

# Financial Regulations

## 1. INTRODUCTION

### 1.1 What This Section Covers

1.1.1 These Regulations form part of the Council's Constitution, which makes up the Council's regulatory framework alongside Standing Orders. They must be followed by all officers of the Council whether directly employed, contracted or employed through an agency in their conduct of financial and related matters. They cover the following fundamental areas of financial management and control:

- setting, monitoring and controlling the revenue and capital budget
- accounting responsibilities
- controlling income and expenditure
- external arrangements
- risk management and control of resources
- procurement
- retention of documents

### 1.2 To Whom the Regulations Apply

1.2.1 For the purposes of this document, the Chief Finance Officer is the Officer appointed by the Council in accordance with Section 151 of the Local Government Act 1972. (Further details of roles and responsibilities are set out in Part 4 of the Constitution).

1.2.2 These Regulations apply to all Officers, Service Area Directors, Directors and Heads of Corporate and Service Units who are described jointly as Managers in these Regulations. Managers are under a duty to ensure that their staff comply with these regulations. Failure to comply with the regulations may constitute misconduct and lead to formal disciplinary action.

1.2.3 The following describes the overall framework and the main roles and responsibilities in respect of the Regulations. This is not exhaustive and there will be overlaps. The Chief Finance Officer is responsible for reviewing these Regulations and reporting any significant breaches to the Executive or Full Council. Ultimately all staff are responsible for complying with all Regulations:

- The Chief Finance Officer puts in place financial standards and practices across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information, and sound advice on financial decisions to be made by officers and members.
- Service Area Directors ensure that their service area promotes, enacts and monitors adherence to the necessary financial control framework ensures effective budgetary control systems are in place and keeps spending within their aggregate cash limit, indicating where necessary, conflicts between current service policy and plans and resource allocation.

- Service Unit and Corporate Heads and Directors are required to keep accurate financial records, comply with the financial control framework and take timely action to keep spend within budget.
- Finance and Corporate Resources collate financial information, monitor implementation of the financial control framework, support service accountants and Managers in their financial responsibilities, and give assurance to management and members that adequate controls exist to produce sound financial administration.
- Service area accountants collate the financial information about their service area, provide financial advice to Managers in the service areas, provide financial information to Finance and Corporate Resources, support Managers in their financial responsibilities, help to implement the financial control framework and ensure sound financial administrative systems are in place.
- Audit and Investigations provide the Council's internal audit function and anti-fraud services. They are authorised representatives of the Chief Finance officer to assist him to discharge his statutory duties and provide Managers with advice and guidance on the system of internal control. They are responsible for investigations into financial irregularities across all Council services.

1.2.4 These Regulations are supplemented by, and should be read in conjunction with:

- Codes of Practice and Technical Standards, setting out more detailed requirements for financial arrangements, which may change from time to time.
- Guidance notes or memoranda on good financial management practice which may be issued periodically by the Chief Finance Officer.

## **2. SETTING, MONITORING AND CONTROLLING THE REVENUE BUDGET**

### **2.1 Chief Finance Officer – Budgetary Role**

- 2.1.1 The Chief Finance Officer must prepare a consolidated budget for all Revenue Account activities and report on the robustness of the budget estimates and the adequacy of financial reserves. In addition, the Chief Finance Officer must supply information to Government departments and external bodies in a prescribed format. Managers must prepare their budgets in a way that enables them to supply information to the Chief Finance Officer to meet these requirements.
- 2.1.2 The Chief Finance Officer shall prepare and maintain a Scheme of Transfers and Virement to be approved by Full Council. This enables the Executive and Chief Officers to manage budgets with a degree of flexibility within the overall policy framework determined by the Full Council. Any variation from this scheme requires the approval of the Full Council.
- 2.1.3 The Chief Finance Officer will also make arrangements for the supply of financial information that needs to be included in performance plans and to ensure that systems are in place to measure activity and collect accurate information for use as performance indicators. Service Area and Corporate Directors must ensure adherence to these arrangements within their areas.

## **2.2 Setting the Budget**

2.2.1 The budget is the financial representation of the Council's policies. It will be proposed by the Executive and agreed by the Full Council. The Budget and Policy procedure rules are set out in Standing Orders. Each Manager shall be responsible for:

- Maintaining a proper system of budgetary control including ensuring that profiled budgets are loaded into financial systems and are properly maintained.
- Preparing estimates within the overall criteria and policy framework formulated.
- Apply recommended budget forecasting techniques to ensure that accurate monitoring data can be provided.
- Setting performance measures linked to Service Development Plans and reviewing progress and outcomes for the resources allocated.
- Delivering their specified service with the resources agreed.

2.2.2 Budgets must be produced in accordance with the Service Development Planning and Budget Guidelines document issued annually.

## **2.3 Monetary Limits**

2.3.1 The inclusion of money in the Revenue Budget approved by the Full Council shall authorise the Manager concerned to spend up to that sum. Managers are not authorised to exceed the cash limited budget under their control.

## **2.4 Transfer of Resources between Budgets**

2.4.1 Managers may transfer resources between budgets (virements) within that part of the budget under their direct control provided they comply with the relevant Standing Orders and the Scheme of Transfers and virements in this Part of the Constitution.

## **2.5 Monitoring the Budget**

2.5.1 Once the budget is agreed Managers must ensure the budget is strictly monitored.

2.5.2 Finance and Corporate Resources will set out a monthly reporting timetable. The key events and responsibilities in the cycle will be:

- Managers supply information to service area accountants on spend to date, year end forecasts and financial and non-financial performance data in a format prescribed by the Chief Finance Officer.
- All accounts must be prepared on an accruals basis i.e. allowing for outstanding debtors and creditors at the end of each period. All information must be submitted monthly by the 10<sup>th</sup> working day of each month, signed by the Manager to confirm the accuracy of the figures produced.
- Service areas supply similar information on total spending within their responsibility (including units) to Finance and Corporate Resources.
- The Strategic Finance Group (SFG) will review the monitoring information and provide summary information and exception reports to the Corporate Management Team (CMT). CMT will examine proposed recovery plans, and take any other necessary action to deliver spending within overall resources.

- A budget monitoring report prepared by the Chief Finance Officer will be brought at least quarterly to a meeting of the Executive. In cases where budgets may be potentially overspent the action proposed to bring expenditure within available resources must be detailed. If such action is endorsed by the Executive but makes changes to the Policy framework and the Budget which will require agreement by Full Council (see Part 5), officers cannot implement these changes until such endorsement is obtained.

## **2.6 Controlling the Budget**

- 2.6.1 Strict financial discipline must be maintained and once decisions have been made on the budget for a year Managers must seek to ensure that the budget plan is met.
- 2.6.2 Service Area and Corporate Directors shall make arrangements which ensure that each cost centre has a single named Manager and that significant variance from approved budgets are investigated and reported by Managers regularly.

## **2.7 Overspends**

- 2.7.1 Overspends in service areas are not acceptable. An overspend must be dealt with by action of some kind, even if this means changing policy, service levels and staffing levels, or virements from elsewhere in the Service's budget. This must be implemented within the overall rules of the Constitution. Each Service Area Director must notify the Chief Finance Officer immediately if it appears that any budget under their control is likely to overspend due to an estimate or approved expenditure being exceeded, or income not being achieved.
- 2.7.2 The Service Area and Corporate Director will be required to detail the action they propose to take to correct the overspend. Specific and costed proposals will be expected. Services may need to seek the Executive's and Full Council's approval for a change in policy in order to meet the overspend.
- 2.7.3 Service Areas have to take responsibility for their own budgets and to seriously examine their own capacity to fund new proposals or overspendings.
- 2.7.4 Where the action to be taken to control overspends or to meet any new expenditure involves the application of "*compensating savings*" or being "*met within existing budgets*" then precise budget heads must be identified and detailed. Any service implications must be fully stated. If details are not provided then the action will not be regarded by the Chief Finance Officer as satisfactory.
- 2.7.5 Any overspend of controllable expenditure has the effect at outturn of reducing the Council's Balances. Subject to any decision to the contrary by Full Council the service responsible for the overspend will be required to replenish the Council's balances from its own resources in the following year.

## **2.8 Surpluses/Underspends**

- 2.8.1 A surplus/underspend is only achieved after all items of expenditure and income relating to the year have been accounted for in full and proper allowance has been made for any

uncollectable debts and disputes in relation to creditors and any Reserves and Provisions Established by the Director of Finance and Corporate Resources under the Scheme of Transfer and Virements.

2.8.2 Managers should ensure that at any time in the financial year and particularly towards the end of that year that no expenditure is made for the purposes of avoiding a surplus position. This includes transferring of funds to external partners or agencies. Managers must not commit any of these surpluses until the Council have agreed a policy for that particular financial year.

2.8.3 Following the closure of accounts each year, the Executive will examine the potential for allowing some part of underspends to be released to service areas and make proposals to the Full Council. The extent that this is possible will depend on the overall financial position, including the pressure on capital resources and other Council priorities.

### **3. SETTING AND MANAGING THE CAPITAL PROGRAMME**

#### **3.1 Authorisation and Financing**

3.1.1 It is the responsibility of the Chief Finance Officer to prepare for approval by Full Council a capital programme report and to set out the subsequent monitoring and reporting arrangements. The Service Area Directors shall support this process by supplying information in the format prescribed by the Chief Finance Officer.

3.1.2 The Chief Finance Officer will ensure that all reporting requirements under the Prudential Code are met and that all prudential indicators are maintained.

3.1.3 The Full Council will approve the Capital Programme and make budget allocations to Service Areas as part of the Policy Framework and the Budget. The method of financing of capital schemes shall be determined by the Chief Finance Officer except where a scheme can be funded from within a revenue budget cash limit.

3.1.4 Provision for costs associated with final accounts or retentions are the responsibility of the service and are required to build in budgets for this purpose.

3.1.5 When resources are allocated each service area must prepare a draft programme within the following constraints:

- it should not exceed the capital resources allocated for the financial year.
- the Manager must be satisfied that the nature of the works is in accordance with the definition of capital expenditure and the criteria set by Government Departments for grant and other funding regimes.
- commitments in future years must not exceed the budget agreed by the Council.
- any 'ring fenced' allocations must be maintained.

3.1.6 Draft programmes must be submitted to the Executive for approval. The report must seek individual scheme approval and managers must supply timely and accurate information that includes:

- a detailed appraisal of the all proposed schemes in both financial and/or social terms. The merits and disadvantages of each scheme must be made clear to Members. The financial appraisal may include the use of techniques such as discounted cash flow or cost benefit analysis and must consider whole life costs and alternative procurement mechanisms.
- the total cost of the scheme and the phasing of these costs where they extend beyond one year.
- any revenue costs associated including running costs and capital charges.
- the service outputs expected from the capital investment.
- a risk analysis dealing with the development, construction and funding of the scheme.
- where required by the Executive, block allocations should be broken down to scheme level and prioritised in accordance with policy guidelines.

3.1.7 Until approval of the Executive is granted there is no authority to incur expenditure on capital schemes other than those costs involved in preparing the scheme and its estimate, i.e. fees for architects, quality surveyors and engineers.

3.1.8 Once approved the Manager concerned shall be authorised to incur expenditure on a scheme provided that the Manager has complied with any other parts of these regulations and the Council's Contract Standing Orders.

3.1.9 Adjustments to Service Area capital programmes can be made during the year to reflect changes, for example in priority or the resources available provided that such adjustments are made in accordance with the Scheme of Transfers and Virements in this part of the Constitution. Any such change will need to be agreed by the Executive and then by the Full Council if it is outside the Policy Framework and the Budget. Details of all approved capital programmes and any changes made during the year must be forwarded to the Chief Financial Officer.

3.1.10 All bids to Government Departments for grant or other funded programmes shall be made by the relevant officer in the appropriate Unit. The Chief Finance Officer should be informed of by the responsible person in advance of any bid so the process can be co-ordinated.

3.1.11 Any interim/final grant claims or capital returns, which relate specifically to an individual Unit, shall be completed by that Unit. Claims and returns covering a number of Units shall be completed by the Chief Finance Officer, e.g. capital payments and out-turn returns. Copies of all annual bids, interim returns or final claims prepared by Units must be sent to the Chief Finance Officer.

## **3.2 Capital Programme Responsibility**

3.2.1 The Service Area and Corporate Directors shall be responsible for:

- making adequate arrangements for the management and monitoring of their capital programme.
- reporting to the Chief Finance Officer forecast overspends and detailing the action they propose to control the overspend and to set out the arrangement by which it will be funded from within the service area's programme. In cases where this proposed action

will stop or significantly change any previously agreed projects or programmes then this may require the approval of the Executive and Full Council.

- ensuring capital monitoring returns in the form and with the frequency specified by the Chief Finance Officer are produced by the responsible officers.
- providing progress reports on their capital programme as requested by the Chief Finance Officer.

3.2.2 Each Manager is responsible for ensuring that:

- Expenditure is contained within the capital resources allocated in each financial year, and that the overall cost of the scheme does not exceed the budget allocated.
- Commitments falling into future years are kept within agreed limits.
- Where an individual scheme has exceeded, or is projected to exceed, the approved budget, this should be reported to the Service Area Director and the Chief Finance Officer immediately.
- Post completion reviews are undertaken for all schemes valued in excess of £150,000.
- Adequate option appraisal has been undertaken on all individual schemes valued in excess of £150k. This should include design & construction options together with likely cost implications, contract procurement options and funding options.

3.2.3 Where an underspend occurs the Executive will examine the potential for allowing some part of the underspend to be released to the unit concerned and make proposals to the Full Council.

### **3.3 Underspends and Slippage**

3.3.1 Following the closure of accounts each year, the Executive will examine the potential for allowing some part of underspends to be released to service areas and where required make proposals to the Full Council. The extent that this is possible will depend on the overall financial position and other Council priorities.

3.3.2 Managers must ensure that adequate systems are in place to identify and then report to the Chief Finance Officer any schemes or programmes that are forecast to underspend or where expenditure slippage may occur.

3.3.3 Slippage on scheme budgets identified:

- At year end will be treated as if an overspend per paragraph 3.3.1 above.
- During the year will be allowed to be carried forward where:
  - (a) There is an existing contractual agreement for the provision of the works related to the scheme, or
  - (b) The scheme covers more than one financial year and costs are being rephrased.

## **4. ACCOUNTING RESPONSIBILITIES**

### **4.1 Accounting Systems and Procedures**

4.1.1 The Chief Finance Officer is responsible for:

- determining the accounting system and supporting services that shall be used;
- defining the financial processes that shall be operated to support the system;
- ensuring adequate controls and segregation of duties exist within the system;
- ensuring adequate security arrangements have been made for the operation of the system;
- ensuring that adequate procedures are in place to enable accounting records to be reconstructed in the event of system and procedure failures.

4.1.2 Service Area Directors are responsible for:

- Ensuring that officers using accounting system have been assigned the correct user responsibilities: The valid responsibilities cover-

|                        | Accounts Payable | Accounts Receivable | General Ledger | Cash Management |
|------------------------|------------------|---------------------|----------------|-----------------|
| <b>Responsibility:</b> |                  |                     |                |                 |
| Input                  | Yes              | X                   | X              | X               |
| Payment                | Yes              | X                   | X              | X               |
| Validation             | Yes              | X                   | X              | X               |
| Entry                  | X                | Yes                 | X              | X               |
| Remittance             | X                | Yes                 | X              | X               |
| Journal entry          | X                | X                   | Yes            | X               |
| Journal approver       | X                | X                   | Yes            | X               |
| User                   | X                | X                   | X              | Yes             |
| Inquiry                | Yes              | Yes                 | Yes            | Yes             |

- ensuring that officers involved in operating accounting systems and undertaking financial procedures receive proper assessment of their financial skills and learning and development needs.

4.1.3 Service area Heads of Finance are responsible for ensuring that all accounting and monitoring reports are timely, accurate, clear, convenient and readily understood by users.

4.1.4 System users are responsible for following procedures and processes, entering data correctly and reporting faults.

## 4.2 Accounts and Accounting Policies

4.2.1 The Chief Finance Officer is responsible for

- determining the Council's accounting policies;
- for ensuring that the annual statement of accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK and that proper arrangements are made for the audit of the accounts in accordance with the Accounts and Audit Regulations;
- issuing the "Closing Your Accounts" document on an annual basis. This will detail all end of year reporting requirements as specified by the Chief Finance Officer;
- Determining the treatment of balances where a provision and/or liability recorded in the balance sheet is deemed no longer appropriate.

4.2.2 The Service Area Heads of Finance is responsible for:



- all accounting activities, reconciliations, records and bank accounts under the services control;
- ensuring compliance with the Chief Finance officer instruction and requirements;
- maintaining full supporting documentation and audit trail to justify all figures contained in their accounts and be able to present for internal and external audit as required;
- signing off the service area accounts.

4.2.3 Accounting policies will be adhered to and applied consistently, the underlying principles include:

- accounts should be a fair financial presentation of the position and the transactions in respect of that financial year;
- income and expenditure should relate to the services provided in the same accounting period (the financial year). In revenue accounts, provision must be made for income and expenditure earned/used irrespective of when the amounts are actually paid or received;
- the accounts should be prepared on a prudent basis with income only being included to the extent that it is likely to be received; proper allowance should be made for all known and expected liabilities and losses.

### **4.3 Accounting Records**

4.3.1 Where accounting records are held or bank accounts maintained, the responsible officer shall:

- ensure they are properly maintained, securely held, complete and accurate;
- that VAT, Income Tax and other statutory additions deductions are properly calculated and accounted for on all transactions where appropriate;
- supply Chief Financial Officer such details of statutory additions/deductions as are required to meet the appropriate accounting requirements and enable the submission of statutory returns;
- ensure that prime reconciliations are carried out on a regular basis and shall provide evidence as required by the Chief Finance Officer. As a minimum:
  1. All bank accounts under their control, including client and purchasing accounts, must be fully reconciled and reported on a monthly basis.
  2. All Accounts, including Debtors and Creditors Accounts, VAT and Payroll must be reconciled on a regular monthly basis and at the end of each financial year.
  3. Holding Accounts and Suspense Accounts must be cleared on a regular monthly basis and, if there is any balance at the end of the financial year, this must be justified.
- Ensure journal entry adjustments are properly documented, approved and incorporate adequate explanatory narrative and cross-referenced to proper working papers;
- Ensure accounting documentation is retained for inspection for a period complying with the rules on retention of documents as detailed in section 11.

## **5. PROCUREMENT, CONTRACTS & LEASING**

5.1 The Chief Finance Officer has responsibility for :

- determining Procurement system that shall be used by the Council;
- the financial and business processes that shall be operated to support the system;
- ensuring adequate controls and segregation of duties exist within the system;
- ensuring adequate security arrangements have been made for the operation of the system;
- ensuring that adequate procedures are in place to enable procurement records to be reconstructed in the event of system and procedure failures;
- putting in place arrangements which ensure the requirements of the Prudential Framework and the International Financial reporting Standards are complied with;
- maintaining procurement catalogues;
- managing and controlling all punch out arrangements;
- setting in place arrangements for the use of GPC cards;
- making arrangements for a register to be maintained of all contracts awarded or entered into.

5.2 The Service Area Directors must:

- Maintain an local scheme of delegation for the operation of the procurement system by allocating responsibilities for requisitioning, receipting and approving the acquisition of goods and services. There must be a separation of duties so that those officers who requisition and receipt should not be approvers;
- To set and maintain appropriate approval limits for officers;
- Ensure the scheme is maintained and reviewed on a regular basis to that it is fit for purpose;
- sign off any variations or amendments to contracts;
- ensure that adequate contract monitoring and review arrangements are in place to cover contracts for externally provided services;
- maintain a list of staff authorised to make amendments and variations to contracts, which includes limits on the value of variations and amendments that they can make.

5.3 All Officers are required to procure using the procurement system and the contracts purchasing arrangements set up therein. In addition officers are required to comply with:

- the Council's Standing Orders on Contracts (Part 3 of the Constitution) for entering into contracts Contracts of £150,000 in value or more must be executed in accordance with the Council's Standing Orders;
- the requirement that contracts or procurement of less than £150,000 in value shall be signed only by officers authorised to do so and that value for money has been obtained;
- Contract Procurement and Management Guidelines (the "*Blue Book*");
- the requirement to ensure the Contracts Register is maintained;
- Instruction issued for the use of GPC cards.

5.4 In order to ensure compliance with the Governments Prudential Framework, managers must not enter into any contract, leasing agreement, agreement for the use of an asset or any other loan or financing arrangements for the acquisition of property, vehicles, plant or equipment without the prior written consent of the Chief Finance Officer.

5.5 Any departure from the blue book must be agreed with the relevant manager, notified to the Chief Finance Officer and the reasons for departure recorded in the contract file. Elements of this guidance set out legislative requirements and the Council's own rules. These elements are highlighted within the Guidance and compliance with these elements is mandatory in order to avoid the Council acting illegally and cannot be departed from in any circumstances.

5.6 A copy of all contracts shall be retained by the issuing Unit. Any subsequent variation or amendment to a written contract shall be made only by those staff authorised to do so and changes formally noted and recorded.

## **6. ORDERS & PAYMENTS**

### **6.1 Orders**

6.1.1 Official orders must be issued to suppliers for all work, goods or services to be supplied to the Council at the time the order is agreed. Officers must not place orders for private use.

6.1.2 The procurement system must be used for the generation of requisitions and orders and this must be done at the time of placing the order. Exceptions to this must be agreed by the Chief Finance Officer prior to the order being placed

6.1.3 All requisitions/orders must be approved by the Budget Holder in the first instance and then follow the systems scheme of delegation through the approval levels.

6.1.4 Officers approving requisitions/orders must ensure that:

- value for money has been obtained in the purchasing of all goods and services;
- the requisition is lawful expenditure and be satisfied that the goods and services ordered are appropriate and needed;
- the correct code has been used to charge that expenditure;
- and that adequate budget exists;
- necessary quotations or tenders have been received;
- be satisfied that any contractor is technically competent, has sufficient financial standing to carry out the work and can produce work, goods and services to the required quality;
- Full and accurate details of the supplier have been captured.

6.1.5 All goods and service received must be receipted on the procurement system officers authorised to do so. Receiptors must inspect the goods and service and receipt only those items actually received.

6.1.6 Any variations to orders must be input into the system and approved. Cancelled orders must be actioned on the system promptly.

6.1.7 Retrospective orders shall not be made unless covered by circumstances agreed by the Chief Finance officer

### **6.2 Payments**

6.2.1 No payment shall be made unless supported by an invoice or an payment request.

- 6.2.2 Where orders have been raised through the procurement system the corresponding invoice must contain the purchase order number. The invoice will be scanned into and then matched within the system. Fully matched invoices will be passed for payment. Partially matched invoices will be manually matched following investigation and resolution of unmatched lines. Those officers responsible for manually matching invoices and or preparing payment runs must not have any responsibilities within the procurement system.
- 6.2.3 Payments put on hold by the system must be investigated and resolved and can then only be released for payment by validators
- 6.2.4 Where an invoice is received relating to services or works procured outside of AEP then it must be directly input into the Accounts Payable only after it has been matched to the manual order raised. Except in emergency the invoice must not be a photocopy or faxed
- 6.2.5 Internally generated payment requests must be directly input into the Accounts Payable after an approved payment request form has been received and adequate supporting information has been provided.
- 6.2.6 Where an invoice is received outside of the procurement system or an internally generated payment is raised both documents must be :
- Checked to ensure it is properly payable, arithmetically correct and includes the appropriate VAT details;
  - Marked to demonstrate compliance with the above and authorised for payment by an appropriate officer;
  - Certified to show it has been checked to ensure it has not been previously paid and that it is coded correctly.
- 6.2.7 Officers responsible for entry and payment must not be validators or users of the procurement system. Also those officers certifying invoices for payment preparation should not have been involved in the requisitioning and ordering of those goods or services or in the raising of the payment requests.
- 6.2.8 Those officers responsible for validation must ensure that all invoices “on hold” are investigated and resolved before they are released for payment.
- 6.2.9 When Validators are validating payment batches they must check to ensure that all invoices contained within a batch have been matched to PO’s or properly released from hold before validating the payment batch. The payment batch must be reconciled to the control value and total number of invoices to be paid.
- 6.2.10 Those officers authorised as BAC’s signatories shall ensure that batch totals and values are correct. The officer can sample check individual items and has a right to query a payment or request any information they deem necessary.
- 6.2.11 Those officers signing cheques shall satisfy themselves that the payment has been properly approved.
- 6.2.12 Internal transactions shall be treated in accordance with instruction issued by the Chief Finance officer.

- 6.2.13 In cases where goods are ordered from abroad it may be necessary to make a payment in a foreign currency. These arrangements should always be made through the Council's bank using GPC card, Bankline or Foreign Draft.
- 6.2.14 Periodic payments are those made for rents, ground rents way leaves etc. for many years. A register of periodic (regular) payments should be kept to ensure that payments are made accurately and by the due date.

## **7. EXPENDITURE ITEMS**

### **7.1 Expenditure – Payroll**

- 7.1.1 The payment of all salaries, wages, pensions, compensation, deductions from salaries for tax, superannuation and other deductions to and/or from all employees and former employees of the Council shall be made under arrangements approved by the Chief Finance Officer. Managers are under a duty to ensure that all appointments, resignations, absences, overtime or other circumstances affecting the salary, wage of an employee in their Unit are acted upon immediately to ensure staff are paid correctly and overpayments kept to a minimum.
- 7.1.2 Managers must ensure that all appointments are made in accordance with the framework of terms and conditions, including grading structures and pay scales, approved by the General Purposes Committee (and available from Human Resources) and that adequate budget provision is available.
- 7.1.3 Managers are responsible for ensuring that suitable arrangements are in place for payroll administration. It is essential that Managers ensure that sufficient controls are in operation to prevent fraudulent or erroneous payments. Managers are responsible for ensuring that only authorised payments are made. In particular effective authorisation procedures are needed in respect of new starters, leavers, absences and variations to pay. They should include a proper division of duties between staff authorising payments and those checking payroll output. In no circumstances may a member of staff authorise or process a transaction in relation to their own remuneration.
- 7.1.4 Managers are responsible for ensuring that all data is notified to payroll within the time scale set.
- 7.1.5 All car mileage payments must be made through the payroll. Car mileage claim forms must be sent to Payroll Section with a valid cost code.
- 7.1.6 It is the responsibility of the Manager to ensure that settlement of any Council loans is agreed when an employee gives notice or on completing the leavers notice. A copy of the notice must be sent to Exchequer Services if the Leaver has an outstanding loan and the employee directed to discuss repayment as early as possible..

### **7.2 Expenditure - Petty Cash**

- 7.2.1 Petty Cash must be properly accounted for and reconciled on a monthly basis also taking into account VAT where applicable. Officers administering petty cash should ensure that expenditure conforms to the legal and justifiable tests as for general expenditure. Proof of expenditure must be provided in all cases and documentation should be retained in accordance with general expenditure items.
- 7.2.2 Reimbursement to staff for petty cash expenditure will be by BAC's payment.
- 7.2.3 Wherever possible staff should be encouraged to use GPC cards for petty cash expenditure and pre pay oyster cards for travel on tube and bus travel.
- 7.2.4 Subsistence rates must be adhered to.
- 7.2.5 Managers must make adequate arrangements:
- for the safe custody of cash held;
  - to ensure the float is never used to cash personal cheques or to make personal loans;
  - Cash held is kept to a minimum.

### **7.3 Expenditure - Capital Payments**

- 7.3.1 Each Unit is responsible for making their own capital payments. The responsible officer must ensure that procedures comply with **Section 6.2** of these Regulations.
- 7.3.2 Units are responsible for ensuring that adequate records are kept and that the proper treatment is applied to VAT and Construction Industry Tax transactions. Returns in this respect are required to be submitted to the Chief Finance Officer. In order to ensure that proper capital charges are calculated, Units will be asked to submit at regular intervals details of expenditure for each Capital Scheme and asset values.
- 7.3.3 Units shall keep capital contract files to provide a record of all interim payments and any outstanding retention amounts.

### **7.4 Expenditure – Internal Trading**

- 7.4.1 The Chief Finance Officer is responsible for approving new internal trading initiatives. Where necessary approval of the Executive or Full Council will be obtained.
- 7.4.2 Managers are responsible for ensuring that the agreed budgeting, accounting and charging procedures are adhered to.
- 7.4.3 Any trading surpluses shall be retained for the benefit of the authority and their application shall require the approval of the Chief Finance Officer.

### **7.5 Expenditure & Income Taxation Returns**

- 7.5.1 It is the responsibility of the Chief Finance Officer to make arrangements for the completion of all returns to the HM Revenue & Customs. Managers must provide information to the

Chief Finance Officer in the format and timetable required in order to meet these responsibilities. Finance Technical Standards have been issued to cover these areas.

- 7.5.2 Managers are responsible for VAT on expenditure and income. A number of Council services attract VAT, which must be passed on to customers and separately accounted for. Details of items attracting VAT, the rates to be applied and the specific accounting arrangements are contained in Finance Technical Standards - VAT.
- 7.5.3 The majority of payments made to suppliers and contractors will be subject to VAT. In these cases an original VAT invoice must always be obtained. A supplier not registered for VAT is not entitled to charge VAT. VAT invoices must contain certain information, details of, which are set out in the Finance Technical Standards. These also set out a number of practical guidelines, which must be observed.
- 7.5.4 Heavy penalties will be imposed on the Council if it submits incorrect VAT returns. Any penalties resulting from a misdeclaration will be charged to the Unit concerned.
- 7.5.5 Managers must submit a monthly return to the Chief Finance Officer providing details of VAT charged and paid. These returns must be submitted in a format notified by the Chief Finance Officer within specified timescales.
- 7.5.6 Payments to subcontractors engaged or contracted by the Council for work of a construction nature are subject to special verification and reporting. These arrangements are set out in the **Finance Technical Standards - Income Tax**. Each Manager must submit returns in a prescribed format to the Chief Finance Officer providing details of payments made for construction operations under the Construction Industry Scheme.
- 7.5.7 All payments to employees and former employees of salaries and wages - including London Weighting - overtime, fees, commissions, bonuses, performance related pay, contract additions, leased car allowances, honoraria, sickness payments - including SSP and SMP - holiday pay, pensions compensation, other emoluments and other taxable and/or superannuable payments must be made through the payroll system. They must not be paid out of petty cash, or through Unit payments systems. This is essential to ensure that all statutory deductions and pension contributions are correctly made and paid over.
- 7.5.8 Any payments made to employees, which are taxable benefits i.e. competition rewards and incentive free gifts but are not made through the payroll system, must be declared to the HM Revenue & Customs via the P11d return circulated by the Chief Financial officer.
- 7.5.9 Payments to self-employed persons employed by Units, as consultants or temporary workers must be treated with extreme care. Before paying an invoice to a self employed person the paying unit must satisfy themselves of the status of the person by completing the questionnaire included in Finance Technical Standards – Income Tax. If in any doubt the person must be paid through the payroll.
- 7.5.10 For payments where interest is payable, income tax must be deducted from the interest at the prevailing rate. A certificate of deduction of income tax must be completed and sent to

the payee. A monthly schedule of interest paid and tax deducted must be sent to the Chief Finance Officer to enable the tax deducted to be paid over to the HM Revenue & Customs.

## **8. INCOME & DEBT**

### **8.1 Income - General**

8.1.1 Each Manager is responsible for the:

- collection of all income due to the Council in respect of services provided;
- safe custody of all income and prompt deposit with the bank;
- effective recovery action;
- establishment of performance management systems to monitor the recovery of income;
- maintaining of all records relating to income collection and debt write-offs.

8.1.2 Detailed guidance on income collection is included in the Finance Technical Standard on Income Collection.

8.1.3 Any proposals to enable on-line income collection or payment facilities must be approved by the Chief Finance Officer prior to implementation.

8.1.4 Wherever possible, income should be collected prior to or at the point of delivery of service. Where invoices are raised for the collection of income they must be done using accounts receivable. Managers must ensure the appropriate charging of VAT.

8.1.5 As far as possible the responsibility for raising an invoice should be separate from that of determining amounts due. Within the system those responsible for invoice entry shall be separate from those responsible for remittance i.e. the matching of invoices and the allocation of amounts.

8.1.6 Where invoices are issued for the collection of debts these shall be issued promptly and all necessary action taken for recovery of that debt. Detailed guidance on recovery is included in the Finance Technical Standards on Income Collection (see section on Recovery).

8.1.7 Where arrangements have been put in place, debt over 30 days shall be collected by the debt recovery team.

8.1.8 All income received on behalf of the Council shall be paid into the appropriate bank account without delay. Third party and personal cheques must not be cashed from moneys held on behalf of the Council.

8.1.9 Income must be receipted against AR invoices at the time the money is banked.

8.1.10 Each Manager shall review their charges at least annually. Such reviews shall take account of any criteria agreed by Full Council except where such charges are fixed by statutory provision.



- 8.1.11 A numbered receipt must be issued for all items of income collected on behalf of the Council in cash. With the exception of tickets, Managers must keep a copy of each receipt. All forms of receipt must be treated as controlled stationery, i.e. numbered and kept in a secure place with all issues recorded.
- 8.1.12 Receipts must be properly accounted for and accounts reconciled on a regular basis. Any major discrepancies in income collected against that banked must be immediately investigated and notified to Audit and Investigations.
- 8.1.13 Cash should be banked as soon as possible after receipt and should be held in a secure place until banked. Each Manager must advise the Chief Finance Officer of their arrangements so that insurance cover can be effected on cash in transit and income limits on safes etc. can be observed.

## **8.2 Income – Grants**

- 8.2.1 Where income is in the form of grants from government or other external bodies then the Manager shall ensure that when claiming that grant, all eligible expenditure is taken into account and that grant claim submission dates are met. For audit purposes, the Manager must ensure that an adequate audit trail exists from the claim to the general ledger.

## **8.3 Income – Bad Debts and Write Offs**

- 8.3.1 Directors shall make an appropriate bad debt provision within their budgets. Where it is necessary to establish a bad debt provision, these must be made net of VAT. Further advice on the treatment of income related VAT can be found in the Finance Technical Standard on VAT.
- 8.4.1 Debts should not be written off until all appropriate recovery action has been exhausted. A decision to write-off a debt must be taken independently of the person responsible for debt collection. Directors have delegated powers to authorise the write-off of debts only in relation to their own operational budgets up to the value of £1,000 a schedule of which must be submitted to the Director of Finance and Corporate Resources in an approved format. Any debt above £1,000 is to be agreed individually in advance by the Director of Finance and Corporate Resources. Those debts over £3,000 will be reported to the Executive bi-annually.
- 8.4.2 Following approval to write-off debt, Managers must ensure that the appropriate accounting and budgeting adjustments are made.

## **9. EXTERNAL ARRANGEMENTS**

### **9.1 Accountable Body and Partnership Arrangements**

- 9.1.1 The Chief Finance Officer must be informed and written approval obtained before entering into any proposed accountable body or partnership arrangements, Managers must provide to the Chief Finance Officer unless he/she confirms in writing this is unnecessary in the particular case:

- evidence of scheme appraisal for financial viability in both the current and future years;
- a risk appraisal including a management action schedule and a statement setting out the internal control framework;
- confirmation of funding streams, the level on contribution and how they have been determined;
- evidence of the funding agreement, including the treatment of any under or overspending;
- in the case of partnership arrangement, details of service continuation proposals upon expiry;
- evidence of the financial viability of any partners;
- details of any performance/output standards that must be achieved and who will monitor them;
- details of the agreed audit arrangements;
- the protocol for any disputes;
- the arrangements put in place for the review of inflation and efficiency saving;
- which assets will be used and who will own them.

9.1.2 In addition, where the arrangement includes a pooled budget then the Chief Finance Officer must be notified of:

- who will be the lead and host authority;
- who will be the pooled budget manager;
- the provisions of the agreement;

9.1.3 Managers must:

- ensure that all statutory accounting requirements are identified and that adequate accounting arrangements are agreed in order to ensure that all expenditure and income is properly incurred/received and recorded;
- maintain a register of all arrangements entered into with external bodies and that agreements and arrangements are properly recorded;
- ensure that such arrangements do not impact adversely upon other services provided by the Council.

## **9.2 External Funding**

9.2.1 When seeking or bidding for external funding, including grants, Managers must ensure that the objectives of the funding programme are consistent with the Council objectives and priorities.

9.2.2 Managers must also ensure that the receipt of any external funding does not lead to a resource commitment in future years that does not have a sustainable funding source. The Chief Finance Officer must be advised of any such arrangements prior to entering into the same.

9.2.3 Managers responsible for expenditure funded wholly or partly by central government and or other external bodies/partners must ensure that:

- all funding notified by external bodies is received and properly recorded in their accounts;
- the match funding requirements are considered prior to entering into agreement and that future revenue budgets reflect these requirements;
- service output targets/requirements can be met and that adequate arrangements are put in place for their monitoring and reporting;
- any audit requirements are met or audit involvement is timely;
- any other conditions associated with the funding are achievable and complied with.

### **9.3 Provisions of Goods, Services and works to Other Bodies**

9.3.1 Current legislation enables the Council to provide a range of goods, services and works to other bodies Before entering into any new contractual arrangement, Managers must ensure that they have written legal advice that the Council has power to make such arrangements.

9.3.2 Managers will also need specific Executive approval (or if appropriate the General Purposes Committee) to enter a contract for the provision of goods, services or works to a body or individual external to the Council if:

- the contract value would exceed £150,000 per annum; or
- the gross cost to the Council of providing the relevant goods or services under the contract is estimated to exceed £150,000 per annum having consideration to the full costs over the term of the contract. It is not acceptable to split contracts into smaller parcels to avoid exceeding the £150,000 per annum threshold above.
- Where a company is to be set up for the purposes of the arrangements

9.3.3 Reports to the Executive (or if appropriate the General Purposes Committee) on such proposals must include legal advice prepared by the Borough Solicitor or his or her representative indicating whether the Council has legal powers to enter the contract, an explanation of the business risks associated with entering the contract and a full analysis of the financial impact.

9.3.4 Any contract for the provision of goods, services or works to a body outside the Council, which exceeds £500,000 per annum in value, shall be in a formal document under the seal of the Council.

9.3.5 The Chief Finance Officer must be informed of any proposed arrangements and shall agree all financial arrangements made prior to approval by the Executive, Full Council (or if appropriate the General Purposes Committee).

9.3.6 The Manager shall be responsible for:

- ensuring that appropriate insurance arrangements are made;
- ensuring that all potential risks are identified and action identified which will minimise those risks to the Council;
- wherever possible, payment is received in advance of the delivery of the service;
- ensuring that such contracts do not impact adversely upon the services provided by the Council;

- maintaining proper contractual documentation;
- proper accounting and reporting arrangements exist.

#### **9.4 Grants to Outside Bodies**

- 9.4.1 Grants are given by the Council under various statutory powers to improve various aspects of life in the borough. An example of such statutory power is Section 25 of the Local Government Act 1988, which deals with the provision of financial assistance to individuals in connection with the provision of housing.
- 9.4.2 Grants must be distinguished from contracts and it is essential that officers entering into grant arrangements carefully consider whether or not the Council wishes to enter into contractual relations with the recipient of money from the Council. It may be the case that a grant is not appropriate in certain circumstances, in which case a contract should be used.
- 9.4.3 Where grants are to be given, the Council must ensure that the organisation in receipt of the grant adheres not only to the Council's agreed "Standard Conditions Of Grant Aid" but also to any further specific conditions over and above those which are standard. Where there is a detailed grant agreement the Standard Conditions themselves need not be incorporated into the agreement provided the Borough Solicitor is satisfied that the grant agreement contains equivalent provisions.
- 9.4.4 It is essential that officers who administer grants ensure that there is a proper system in place to ensure that the Council is gaining value for money through its grant process. This gives rise to the necessity of having a robust monitoring, evaluation and reporting structure in place.
- 9.4.5 It is essential that the money paid must be into a UK bank account the records relating to which the Council can inspect.
- 9.4.6 Managers must ensure that adequate controls are included in all procedures to safeguard the Council, its resources and its assets from fraud or loss.

### **10. RISK MANAGEMENT AND CONTROL OF RESOURCES**

#### **10.1 Risk Management and Insurance**

- 10.1.1 The Chief Finance Officer shall be responsible for the preparation and promotion of the Council's risk management policy statement.
- 10.1.2 Subject to any liability imposed on the Council by statute or other legal obligation, all insurance shall be effected by the Chief Finance Officer or under arrangements approved by him/her. Managers shall be responsible for ensuring that assets under their control have appropriate insurance cover within the overall guidance issued.
- 10.1.3 Service Area Directors must:
- ensure that adequate risk management controls are implemented, monitored and reviewed;

- notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Council;
- notify the Chief Finance Officer of all new risks, properties or vehicles that require insurance and of any alternations affecting existing insurances;
- consult with the Chief Finance Officer and the Solicitor to the Council on any terms or any indemnity that the Council is requested to enter into.

## **10.2 Internal Controls**

10.2.1 The Chief Finance Officer shall make arrangements for the production and publications of an annual independent statement on internal control and risk management.

10.2.2 Service Area and Corporate Directors must ensure that:

- adequate systems of internal control are established, adhered to, tested and reviewed in order to be confident in the areas set out in the annual assurance matrix;
- staff have a clear understanding of the consequences of lack of control and knowledge of Financial Regulations.

## **10.3 Audit Requirements**

10.3.1 The Chief Finance Officer will ensure that a strategic and annual audit plan is prepared by the Head of Audit and Investigations which takes account of the characteristic and relative risks of the activities involved. The Chief Finance Officer is responsible to the audit committee for ensuring that adequate arrangements are made for the effective delivery of this plan.

10.3.2 The Chief Finance Officer will ensure that members, and in particular the audit committee, and chief officers receive suitable reports setting out the findings of internal and external audit reports.

10.3.3 The Chief Finance Officer, or authorised representative, shall have authority to:

- Enter any municipal building, land or area where records relating to any activity of the Council, its partners, contractors or any body partly or wholly funded by the Council, are, or may be, held. This includes all schools who receive funding from the Council. If necessary, to conduct searches of those areas, including cabinets, workspaces, desks for the purposes of locating documents or other material relevant to any matter under investigation. Where necessary to remove and examine IT equipment.
- Have access to all records, data, computer systems, correspondence and any other source of information relating to any matter under examination and remove any documents and records as deemed necessary. This will include documentation held by Council Officers in respect of organisations who are partners of the Council receiving funding from the Council or are providing services on behalf of the Council.
- Require and receive such explanations as are considered necessary concerning any matter under examination.

- Require any person holding or controlling cash, stores or any other Council property to produce such items for examination. These may be removed as deemed necessary.

#### 10.3.4 Service Area and Corporate Directors must:

- consider and ensure Managers respond promptly to recommendations in both internal and external audit reports;
- ensure that agreed actions arising from the audit recommendations are carried out in a timely and efficient fashion;
- report to members the reasons for any failure by Managers to implement those audit recommendations.

10.3.5 Managers must ensure that new systems for maintaining financial records, or changes to such systems, are discussed and agreed by the Head of Audit and Investigations prior to implementation.

### 10.4 Financial Irregularities

10.4.1 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council or any suspected financial irregularity in the exercise of the functions of the Council, every employee has a duty to report such matters to their Manager. This includes anything that can detrimentally affect the Council's interests. The Manager concerned shall, as soon as the matter becomes identified, notify Audit and Investigations in line with the **anti-fraud framework** agreed at the full Council meeting in September 2008. Employees who feel unable to report matters to their line Manager are encouraged to contact the Audit and Investigations team directly.

10.4.2 In addition the Council has a Whistle blowing scheme, whereby employees can report their concerns in confidence. The Council has a statutory duty, under the Public Interest Disclosure Act 1998, to protect whistleblowers from recrimination. Details of the scheme can be found on the intranet or obtained from the Human Resources or Audit and Investigation teams.

10.4.3 Service Area and Corporate Directors must keep a service based register of gifts and gratuities received by officers.

### 10.5 Money and Banking

10.5.1 Managers should ensure that adequate security arrangements exist for the holding of cash including controlling access to safes and other receptacles. At all times cash holdings should be kept to a minimum.

10.5.2 Each Manager shall maintain such bank accounts as he/she, in consultation with the Chief Finance Officer, considers necessary for the efficient operation of the Unit's finances. Unless specifically agreed by the Chief Finance Officer, bank accounts must be held in the name of the London Borough of Brent at the designated branch of the Council's bank. The Chief Finance Officer is responsible for opening and amending details of any bank account.

- 10.5.3 Managers are responsible for approving the authorised signatories to all bank accounts within their Unit and for ensuring that there is more than one signatory.
- 10.5.4 Arrangements should be made with the bank to provide statements of account, together with supporting documentation, at pre-determined intervals. To enable the Council's statutory accounts to be closed on a proper basis it is essential that a statement is obtained showing the position at the close of business on 31st March, or the last banking day prior to the 31st March.
- 10.5.5 Managers shall maintain a cash book and other records of all transactions passing through those bank accounts and shall ensure that such records are balanced and reconciled at periods of no less than one month and that prompt action is taken on any discrepancy. A monthly bank reconciliation must be prepared as part of the financial reporting arrangements. Managers are responsible for the effective management of cash flow through their bank accounts.
- 10.5.6 Imprest and petty cash bank accounts must not be overdrawn at any time. Managers should make every effort to keep their bank account(s) in credit.

## **10.6 Money Laundering**

- 10.6.1 It is the responsibility of the Chief Finance Officer to put in place anti-money laundering policies.
- 10.6.2 All managers must report to the Chief Finance Officer any transactions including the suspected proceeds of crime or terrorist funds. Such transactions may seek to conceal, convert, transfer or remove criminal property or may facilitate the acquisition, retention, use or control of criminal property by or on behalf of another person.
- 10.6.3 Managers must also report any:
- high value cash transactions and employers should not accept cash payment in excess of £10,000 without the prior consent of their manager.
  - instances where an employee hears of a potential transaction.

## **10.7 Property, Stock and Equipment**

- 10.7.1 Each Manager is responsible for maintaining the security at all times of all land, buildings, stores, equipment and other property under their control. Managers must ensure that land and buildings are adequately secured to prevent against unauthorised access or possession. Where Managers feel that special security arrangements are required they should consult the Chief Finance Officer.
- 10.7.2 Managers should annually review their use of property for the purpose of identifying surplus or inefficient properties.
- 10.7.3 The Chief Finance Officer shall maintain an appropriately valued asset register of all the Council's land and buildings. Managers should maintain an inventory, of valuable goods and

equipment. The inventory, which should be kept in a secure place, should include a full description of the items including a note of any security markings and identification numbers etc. Managers should ensure that a comprehensive inventory check is carried out at intervals of no more than twelve months.

- 10.7.4 All assets should be held in the name of the Council and not in the name of individual officers or their post titles. It is important that valuable items are held in a secure environment commensurate with the value of the items and the cost of security. Large cash holdings should be kept in a suitable locked safe. Keys should be kept in a secure place or retained by the key-holder at all times. All officers should be aware that many documents such as cheque books, savings books, securities and order pads are the equivalent of cash and must be treated accordingly. It is not acceptable to leave safes unlocked during working hours or to leave cash holdings in unlocked desk drawers or filing cabinets. The Council's insurance policy may be invalidated if appropriate security measures are not taken.
- 10.7.5 The Head of Property and Asset Management shall ensure records are maintained of all properties owned or managed by the Council. Each Manager shall ensure that where commercial rents are payable to the Council a regular review of such rents is carried out to ensure they are set at an appropriate level. The terms of any leases should generally reflect market rents.
- 10.7.6 Each Manager shall be responsible for the care and custody of the stores held in their Unit. Stores are those items, which are financially a significant part of a Unit's activity and until issued, are included within the balance sheet. Each Manager shall make arrangements for a periodical test check of stores under their control by an independent person and shall ensure that all stores are checked at least once in each financial year. Each Manager shall provide the Chief Finance Officer with a certificate of stores, as at 31st March each year, for accounting purposes. Managers should periodically review the value of holdings of stores etc. in the light of turnover and cost.
- 10.7.7 Where it becomes necessary to hold property on behalf of a member of the public or another third party an itemised inventory shall be maintained of all such items. Each Manager shall make secure arrangements for such property and shall arrange for periodical checks by a person other than the employee responsible for the custody of the property.
- 10.7.8 Where officers are required to take assets or equipment home, this shall be properly recorded on the inventory.

## **10.8 Sale of Council Assets – General Requirements**

- 10.8.1 Managers must at all times have regard to the current scheme of management and ensure compliance with the requirements set out in the Technical Standard – Property and Land Disposals and IT standards for the disposal of IT equipment.
- 10.8.2 Managers need to demonstrate that if surplus or redundant stock, equipment or property assets are disposed of correct procedures have been followed, the best value for the Council obtained and the Council's interests protected.



10.8.3 Where land, buildings and equipment are to be disposed of, the Chief Finance Officer must be informed so that appropriate adjustments can be made to the accounts. A full description, sale value and date of completion must be submitted.

10.8.4 Managers who determine that any asset, other than computer hardware and software, with a resale value is surplus to requirements must record that fact in writing giving the reason. A disposal file should be held by all units responsible for assets, where this and all other relevant information concerning the disposal can be kept for future inspection. Disposals of computer equipment are dealt with in the Information Technology Technical Standards.

10.7.5 Any officer who determines that an asset is surplus to requirements or is involved in the disposal must never attempt to purchase it or take it for himself or herself. There should be a clear separation of duties here.

10.7.6 Managers must appoint a single person responsible for disposal whose name must be clearly identified in the disposal file. He or she should be instructed in writing on the disposal and will be accountable to the Council for ensuring that disposal is for the best price reasonably obtainable.

10.7.7 All paperwork in connection with the disposal should be kept in the disposal file. The file should be kept for a period of six years after the disposal. The file should include at least:

- the Manager's written record declaring the asset surplus, and instructions to the person appointed as responsible for the disposal;
- the independent valuation;
- the advertisement;
- the offers made; and
- the receipt.

10.7.8 In order to achieve the best price reasonably obtainable all assets for disposal must be subject to independent valuation and/or disposed of by way of either:

- subject to competitive bids following advertisement;
- subject to auction, or both.

## **10.9 Disposal of Equipment and Stock**

10.9.1 Where the estimated value of the asset is less than £500 an independent valuation alone is acceptable provided the person giving the valuation is qualified to judge, is clearly identified in the disposal file, and is properly independent.

10.9.2 All assets should be offered to other service units before members of staff or the public unless they have a value of £500 or more. Information about the assets available should be circulated to all Units and adequate time allowed for them to make a bid. A sale may proceed to any person offering at or above the valuation. If there is competition, the sale should be to the highest bidder.

10.9.3 Where the estimated value of the asset exceeds £500, it should be advertised in such a way as to facilitate bids by other service units and potential purchasers outside the Council. Sale should proceed by way of submission of written bids, which name the purchaser. The sale may proceed to the highest bidder, unless this does not reflect the proper value of the asset.

10.9.4 Official receipts must be issued for income received. Moneys must be received and properly accounted for by someone who has not been involved in the disposal.

10.9.5 Where the total amount received is less than £1,000 then this should accrue to the general balances of the unit. The treatment for amounts received in excess of this shall be determined by the Chief Finance Officer.

10.9.6 The Manager must ensure the disposal is recorded on the Unit's inventory.

## **10.10 Disposal of Land and Buildings**

10.10.1 All disposals must be agreed by the Council's Executive except in circumstances specified in the Council's Constitution in relation to certain leases. These exceptions do not extend to the disposal of freehold interests.

10.10.2 Reports to Executive must include:

- why and how the proposed disposal satisfies any applicable consent.
- the original valuation of the property and the recommended disposal value. Any significant variances should be explained.
- any other terms relating to the disposal.
- the reasons for the disposal and any impact on Council services.
- consideration of any alternative uses for the asset including use by another service area.

10.10.3 The Chief Finance Officer shall be notified of any proposed disposal for entry in the Council's assets register and for referral to the Capital Board.

10.10.4 All disposal receipts are a corporate resource and must be paid into the Council's Corporate bank account. The allocation of these receipts shall be considered by the Capital Board. Managers should not assume any amounts for ring fencing as the re-investment of reserves shall be made on a prioritised basis according to the capital asset management plan.

10.10.5 All land and property disposal shall be led by and managed by the Head of Property and Asset Management.

## **10.11 Treasury Management**

10.11.1 All borrowing shall be effected by the Chief Finance Officer, be in the name of the Council and in accordance with the Council's Treasury Policy statement and any Codes of Practice recommended by the relevant professional bodies or the Local Authority Associations. The Chief Finance Officer shall report periodically to the Council on all borrowing matters.

10.11.2 All investments shall be effected by the Chief Finance Officer or under arrangements approved by him/her. All investments shall be made in the name of the Council or in the

name of nominees approved by the relevant committee. The Chief Finance Officer shall be responsible for the safe custody of securities held by or on behalf of the Council.

10.11.3 All Trust Funds held by the Council shall, where legally possible, be in the name of the Council. Officers acting as trustees by virtue of their official position shall deposit all securities and similar documents relating to the Trust under arrangements approved by the Chief Finance Officer unless the Trust Deed provides otherwise.

## **10.12 Financial Implications within Reports**

10.12.1 Each Manager must consult with the Chief Finance Officer before reporting to the Executive, the Full Council, Highways Committee or any other committee of the Council, on any matter having a financial effect. The Chief Finance Officer may, where considered necessary, issue a concurrent report on matters requiring the Members' attention.

10.12.2 Each Manager must ensure that reports they present to Full Council, the Executive and Sub-Committee thereof contain a section on financial implications even if this is to state that there are no direct implications from agreeing the recommendations. In cases where there are such implications these should be fully explained to Members.

10.12.3 The financial implications of any new proposal should set out:

- Its cost in the current and future financial years, and the basis on which that cost has been calculated;
- The proposed funding source, indicating either that it can be met from existing resources or what compensating savings will also have to be agreed; and
- If additional resources are required clear detail indicating what part of the cost is additional, and the policy and service implications of both not proceeding and funding the proposal from within existing resources.

10.12.4 The Chief Finance Officer must be consulted on all financial implications that may result in a reference for additional funding, and should be consulted on major financial issues where spending is being contained within budget.

10.12.5 Service areas must provide to Brent Finance Services a copy of a report containing financial implications for consultation and agreement in reasonable time to allow appropriate consideration. In all cases failure to provide financial implications in the prescribed manner means that expenditure approval has not been given, and any expenditure that takes place is unauthorised.

10.12.6 Where the Chief Finance Officer believes the financial implications of a report to be invalid he may:

- Require the report to be withdrawn;
- Supply alternative financial implications under his own name to be circulated to Members; or
- Indicate to Members the reasons why he believes the financial implications are incomplete and/or incorrect and the consequences of proceeding on that basis (i.e. that the expenditure would be unauthorised).

## 11. RETENTION OF DOCUMENTS

11.1 The following items must be retained indefinitely or during the whole of the Council's possession of the relevant asset and for **twelve** years afterwards:

- Property deeds, contracts and leases relating to land and buildings in the ownership or occupation of the Council.
- Share certificates, stocks, bonds and other securities together with any appropriate contracts of purchase or sale.
- Guarantees, indemnities, insurance policies.

11.2 All other contracts carried out under the seal of the Council must be retained for **twelve** years after completion of the contract.

11.3 Local authorities are required by statute to retain all accounting documents for a minimum of six years. The statute of limitations for contracts not under seal applies for six years after completion of the contract. In addition Inland Revenue and Customs and Excise may inspect documents for periods of six years. Officers can be held personally liable where documents required are not available. In order to give effect to these requirements the following documents must be retained for a minimum of **six** years:

- All accounting documents including invoices, contract certificates, paid cheques, bank statements;
- Debtor accounts, income receipts and associated documents;
- All contracts not under seal for works, goods or services (six years after completion of the contract);
- All tender and related documents (six years after completion of the contract);
- Details of salaries, wages and superannuation payments including particulars of pay calculations, copy payslips, P60 documents.

11.4 Audit and Investigations should be consulted before Managers copy documents not previously copied or use a new method to ensure such methods would be accepted for evidence purposes.

11.5 Managers shall nominate an officer to make safe arrangements for the storage and review of information. All records must be properly indexed to allow efficient recovery.

11.6 Managers must also consider the requirements of the Freedom of Information Act 2000 in determining their local retention policies.