

## 18. Finance rules

- 18.1 Responsibilities under the finance rules
- 18.2 Audit
- 18.3 Non-compliance with these Rules
- 18.4 Information and records
- 18.5 VAT and Tax
- 18.6 Insurance
- 18.7 Budget Setting
- 18.8 Responsibility for Budget Decisions
- 18.9 Estimates and Reserves – Robustness and Adequacy
- 18.10 Budgetary Control
- 18.11 Capital Strategy
- 18.12 Project Approval
- 18.13 Monitoring of the Capital Programme
- 18.14 Treasury Management
- 18.15 Asset Management
- 18.16 Ordering and Paying for Goods and Services
- 18.17 Risk Management
- 18.18 Wages, Salaries and Pensions
- 18.19 Petty Cash
- 18.20 Income Collection
- 18.21 External Funding
- 18.22 Money Laundering
- 18.23 Loans or Guarantees to external organisations
- 18.24 Modern Slavery due diligence

### 18.1 Responsibilities under the finance rules

- (a) Responsibilities of the Group Finance Director

The Group Finance Director as the Chief Finance Officer is responsible for regulating and controlling the finances of the Council and hence they 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 Deputy Chief Executives and Directors

Deputy Chief Executives and Directors are responsible for the financial management of their directorate(s).

### (c) Responsibilities of Directors

Within their service area, Directors must:

- ensure the highest standards of financial probity
- ensure compliance with the Finance Rules and any procedures or guidance issued by Group Finance Director.
- monitor monthly the overall financial position of their service area in accordance with the cost centre managers manual issued by the Group Finance Director.
- advise the Group Finance Director and 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 Group Finance Director.

### (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 Group Finance Director 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 report 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 Group Finance Director 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 (18.25) 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 Group Finance Director must be advised in writing by the line manager as soon as possible.

### **18.4 Information and records**

The Group Finance Director is responsible for the Council's accounting system, the form of accounts and its supporting financial records. The Group Finance Director 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 Group Finance Director is responsible for keeping tax records, advising on tax, making tax payments, receiving tax credits and submitting tax returns. The Group Finance Director will advise officers on the appropriate records to be maintained.

### **18.6 Insurance**

The Group Finance Director 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 Group Finance Director of changes in insurable risks
- process insurance claims in accordance with procedures laid down by the Group Finance Director

## 18.7 Budget Setting

On an annual basis the Group Finance Director 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:

Cabinet Decisions	Council Decisions
<ul style="list-style-type: none"> <li>• agreeing a draft revenue budget for consultation</li> <li>• recommending the revenue budget to Council</li> <li>• recommending the Treasury Management Strategy to Council</li> <li>• recommending the Housing Business Plan to Council</li> <li>• agreeing the Risk Management Strategy</li> <li>• recommending the Capital Programme to Council</li> <li>• recommending the Corporate Asset Management Plan to Council</li> <li>• recommending extra spending to Council</li> <li>• monitoring delivery of financial performance</li> <li>• recommending to Council transfer(s) of assets between the General Fund and the Housing Revenue Account</li> <li>• agreeing transfers between cost centres of £250,000 or over where they are in line with the Council's policy framework</li> <li>• agreeing the strategy for setting fees and charges and setting fees and charges for executive functions (to the extent that the budget has not set fees and charges)</li> </ul>	<ul style="list-style-type: none"> <li>• agreeing or changing the revenue budget</li> <li>• agreeing or changing the Treasury Management Strategy</li> <li>• agreeing or changing the Capital Programme</li> <li>• agreeing the Corporate Asset Management Plan</li> <li>• agreeing the Housing Business Plan</li> <li>• agreeing supplementary estimates to either the revenue or capital budgets</li> <li>• agreeing transfers between cost centres that breach the policy framework or are not within the approved budget envelope</li> <li>• agreeing transfers between the General Fund and Housing Revenue Account</li> <li>• setting the Council Tax</li> <li>• setting housing rents</li> <li>• setting fees and charges as part of the budget setting process</li> </ul>

Cabinet Decisions	Council Decisions

### 18.9 Estimates and Reserves – Robustness and Adequacy

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

### 18.10 Budgetary Control

On-going 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 Director and/or Deputy Chief Executive 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 Group Finance Director
- Heads of Service will report on their budget on a regular basis to the Group Finance Director in a format and timeframe prescribed by the Group Finance Director.
- The Group Finance Director will validate the information provided by the Directors and report periodically to relevant Officers and to the Cabinet 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 Director and/or Deputy Chief Executive 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 Group Finance Director in a form prescribed by the Group Finance Director. Permanent virements are permitted following consultation and agreement with the Group Finance Director.

Virements are permitted in accordance within the following parameters:

Virement	Limit	Agreement Required
Within Cost Centres	Unlimited	Director subject to consultation with the Group Finance Director (Chief Finance Officer)
Between Cost Centres	=< £250,000 that are in line with the Council's policy framework	Group Finance Director (Chief Finance Officer) in consultation with relevant Director or Chief Executive/ Deputy Chief Executive in the absence of a relevant Director to ensure separation of duties
	£250,000 or where they are in line with the Council's Policy Framework and within the approved budget envelope.	Cabinet
	where they are not within the Council's policy Framework or approved budget envelope.	Council

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 Group Finance Director a supplementary estimate may be sought from Council.

In the case of emergency the Chief Executive or a Deputy Chief Executive, in consultation with the Group Finance Director or their Deputy, may approve additional expenditure, or virement over £250,000 providing approval is sought from the Cabinet or Council (depending on the amount involved) at the first opportunity following the additional expenditure or virement.

(c) Use of Reserves and Provisions

The Group Finance Director shall establish reserves and provisions to meet known or estimated future liabilities.

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

(d) The Group Finance Director can approve single carry forward sums up to £10,000. Any single carry forward of over £10,000 must be approved by Cabinet.

### 18.11 Capital Strategy

The Group Finance Director will prepare a Capital Strategy which:

- Will be reviewed annually by Cabinet
- 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 is the decision making process that determines whether or not to move ahead with an initiative. It applies to both revenue and capital programmes and projects (income and expenditure). Project approval must be obtained for programmes and projects in accordance with the following requirements. For capital programmes and projects, project approval must follow presentation to the Council's Development Board (officer group):

- Less than £185,000 – Service Director
- £185,000 up to £750,000 – Deputy Chief Executive or Group Finance Director in consultation with the Head of Paid Service and Monitoring Officer (and the Group Finance Director where the decision to approve is being made by an Executive Director)
- £750,000 and over – Cabinet

The decision-making process for capital programmes and projects is set out in the Capital Strategy, and will be updated annually by the Group Finance Director and reported to the Cabinet for recommendation to Council for approval.

Project ideas may be added to the project pipeline at any time following the completion of a Project Proposal submitted to the Development Board.

Funding may be requested for programme or project ideas and proposals, of a capital nature, in order to carry out feasibility and or design stages to ensure the schemes are both feasible and to ascertain true costs for delivery. Allocation of any funding and approval of each of these stages within the agreed budget envelope is agreed by the relevant Director.

For programmes and projects that proceed through feasibility, design and technical specification, a business case will need to be prepared prior to approval that includes:

- The aim of the programme or project and options for delivery

- Resource implications (internal and external)
- 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
- Any comments made during consultation and the Council's response
- The estimated amount and timing of any capital and revenue expenditure or income, any on-going effect on revenue, and whether this 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. Overall monitoring of the Capital Programme will be undertaken by the Development Board, which comprises Deputy Chief Executive and the Group Finance Director, the Monitoring Officer, all other Service Directors and the Project Management Office. The monitoring will be carried out in conjunction with Project Sponsors and Project Managers. The Group Finance Director will monitor on the financial spend against the approved Capital Programme and regularly report on this to the Development Board.

A Capital Programme monitoring report will be submitted by the Group Finance Director to the Development Board as required, and to the Cabinet 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 expenditure may only be incurred if:

- Budgetary provision has been made within the approved Capital Programme
- Project approval has been given in accordance with 18.12
- Corporate procurement processes have been complied with

Where it is anticipated that the budget for a capital project will be overspent against its approved budget the relevant Service Director will be responsible for notifying the Group Finance Director. Overspend up to £250,000 may be accommodated by virement from other schemes or under-spending 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 Cabinet and subsequently Council requesting a supplementary estimate if required.

Where a scheme is within the capital programme and it is not possible for it to progress in a particular year or where it is progressing faster than anticipated, the Group Finance Director in conjunction with the Development Board can move the approved capital budget for a scheme between financial years across the Medium Term Financial Strategy 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.

Where the Council has obtained external funding for a capital project or that project can be funded by virement, the Group Finance Director may, subject to it being included in the next available monitoring report, raise an additional budget head to facilitate timely project commencement.

### 18.14 Treasury Management

#### (a) Treasury Management Strategy

The Group Finance Director will produce and submit the Treasury Management Strategy to the Cabinet for recommendation to Council.

The Strategy will set out the Council's treasury plans for the next year (including any prudential borrowing limits which are in line with the capital programme and proposed financing). 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 Council.

#### (b) Day-to-day Treasury Management Operations

The Group Finance Director 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 Cabinet and made available as appropriate to the relevant scrutiny committee.

#### (c) Bank Account

Only the Chief Executive or the Group Finance Director may open a bank or building society account on behalf of the Council. The Group Finance Director is responsible for managing all accounts.

### 18.15 Asset Management

#### (a) Responsibilities of the Director of Property Assets

The Director of Property Assets 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 Group Finance Director will keep a register of all fixed assets worth more than £10,000. Directors must report any acquisitions or disposals so that this can be kept up-to-date. Every year the Group Finance Director, in conjunction with the Director of Property Assets, 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)

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

(d) Arranging leases

In respect of non-property items the Group Finance Director may approve:

- Lease arrangements
- Hire of assets
- Rental agreements
- Contracts where the supplier uses assets to provide services to the Council; these may be explicit in the contract or implied due to the service being provided

Additional procurement requirements apply to these arrangements (Part 19.22).

### 18.16 Ordering and Paying for Goods and Services

The Group Finance Director 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 Group Finance Director. Directors 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:

- Utility bills
- Subscriptions
- Grants
- Refunds
- Compensation payments
- Payments of rent for privately leased properties
- P2P Supplier Approved Exemption list as agreed by the Group Finance Director

- Hire of polling stations
- (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 Council
- (c) Official orders must indicate clearly the nature and quantity of the work or services required and also the financial commitment.
- (d) Service Directors 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 Deputy Chief Executive and Service Directors

The Service Directors and Deputy Chief Executive 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 Group Finance Director is responsible for co-ordinating risk management within the authority.

(a) Responsibilities of Service Directors and Deputy Chief Executives

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

(b) Responsibilities of the Group Finance Director

- Periodically to review and present for adoption by the Cabinet 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 Service Directors and Deputy Chief Executives

- Identify and manage risk in their service areas in compliance with the Risk Management Strategy
- Update the Corporate Risk Register
- Have contingency plans for major risks
- Advise the Group Finance Director of any risk that could result in losses or claims against the Council

### 18.18 Wages, Salaries and Pensions

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

Deputy Chief Executives and Directors must advise the Head of People 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 Group Finance Director 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 Group Finance Director will give detailed guidance on petty cash.

### 18.20 Income Collection

(a) Responsibilities of Deputy Chief Executives and Service Directors

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

(b) Responsibilities of Group Finance Director

The Group Finance Director 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 Service Directors and Deputy Chief Executives

Service Directors 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. Service Directors 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 Group Finance Director 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

Service Directors and Deputy Chief Executives must have effective systems for monitoring income due to their service area. The Group Finance Director must be advised if income targets are unlikely to be achieved and must be advised of any cases of financial impropriety.

(d) Writing off debt

Write offs relating to debts may be authorised as follows:

- Debts up to £100k by the Group Finance Director
- Debts in excess of £100,000 by the Cabinet

(e) Cancelling debt

Debts can only be cancelled if they have been raised by mistake. All cancellations over £5,000 must be agreed by the Group Finance Director.

### 18.21 External Funding

The Group Finance Director 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 Group Finance Director, 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 for funding in excess of £100,000 must be authorised by the Group Finance Director prior to their submission by the

Authority. All external funding with a value of £750,000 or more will be a key decision and require Cabinet approval in advance of acceptance.

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

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

The Deputy Chief Executive and/or Service Director responsible for the lead officer must ensure that all grant conditions are met and must ensure that there is a report made to the Group Finance Director if there is any risk of grant conditions not being met.

### **18.22 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 Group Finance Director 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

Officers must complete and retain evidence of any due diligence checks carried out on new suppliers prior to any payments being made to the supplier. This must include a credit check where possible and the evidence retained for audit purposes. Should the credit check score fall below the current threshold set by the Group Finance Director additional advice should be sought from the Group Finance Director.

### **18.23 Loans or Guarantees to external organisations**

The Group Finance Director may authorise a loan or financial guarantee to a Council wholly owned company.

Any loan to a Council wholly owned company must be within the overall approved budget.

There is no limit on the amount of any financial guarantee to a Council wholly owned company that the Group Finance Director may approve.

The Group Finance Director may authorise loans or financial guarantees of up to an outstanding balance of £250,000 in aggregate to a company which is not wholly owned by the Council or any other external organisation.

Loans and financial guarantees of over £250,000 to a company which is not wholly owned by the Council or other external organisation must have approval by the Cabinet and, where it is not within the approved budget, there must be approval of Council to the budget allocation.

### **18.24 Modern Slavery due diligence**

Officers must carry out due diligence checks to ensure that they are satisfied that suppliers comply with the Modern Slavery Act 2016.

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