London Borough of Southwark

Financial Regulations

Contents

Financial Regulations

1. Introduction

1.1. The Council's Financial Standing Orders require the chief finance officer (the Strategic Director of Finance and Governance) to issue financial regulations and strategic directors to ensure that all relevant staff in their departments fully comply with them. The Financial Regulations set out the Council's financial management framework detailing the roles and responsibilities for financial management. Individual Council officers must familiarise themselves with financial regulations relevant to their work, and fully comply with them.

1.2. The Financial Regulations explain how financial responsibilities are managed within the Council and the main rules and processes that officers must follow. They should help officers meet their financial responsibilities and assist them in identifying further training needs.

2. Financial Management

2.1. Financial Management Roles and Responsibilities

2.1.1. All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues. Everyone should be clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

Responsibilities of the Strategic Director of Finance and Governance

2.1.2. The Strategic Director of Finance and Governance is the Council's chief finance officer in accordance with Section 151 of the Local Government Act 1972. His responsibilities include:

- advising the Council on financial strategy and financial planning;
- managing the Council's financial affairs;
- setting standards to be followed throughout the Council in all financial systems, processes and transactions.

2.1.3. The Strategic Director of Finance and Governance has a responsibility to report to the Council (via the Audit & Governance Committee) any instances of poor practice, non-compliance with appropriate standards or other matters, which have resulted in or could result in financial losses or financial risks.

2.1.4. In addition, the Accounts and Audit (England) Regulations 2011 require the Strategic Director of Finance and Governance to:

- determine the accounting records for the Council, including the form of accounts and supporting records;
- determine the accounting control systems, including the identification of duties of officers dealing with financial transactions and the division of responsibilities of these officers;

- ensure that the accounting control systems determined by him are observed;
- ensure that the accounting records are maintained in accordance with proper practices and kept up to date;
- review the effectiveness of the systems of internal control throughout the Council and publish an annual statement (subsumed within the Annual Governance Statement).

Role of strategic directors

2.1.5. The Council operates a culture of devolved financial responsibility whereby, having established the policies and set the procedures and standards to be followed, the Strategic Director of Finance and Governance delegates the operational management of the Council's financial affairs to strategic directors. This is done through the 'Scheme of Delegation for Financial Authority and Accountability', which is renewed annually before the beginning of each financial year. The Scheme details the responsibilities of strategic directors with regards to financial management.

2.1.6. Strategic directors are responsible for operating within the Scheme of Delegation. In addition, they have the following general financial responsibilities for their entire department:

- ensuring proper standards of financial management and financial control, including compliance with these Financial Regulations;
- complying with the corporate timetables set by the Strategic Director of Finance and Governance for financial planning, financial reporting and financial accounting;
- complying with the standards, protocols, procedures and systems laid down by the Strategic Director of Finance and Governance;
- managing service delivery within allocated resources;
- producing reports on financial and service performance as necessary to support decision-making.

2.1.7. All strategic directors must implement a departmental scheme of management setting out the levels of responsibility throughout their department. Nothing in the departmental scheme of management can over-ride the standards, procedures, systems or timetables laid down by the Strategic Director of Finance and Governance.

Role of divisional service managers

2.1.8. Within their responsibility for the performance of their service divisions, divisional service managers (DSM) are financially responsible for:

- compliance with the corporate frameworks laid down by the Council and by the Strategic Director of Finance and Governance;
- performance management of the finance function in their service divisions – this function will be exercised in conjunction with the Departmental Finance Manager;

- ensuring that there is the capacity and staff with the competencies and skills to deliver the necessary financial support. This function will be exercised in conjunction with the Departmental Finance Manager and will incorporate the standards of training and qualifications set by the Strategic Director of Finance and Governance.

Role of Business Managers

2.1.9. In relation to their unit, business managers are financially responsible for:

- operating within the agreed budget for their unit;
- using resources efficiently and effectively ;
- ensuring that there are the resources to deliver the necessary financial support.

Role of Departmental Finance Managers

2.1.10. Each department has a Departmental Finance Manager (DFM) who is responsible to the Strategic Director of Finance and Governance and to that department's strategic director for the delivery of the finance function within that department. Departments will have central finance support staff directly managed by the DFM, and finance support staff throughout business units, some of whom have a professional responsibility to the DFM.

2.1.11. The DFM is a member of the Council's corporate finance team (the Senior Finance Managers Group) chaired by the Director of Finance which, under the direction of the Strategic Director of Finance and Governance, co-ordinates the finance function throughout the Council.

2.1.12. Thus, the DFM acts as a "chief finance officer" for the department, providing support and guidance to finance staff throughout the department, co-ordinating the finance function, and ensuring that corporate timetables and standards are maintained.

2.2. Accounting Policies

2.2.1. The Strategic Director of Finance and Governance is responsible for the preparation of the authority's Statement of Accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC*), for each financial year ending 31 March.

2.2.2. The Council's accounting policies are set out in the Statement of Accounts, which is prepared at 31 March each year, and covers such items as:

- separate accounts for capital and revenue transactions
- the basis on which debtors and creditors at year end are included in the accounts
- details on substantial provisions and reserves
- fixed assets
- depreciation

- capital charges
- work in progress
- stocks and stores
- deferred charges
- accounting for Value Added Tax
- government grants
- leasing
- pensions.

Advice from External Bodies

2.2.3. The Council will always implement statutory and mandatory requirements. As a general principle, the Council will also adopt all advice that is received from “recognised” external bodies, such as CIPFA.

2.2.4. Where such advice is received directly in service areas (because it is specific to that service), it is the responsibility of the DSM to either implement the advice, or submit a report to the Strategic Director of Finance and Governance recommending non-acceptance of the advice. On receipt of the Strategic Director of Finance and Governance’ decision, the DSM must implement the decision.

2.2.5. The presumption is always that the Council will adopt and implement advice from “recognised” bodies and DSMs will be required to account for any decisions not to implement such advice. The only valid reason not to adopt such advice will be the receipt of a written decision by the Strategic Director of Finance and Governance in accordance with the Protocol Governing the Adoption and Implementation of Advice Received from External Bodies.

2.3. Accounting Records

2.3.1. Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. All finance staff and budget managers must operate within the required accounting standards and timetable.

2.3.2. All the Council’s transactions, material commitments and contracts and other essential accounting information must be recorded completely, accurately and on a timely basis.

2.3.3. Reconciliation procedures should be carried out in line with the Reconciliations Protocol to ensure transactions are correctly recorded.

2.3.4. Adequate records should be maintained to provide a management trail leading from the source of income/expenditure through to the accounting statements. Manual journals must comply with the General Ledger Journal Protocol.

2.3.5. Procedures must be in place to enable accounting records to be reconstituted in the event of systems failure.

2.3.6. Financial documents must be retained in accordance with the requirements set out in the Council's retention and disposal schedule.

2.3.7. Information required to enable the Statement of Accounts to be completed must be provided in accordance with guidelines and timetable issued by the Chief Accountant.

2.4. The Annual Statement of Accounts

2.4.1. The Council must produce its annual accounts at the end of each financial year in accordance with current legislation and in particular the Accounts and Audit (England) Regulations 2011. The Financial Standing Orders set out the responsibilities of the Strategic Director of Finance and Governance and the strategic directors in terms of the Annual Statement of Accounts.

2.4.2. The Audit & Governance Committee is responsible for approving the statutory annual Statement of Accounts.

Closing the accounts

2.4.3. Closing the accounts is a consolidation of existing practices as set out elsewhere in the Financial Regulations. Minimal further action to close the accounts at year-end will be required if the accounts are maintained in line with the good practice, and in particular with the following:

- accounts are maintained in accordance with current accounting practice and should reflect the actual expenditure and income in the year;
- all accounting entries are supportable and in accordance with current accounting practice;
- all financial reporting, both external (e.g. grant claims, statutory returns, performance indicators and CIPFA statistics) and internal (committee reports and monitors, annual report, other publicity material) are consistent and reconciled with the budget and accounting information held on SAP;
- balance sheet codes and control accounts are regularly reviewed throughout the financial year.

2.4.4. A detailed closing timetable is produced during January each year. Accounts should be closed by the managers responsible and the appropriate statutory financial information, including performance indicators, outturns and statistical returns produced within the closing timetable.

2.4.5. Satisfactory and timely explanations should be provided for all matters raised by the external auditor during the audit of the accounts.

2.4.6. The Strategic Director of Finance and Governance should be consulted as soon as possible if there are any potential conflicts regarding external financial reporting.

3. Financial Planning

3.1.1. The Council's policy and resourcing process aligns the Council's policies and priorities contained in the Corporate Strategy and Council Plan with its available resources to produce the Medium Term Resources Strategy (MTRS). The financial planning and budgeting process is an integrated part of the policy and resourcing and business planning process.

3.2. Budgeting

Revenue budget preparation

3.2.1. The Council's Budget Manual, which is updated annually, sets out the annual budget framework, principles, and practice of budget preparation and management.

3.2.2. Strategic directors must prepare, in consultation with the Strategic Director of Finance and Governance, estimates of income and expenditure to be submitted to the Cabinet.

3.2.3. The revenue budget must be constructed to ensure that resource allocation properly reflects the service plans and priorities of the Council. Financial and budget plans should be integrated into service planning, so that budget plans can be supported by financial and non-financial performance measures.

3.2.4. Managers should identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

3.2.5. Strategic directors should maintain an approved establishment list, which is reflected on SAP HR structures in accordance with the Joint HR and Finance Protocol for Maintaining the Organisational Structure on SAP. This is important for a range of management information purposes, but it is also crucial for setting appropriate staffing budgets.

3.2.6. Strategic directors must obtain the approval of the relevant Cabinet member(s), for all discretionary fees and charges in relation to their areas of responsibility.

3.2.7. Strategic directors should provide a statement of assurance for their department's budgets to enable the Strategic Director of Finance and Governance to be able to make assurances about the robustness of the Council's budget as a whole. This assurance may be cascaded down within the departments to appropriate levels.

Budgetary control

3.2.8. The Council operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

3.2.9. For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre.

However, budgetary control may take place at a more detailed level if this is required by the strategic director's scheme of management.

3.2.10. Each cost centre must have a single named manager, determined by the relevant strategic director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure.

3.2.11. Resources must be used only for the purpose intended, to achieve the approved policies and objectives, and be properly accounted for.

3.2.12. Managers must work within budget limits and utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

3.2.13. Expenditure should be committed only against an approved budget head.

3.2.14. Significant variances from approved budgets must be investigated and reported by budget managers regularly.

3.2.15. Strategic directors should ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget, and that it is operating effectively.

3.2.16. Performance levels/levels of service should be monitored in conjunction with the budget and necessary action should be taken to align service outputs and budget.

3.2.17. Each strategic director should produce a budget monitoring report monthly in accordance with the Budget Monitoring Protocol. The reports must give a full explanation of why variations are projected, what action has or will be taken to mitigate the variations, the implications for service levels and key performance targets and detail any risks. These reports will be consolidated into a corporate budget monitoring report to the Cabinet.

Virements

3.2.18. Budget adjustments or virements are intended to enable the Cabinet and strategic directors to manage revenue budgets with a degree of flexibility within the overall policy framework determined by the Council Assembly, and therefore to optimise the use of resources.

3.2.19. All virements must be controlled within departments. Virements should be subject to an approval process in accordance with the Financial Standing Orders and departmental scheme of management. This approval process should ensure that departments are able to provide adequate explanation of why the virement has been made.

3.2.20. Provisions included within departmental budgets on the instructions of the Strategic Director of Finance and Governance as per the schedule of corporately controlled budgets maintained by the Strategic Director of Finance and Governance (e.g. insurance, capital charges, leasing costs, service level agreements, FRS 17, planned maintenance, etc.), may not be vired for other purposes without the written consent of the Strategic Director of Finance and Governance.

3.2.21. If the virement is in excess of £250,000, the strategic director must notify it to the Strategic Director of Finance and Governance who will report it to the Cabinet at the earliest opportunity. This rule applies where there is movement of an approved budget from one service to another and to adjustments between subjective categories of income and expenditure such as to reflect additional grant or other income and associated expenditure.

3.2.22. Virements across departments and reserve adjustments of £250,000 or less may be actioned with the agreement of the relevant strategic directors and must be reported to the Cabinet. Where an inter-departmental virement or reserve adjustment exceeds £250,000, the relevant strategic director(s) must obtain written consent from the Strategic Director of Finance and Governance who will obtain the approval of the Cabinet.

3.2.23. A virement in one department that is likely to impact on the level of service activity of another department should be implemented only after agreement with the relevant strategic director.

3.2.24. No virement relating to a specific financial year should be made after 31 March in that year.

3.2.25. Departmental Finance Managers should undertake a regular review of budget adjustments within their department to ensure that the adjustments are valid.

3.2.26. Technical adjustments relating to closing the accounts, such as those in respect of capital charges such as depreciation, will be reflected in the statement of accounts signed by the Strategic Director of Finance and Governance.

Treatment of year-end balances

3.2.27. The Strategic Director of Finance and Governance will, on consideration of the overall financial position of the council at the end of a financial year, recommend to the Cabinet whether overspends by departments should be set off against budgets in the subsequent financial year and whether under spends by departments can be made available for specific projects or carried forward to the subsequent financial year, or otherwise accounted for, in line with the Medium Term Resources Strategy.

3.2.28. All internal trading unit surpluses shall be retained for the benefit of the Council and their application shall require the approval of the Cabinet.

3.2.29. Schools' balances shall be available for carry-forward to support the expenditure of the school concerned in accordance with the Scheme for Financing Schools.

Capital programmes

3.2.30. Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles.

3.2.31. Capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

3.2.32. The Strategic Director of Finance and Governance will prepare capital estimates jointly with strategic directors and the Chief Executive and report them to the Cabinet. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council Assembly for approval.

3.2.33. A scheme and estimate, including project plan, progress targets and associated revenue expenditure must be prepared for each capital project.

3.2.34. Capital projects may only proceed when there is adequate provision in the capital programme and with the agreement of the Strategic Director of Finance and Governance.

3.2.35. Project Managers should not incur any expenditure above the approved amount.

3.2.36. Managers should ensure that adequate records are maintained for all capital contracts.

3.2.37. Project Managers must review financial forecasts and update dates, milestones and forecasts at least monthly. All variances between expenditure now forecast and that originally estimated must be reviewed and appropriate corrective action taken and reported to the strategic director.

3.2.38. Strategic directors should prepare regular reports reviewing the capital programme provisions for their services. They should also provide the Strategic Director of Finance and Governance with a quarterly return of estimated final costs of schemes in the approved capital programme.

3.2.39. The Strategic Director of Finance and Governance will report on the actual capital expenditure incurred in the first six months by the Council as a whole to the Cabinet by December. This report will include details of variations to the capital programme, the projected outturn for the financial year and the total capital resources available to the Council with which to finance such expenditure.

3.2.40. The Strategic Director of Finance and Governance will report to the Cabinet on the outturn position for capital expenditure for each financial year.

3.2.41. The Strategic Director of Finance and Governance must be notified when a capital scheme is complete, so that it can be closed and its cost consolidated into the balance sheet.

3.2.42. Any revenue implications of capital schemes must be included in the revenue budgets.

Variations to the capital programme

3.2.43. Virements between capital projects or programme headings as set out in the overall programme approved by Council Assembly must be notified by the relevant strategic director to the Strategic Director of Finance and Governance and cannot be actioned until they have been approved as follows:

- up to £100,000 – Strategic Director of Finance and Governance

- over £100,000 and up to £1,000,000 – the Cabinet member for Finance, Resources and Community Safety, after consultation with the relevant Cabinet member(s)
- over £1,000,000 and up to £10,000,000 – the Cabinet
- over £10,000,000 – Council Assembly.

3.2.44. Changes to profiles for capital projects or programme headings as set out in the overall programme approved by Council Assembly must be notified by the strategic director to the Strategic Director of Finance and Governance and cannot be actioned until they have been approved as follows:

- up to £250,000 – strategic director
- over £250,000 – Cabinet member for Finance, Resources and Community Safety, after consultation with the relevant Cabinet member.

3.2.45. Strategic directors must prepare and submit reports, jointly with the Strategic Director of Finance and Governance, to the Cabinet, of any schemes in progress, which are forecast to overspend or underspend by 10% or more compared to the approved budget, unless the overspending or underspending amounts to less than £250,000. The report must give reasons for the underspending or overspending.

Leases

3.2.46. Strategic directors are required to consult with the Strategic Director of Finance and Governance as early as possible in order to obtain advice on the correct assessment of a lease (as 'finance' or 'operating') and to obtain written permission from him before taking or granting a lease on any asset. The exceptions to this are:

- The granting of short term leases on property within the commercial property portfolio managed by the Head of Property Services
- The granting of leases on Housing Revenue Account dwellings under the Right to Buy provisions of the Housing Act 1985.

3.3. Provisions and Reserves

3.3.1. Provisions and reserves relate to potential financial liabilities, which are identified in one financial year but where there is uncertainty as to their timing.

Reserves

3.3.2. The Strategic Director of Finance and Governance will advise the Cabinet and/or the Council Assembly on prudent levels of reserves for the authority.

3.3.3. Reserves can only be created with the approval of the Strategic Director of Finance and Governance and any request to set up a reserve must be made as soon as the potential liability is known. The business case will need to be consistent with the purpose of the reserve and will generally be for one–off (project) costs and invest to save initiatives. The reserves will not be used to meet ongoing budget pressures that should be addressed through the policy and resources process.

3.3.4. For each reserve established, the purpose, usage and basis of transactions should be clearly identified. Corporate reserves will only be released where use is consistent with the purpose of the reserve, as set out in the release of corporate reserves protocol.

3.3.5. All requests to release funding from reserves, excluding schools' balances, require the approval of the Strategic Director of Finance and Governance. In addition, requests to release funding from reserves over £250,000 must also be approved by the Cabinet, with those below £250,000 being reported to the Cabinet.

3.3.6. Strategic directors should ensure that provisions or reserves released are used only for the purposes for which they were intended.

Provisions

3.3.7. Provisions must be set up to cover significant liabilities that are likely to occur, but where the exact amount or timing is uncertain. "Provisions" are expenditure related, and "provisions for bad debts" are income related.

3.3.8. The creation or release of provisions can only be made by application to the Strategic Director of Finance and Governance. Provisions for bad debts can be enacted by departments.

3.3.9. Provisions must not be set up to cover budget underspends or to cover outstanding commitments.

3.3.10. All provisions must be supported by full documentation and those for bad debt must be set up in accordance with the Corporate Write-off Policy.

4. Risk Management and Control of Resources

4.1. Risk Management

4.1.1. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. It is concerned with evaluating the measures the Council already has in place to manage identified risks and then recommending the action the Council needs to take to control these risks effectively.

4.1.2. Strategic directors should ensure that there are regular reviews of risk within their departments in accordance with the risk management procedures.

4.1.3. Managers should take responsibility for risk management, having regard to advice from the Corporate Risk Manager and other specialist officers (e.g. crime prevention, fire prevention, health and safety).

4.1.4. A monitoring process should be in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. This process should be conducted on a continuing basis.

4.1.5. Business continuity plans should be identified for implementation in the event of disaster that results in significant loss or damage to the Council's resources.

4.1.6. Acceptable levels of risk should be determined and insured against where appropriate.

Insurance

4.1.7. The Strategic Director of Finance and Governance will provide corporate insurance cover, through external insurance and internal funding, and negotiate all claims in consultation with other officers, where necessary.

4.1.8. Managers should notify the Insurance section promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

4.1.9. Schools will be offered insurance cover in accordance with Fair Funding arrangements.

4.1.10. The Corporate Risk Manager must be consulted on the terms of any indemnity that the authority is requested to give.

4.1.11. Managers should notify the Insurance section immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Strategic Director of Finance and Governance or the Council's insurers.

4.1.12. Employees, or anyone covered by the Council's insurances, must not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

4.2. Internal Controls

4.2.1. The Council is complex and beyond the direct control of individuals. It 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.

4.2.2. Strategic directors should 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.

4.2.3. Strategic directors should obtain assurance that established controls are being adhered to, and evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

4.2.4. Strategic directors should review existing controls in the light of changes affecting the Council, and establish and implement new ones in line with guidance from the Strategic Director of Finance and Governance. Strategic directors should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

4.2.5. Managers must ensure that all staff comply with internal controls and take appropriate action in the case of non-compliance.

4.2.6. Managers should set an example to their staff by adhering to corporate rules and standing orders themselves, and not bypassing them for the sake of expedience.

4.3. Assets

Security

4.3.1. The Council holds assets in the form of property, vehicles, equipment, furniture, information and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations.

4.3.2. All assets must be held in the name of the Council and not in the name of an individual officer.

4.3.3. An asset register must be maintained for the Council. Assets should be recorded when they are acquired by the Council, their location recorded, and they should be appropriately marked and insured. The asset register should be updated as changes occur with respect to the location and condition of the asset.

4.3.4. Managers must ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council. Valuable items must be held in a secure environment appropriate to the value of the item and cost of security, and large cash holdings must be in a suitable locked safe. Cash holdings on premises should be kept to a minimum.

4.3.5. All Council resources should be used only for the purposes of the Council and be properly accounted for.

4.3.6. Council property must not be removed except in the normal course of the Council's business unless specifically authorised by the strategic director.

4.3.7. All staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

4.3.8. Strategic directors should consult the Strategic Director of Finance and Governance in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

4.3.9. Appropriate arrangements must be in place to ensure that keys to safes and similar receptacles are secure; loss of any such keys must be reported to the Strategic Director of Finance and Governance as soon as possible.

4.3.10. Managers or staff should not store Council monies in their own home, car or person unless written approval has been given in advance by the Strategic Director of Finance and Governance.

4.3.11. Resources no longer required should be disposed of in accordance with the law and the regulations of the Council so as to maximise benefits.

Information assets

4.3.12. All staff have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

4.3.13. All staff are responsible for safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.

Inventories

4.3.14. Managers should maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £250 in value.

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

4.3.16. Managers should record all disposal or part exchange of assets.

Stocks and stores

4.3.17. Strategic directors should arrange for the care and custody of stocks and stores in the department.

4.3.18. Stocks should be maintained at reasonable levels and be subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.

4.3.19. Strategic directors should remove from the Council's records (i.e. write off) discrepancies as necessary, or to obtain Cabinet approval if they are in excess of £500,000.

4.3.20. Strategic directors should write off and authorise disposal of redundant stocks.

Asset disposal

4.3.21. 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 the regulations of the Council.

4.3.22. Assets for disposal should be identified and disposed of at the most appropriate time, and only when it is in the best interests of the Council and best price is obtained, in accordance with the procedures for disposal of assets. For items of significant value, disposal should be by competitive tender or public auction.

4.3.23. Appropriate accounting entries must be made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.

Intellectual property

4.3.24. Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

4.3.25. Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.

4.3.26. All patents, trademarks and other rights in inventions or concepts that are created or developed by employees during and arising from or related to their employment belong to the Council, subject to any rights acquired by employees under the Patents Act 1977. The Council also owns the copyright in all work produced by employees during their employment.

4.3.27. Strategic directors must ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

4.4. Treasury Management

4.4.1. Treasury Management aims to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

4.4.2. The Strategic Director of Finance and Governance shall monitor and report on treasury management activities on a quarterly basis to the Cabinet and at mid year and year-end to Council Assembly.

Investments and borrowing

4.4.3. The Council's borrowings and investments must comply with the CIPFA Code of Practice on Treasury Management and with the Council's Treasury Management Strategy. If the Strategic Director of Finance and Governance should wish to depart from the main principles of the Code, the reasons must be reported to the Council Assembly.

Banking

4.4.4. The Strategic Director of Finance and Governance' agreement in writing must be obtained before any new bank account can be opened. Bank accounts may only be opened with the Council's bankers (currently National Westminster Bank) unless the Strategic Director of Finance and Governance has agreed otherwise.

4.4.5. Local bank accounts are permitted in the following circumstances:

- for use by schools
- for the operation of trust funds
- where local cheque facilities are required
- where it is not possible to operate an account forming part of the main account.

4.4.6. Local bank accounts should not be opened for planning gain or for capital grants.

4.4.7. The Strategic Director of Finance and Governance must approve the format of cheques and other secure stationery related to bank accounts.

4.4.8. The Strategic Director of Finance and Governance must be supplied with copies of bank mandates, signed by the authorised officers. Details should be kept on file for audit purposes.

4.4.9. Details of officers responsible for local bank accounts should be included on departmental schemes of management.

4.4.10. Local bank accounts must not be allowed to become overdrawn.

4.4.11. Any income collected or expenditure incurred on a local bank account, and its balance, must be reflected in the main accounting system (SAP) as soon as possible.

4.4.12. All local bank accounts must be reconciled, at least monthly. A final reconciliation must be done when the account is closed.

4.4.13. On closing a local bank account, any balance must be paid into the Council's main bank account and correctly accounted for on SAP.

4.4.14. On closure of a bank account, any cheques or other secure stationery should be destroyed.

Trust funds and funds held for third parties

4.4.15. Where funds are held on behalf of third parties, arrangements must be made for their secure administration, and written records must be maintained of all transactions.

4.4.16. Trust funds must be operated within any relevant legislation and the specific requirements for each trust.

Imprest accounts

4.4.17. Petty Cash accounts may only be operated with the specific approval of the Strategic Director of Finance and Governance. Approval will only be given where urgent 'life and death' cash payments are required.

4.4.18. Vouchers to support each payment from the imprest account must be retained. Where appropriate, an official receipted VAT invoice must be obtained.

4.4.19. Imprest holders must produce upon demand by the Strategic Director of Finance and Governance cash and all vouchers to the total value of the imprest amount.

4.4.20. The amount of any individual payment must not exceed £100 (payments may not be subdivided to circumvent this requirement).

4.4.21. Petty cash may not be used to:

- reimburse staff for miscellaneous expenses;
- pay suppliers' invoices, including hotel bills and conference fees.

4.4.22. Petty cash floats must never be used to cash personal cheques or to make personal loans. The only payments into the account should be the reimbursement of the float and change relating to purchases where an advance has been made.

4.4.23. The imprest account must be reconciled at least monthly.

4.4.24. Managers must make adequate arrangements for the safe custody of imprest accounts under their control.

4.4.25. The adequacy of the petty cash amount must be reviewed at least annually.

4.4.26. On leaving the authority’s employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Strategic Director of Finance and Governance for the amount advanced to him or her.

4.4.27. The departmental scheme of management must include officers responsible for petty cash within the department.

4.5. Staffing

4.5.1. Strategic directors must produce an annual staffing budget for their department. This should be an accurate forecast of staffing levels equating to an appropriate revenue budget provision (including on-costs and overheads).

4.5.2. Managers must ensure that the organisational staffing structure is maintained on SAP, in line with the Joint HR and Finance Protocol on maintaining the structure.

4.5.3. Checks should be undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

4.5.4. Staff time should be used efficiently and to the benefit of the Council.

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

4.5.6. The staffing budget should not be exceeded without due authority and should be managed to enable the agreed level of service to be provided.

4.6. Audit

Internal audit

4.6.1. The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". Regulation 6 (1) of the Accounts and Audit (England) Regulations 2011 more specifically requires that a "A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control."

4.6.2. Internal auditors must comply with the Auditing Practices Board's guideline, "Guidance for Internal Auditors", as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.

4.6.3. The Strategic Director of Finance and Governance will establish arrangements for audit of the Council's financial affairs.

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

4.6.5. Managers should ensure that auditors are provided with any information and explanations that they seek in the course of their work.

4.6.6. Managers should consider and respond promptly to recommendations in audit reports and ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

External audit

4.6.7. The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice sets out the auditor's principal objectives to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the audited body's:

- financial statements; and

- arrangements for securing economy, efficiency and effectiveness in its use of resources.

4.6.8. The Council's accounts are scrutinised by external auditors, who must be satisfied that the Statement of Accounts gives a true and fair view of the financial position of the Council and its income and expenditure for the year in question, and whether they have been prepared properly in accordance with the relevant accounting framework.

4.6.9. External auditors must be given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.

4.6.10. Managers must ensure that all records and systems are up to date and available for inspection and provide all information reasonably requested by external audit, Her Majesty's Revenue and Customs (HMRC) and other inspection agencies.

4.6.11. Managers must ensure that management responses to external audit requests are provided within agreed timescales and that all agreed recommendations from external auditors are implemented within agreed timescales.

4.7. Preventing Fraud and Corruption

4.7.1. Fraud and corruption can affect all areas of the Council's business and drain resources away from services. The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

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

4.7.3. Managers should ensure that fraud risks are considered in all of the individual systems and processes in their area of responsibility, and appropriate controls for prevention and detection of fraud and corruption should be incorporated and operate effectively.

4.7.4. Strategic directors must maintain a departmental register of interests in which any hospitality or gifts accepted must be recorded.

4.7.5. Managers must ensure that within their business units, staff are aware of the Fraud Response Plan and that their procedures and controls ensure compliance with the Council's procedures for the investigation of financial malpractice and associated issues.

4.7.6. Managers should deal with any member of staff reporting suspicions of fraud in a way that shows that their concerns are being taken seriously and respect, as far as possible, their confidentiality.

4.7.7. Managers should notify the Strategic Director of Finance and Governance (via the Head of Anti-fraud and Internal Audit) immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources in accordance with the Fraud Response

Plan. Pending investigation and reporting, the strategic director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

4.7.8. Any suspected irregularities involving senior officers or members must be reported to the Chief Executive and the Monitoring Officer.

4.7.9. Managers must not undertake fraud investigations. Fraud investigations should only be investigated by the corporate fraud team in Internal Audit.

4.7.10. All staff must cooperate with any fraud investigations.

4.7.11. A decision to call in the police, or other agency, to investigate a suspected fraud should only be made by the Strategic Director of Finance and Governance in consultation with the relevant strategic director and the Monitoring Officer, provided sufficient evidence exists to believe that a criminal offence may have been committed.

4.7.12. Senior managers should deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt. The Council's disciplinary procedures should be instigated where the outcome of an audit or fraud investigation indicates improper behaviour.

4.7.13. The Head of Anti-fraud and Internal Audit should maintain a register in which all reported fraud and corruption issues are entered. The register should indicate dates of referral to the Head of Anti-fraud and Internal Audit and the results of investigations including any subsequent management action.

Money Laundering

4.7.14. Money laundering is the process whereby criminal property (the monetary proceeds of crime) is "cleaned up". Staff should be extra vigilant when issuing refunds and receiving cash. Any suspicion that money laundering is taking place needs to be reported to the Strategic Director of Finance and Governance. Further information can be found in the Council's Anti-Money Laundering Policy.

5. Financial Systems and Procedures

5.1. Financial Systems

5.1.1. The term “financial system” relates to electronic and paper systems used for:

- accounting purposes
- making payments
- recording commitments
- controlling income; managing, controlling or reporting on finances
- recording or storing financial information

5.1.2. It also covers any other financial system or process.

5.1.3. The Strategic Director of Finance and Governance will determine the accounting systems, form of accounts and supporting financial records.

5.1.4. Strategic directors should establish a scheme of management identifying officers authorised to act upon the strategic director’s behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.

The Council’s Core Accounting System - SAP

5.1.5. The Strategic Director of Finance and Governance has determined that SAP is the Council’s core accounting system. The intention is that SAP will also be used as the primary system for the ordering of all goods and services, recording all commitments entered into, recording all goods and services received, making all payments to suppliers, recording all debts due to the Council, issuing all invoices to debtors, pursuing all debts due to the Council, recording all income received from the Council and recording all other financial transactions.

5.1.6. All departments are expected to use SAP as the primary system for all of the above. Any department intending to utilise SAP in a non-standard way or to introduce a SAP function not currently in use will require the written agreement of the Strategic Director of Finance and Governance.

New or Amended Financial Systems

5.1.7. Often a system, which is primarily intended to meet departmental needs, such as a client management system, will in fact produce financial information for uploading into the main accounting system or will be capable of producing financial information. It is important that the implications for financial systems are taken into account in any decisions and that interface, reconciliation and other controls are included in the new system from the date of implementation.

5.1.8. Any department considering the introduction of a new financial system or process is required to obtain the approval of the Strategic Director of Finance and Governance to any proposal before committing to the system or process. Similarly, any department considering a significant amendment to the use of an existing system is required to obtain the approval of the Strategic Director of Finance and Governance before committing to the change.

5.1.9. If the Strategic Director of Finance and Governance has agreed the use of subsidiary systems to initiate payments, the subsidiary systems must maintain appropriate separation of duties. The Financial Systems Protocol sets out these and other requirements relating to the use of non-SAP systems.

5.1.10. All financial systems should be integrated as far as possible.

5.1.11. Appropriate controls must be incorporated into financial systems 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;
- output from the system is complete, accurate and timely.

5.1.12. Operating systems and procedures should be secure.

5.1.13. Managers must ensure that accounting records are properly maintained and held securely.

5.1.14. A complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, should be maintained.

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

5.1.16. Strategic directors should ensure that systems are documented and staff trained in operations.

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

Key Reconciliations

5.1.18. Reconciliations are an essential financial control to ensure that the information in the feeder/subsidiary systems is the same as that updated in SAP. Reconciliations are also necessary in relation to key balance sheet accounts, which record summary totals of entries in other ledgers, or accounts.

5.1.19. Managers should ensure that all SAP reconciliations are carried out in line with the standards and timetable set out in the Reconciliations Protocol, which gives details of the reconciliations of feeder systems to be carried out monthly.

5.1.20. All feeder/subsidiary system control accounts must be reconciled to SAP at least monthly.

5.1.21. At the end of each financial year, a reconciliation of the position at 31 March will be required by 16 April. Any changes made during the closing process will necessitate revisions to these reconciliations and amended reconciliations are to be submitted to the Strategic Director of Finance and Governance. A timetable for the production of the year-end final reconciliation will be included in the corporate closing timetable.

5.1.22. The Strategic Director of Finance and Governance will arrange for finance officers to carry out such inquiries and checks on the reconciliations submitted as he deems necessary.

5.2. Income and Expenditure

Income

5.2.1. Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly.

5.2.2. Strategic directors are responsible for the creation and maintenance of a departmental income policy for each income stream.

5.2.3. Any income targets set which are not in accordance with the Medium Term Resources Strategy must be referred to Cabinet for approval.

5.2.4. Departmental income policies must cover the debt management processes.

5.2.5. All income due to the Council must be identified and charged correctly, in accordance with an approved charging policy.

5.2.6. Charges should be appropriately publicised to ensure that customers are aware of how much they are expected to pay for goods or services.

5.2.7. Income should be obtained in advance of supplying goods or services, where possible.

5.2.8. General sundry debt must all be billed using the SAP accounts receivable system (SAP A/R). Any alternative billing system must be approved by the Strategic Director of Finance and Governance.

5.2.9. All invoices should be raised and issued promptly (within one working day of debt being raised on the system), correctly identifying and accounting for the VAT liability or any other levies or taxes at the time the invoice is raised.

5.2.10. Where SAP is not the invoicing system used, correct accounting entries must be input into SAP either by system interface (preferred method) or manually, and these must be reconciled in accordance with the Reconciliations Protocol.

5.2.11. All income must be collected from the correct person, at the right time, using the correct procedures and the appropriate stationery.

5.2.12. When payment is received, a receipt or ticket must be issued at the time of receipt (or date of receipt for postal remittances). Receipts must be treated as controlled stationery, sequentially numbered and held in a secure place. The VAT liability must be accounted for correctly at the point of receipt where payment is received without benefit of an invoice.

5.2.13. At least two employees should be present when post is opened so that money received by post is properly identified and recorded.

5.2.14. Staff receiving cash should be aware of the possibility of money laundering. Any suspicion that money laundering is taking place needs to be reported to the Strategic Director of Finance and Governance in accordance with the Council's Anti-Money Laundering Policy.

5.2.15. Income must be 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. Money collected and deposited must be reconciled to the bank account on a regular basis.

5.2.16. Departments must not set up their own cash office or any similar cash payment mechanism without the prior approval of the Strategic Director of Finance and Governance.

5.2.17. Income received must not be used to cash personal cheques or other payments.

5.2.18. Appropriate write-off action should be taken within defined timescales. Write-offs between £5,000 and £50,000 must be referred to individual Cabinet members for approval. Write offs above £50,000 must be referred to the Cabinet for approval.

5.2.19. Strategic directors, in liaison with their finance managers, are responsible for ensuring a suitable provision for doubtful debts to cover any eventual write-offs of bad, uncollectable debt. The methodology for calculating this provision should be based on known best practice and local knowledge and should be fully documented. It should be reviewed annually and notified to all relevant staff. It should also be included in any closing documentation to support debt write-offs throughout the year.

5.2.20. All appropriate income documents must be retained and stored for the defined period in accordance with the Document Retention Schedule.

Expenditure

Ordering and paying for work, goods and services

5.2.21. Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council has a statutory duty to achieve best value in part through economy and efficiency.

5.2.22. Official orders must be in a form approved by the Strategic Director of Finance and Governance. 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 specified by the Strategic Director of Finance and Governance.

5.2.23. SAP must be used for all purchasing and payments except with the prior agreement of the Strategic Director of Finance and Governance. Where the use of non-SAP systems has been allowed, the Council's standard terms and conditions must be included on the official order.

5.2.24. Goods and services should be ordered by officers authorised in the departmental scheme of management. Authorisation limits for purchase orders must be reviewed regularly to ensure that they are appropriate for the business unit.

5.2.25. Contractors must not raise or authorise purchase orders where they are the suppliers of the goods or service.

5.2.26. Purchase orders should be raised before placing orders with suppliers. Where urgency requires the placing of an order by telephone, fax or e-mail this must be confirmed by an order prepared and authorised as normal within 48 hours.

5.2.27. Where there is a corporate contract or corporate framework for a service, supply or works, it must be used to make the relevant purchase. If an officer believes that the corporate contract does not meet their requirements, they must obtain an exemption in accordance with Contract Standing Orders.

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

5.2.29. There must be sufficient budgetary provision to meet the cost before ordering goods or services and all expenditure, including VAT, should be accurately recorded against the right budget.

5.2.30. Goods and services should be checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.

5.2.31. Income due should never be set off against an invoice.

5.2.32. Paper invoices must be date stamped on receipt, for evidence in any disputes as to payment delays.

5.2.33. Payments should not be made on a photocopied or faxed invoice, statement or other document other than the formal invoice.

5.2.34. All payments must be made to the correct party, for the correct amount and should be properly recorded, regardless of the payment method.

5.2.35. In the absence of an agreement to the contrary, payments must be made within 30 days (of goods being delivered or of the end of any credit period) to avoid penalty interest.

5.2.36. With regard to contracts for construction and alterations to buildings and for civil engineering works, procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, and the procedures for validation of subcontractors' tax status are described in the procedures for Construction Industry Scheme (CIS) and Contract Certificates.

5.2.37. Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal methods of payment from the Council shall be by BACS, cheque or other instrument or approved method, drawn on the Council's bank account by the Strategic Director of Finance and Governance. The use of direct debit shall require the prior agreement of the Strategic Director of Finance and Governance.

5.2.38. The Strategic Director of Finance and Governance should be notified immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

5.2.39. All appropriate evidence of the transaction and payment documents must be retained and stored for the defined period, in accordance with the Document Retention Schedule.

5.2.40. Managers should ensure that all staff involved in the purchasing or paying for goods and services have received appropriate training.

Corporate Charge Cards

5.2.41. Corporate cards are available on a limited basis and enable holders to make online, advance or emergency payments in accordance with the Protocol on Corporate Charge Cards.

5.2.42. Card holders may only use cards for purchases on behalf of the council, in line with the categories of goods and services agreed when the application is made, where payment must be made in advance or online.

5.2.43. The Strategic Director of Finance and Governance will carry out such inquiries and checks on the Corporate card reconciliations submitted, as he deems necessary. In the event of misuse or failure to follow established procedures, the card may be revoked or other appropriate disciplinary action taken.

5.2.44. Corporate card holders must keep invoices, vouchers, receipts, online booking documents or other relevant documentation.

5.2.45. Corporate card holders must check card statements within five working days of receipt, reconcile business expenditure and take up any queries with retailers.

5.2.46. All corporate credit cards must be stored in a safe place when not in use. Card holders should not allow anyone else to use the card to make purchases or disclose their personal chip and pin plastic card number to any other person.

5.2.47. Cardholders must return their card immediately upon request or upon termination of employment (including retirement).

Payments to employees and members

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

5.2.49. All appointments must be made in accordance with the regulations of the Council and approved establishments, grades and pay scales, and adequate budget provision must be available.

5.2.50. Adequate and effective systems and procedures must be 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
- employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

5.2.51. The Head of Human Resources (HR) is responsible for running the payroll, producing the actual payment, and producing payslips.

5.2.52. Procedures and timetables laid down by the Head of HR, and guidance and procedure notes issued must be followed at all times.

5.2.53. The Head of HR must be notified of all appointments, terminations or variations that may affect the pay or pension of an employee or former employee.

5.2.54. All payroll transactions must comply with tax and National Insurance requirements.

5.2.55. All payments to employees must be made through the payroll, including reimbursements for miscellaneous expenses.

5.2.56. Any ex gratia payments should be approved by the strategic director.

5.2.57. The Strategic Director of Finance and Governance should be notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

5.2.58. There should be frequent reconciliation of payroll expenditure against approved budgets and the bank account.

5.2.59. Managers should consider the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition of employee or self-employed, and guidance is contained in the procedure for the engagement of non-standard workers, consultants and casual workers.

5.2.60. All appropriate payroll documents must be retained and stored for the defined period in accordance with the document retention schedule.

Taxation

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

5.2.62. The Strategic Director of Finance and Governance is responsible for completion of all HMRC returns regarding PAYE, VAT inputs and outputs and the Construction Industry Scheme.

5.2.63. All taxable transactions must be identified, properly carried out and accounted for within stipulated timescales.

5.2.64. Managers must 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.

5.2.65. Managers must ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.

5.2.66. Managers should ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

VAT

5.2.67. VAT should only be paid on the basis of a valid VAT invoice.

5.2.68. Invoices must not be paid on behalf of other organisations, as the Council is unable to recover VAT if the goods or service was supplied to a third party.

5.2.69. Contractors may not recover VAT where the service provided is non-business, exempt or zero-rated.

5.2.70. The Strategic Director of Finance and Governance is responsible for monitoring the Council's expenditure on VAT exempt activities. Advice must be sought before taking decisions that could have VAT implications.

5.2.71. Any penalties from incorrect application of VAT will be passed on to the relevant business unit. Managers must notify the Strategic Director of Finance and Governance promptly on discovery of an error on the application of VAT, so as to minimise any potential penalties.

5.2.72. All documents relating to VAT must be stored for the statutory six years in line with the retention of documents rules.

6. External Arrangements

6.1. Partnerships

6.1.1. Partnership working is playing an increasingly important role in the future of policy development and service delivery for the public sector. The Council is working in partnership with several other organisations in delivering the Community Strategy and in helping to promote and improve the well-being of the borough.

6.1.2. Before embarking on partnership working, there should be a full appraisal of the viability of the proposal in terms of resources, staffing and expertise, in both the current and future years. The anticipated benefits of working in partnership must outweigh the likely costs (direct and indirect). Consideration should be given to how the costs and benefits will be measured and whether the benefits could be achieved in a simpler or more cost-effective way.

6.1.3. The cost of administering the partnership should be shared fairly. Managers should ensure that partner organisations do not pass disproportionate costs or responsibility on to the Council.

6.1.4. Resources for the partnership, both financial and non-financial, must be determined before the start of any partnership working.

6.1.5. Financial management arrangements for partnership working should be clearly defined with documented roles and responsibilities. The agreement should define how partners will work together, who will be responsible for what, who will report to whom, how services will be provided, how decisions will be made, how the funding will be shared etc.

6.1.6. Departmental Finance Managers must ensure that the accounting arrangements and financial governance arrangements to be adopted relating to partnerships and joint ventures are satisfactory.

6.1.7. Financial governance arrangements in respect of partnerships must meet the requirements of the Strategic Director of Finance and Governance and his written approval must be obtained before any partnership arrangements are entered into.

6.1.8. Partners should, if appropriate, be aware of their responsibilities under the Council's Financial Standing Orders and Contract Standing Orders.

6.1.9. Risk management processes should be in place to identify and assess all known risks.

6.1.10. Where it is appropriate, a partnership needs to have a clearly defined asset management plan in place setting out the required procedures and responsibilities for use, maintenance and replacement of tangible assets held. Any assets held by the partnership should be recorded on an asset register. Agreement should also be made on who will take ownership of partnership assets in the event of the dissolution of the partnership.

6.1.11. Any partnership agreement must provide both internal and external auditors with rights of access to documents. The wording for each agreement should be obtained from the Head of Anti-fraud and Internal Audit.

6.1.12. Partnership agreements and arrangements must not impact adversely upon the services provided by the Council.

6.1.13. Appropriate information must be provided to the Strategic Director of Finance and Governance to enable a note to be entered into the Council's Statement of Accounts concerning material items.

6.2. External Funding

6.2.1. The Council relies heavily on grants and external funding to fund its services. Much of this funding is paid centrally by the government through area-based grant or delegated schools grant and is managed corporately by the Finance and Corporate Services department. Other grants, usually specific or ring-fenced grants from the government, the National Lottery or other sources are managed by business unit managers.

6.2.2. Departmental schemes of management should show which officers have delegated authority to apply for grant funding and the process for approving grant applications.

6.2.3. Any officer applying for or using grant income must consult and follow the protocol on applications for and acceptance of external funding (grant income).

6.2.4. Both the income and expenditure, resulting from a grant aided project, must be monitored and accounted for in the same way as any other. Managers should ensure that, once a grant has been awarded, the relevant income and expenditure are included in the revenue budget or capital programme.

6.2.5. Managers should ensure that the key conditions of funding and any statutory requirements are complied with and the responsibilities of the Accountable Body are clearly understood. Grant funding must only be used for the designated purposes.

Grant claims

6.2.6. All grant claims must be made by the due date. They must be supported by adequate working papers and reconciliations.

6.2.7. Final grant claim forms should be completed in accordance with the Grant Claims Protocol, which is agreed each year between the Strategic Director of Finance and Governance and the external auditor.

Grants to other organisations / third party suppliers

6.2.8. The Council will, in principle, consider being the Accountable Body for partnership funding subject to a risk assessment of the responsibilities applying to being the Accountable Body. The Strategic Director of Finance and Governance must be consulted before agreeing to act as Accountable Body and appropriate approval should be obtained.

6.2.9. Where grant money is passed on to third parties, the terms of the funding must be clearly documented. Appropriate reporting and monitoring arrangements must be put in place before any monies are paid over, and the organisation being given the funds must report progress and performance to the Council.

Local Authority Companies

6.2.10. Prior to taking an interest in a company on behalf of the Council (e.g. membership, share holding or directorship), advice must be sought from the Director of Legal Services and the Strategic Director of Finance and Governance.