

## **PART 6 - FINANCIAL RULES**

### **1. Financial administration**

#### **1.1 Overall financial rules**

- (a) These financial rules have been compiled to ensure that the Council's financial affairs are conducted in a manner that is consistent with recognised accounting standards and proper financial practice. They apply to both members and employees.
- (b) References in these rules to headteachers are designed to be complementary to the Schools Standards and Framework Act 1998 (Scheme for Financing Schools).
- (c) More detailed guidance on the application of financial rules and the day to day financial management of services is provided in the financial handbook.
- (d) The Council will be responsible for approving the policy framework and budget, and for advising generally on financial and economic policies. Additionally the Council has the responsibility for allocating resources (both revenue and capital) to services. Within approved budgets, the executive will be responsible for maintaining financial control and for exercising many of the powers contained in these rules.
- (e) The officer appointed by the Council for the purposes of Section 151 of the Local Government Act 1972 (referred to below as the Chief Operating Officer) shall be responsible for the proper administration of the Council's financial affairs in accord with proper practice. This shall include ensuring the completion and publication of audited final accounts.
- (f) Each directorate and service shall observe these financial rules in all aspects of its work.
- (g) The Chief Executive and directors, (including headteacher/governors) shall be responsible for the observance of these financial rules and for the accountability and control of staff. This responsibility shall also extend to the security, custody and control of all assets and resources relating to their service.
- (h) The Chief Executive and directors, together with the Chief Operating Officer shall formulate budgets in accordance with the rules set out in the budget and policy framework rules, set out in part 3 of this chapter.

## 1.2 Responsibilities

- (a) In formulating budgets, the Council shall receive reports from the Chief Operating Officer regarding the resources available to the Council. These will be in the form of a mid year review of the financial strategy and as soon as is practicable an update on the resource position following the local government settlement.
- (b) The Chief Operating Officer shall ensure that the accounting policies adopted reflect the requirements of any code of practice issued by the CIPFA or the Accounting Standards Board on Local Authority Accounting.
- (c) The Chief Operating Officer shall be responsible for ensuring the compilation of the main accounting records, and shall continue to be responsible for the supervision of accounting records and systems, particularly with a view to obtaining uniformity of accounting records and treatment.
- (d) The Chief Operating Officer shall be responsible for ensuring the availability of financial management information, the production of which shall be prompt, reliable and complete.
- (e) The following principles shall be observed in connection with the accounting systems:
  - (i) the duty of providing information, calculating, checking and recording the sums due to or from the Council should be separated as completely as practicable from the duty of collecting or disbursing those funds;
  - (ii) employees charged with the duty of examining and checking the accounts of cash transactions should not themselves be engaged in any of these transactions.
- (f) It shall be the responsibility of the Chief Executive and directors to ensure all their staff are made aware of the requirements of these financial rules.
- (g) Where consultants are engaged to act on behalf of the Council then it shall be the responsibility of the supervising director to make the consultant aware of the requirements of these financial rules.

## 1.3 Retention of records

It is the responsibility of the Chief Operating Officer to determine the policy for the retention of financial records having regard to the need to retain principal accounting records for six years and minor records for two years. The Chief Executive and directors shall ensure that their staff comply with the approved policy.

- 1.4 The Chief Executive and directors shall ensure all their staff co-operate with the Council's internal and external auditors and provide information and working papers required for the proper conduct of audit.

## 2. Financial planning

- 2.1 The Chief Operating Officer shall determine the timetable for the preparation of draft revenue budgets and capital programme.

### 2.2 Capital planning

The Council shall approve the report of the Chief Operating Officer on the rolling capital programme together with the available resources to finance capital expenditure. This capital budget shall be compiled in accordance with the budget and policy framework rules, set out in part 3 of this chapter.

### 2.3 Revenue planning

The Council shall consider and approve a report from the Chief Operating Officer on the revenue budget forecast for succeeding years. The Council shall set the overall policies governing the allocation of funds and the overall spending on services.

### 2.4 Budget reports

Within the approved budgets, the budget reports to be considered by the Cabinet are to be prepared and presented jointly by the respective director and the Chief Operating Officer in compliance with these financial rules. Directors are to prepare their estimates in accordance with the timetable and format either required by statute or laid down by the Chief Operating Officer and providing all appropriate supporting details.

## 3. Budgetary control - capital

### 3.1 Authority to incur capital expenditure

Once approved by the Council, the Cabinet shall authorise expenditure within approved budgets operating in accordance with the scheme of delegation and these rules. It is the responsibility of the Cabinet to ensure that expenditure for each capital scheme remains within the approved budgets, and that expenditure remains within the service areas approved by Council. This shall be subject to variation as outlined in the budget transfer rules below.

### 3.2 Budget virements between capital projects

Where considered appropriate the Cabinet and the Chief Executive and directors may exercise delegated powers to vire capital funding between projects. Any virement shall not exceed the amount set out in the "Statement of Approved Financial Limits" and shall be consistent with the

budget and policy framework rules, set out in part 3 of this chapter. Thus the proposal must not result in:

- a change in policy;
- the financing of revenue expenditure;
- the appointment of permanent staffing in addition to that planned;
- diminution in the level of service;
- significant implications on net revenue costs for current or future years.

3.3 Contract negotiations in accordance with section 3.16 of the Contract Procedure Rules).

Prior to any negotiations being undertaken, employees must ensure they comply with all regulatory or statutory requirements. Any negotiations with prospective contractors on the terms of any tender or contract shall be conducted by not less than two employees and shall be confirmed in writing so that a sufficient record of the details exists to indicate how the negotiations were carried out and any negotiated terms arrived at. All tenderers must receive the same level of treatment when any negotiations are being undertaken.

3.4 Acceptance of tenders in accordance with section 2 of the Contract Procedure Rules).

- (a) Subject to the limits approved by Council and excluding emergency arrangements under the scheme of delegation, tenders shall be accepted at the most economically advantageous price. Quality considerations will also be taken into account.
- (b) If the scheme requires any alteration to bring it within the approved estimate or if other than the most economically advantageous tender is to be approved or the approved estimate is exceeded, the matters shall then be reported to Council for consideration and approval.

3.5 Variations to capital schemes

Any contingency element in an approved capital scheme shall be controlled on the basis that the director concerned has full authority to commit payments from this contingency sum as a variation to the scheme.

3.6 Capital scheme overspending

Any overspending on a capital project exceeding the approved budget shall be reported to the appropriate Cabinet member and depending on the rules of virement may then require the approval of Council. Changes shall be

reported at the earliest possible moment together with full details of the circumstances giving rise to the overspending.

### 3.7 Monitoring of capital schemes

Reports shall be submitted to Cabinet at regular intervals to show the progress for all capital schemes. Proposals for new schemes not included in the approved programme or overspending against an existing scheme not provided for by a virement shall be reported to Council for consideration. The Chief Operating Officer may, in consultation with the Finance Portfolio Holder, approve in-year additions to the capital programme subject to the following criteria:

- (i) funding coming from external sources;
- (ii) no financial contribution being required from the Council;
- (iii) funding being ring fenced for specific purposes.

### 3.8 Appointment of consultants (and in accordance with section 3.3 of the Contract Procedure Rules)

- (a) The appointment of consultants for work on schemes in the capital programme shall be subject to the same scrutiny that applies to the general capital spending requirements.
- (b) Any person who is not an employee but who is engaged to provide a specialist service or to supervise a contract must comply with both these and the contract rules (set out in part 7 of this chapter) and produce on request for audit purposes all records maintained in relation to the engagement. This requirement to comply shall be a condition of the appointment.

## 4. Budgetary control - revenue

- 4.1 Approval by the Council of the overall revenue budget authorises the Cabinet and Chief Executive and directors to incur the expenditure in accordance with the scheme of delegation, the budget and policy framework rules and these rules.
- 4.2 Directors must ensure there are appropriate financial monitoring and budgetary control systems in place and operated by their directorates which accord with the requirements of the Chief Operating Officer.
- 4.3 Specific responsibility for the management of a budget may be delegated by the Chief Executive or director to a service manager who shall be accountable to the director for that budget and the level of service to be provided.

4.4 The Chief Operating Officer shall be responsible for monitoring the Council's overall expenditure and income and for reporting to the Cabinet and Council significant variations between the approved estimates and actual expenditure.

4.5 Budget virements between revenue budget heads

(a) Once the revenue budget for any financial year has been approved by the Council, the Cabinet (and Chief Executive or directors in the case of delegated authority) shall have freedom to transfer resources subject to these and the budget and policy framework rules, namely:

- (i) where the virement in any one financial year will have significant implications for future years then saving identified in year 1 must be continued (or an alternative found) in subsequent years;
- (ii) if any proposal involves a significant restructuring of permanent staffing, then the approval of the Cabinet shall be sought;
- (iii) other than where urgent or emergency action is required, all virements must be approved before expenditure is incurred. In such exceptional circumstances the necessary approval must be obtained as soon as possible;
- (iv) the proposed virement not exceeding the amount set out in the "Statement of Approved Financial Limits", nor involving change in policy.

(b) Any virement so approved shall be entered promptly into the accounting system.

(c) A continuous record of revenue budget virements will be maintained in accordance with the requirements of the Chief Operating Officer and reported regularly to the Cabinet.

4.6 Revenue supplementary estimates

There may be occasion in exceptional circumstances where additional expenditure is essential and therefore unavoidable. Requests for supplementary revenue estimates must be referred to Council for approval. Such referrals would only occur where proposals are incapable of being financed from within approved budgets and where it is not possible to defer the expenditure to a later year.

4.7 The Chief Operating Officer may, in consultation with the Finance Portfolio Holder, approve in-year additions to the revenue budget subject to the following criteria:

- (i) funding coming from external sources;

- (ii) no financial contribution being required from the Council;
- (iii) funding being ring fenced for specific purposes.

## 5. Internal audit

### 5.1 Principles of internal audit

The Chief Operating Officer shall be responsible for ensuring that there are continuous arrangements to measure, evaluate and report upon the effectiveness of control and efficient use of resources, by the establishment of an adequate internal audit function.

### 5.2 Role of internal audit in relation to the financial rules

- (a) The role of internal audit shall be based upon the principles contained within the Accounts and Audit Regulations 1996 and recommended by the CIPFA and the Auditing Practices Committee of the Consultative Committee of Accounting Bodies, which states: -

"Internal audit is an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports upon the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources."

It will also have regard to any auditing standard pronouncements issued by the CIPFA.

- (b) Internal audit staff shall have right of access to any Council owned premises, plant, equipment, books, accounts, receipts, vouchers, computer records or other materials to enable them to carry out their duties and may demand explanations for matters under investigation.
- (c) Internal audit shall be sufficiently independent to enable the auditors to perform their duties in a manner, which will allow their professional judgements and recommendations to be effective and impartial.
- (d) It is a management responsibility to apply sound internal controls in the Council's systems and to maintain those controls. This includes responsibility for the prevention and detection of fraud and other illegal acts. Internal audit should be consulted about any significant proposed changes to existing systems and implementation of new systems, and make recommendations on the standard of control to be applied.
- (e) Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council

or any suspected irregularity in the exercise of the functions of the Council, the Chief Executive or director concerned shall forthwith notify the Chief Operating Officer who shall also be informed of the steps that the Chief Executive or director has taken/intends to take by way of investigation or other action.

- (f) If an irregularity is found then the matter must be reported to the Chief Executive.

## 6. Banking and cheques

### 6.1 Arrangements

The Chief Operating Officer shall be responsible for ensuring the establishment of proper financial procedures and delegations covering:

- (i) the operation and supervision of the Council's bank and giro accounts, including the ordering, the safe custody and issue of all cheques;
- (ii) overdraft facilities.

## 7. Investments

### 7.1 Arrangements

- (a) Investments and utilisation of monies in hand shall be undertaken by the Chief Operating Officer within the approved treasury limits.
- (b) The selection of external fund managers shall be subject to the prior approval of the Cabinet.
- (c) All investments are to be made in the name of the Council.
- (d) The Chief Operating Officer shall be responsible for the safe custody of securities and shall institute procedures for establishing the credit worthiness of organisations in which Council monies are invested.
- (e) The Chief Operating Officer shall report to the Audit Committee, Cabinet and Council before the start of the new financial year on borrowing and investment strategies for the ensuing year and to Cabinet and Audit Committee not later than September on treasury management activities in the previous year.

### 7.2 Treasury policy statement

- (a) The treasury policy statement for the Council must be complied with in all aspects as regards the investment of monies. This statement shall be updated as necessary by a report of the Chief Operating Officer.



- (b) The Council adopts the key recommendations of CIPFA's Code of Practice on Treasury Management in Local Authorities (the code) Revised as described in Section 4 of that code.
- (c) Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:
  - A Treasury Management Policy Statement (TMPS) stating the policies and objectives of its treasury management and the approach to risk management of its treasury management activities.
  - Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- (d) Council will 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 review and Audit Committee shall receive an annual report after its close, in the form of prescribed in its TMPs.
- (e) Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Chief Operating Officer who will act in accordance with the Council's policy statement and TMPs and if a CIPFA member, CIPFA's Standard of Professional Practice Treasury Management.
- (f) Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy policies.

## 8. Borrowing

### 8.1 Arrangements

- (a) All loans to the Council must be within the approved limits, and in accordance with the approved treasury policy statement and CIPFA's code for treasury management in local authorities.
- (b) All loans to the Council shall be dealt with in accordance with the requirements of the Chief Operating Officer and whenever possible shall be paid direct by the lender or their agent to the Council's bank account through the head office of the Council's bankers.
- (c) All interim loan receipts, temporary loan receipts and bond certificates shall, prior to use, be in the custody of the Chief Operating Officer and issued only when required for completion.

- (d) The Chief Operating Officer or nominated officer shall be the only authorised signatories to any formal loan instrument other than documents issued under seal.
- (e) Repayment of loans shall, whenever possible, be made through the head office of the Council's bankers in exchange for the original loan receipt.

## 8.2 Policy

The operation of the borrowing policy shall be laid down in the treasury policy statement and must be followed for all instances of borrowing.

## 8.3 Leasing arrangements

Any proposed leasing arrangement shall be subject to the approval of the Chief Operating Officer prior to committing the Council to any such arrangement.

## 9. Orders and payment of goods and services

9.1 The Chief Executive and directors shall not order goods or services or incur any other expenditure without ensuring that provision exists for such expenditure within an approved budget.

9.2 The Council's official order form must always be used for ordering goods or services. Urgent orders, which have to be made by telephone, must be confirmed by official order.

## 10. Contracts and agreements

### 10.1 General requirements

- (a) The financial provisions of any agreements entered into by the Council shall be as approved by the Chief Operating Officer.
- (b) All contracts entered into shall comply with the contract rules within part 7 of this chapter.

### 10.2 Register of contract payments

The Chief Executive or director responsible for certifying the account as correct for payment shall maintain a register of payments due and made under formal contract to the satisfaction of the Chief Operating Officer.

## 11. Payment of accounts

### 11.1 General requirements

- (a) The Chief Operating Officer shall ensure that the Council pays promptly all accounts properly due and payable by the Council.
- (b) Invoices shall not be made out by employees of the Council except in any case or category of cases agreed by the Chief Operating Officer nor shall an employee alter an invoice rendered by a supplier of goods, services or works.
- (c) The Chief Executive or director shall arrange to examine and certify the invoices or contract certificates for payment. A list of the authorised officers together with their specimen signatures shall be forwarded by the Chief Executive and directors to the Chief Operating Officer. Any changes in the officers so authorised shall be notified immediately to the Chief Operating Officer. The certified invoices or contract certificates shall be paid in accordance with procedures approved by the Chief Operating Officer.
- (d) Payment for goods, services, etc shall be by cheque or automated bank transfer. The use of cash shall be restricted to minor petty cash items within the limits agreed by the Chief Operating Officer. Any other use of cash or alternative payment method shall only occur with the prior approval of the Chief Operating Officer which must be sought before entering into any contractual commitments.

### 11.2 Certification for payment

The certification of an account for payment shall mean that:

- (i) the goods have been received, examined and approved as to the quality and quantity, or that services rendered or work done have either been performed satisfactorily; or their value has been certified as payable in accordance with contractual conditions;
- (ii) the prices are in accordance with quotation, contract or current market rates, or are otherwise reasonable;
- (iii) all trade and cash discounts, other proper allowances and other credits due have been deducted;
- (iv) the account has not previously been paid and is a proper liability of the Council;
- (v) the account is arithmetically correct, has been properly allocated to an appropriate expenditure code, and budget provision exists to meet the cost;

- (vi) that VAT is properly treated and accounted for.

## 12. Petty cash and imprest accounts

### 12.1 Operation of the accounts

- (a) The Chief Operating Officer shall permit the use of petty cash and imprest accounts in any directorate of the Council if satisfied that it would be in the interests of efficient administration.
- (a) The operation of such permitted accounts shall be in accordance with the requirements of the Chief Operating Officer.
- (b) The employee responsible for holding the account shall provide the Chief Operating Officer with a certificate regarding the state of the account when requested.

## 13. Salaries and wages

### 13.1 Arrangements

- (a) The Chief Operating Officer shall make suitable arrangements for the payment of salaries and wages and accounting for pension, national insurance, tax and other deductions relating to the Council's employees.
- (b) It shall be the responsibility of the Chief Executive and directors to ensure that all requests to make or vary salaries and wages payments to employees are contained on approved forms. The forms are to be certified by authorised supervisors and each directorate shall provide a list of those duly authorised. Any changes in the employees authorised to certify these forms shall be notified immediately to the Chief Operating Officer.
- (c) The authorisation of salaries and wages forms shall mean that:
  - (i) the forms have been completed by the employees themselves or been summarised from records which are maintained by the employees themselves (e.g. daily work/time sheets);
  - (ii) the information is correct and reflects the hours and work performed by the individual employees;
  - (iii) where appropriate, expenditure allocations are correctly stated.

## 14. Employees and members' allowances

### 14.1 Employee claims

- (a) All staff claims for payment of car allowances, subsistence allowances, travelling expenses and college expenses shall be made at regular intervals in a form approved by the Chief Operating Officer.
- (b) The certifying employee shall be satisfied that the journeys were authorised and undertaken, and that the expenses were properly and necessarily incurred whilst carrying out the official duties.

### 14.2 Member claims

Payments to Councillors for allowances for their approved duties shall be made by the Chief Operating Officer upon the receipt of the prescribed claim form duly completed.

## 15. Income

### 15.1 Arrangements

The Chief Operating Officer, in conjunction with the Chief Executive and directors concerned, shall make and maintain adequate arrangements for:

- (i) the financial administration and accounting to ensure the proper recording of all sums due to the Council;
- (ii) the prompt and proper accounting of all monies including its collection, custody, controls and deposit;
- (iii) the requirement for adding and accounting for VAT to the various fees and charges due to the Council.

### 15.2 Issue of and form of receipts

All official receipt forms, etc and procedures for the receipt of income shall be in a form approved by the Chief Operating Officer.

### 15.3 Receipt of and banking of monies

- (a) All monies received on behalf of the Council in any directorate shall be deposited with the Chief Operating Officer, except that by arrangement such monies may be deposited with the Council's bankers. All cheques, money orders and postal orders received in any directorate of the Council must be in the name of the Council or school account and must be crossed "account payee".
- (b) All other methods for the receipt of income (eg credit cards, debit cards, traveller's cheques, bank transfers, etc) shall be with the prior approval of the Chief Operating Officer.

- (c) All monies received on behalf of the Council shall be paid into the Council's bank as soon as possible.

## 16. Security

### 16.1 Arrangements

- (a) The Chief Executive and directors shall be responsible for maintaining proper security at all times for all the assets under his/her control.
- (b) Maximum limits for cash holdings shall be agreed with the Chief Operating Officer and shall not be exceeded without his/her specific approval.
- (c) The Chief Executive and directors shall be responsible for maintaining the security, integrity and privacy of information within their directorate, and must conform with the requirements of the Data Protection Act 1984.
- (d) Employees shall only use or disclose information relating to Council affairs, to persons, companies, or other organisations conducting business with the Council, in the proper discharge of the Council's functions and not for their own personal purposes or gain, or in contravention of any statutory requirements.

## 17. Stores and equipment

### 17.1 Arrangements

- (a) The Chief Executive and directors shall be responsible for the care and custody of all stores and equipment in their directorate. Wherever practicable all equipment shall be marked effectively as the property of the Council.
- (b) The documentation and accounting arrangements for the control and recording of stores shall be approved by the Chief Operating Officer.

## 18. Inventories

- 18.1 The Chief Executive and directors shall be responsible for the preparation, certification and maintenance of an inventory of all furniture and equipment allocated to their directorate to a level of detail and in any format specified by the Chief Operating Officer.

## 19. Insurance

### 19.1 Arrangements

The Chief Operating Officer shall arrange all insurance cover and shall maintain a register of all such insurance. The Chief Operating Officer shall operate the insurance fund and shall have the discretion whether to insure any risk externally or in.

### 19.2 Notification of risks

The Chief Executive and directors shall promptly notify the Chief Operating Officer of the extent and nature of all new risks to be insured and of any alterations affecting existing insurable risks.

### 19.3 Public liability insurance

Where public liability insurance is required in a contract then the appropriate Chief Executive and directors shall obtain the necessary details of the cover held by the contractor and pass this to the Chief Operating Officer for approval.

### 19.4 Insurance claims

- (a) Any occurrence, which may give rise to an insurance claim, shall be notified promptly in writing to the Chief Operating Officer.
- (b) The Chief Operating Officer shall ensure that all claims are made on the Council's insurers or from the in-house insurance fund as appropriate.
- (c) No admission of any liability shall be made by any employee without the prior agreement of the Council's insurers or the Chief Operating Officer.

