ledger system must be made.

Key controls

Key controls for income are:

- all income due to the Council is identified and charged correctly in accordance with an approved charging policy which is regularly reviewed;
- all income is collected from the correct person, at the right time using the correct procedures and the appropriate stationery;
- where possible, payment is made prior to a service being delivered;
- all money received by an employee on behalf of the Council is paid without delay to the Council's bank or post office account and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due; and
 - for reconciling the amount due to the amount received;
- effective action is taken to pursue non-payment within defined timescales;
- formal approval for debt write-off is obtained;
- appropriate write-off action is taken within defined timescales;
- appropriate accounting adjustments are made following write-off action;
- all appropriate income documents are retained and stored for the defined period in line with the document retention schedule; and
- money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.
- Cheques shall not be cashed out of money on behalf of the Council.
- No Officer shall give a receipt for money received on behalf of the Council on any form other than the official receipt form.
- Sums up to £5,000 may be written off by the appropriate Budget Manager, with the approval of the Section 151 Officer/Deputy Section 151 Officer.

Responsibility of Section 151 Officer/ Deputy Section 151 Officer

To agree arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection and banking reconciliation.

To advise on all aspects of controlled stationery and satisfy himself regarding the arrangements for their control.

To ensure that appropriate accounting adjustments are made following write-off action.

Responsibility of Budget Managers

To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and review it regularly, in line with corporate policies.

To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.

To issue official receipts or maintain other documentation for income collection.

To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.

To hold securely receipts, tickets and other records of income, for the appropriate period.

To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

To ensure that income is paid fully and promptly, into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying in slips to provide an audit trail. At least weekly money collected and deposited must be reconciled to the bank account on a regular basis to ensure income is not used to cash personal cheques or other payments.

No deduction shall be made from income received.

To supply the Section 151 Officer/ Deputy Section 151 Officer with details relating to work done, goods supplied or services rendered or other amounts due, to enable the Section 151 Officer/ Deputy Section 151 Officer to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this Budget Managers should use established performance management systems to monitor recovery of income and flag up areas of concern to the Section 151 Officer/ Deputy Section 151 Officer. or Budget Managers have a responsibility to assist the Section 151 Officer/ Deputy 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.

To keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.

To recommend to the Section 151 Officer/ Deputy Section 151 Officer all debts to be written off. Once raised, no 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 and/or billing of the original debt.

To notify the Section 151 Officer/ Deputy 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 Section 151 Officer/ Deputy Section 151 Officer and not later than 7 April.

35. Banking Arrangements and Cheques

Why is this important?

All arrangements with the Council's bankers shall be made by, or under arrangements approved by, the Section 151 Officer/ Deputy Section 151 Officer who shall be authorised to operate such banking accounts as he may consider necessary.

Key Controls

All cheques shall be ordered only on the authority of the Section 151 Officer/ Deputy Section 151 Officer, who shall make proper arrangements for their safe custody.

Cheques drawn on the Council's main banking accounts shall bear the facsimile signature of the Section 151 Officer/ Deputy Section 151 Officer or be signed by the Section 151 Officer/ Deputy Section 151 Officer or designated signatories.

Payments in excess of £100,000 shall be countersigned by two designated signatories and authorised by the Section 151 Officer/Deputy S151 Officer.

The Section 151 Officer/ Deputy Section 151 Officer shall submit quarterly to the Audit and Governance Committee a Statement of the Council's Cash Position.

36. Ordering and Paying for Work, Goods and Services

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services can receive value for money in their purchasing arrangements. These procedures should be read in conjunction with the contract procedures.

General

Every officer and member of the Council has a responsibility to declare any links or personal interests which they may have with purchasers or suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council in accordance with appropriate codes of conduct.

Official orders must be in a form approved by the Section 151 Officer/ Deputy Section 151 Officer. Official orders must be issued for all work, goods or services to be supplied to the Council except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions.

Verbal orders shall only be given in cases of emergency and these shall always be confirmed by an official order not later than the next working day.

Each order must conform to the guidelines approved by the full Council on the ordering and payments system. Standard terms and conditions must not be varied without the prior approval of the Section 151 Officer/ Deputy Section 151 Officer.

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

All official stationery will be obtained and controlled by user departments. All accounts shall be certified by the respective Budget Manager.

All invoices, accounts and certificates due for payment shall be in the name of East Lindsey District Council, except where by agreement the Council is acting as paymaster for an authorised agent of the Council.

Copy accounts and statements shall not normally be passed for payment.

VAT can only be reclaimed* by the Council, upon receipt of a valid VAT invoice.

**subject to the partial exemption rules.*

Invoices should be paid within 30 days, or other agreed period.

Each appropriate officer shall notify the Section 151 Officer/ Deputy Section 151 Officer of the names of those members of his staff authorised to initiate official orders, and the financial limit that applies before an order is referred back to him, in the computerised ordering system.

The Section 151 Officer/ Deputy Section 151 Officer shall be notified by each appropriate officer of the names of those members of staff authorised to sign the summary of orders raised, together with specimen signatures and initials. No officer shall sign any name other than his own, and facsimile signatures shall not be used.

In replacing the signing of an order, the signing of the summary of orders shall indicate that:-

- The goods or services are necessary for the discharge of responsibilities of the Council
- There is provision for the cost within the approved estimates or is otherwise approved in accordance with the Council's Financial Procedures.
- Financial Procedures, Contract Procedures and Standing Orders have been complied with.
- Increasing use of the Council's credit card facility does not remove the need for the rules and controls to be followed.

Key controls

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

- all goods and services are ordered only by authorised officers and correctly recorded;
- all goods and services shall be ordered in accordance with the Council's code of practice for tenders and contracts;
- goods and services received are checked to ensure they are in accordance with the order;
- payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards;
- all payments are made to the correct person, for the correct amount and are properly recorded;
- all appropriate evidence of the transaction and payment documents are retained and stored for the defined period in accordance with the document retention schedule;
- all expenditure including VAT, is accurately allocated; and
- in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Any use of the Council Credit Card will be in accordance with the Council's Procurement Card Policy. All cardholders must sign up to this Policy prior to Credit Card use.

The Council publishes payments over £250 in accordance with the Transparency Code and good practice.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To ensure that all of the Council's financial systems and procedures are sound and properly administered.

To approve the form of official orders, and associated terms and conditions.

To make payments from the Council's funds on the Budget Manager's authorisation that the expenditure has been duly incurred in accordance with financial regulations.

To make payments, whether or not provision exists within the estimates, where the payment is

specifically required by statute or is made under a court order.

To make payments to contractors on the certificate of the appropriate Budget Manager, which must include details of the value of work, retention money, amounts previously certified and amounts now certified within authorised limits.

Responsibility of Budget Managers

To ensure that the Council's electronic official order system is used for all goods and services.

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

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

To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories.

To ensure any payments, with VAT charged, are valid VAT invoices and meet the requirements of HMRC.

To ensure that payments are not made unless an invoice has been received, checked, coded and certified for payment confirming:

- receipt of goods or services;
- that the goods and services have been inspected and found to be satisfactory;
- that the invoice has not previously been paid;
- that expenditure is legal and has been properly incurred and is within budget provision;
- that prices, discounts, credits and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
- that standing orders, financial procedures and Council resolutions have been complied with;
- correct accounting treatment of tax;
- the invoice is correctly coded;
- discounts have been taken where available; and
- that appropriate entries will be made in accounting records;
- that the account, in part or whole, has not previously been passed for payment and the payment has been recorded, or the order within the computerised ordering system;
- that the appropriate entries have been made in inventories or stores records.

To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. In every case a different officer from the person who processed the order should authorise the invoice.

To ensure that the service unit maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Section 151 Officer/ Deputy Section 151 Officer.

To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the Internal Audit Manager.

To ensure that the unit obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the guidelines and best practices which are in line with best value principles and contained in the Council's tendering and contracts procedures.

To utilise the purchasing procedures in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the code of practice on tenders and contracts and will cover:

- authorised officers and the extent of their authority;
- advertisement for tenders;
- procedure for creating, maintaining and revising a standard list of contractors;
- selection of tenderers;
- compliance with UK and EC legislation and regulations;
- procedures for the submission, receipt, opening and recording of tenders;
- the circumstances where financial or technical evaluation is necessary;
- procedures for negotiation;
- acceptance of tenders;
- the form of contract documentation;
- cancellation clauses in the event of corruption or bribery; and
- contract records.

To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Section 151 Officer/ Deputy Section 151 Officer. This is to protect the Council against entering into unapproved credit arrangements and to ensure value for money is being obtained.

To notify the Section 151 Officer/ Deputy Section 151 Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the accounts closedown timetable determined by the Section 151 Officer/ Deputy Section 151 Officer.

With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Section 151 Officer/ Deputy 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 sub contractors' tax status.

To notify the Section 151 Officer/ Deputy Section 151 Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the document retention schedule.

Responsibility of Purchase Card Holder

To comply with the terms of the Council's procurement card scheme.

37. Contracts

(Please read in conjunction with the Contract Procedures)

Why is this important?

Contract payments are a large part of the Council's expenditure.

Key Controls

All contracts entered into by the authority shall be subject to the Council's Standing Orders, and every exception thereto shall be reported to the Executive Board with the reasons that justify the exception being made.

No tender shall be accepted or contract signed until the Section 151 Officer/ Deputy Section 151 Officer is satisfied with the financial standing of the contractor and there is provision in the Capital Programme and/or Revenue Estimates for the total estimated cost of the project.

Appropriate officers shall, prior to commitment to each new individual capital or revenue project exceeding £25,000, undertake an appraisal or appraisals which shall include the following:-

- Appraising the need for the expenditure and its priority, e.g. has a business case been developed which sets out the service objectives, the criteria for evaluation and the options for delivery;
- Defining the objectives of the purchase;
- Consider the risks associated with the purchase over its life and how to manage them;
- Considering what procurement method is most likely to achieve the purchasing objectives, including internal or external sourcing or sourcing through ESPO, and collaboration with other purchasers;
- Consulting users as appropriate about the proposed procurement method, contract standards and also performance and user satisfaction monitoring;
- Selecting the most appropriate procurement method; and
- Consider the maturity of the market (local, regional and national) whether the contracting approach is likely to yield enough competition.

This shall form the basis for inclusion in either the revenue or capital programme. The appropriate officer shall ensure that the project details and design are adequate to satisfactorily initiate and complete the project.

No work on site shall be permitted and no payment shall be made on any contract until contract documentation in an approved form has been completed and deposited with the Monitoring Officer. Any variations or extras agreed on behalf of the Council shall be reported by the appropriate officer to the Section 151 Officer/ Deputy Section 151 Officer.

Payment on account to outside contractors shall be authorised only on a certificate signed by the appropriate officer or his authorised officer showing the total amount of the contract, the value of approved variations thereto, the value of work executed to date, retention money, amount paid to date, and the amount now certified.

A register shall be kept, in a form approved by the Section 151 Officer/ Deputy Section 151 Officer, of all contracts in which particulars of the contracts entered into by the Council and payments made under such contract shall be recorded.

Any exemption to Contract Procedure Rules will be reported to Executive Board on a quarterly basis.

Responsibility of Designated Engineer or Architect

The officer or outside Consultant designated as Engineer or Architect in any contract for building, civil engineering, or mechanical installations shall be the officer responsible for the issue of all interim and final certificates or for the issue of variation orders provided that the Section 151 Officer/ Deputy Section 151 Officer shall have a reasonable opportunity, prior to the issue of the final certificates, for auditing the contract accounts. Every variation in any contract shall be authorised in writing by the appropriate officer or a duly authorised officer.

Responsibility of Section 151 Officer/ Deputy Section 151 Officer

The Section 151 Officer/ Deputy Section 151 Officer shall be informed of any variation considered essential in the exercise of professional judgement or other circumstances which, after allowing for contingencies already encountered, increases the total authorised amount of the contract. To ensure any variation to provide non-essential modifications or extras to the contract or specification which will increase the amount payable shall be subject to the prior approval of the Executive Board.

To ensure claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Section 151 Officer/ Deputy Section 151 Officer for consideration of the Authority's legal liability and for financial consideration before settlement is reached.

Responsibility of Budget Managers

Where contract completion is delayed beyond the contract period the appropriate officer shall take action in respect of any claim for liquidated damages and report on the matter to the Executive Board.

The appropriate officer shall notify the Section 151 Officer/ Deputy Section 151 Officer in writing at practical completion of the contract so that any performance bond can be released.

The appropriate officer shall notify the Section 151 Officer/ Deputy Section 151 Officer in writing on satisfactory completion of the maintenance period under a contract so that any retention money can be released.

The appropriate officer shall, where a contract for works, goods or services is to be placed and is known to be in value above £25,000, obtain at least three written quotations.

The appropriate officer shall ensure that tendering procedures are in accordance with those in existence for all contracts.

38. Payments to Employees and Members

Why is this important?

Staff costs are one of the largest items of expenditure for the Council's services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and accord with an

individual's conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for, and that member allowances are authorised in accordance with the scheme adopted by the full Council.

Key controls

The key controls for payments to employees and members are that:

- appointments of employees shall be made in accordance with the approved establishments, grades and rates of pay, conditions of employment and subject to budget provision;
- proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
 - starters
 - leavers
 - variations
 - enhancements and that payments are made on the basis of timesheets or claims;
- frequent reconciliation of payroll expenditure against approved budget and bank account;
- all appropriate payroll documents are retained and stored; and
- Inland Revenue regulations are complied with.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees in accordance with procedures prescribed by him/her, on the due date.

To authorise any requests for advance payments of salaries,

To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.

To make arrangements for the payment of all travel and subsistence claims or financial loss allowance.

To make arrangements for paying members travel or other allowances upon receiving the prescribed form duly completed and authorised.

To provide advice and encouragement to secure the payment of salaries and wages by the most economical means.

To ensure that there are adequate arrangements for administering superannuation matters on a day to day basis.

To complete all Inland Revenue returns regarding PAYE

Responsibility for CPBS

To notify Chief Executive of appointments, dismissals, resignations, suspensions, secondments, transfers.

Changes in remuneration other than normal increments.

All information necessary to maintain records of service or superannuation, income tax, national insurance, and other deductions and additions.

Responsibility of Budget Managers

To ensure appointments are made in accordance with the regulations of the Council and approved

establishments, grades and scales of pay, and that adequate budget provision is available.

To notify the Head of Human Resources and the Section 151 Officer/ Deputy Section 151 Officer of all appointments, terminations, or variations which may affect the pay or pension of an employee or former employee.

To ensure that adequate and effective systems and procedures are operated, so that:

- payments are only authorised to bona fide employees;
- payments are only made where there is a valid entitlement;
- conditions and contracts of employment are correctly applied; and
- employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

Employee payments are processed only through the payroll system. Budget Managers should give careful consideration to the employment status of individuals employed on a "self employed consultant or sub contract" basis. The Inland Revenue applies a tight definition for employee status and in cases of doubt; advice should be sought from S151 Officer.

To certify travel and subsistence claims and other allowances on a monthly basis.

Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications.

To ensure that the motor insurance policy of any officer required to use their vehicle on Council business shall cover the official use of the vehicle in the service of the Council.

Officers in receipt of car allowances shall, on request, produce such policy and/or premium receipts as may be necessary.

To ensure that the details of any employee benefits in kind are notified to the Section 151 Officer/ Deputy Section 151 Officer to enable full and complete reporting within the income tax self assessment system.

To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self employed or are employed by a recognised staff agency.

To ensure that all appropriate payroll documents are retained and stored in accordance with corporate retention guidelines.

Responsibility of Members

To submit claims for travel and subsistence allowances on a monthly basis and, in any event, within one month of the year-end.

Payments in respect of Travelling and Subsistence to Members of the Council will be made by the Chief Executive upon receipt of the prescribed form, duly certified by the Member.

Claims should be made within three months of the event giving rise to the claim. The payment of Basic and Special Responsibility Allowances will be made monthly by the Chief Executive directly into the Member's bank account. This will occur automatically unless the Member renounces claim to the Allowances.

39. Taxation

Why is this important?

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

Key controls

The key controls on taxation are:

- budget managers are provided with relevant information and kept up-to-date on tax issues;
- budget managers are instructed on required record keeping;
- all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
- records are maintained in accordance with instructions; and
- returns are made to the appropriate authorities within the stipulated timescale.

Responsibility of the Section 151 Officer/ Deputy Section 151 Officer

To complete a monthly VAT return of the Council's input and output tax transactions with the net amount being paid to/due from Her Majesty's Revenue & Customs (HMRC). To provide details to the Inland Revenue regarding the Construction Industry Tax Deduction Scheme.

Responsibility of Managers

To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with Her Majesty's Revenue & Customs (HMRC) Regulations. Guidance can be obtained from Financial Services, and the use of a VAT professional.

To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax Deduction requirements.

40. Trading Accounts

Why is this important?

Trading accounts have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

Responsibility of the S151 Officer

To advise on the establishment and operation of trading accounts.

Responsibility of Budget Managers

To observe all statutory requirements in relation to trading accounts, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and an annual report in support of the final accounts.

To ensure that the same accounting principles are applied in relation to trading accounts as for other service units.

To ensure that each trading services area prepares an annual business plan.

41. External Partnerships

Why is this important?

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

The Council can mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. The Council is measured by what it achieves, in partnership with others.

General

The main reasons for entering a partnership are:

- to provide new and better ways of delivering services to our residents;
- the desire to find new ways to share risk;
- the ability to access new resources; and
- to forge new relationships. A

partner is defined as either:

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

Partners participate in projects by:

- acting as a project deliverer or sponsor, solely or in concert with others;
- acting as a project funder or part funder; or
- being the beneficiary group of the activity undertaken in a project.

Partners have common responsibilities to:

- be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- act in good faith at all times and in the best interests of the partnership's aims and objectives;
- be open about any conflict of interests which might arise;
- encourage joint working between themselves and promote the sharing of information, resources and skills between public, private and community sectors;

- hold confidentially any information received, as a result of partnership activities or duties, that is of a confidential or commercially sensitive nature; and
- act wherever possible as ambassadors for the project.

Key controls

The key controls for Council partners are to:

- if appropriate, be aware of their responsibilities under the Council's financial procedures and the contract procedures;
- ensure risk management processes are in place to identify and assess all known risks;
- ensure project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
- agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences; and
- communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

Responsibility of Section 151 Officer/ Deputy Section 151 Officer

To advise on effective controls to ensure that resources are not wasted. To

advise on the key elements of funding a project. These include:

- a scheme appraisal for financial viability both in the current and future years;
- risk appraisal and management;
- resourcing, including taxation issues; and
- audit, security and control requirements.

To ensure that the accounting arrangements are satisfactory.

Responsibility of Budget Managers

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

To ensure that before entering into agreements with external bodies, a risk management appraisal has been prepared.

To ensure that such agreement and arrangements do not impact adversely upon the services provided by the Council.

To ensure that all agreements and arrangements are properly documented.

To provide appropriate information to the Section 151 Officer/ Deputy Section 151 Officer to enable the appropriate disclosure to be entered into the Council's Statement of Accounts concerning material items.

42. External Funding

Why is this important?

External funding is potentially a very important source of income and Budget Managers are encouraged to bid for scheme funding. However, funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. The Council is increasingly encouraged to provide 'seamless' service delivery through working closely with other agencies and private service providers.

Funds from external agencies 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 overall plan.

Key controls

The key controls for external funding are to ensure that:

- key conditions of funding and any statutory requirements are complied with, and that the responsibilities of the accountable body are clearly understood;
- funds are acquired only to meet the priorities approved in the policy framework by the full Council; and
- any match funding requirements are given due consideration prior to entering into long term agreements and that future revenue budgets reflect these requirements.

Responsibility of Section 151 Officer/ Deputy Section 151 Officer

To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

To ensure that the match funding requirements are considered prior to entering into the agreements and future revenue budgets reflect these requirements.

To ensure that audit requirements of the Funding Body are met.

Responsibility of Budget Managers

To ensure that all claims for funds are made by the due date.

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

To ensure that conditions, after grant is awarded and the project is complete, are met.

43. Work for Third Parties (including other Local Councils)

Why is this important?

Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise.

Effective controls need to be in place to ensure that any risks associated with this work are minimised, and that the work falls within the Council's statutory powers.

East Lindsey District Council's financial procedures apply equally to any service carried out by East Lindsey District Council for any other Council, body or person.

Key controls

The key controls for working with third parties are to:

- to ensure that proposals are costed properly;
- to ensure that contracts are drawn up using guidance provided by the Section 151 Officer/ Deputy Section 151 Officer and head of legal and member services and that the formal approvals process is adhered to; and
- issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibility of Section 151 Officer/ Deputy Section 151 Officer

To issue guidance and properly assess the financial aspects of third party contracts and the maintenance of the contract register.

Monitoring Officer

To issue guidance sheet for the Council on the legal aspects of third party contracts.

To maintain a register of all contracts entered into with third parties.

To ensure that all contracts are properly documented.

Responsibility of Budget Managers

To ensure that the approval of the Executive Board is obtained before any negotiations are concluded to work for third parties.

To ensure that appropriate insurance arrangements are made.

To ensure that the Council is not put at risk from any bad debts.

To ensure that no contract is subsidised by the Council.

To ensure that payment is received in advance of the delivery of the service, or in accordance with contract conditions.

To ensure that the unit has the appropriate expertise and capacity to undertake the contract and do not impact adversely upon the services provided for East Lindsey District Council.

To provide appropriate information to the Section 151 Officer/ Deputy Section 151 Officer to enable the appropriate disclosure to be entered into the Statement of Accounts.