

18. FINANCE RULES

| | | |
|--------------|---|-----|
| <u>18.1</u> | <u>Responsibilities under the finance rules</u> | 109 |
| <u>18.2</u> | <u>Audit</u> | 110 |
| <u>18.3</u> | <u>Non-compliance with these Rules</u> | 111 |
| <u>18.4</u> | <u>Information and records</u> | 111 |
| <u>18.5</u> | <u>VAT and tax</u> | 112 |
| <u>18.6</u> | <u>Insurance</u> | 112 |
| <u>18.7</u> | <u>Budget Setting</u> | 112 |
| <u>18.8</u> | <u>Responsibility for Budget Decisions</u> | 113 |
| <u>18.9</u> | <u>Estimates and Reserves – Robustness and Adequacy</u> ... | 113 |
| <u>18.10</u> | <u>Budgetary Control</u> | 114 |
| <u>18.11</u> | <u>Capital Strategy</u> | 116 |
| <u>18.12</u> | <u>Project Approval</u> | 116 |
| <u>18.13</u> | <u>Monitoring of the Capital Programme</u> | 117 |
| <u>18.14</u> | <u>Treasury Management</u> | 117 |
| <u>18.15</u> | <u>Asset Management</u> | 118 |
| <u>18.16</u> | <u>Ordering and Paying for Goods and Services</u> | 119 |
| <u>18.17</u> | <u>Risk Management</u> | 120 |
| <u>18.18</u> | <u>Wages, Salaries and Pensions</u> | 121 |
| <u>18.19</u> | <u>Petty Cash</u> | 122 |
| <u>18.20</u> | <u>Income Collection</u> | 122 |
| <u>18.21</u> | <u>Money Laundering</u> | 123 |

18.1 Responsibilities under the finance rules

(a) Responsibilities of the Head of Finance

The Head of Finance is responsible for regulating and controlling the finances of the Council and hence he/she shall for the purposes of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988 be responsible for the proper administration of the Council's financial affairs.

(b) Responsibilities of Directors

Directors are responsible for the financial management of their directorate.

(c) Responsibilities of Heads of Service

Within their service area, Heads of Service must:

- ensure the highest standards of financial probity
- ensure compliance with the Finance Rules and any procedures or guidance issued by the Head of Finance
- monitor monthly the overall financial position of their service area in accordance with the cost centre managers manual issued by the Head of Finance
- advise the Head of Finance and ~~relevant Board member~~ Director on issues/proposals that have a financial impact in their area
- ensure compliance with the Contract Rules within their service area
- provide information to the Council's auditors on a timely basis as required.
- ensure that any audit recommendations are implemented within agreed timescales.

(d) Responsibilities of Line Managers

Line managers must make sure their staff understand and follow these Rules and any procedures and associated guidance by the Head of Finance.

(e) Responsibilities of all Officers

Officers must be familiar with these Finance Rules and the Contract Rules and must understand how they affect their work. If any officer is unclear about these Rules, they must get advice before acting. They would normally get advice from their line manager but they can also talk to finance staff. Officers must ensure they are using the latest version of these Rules. This will always be the version in the Constitution available on the intranet. Officers must show the highest standards of financial probity. As well as following these Rules, they must use their common sense and judgement. The Council may take disciplinary action and/or legal action against anyone who breaks these rules.

18.2 Audit

(a) Internal Audit

In accordance with the Accounts and Audit Regulations for the time being in force the City Council is responsible for ensuring an 'adequate and effective system of internal audit'. The Executive Director, Organisational Development and Corporate Services has responsibility for monitoring adherence to the Audit Plan.

Audits will be carried out in accordance with guidelines issued by the Chartered Institute for Public Finance and Accountancy. At the commencement of the financial year the Audit and Governance Committee will approve an audit plan for that year. At each of its meetings the Audit and Governance Committee will receive an update report on the progress made in delivering the plan including progress on implementation of internal and external audit recommendations.

(b) External Audit

Auditors review the Council's financial and management systems and report annually to the Audit and Governance Committee on the adequacy of the Council's internal controls. Auditors have the right to inspect all records held by the Council.

The Council's auditors undertake an annual audit of the Council's Statement of Accounts. They also audit specified grant claims and reports annually on the Council's governance framework and delivery of best value. Auditors have the right to inspect records and to ask for information and explanations. The Executive Director, Organisational Development and Corporate Services has overall responsibility for liaising with the external auditors.

18.3 Non-compliance with these Rules

If Officers suspect that these Rules have not been complied with, or they suspect fraud, corruption or poor value for money, they must tell their line manager (unless their line manager is involved). The Council's whistle blowing policy (see 25) has guidance on what to do if a line manager is involved. If these Finance Rules or the Avoiding Bribery Fraud and Corruption Policy have been breached, the Executive Director, Organisational Development and Corporate Services and Head of Finance must be advised in writing by the line manager as soon as possible.

18.4 Information and records

The Head of Finance is responsible for the Council's accounting system, the form of accounts and its supporting financial records. The Head of Finance will ensure that accounting records are sufficient to comply with the Accounts and Audit Regulations for the time being in force.

18.5 VAT and Tax

The Head of Finance is responsible for keeping tax records, advising on tax, making tax payments, receiving tax credits and submitting tax returns. The Head of Finance will advise officers on the appropriate records to be maintained.

18.6 Insurance

The Head of Finance will be responsible for establishing adequate insurance cover for the Authority including the amount of excess and the extent to which self-insurance is undertaken.

Heads of Service must:

- assist in the annual review of insurance and advise the Head of Finance of changes in insurable risks
- process insurance claims in accordance with procedures laid down by the Head of Finance

18.7 Budget Setting

On an annual basis the Head of Finance shall submit to Council a programme of capital expenditure and estimates of revenue income and expenditure for Council services for at least the proceeding four years. Council will set a Council Tax for General Fund services and a weekly Council house rent for the ensuing year. The Audit and Governance Committee will set the Council Tax Base.

18.8 Responsibility for Budget Decisions

Responsibilities for budget decision are shown in the table below:

| City Executive Board Decisions | Full Council Decisions |
|--|--|
| <ul style="list-style-type: none">• agreeing a draft revenue budget for consultation• recommending the revenue budget to full Council• recommending the Treasury Management Strategy to full Council• recommending the Housing Business Plan to full Council• agreeing the Risk Management Strategy• recommending the Capital Programme to full Council• recommending the Corporate Asset Management Plan to full Council• recommending extra spending to full Council• Monitoring delivery of financial | <ul style="list-style-type: none">• agreeing or changing the revenue budget• agreeing or changing the Treasury Management Strategy• agreeing or changing the Capital Programme• agreeing the Corporate Asset Management Plan• agreeing the Housing Business Plan• agreeing supplementary estimates to either the revenue or capital budgets• agreeing transfers between cost centres that are over £500,000 or breach the policy framework |

| | |
|--|---|
| <p>performance</p> <ul style="list-style-type: none"> • Recommending to full Council transfer(s) of assets between the General Fund and the Housing Revenue Account • Agreeing transfers between cost centres of > £250,000 = <£500,000 that are in line with the Council's policy framework | <ul style="list-style-type: none"> • agreeing transfers between the General Fund and Housing Revenue Account • setting the Council Tax • setting housing rents • setting fees and charges |
|--|---|

18.9 Estimates and Reserves – Robustness and Adequacy

It is the duty ~~on~~of the Head of Finance to report on the robustness of the estimates and the adequacy of reserves when the Council is considering its budget requirement and ~~care~~Council is required to have regard to this advice.

18.10 Budgetary Control

Ongoing budget management and control is necessary to ensure that approved budgets are used only for their intended purpose and accounted for and reported correctly and that Council services are delivered within budget.

(a) General Principles of the Budgetary Control Framework

The following are the general principles:

- All budgets are assigned a Head of Service and Director who are accountable for the control and management of that budget in accordance with these Rules and any financial procedures or guidance issued by the Head of Finance
- Heads of Service will report on their budget on a regular basis to the Head of Finance in a format and timeframe prescribed by the Head of Finance.
- The Head of Finance will validate the information provided by the Heads of Service and report periodically to relevant Officers and to the Board on a quarterly basis. The report will include the projected outturn position, any associated risks and mitigating actions to be taken as well as the impact on future year budgets.
- The relevant Head of Service and Director are the officers accountable for authorising the commitment of resources against the budget.

(b) Virement Rules – Revenue and Capital

A virement is an approved reallocation of resources between cost centres. The scheme of virement enables budget holders to

manage their budgets with a degree of flexibility and therefore to provide an opportunity to optimise their use of resources according to changing needs.

All virements must be notified in writing to the Head of Finance in a form prescribed by the Head of Finance. Permanent virements are permitted following consultation and agreement with the Head of Finance. Virements are permitted in accordance within the following parameters:

| Virement | Limit | Agreement Required |
|----------------------|--|---|
| Within Cost Centres | Unlimited | Head of Service subject to consultation with Head of Finance (Section 151 Officer) |
| Between Cost Centres | = < £100,000 <u>< £250,000</u> that are in line with the Council's policy framework | Head of Finance <u>(Section 151 Officer) in consultation with relevant Director</u> |
| | > £250,000 = < £500,000 that are in line with the Council's policy framework | City Executive Board |
| | >= £100,000 = < £250,000 that are in line with the Council's policy framework | Head of Finance (Section 151 Officer) in consultation with relevant Director |
| | > £250,000 = < £500,000 that are in line with the Council's policy framework | City Executive Board |
| | > £500,000 or breach the Council's policy framework | Council |

Full Council must agree any transfers between the General Fund and Housing Revenue Account.

Where an item of overspend of revenue spend cannot be covered from virement then following consultation with the Head of Finance (Section 151 Officer) and the Director of

Organisational Development & Corporate Services a supplementary estimate may be sought from Council.

In the case of emergency the Chief Executive or her/his nominated representative in consultation with the Head of Finance or her/his nominated representative may approve additional expenditure, or virement over £250,000 providing approval is sought from the Board or full Council (depending on the amount involved) at the first opportunity following the additional expenditure or virement.

(c) Use of Reserves and Provisions

The Head of Finance shall establish reserves and provisions to meet known or estimated future liabilities.

The Head of Finance may move any sums in or out of reserves and provisions in order to meet the ~~future~~ liabilities of the Council, subject to movements being clearly identified in the annual Statement of Accounts.

18.11 Capital Strategy

The Head of Finance will prepare a Capital Strategy which:

- Will be reviewed periodically by City Executive Board
- Sets out the principles the Council will follow in its capital planning and management
- Outlines the methodology for inclusion of schemes within the Capital Programme
- Sets out the arrangement for management of capital schemes
- Indicates the capital schemes to be undertaken over the following four financial years and how those schemes will be funded.

18.12 Project Approval

Project approval must be obtained for projects in accordance with the following requirements:-

Less than £150,000 – Head of Service or Director

£150,000 up to £500,000 – Director in consultation with the three Statutory Officers (Head of Paid Service, Monitoring Officer and Chief Finance Officer)

£500,000 and over – Board

The project approval report must be in the format designated in the Capital Gateway process where it is a capital scheme and must include:

- The aim of the project and ~~any other ways of achieving it~~ options for delivery
- Effects on staffing
- Legal, contractual and prudential borrowing code implications
- If the council is acting through an agent or partnership legal advice on whether it has the power to act in this way
- ~~If it is a key decision, a~~ Any comments made during consultation and the Council's response
- The estimated amount and timing of any capital and revenue spending, any ongoing effect on revenue, and whether this spending is included in the budget.

18.13 Monitoring of the Capital Programme

The Capital Programme is approved as part of the Council's annual budget setting process. Monitoring of the Capital Programme will be undertaken by the Head of Finance in conjunction with Project Managers and associated Heads of Service. A report will be submitted to relevant Officers periodically, and the Board on a quarterly basis, setting out the projected outturn and progress of schemes including slippage, under and overspends together with any associated mitigating action.

Capital expenditures may only be incurred if:

- The Capital Gateway process has been complied with
- Budgetary provision has been made within the approved Capital Programme
- Project approval, if required, has been given
- The Contract Rules have been complied with.

Where it is anticipated that the budget for a capital project will be overspent against its approved budget the relevant Head of Service will be responsible for notifying the Head of Finance. Overspend up to £250,000 may, with the approval of the Head of Finance, be accommodated by virement from other schemes' underspending within the approved Capital Programme. The size of the project will be considered as part of this process. Where monies cannot be vired from other schemes or the overspend is in excess of £250,000 the projected overspend must be reported to the Board and subsequently full Council requesting a supplementary estimate if required.

Where a scheme is within the capital programme and it is not possible for a scheme to progress in a particular year or where a scheme is progressing faster than anticipated, the Head of Finance in conjunction with the Executive Director Organisational Development and Corporate Services can 'slip' move the approved capital budget for a scheme to future between adjacent financial years on the assumption providing that the overall budget for the scheme is not exceeded and capital financing resources are available to finance the scheme. Any schemes which remain uncommitted at the end of the financial year in which they were due to start will be reviewed as part of the annual budget process.

18.14 Treasury Management

(a) Treasury Management Strategy

The Head of Finance will produce and submit the Treasury Management Strategy to the Board for recommendation to full Council. The Strategy will set out the Council's treasury plans for the next year (including any prudential borrowing plans). The Strategy will include a list of the types of organisations the Council may borrow from and lend to and the maximum individual amounts it may borrow or lend. The Strategy must be agreed by full Council.

(b) Day-to-day Treasury Management Operations

The Head of Finance is responsible for day-to-day treasury management operations. These will follow the Treasury Management Strategy, and ensure that:

- All borrowing and investment complies with the Council's Treasury Management Strategy and the Chartered Institute of Public Finance and Accountancy's code of practice on treasury management
- All borrowing and lending is done in the name of the Council
- As a minimum a half yearly and annual update of treasury management activity will be reported to the Board and made available as appropriate to the relevant scrutiny committee.

(c) Bank Account

Only the Executive Director Organisational Development and Corporate Services or the Head of Finance may open a bank or building society account on behalf of the Council. The Head of Finance is responsible for managing all accounts.

18.15 Asset Management

(a) Responsibilities of Regeneration and Major Projects Manager

The Regeneration and Major Projects Manager will:

- Produce guidelines for acquiring, managing and disposing of assets
- Make sure the Council's records include any money from sales
- Make sure the Council's records do not include the value of any assets that have been disposed of.

(b) Register of Fixed Assets

The Head of Finance will keep a register of all fixed assets worth more than £10,000. Heads of Service must report any acquisitions or disposals so that this can be ~~keep~~ kept up-to-date. Every year the Head of Finance (Section 151 Officer) in conjunction with the Regeneration and Major Projects Manager will check that the assets are still shown at the right value, that they have a suitable asset life and that they have been properly depreciated.

(c) Disposing of assets (except land)

Heads of Service can dispose of assets worth up to £10,000 if the Head of Finance agrees. All disposals including land must be notified to the Head of Finance.

(d) Arranging leases

Only the Head of Finance may arrange leases for non-property items.

18.16 Ordering and Paying for Goods and Services

The Head of Finance shall ensure that there are proper procedures and controls for ordering and paying for goods and services. Any new systems for orders or payments must be agreed by the Head of Finance. Heads of Service must ensure that:

- (a) Official orders (using the agreed corporate order form) are issued for all goods and services prior to receipt. Exceptions to this rule are:
- (i) Utility bills
 - (ii) Subscriptions
 - (iii) Grants
 - (iv) Refunds

- (v) Compensation payments
 - (vi) Payments of rent for privately leased properties
 - (vii) P2P Supplier Approved Exemption list as agreed by the Head of Finance
- (b) Orders for goods and services must only be issued where the expenditure is provided for within the approved budget or is covered by a virement or a supplementary estimate which has been agreed by full Council
- (c) Official orders must indicate clearly the nature and quantity of the work or services required and also the financial commitment.
- (d) Heads of Service must also ensure:
- That staff involved in payment processing are adequately trained.
 - That there is adequate separation of duties between staff ordering, receiving and approving invoices for payment.
 - That suppliers are advised that the Council's preferred means of payment is by bankers automated credit (BACS) and that remittance advices should be sent via email.
 - That only goods and services that have been received, examined and approved as to their quality and quantity or the work or service has been satisfactorily performed are paid for and that the prices, arithmetic and budget allocation are correct.
 - That payments are timely and made within the Council's agreed terms of business, unless the invoice is in dispute.
- (e) Responsibilities of Heads of Services**

Heads of Service are responsible for their service areas' orders and for ensuring that invoices are appropriately approved. They must make sure that Officers who order and authorise invoices for payment have been properly trained and that there are adequate separation of duties between order and approval for goods.

Officers must also have regard to the guidance in the cost centre managers manual and the guidelines on the intranet in relation to the ordering and paying for goods and services.

18.17 Risk Management

The Head of Finance (Section 151 Officer) is responsible for co-ordinating risk management within the authority.

(a) Responsibilities of Directors

- To review and update the Corporate Risk Register on a regular basis
- To ensure compliance with the Risk Management Strategy

(b) Responsibilities of the Head of Finance (Section 151 Officer)

- Periodically to review and present for adoption by the Board the Risk Management Strategy.
- To present monitoring reports in accordance with the terms of the adopted Risk Management Strategy.
- To provide advice to officers and councillors on risk management
- To provide and facilitate training to officers and members on risk management.

(c) Responsibilities of Heads of Service

- Identify and manage risk in their service areas
- Have contingency plans for major risks
- Advise the Head of Finance of any risk that could result in losses or claims against the Council

18.18 Wages, Salaries and Pensions

The Head of Human Resources and Facilities is responsible for paying all wages, salaries and expenses, including councillors' allowances.

Heads of Service must advise the Head of Human Resources and Facilities on a timely basis of any changes to staff pay and any deductions that need to be made, in particular:

- Appointment, resignations, dismissals, suspensions, secondments and transfers
- Long term absences from duty for sickness or other reasons apart from approved leave

- Changes in remuneration, other than normal increments and pay awards
- Information necessary to maintain records for service for superannuation, income tax, national insurance and sickness or maternity benefit

All salaries and wages and allowances will be paid into an employee's or member's bank account.

18.19 Petty Cash

The Head of Finance (Section 151 Officer) will oversee the system of petty cash floats and may provide petty cash advances for such officers of the Council as may need them. Floats will only be topped up when a proper claim is made with receipts for all items. The Head of Finance will give detailed guidance on petty cash.

18.20 Income Collection

(a) Responsibilities of Directors

To ensure that appropriate arrangements are in place to safeguard the Council's resources

(b) Responsibilities of Head of Finance (Section 151 Officer)

The Head of Finance (Section 151 Officer) is responsible for ensuring that systems are in place to ensure that all income is identified, collected, receipted and promptly banked. This includes the issuing of instructions in relation to income and its recovery.

(c) Responsibilities of Heads of Service

Heads of Service must have robust processes in place for dealing with income collection in their service area where required. There must be extra controls in service areas that collect cash or cheques. Heads of Service must ensure that:

- They raise invoices as soon as reasonably practical for all goods and services provided on credit
- They follow the systems and procedures laid out by the Head of Finance (Section 151 Officer) as contained in the cost centre managers manual and within the Guidance on Debt Collection on the intranet
- Officers are suitably trained

- Official receipts are always given
- Proper records are kept
- Money is banked on the day it is received or as soon as possible thereafter
- VAT is properly accounted for.

Heads of service must have effective systems for monitoring income due to their service area. The Head of Finance (Section 151 Officer) must be advised if income targets are unlikely to be achieved and must be advised of any cases of financial impropriety.

(de) Writing off debt

Write offs relating to debts may only be authorised by the following:

- In relation to council tax, NNDR and rents – Head of Customer Services or Head of Finance (Section 151 Officer)
- In relation to all other debts – Head of Finance (Section 151 Officer)

(de) Cancelling debt

Debts can only be cancelled if they have been raised by mistake. All cancellations over £5,000 must be agreed by the Head of Finance (Section 151 Officer).

18.21 External Funding

The Head of Finance must be advised on a timely basis of any application for external funding by the relevant lead officer prior to it being submitted.

The lead Officer must provide such information as requested by the Head of Finance, including copies of proposed agreements and conditions of grant and any financial implications (including match funding requirements or on-going revenue costs).

All external funding applications must be authorised by the Head of Finance prior to their submission by the Authority.

The Head of Finance must be notified of the outcome of external funding applications at the earliest opportunity and successful external funding applications will be reported to CEB as part of the normal monitoring reports or by a report seeking project approval.

Head of Finance is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

The Director and Head of Service responsible for the lead Officer must ensure that all grant conditions are met and must ensure that there is a report made to the Head of Finance if there is any risk of ~~those~~ grant conditions not being met.

18.2122 Money Laundering

The Council has procedures for checking the recording the intentions of the people and organisations it does business with and for reporting suspected money laundering.

The Head of Finance (Section 151 Officer) is the appointed Money Laundering Officer and as well as ensuring that there are procedures in place to combat money laundering he/she is required to maintain and review the Council's Anti Money Laundering Procedures.

Officers must not:

- Conceal, disguise, convert, transfer or remove anything gained through crime.
- Tip off a criminal or suspect
- Assist money laundering

This page is intentionally left blank