

PART 4 - PROCEDURAL RULES

SECTION F

FINANCIAL REGULATIONS

1. Scope and Context of Financial Regulations

1.1 Scope

- 1.1.1 Financial Regulations are the basic rules applicable to key areas of financial administration. They must be available to and followed by all officers, members and agents acting for the Council. Together with the Procedure Rules, they regulate the conduct of Council business. The Financial Regulations, including advice, guidance and accounting instruction notes issued to underpin the Financial Regulations, apply to all services of the Council.
- 1.1.2 Financial Regulations form part of the Council's Constitution which is published on the Council's Website.
- 1.1.3 The Section 151 Officer is responsible for maintaining the Council's Financial Regulations, and they must be reviewed at least every 5 years. Financial limits detailed in Financial Regulations and Contract Standing Orders must be reviewed at least every 2 years. The Strategic Director of Finance and Customer Services will, from time to time, issue advice, guidance and accounting instruction notes to underpin the Financial Regulations, ensure compliance with specific statutory provisions, and reinforce best professional practice. Members, officers, and others acting on behalf of the Council are required to comply with such advice and guidance.
- 1.1.4 All staff within the Council are responsible for ensuring that Financial Regulations are followed where the regulations are relevant to the officer's work. All staff should uphold the main principles of the Regulations and ensure that their actions help to demonstrate that the Council is achieving value for money. It is the responsibility of the Chief Executive and the Corporate Management Team to ensure that the Financial Regulations are complied with. Failure to follow Financial Regulations and Contract Standing Orders must be reported immediately to the Section 151 Officer and could be treated as a disciplinary offence. If serious, the breach may also be reported to the Leader and/or the Executive.
- 1.1.5 Strategic Directors and Heads of Service will ensure that their staff are aware of the existence, and content, of the Council's Financial Regulations, accounting instruction notes and other corporate guidance, and ensure compliance with them.
- 1.1.6 Financial Regulations also apply to agents and consultants acting for the Council and to services carried out under agency arrangement, unless

specifically exempted by the relevant Strategic Director or Head of Service with the agreement of the Section 151 Officer. In these cases, the circumstances of and reasons for such an exception must be recorded by the relevant Strategic Director or Head of Service.

- 1.1.7 Any transfer of work from one service to another must consider issues of compliance and accountability. Early clarification and agreement within the Corporate Management Team will help to reduce the risk of any problems escalating or remaining unresolved.

1.2 Financial Responsibilities

- 1.2.1 The roles and responsibilities of members and officers are set out within the Council's Constitution. The purpose of the Financial Regulations is to provide an overview of the respective financial roles and responsibilities of members and officers within the Council. Specific financial responsibilities are set out in more detail throughout the subsequent sections of the Regulations. Detail of the financial responsibilities of the Council, the Cabinet, various committees, the Chief Executive, the Section 151 Officer, the Monitoring Officer and other Strategic Directors Strategic Directors and Heads of Service is provided in the Council Constitution.

1.3 Scheme of Delegation for Financial Management

- 1.3.1 The Scheme of Delegation for Financial Management is set out in Section 6 of the Constitution. This defines how the financial responsibilities set out within these Financial Regulations are reserved or delegated to officers.

2. Financial Planning

2.1 Policy Framework

- 2.1.1 The Council's Constitution sets out the roles and responsibilities for members and officers in managing and controlling the Council's Finances. The Strategic Director of Finance and Customer Services has authority to amend these Financial Regulations, following consultation, if necessary for effective supervision and control, or to ensure full compatibility with the Council's Constitution.

2.1.2 Revenue budget and capital programme:

Every year a capital programme and estimate of revenue income and expenditure must be submitted to Full Council, after consideration by the Executive. The Strategic Director of Finance and Customer Services is responsible for collating these estimates and reports on them to the Full Council, with any comments and recommendations from the Corporate Management Team (CMT).

2.1.3 Treasury Management Strategy:

The Strategic Director of Finance and Customer Services will propose prudential indicators and a policy for the revenue provision for the repayment of debt (referred to as the 'Minimum Revenue Provision') annually to the Council in advance of the start of the financial year that is consistent with the Council's revenue budget and capital programme proposals. This strategy will comply with CIPFA's Codes of Practice on Treasury Management and the Prudential Framework for Capital Finance, relevant regulations and with the Council's own Treasury Management Policy Statement and Treasury Management Practices. It will set the parameters within which investment and borrowing activity will be managed during the next financial year.

2.1.4 Medium Term Resources Strategy (MTRS):

The Strategic Director of Finance and Customer Services will also carry out periodic reviews of the Council's Medium Term Resources Strategy (MTRS). The MTRS brings together key assumptions about financing resources (including Council Tax, NNDR and Government grants) as well as spending pressures over the medium to longer term. This enables the Council to plan for financial risks and thus inform the setting of service financial targets for the annual revenue budget and capital payments guidelines. The setting of financial targets within the available resource envelope is completed with reference to the priorities set within the Corporate Plan.

2.1.5 Income and Charging Policy

Strategic Directors and Heads of Service must comply with the Council's income and charging policy for the supply of goods or services and, in consultation with the Executive Head of Financial Services, review fees and charges annually, as part of the corporate planning process. An annual statement on fees and charges will be published on the Council's website in alignment with the budget setting timetable.

2.1.6 Pay Policy Statement

The pay policy statement will be prepared as required by regulations and approved by Council. It will set out the Council's policy on the level and elements of remuneration for each Chief Officer, the remuneration of other paid employees, and the relationship between the remuneration of its Chief Executive and other officers. It is also required to address other specific aspects of pay remuneration such as remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.

2.1.7 The Strategic Director of Finance and Customer Services will ensure that reports are presented to Council, as part of the annual budget setting process. The Leader/Executive will consider the aggregate effect of these programmes and estimates on the Council's financial resources. After consulting on proposed amendments and deciding on the supporting resources to be used, the Leader/Executive will submit them to the Council for approval,

recommending the transfer from the Collection Fund for the following financial year.

- 2.1.8 The Strategic Director of Finance and Customer Services must report to the Leader/Executive on the level of financial resources recommended for use each financial year and keep the Leader/Executive informed of the Council's finances and financial performance.

2.2 Budgetary Control - Revenue Budget

- 2.2.1 The Council operates within an annual cash limit, approved when the annual budget is set. To ensure that the Council does not over-spend in total, each service is required to manage its own expenditure and income recovery within the cash limited budget allocated to it. Budget management also ensures that once the Council has approved the budget, the resources are used for their intended purposes and are properly accounted for.

- 2.2.2 Estimates of income and expenditure on revenue accounts must be prepared in the required form by senior managers in consultation with the Strategic Director of Finance and Customer Services.

- 2.2.3 The Leader/Executive must receive and approve annual revenue estimates from the Strategic Director of Finance and Customer Services in accordance with any set timetable and guidance. These must be prepared by Strategic Directors or Heads of Service, collated, and reviewed by the Strategic Director of Finance and Customer Services and should show for both income and expenditure:

- The actual result for the last completed year;
- The original estimate for the current financial year;
- The probable result (including any supplementary estimates) for the current financial year;
- Estimated income and expenditure for the next financial year at current pay and price levels; and
- An explanation of any major variations.

- 2.2.4 Where the Council has approved and adopted a cash limited budget any additional expenditure must be met by increased income or from savings within approved budgets. The inclusion of items in approved revenue estimates or capital programmes is evidence of approval to spend on them. Once proposed savings have been approved by the Leader/Executive, the Strategic Director of Finance and Customer Services will amend the budget accordingly.

2.3 Budget Monitoring - Revenue Budget

- 2.3.1 For the provision of services under their control, Strategic Directors or Heads of Service may undertake expenditure of any type within approved budgets including the signing of contracts or agreements, provided the Council's Contracts Procedure Rules are followed and the advice of the legal and

procurement is taken on all contracts of £50,000 and over in value, and any with unusual or potentially onerous clauses (see Contracts Procedure Rules Section I). Procurement should be notified to relevant officers and members by email where necessary. Strategic Directors and Heads of Service may undertake the day to day running and operation of services, including the control, purchase and disposal of stores and maintenance and repair of all buildings, land, and equipment within the remit of their service area, provided they have the budget, in accordance with the policies laid down by the Council or the Leader/Executive in these Financial Regulations and supporting Council Procedure Rules.

2.3.2 Once the budget is approved by the Council, Strategic Directors and Heads of Service are authorised to incur expenditure in accordance with the estimates that make up the budget. Strategic Directors and Heads of Service must however maintain effective budgetary control within their service(s) to ensure that spending is contained within the annual cash limit.

2.3.3 Strategic Directors and Heads of Service must not commit expenditure that would result in an approved budget being exceeded. Prior approval must be sought from the Strategic Director of Finance and Customer Services to increase the budget either by virement or by a supplementary estimate before additional commitments are made.

2.3.4 Strategic Directors and Heads of Service will:

- Ensure that all income and expenditure is properly recorded and accounted for;
- Ensure that an appropriate budget holder structure is in place to ensure that responsibility is assigned for each item of income and expenditure under their control;
- Ensure that individual budgets are not overspent;
- Ensure that a budget monitoring process is in place; and
- Regularly report to Management.

Such reports will be prepared, in consultation with the Strategic Director of Finance and Customer Services, upon the service's projected 'controllable net expenditure' compared with its budget.

2.3.5 The Strategic Director of Finance and Customer Services will ensure that each budget holder receives or has access to timely information on income and expenditure for each budget, which is sufficiently detailed to enable them and their managers to fulfil their budgetary responsibilities.

2.3.6 The Strategic Director of Finance and Customer Services will monitor performance against the Council's budget on an on-going basis and will advise upon the Council's overall financial position. Specifically, the Strategic Director of Finance and Customer Services will prepare reports to present to Executive on a quarterly basis. These financial overview reports will:

- Provide a comparison of the Council’s projected income and expenditure and the latest approved budget;
- Include an assessment of the Council’s treasury investments; and seek approval to changes to the approved budget (including virements).

2.4 Overspending and Supplementary Estimates

2.4.1 When an expenditure budget might be overspent or income budget not met, the Strategic Director or the Head of Service must consult the Strategic Director of Finance and Customer Services and then give advance notice to the Leader/Executive, explaining both the reasons for and the means of financing any variation. Any overspending or income shortfall must be covered within annual estimates, or by a supplementary estimate. The Budget Manager must prepare a Supplementary Estimate bid for consideration by CMT and approval by the Leader/Executive. It should be noted that Supplementary Estimates are only granted in exceptional circumstances and may require Full Council approval.

2.5 Scheme of Virement

2.5.1 Strategic Directors and Heads of Service must ensure that spending remains within the service’s overall cash limit, and that spending does not exceed individual policy budget headings. It is however permissible, in certain circumstances, to switch resources between approved budget headings, subject to obtaining the necessary approval. The switching of resources between approved policy budget headings is referred to as a virement.

2.5.2 Virements may be approved in accordance with the delegated authorities set out below, subject to the following:

- All corporate priorities, service, performance, and budget targets must be maintained;
- All corporate guidelines and policies must be followed;
- Conditions of service and the approved establishment must be complied with;
- A single “one-off” budget must not be transferred to fund a new ongoing item of expenditure;
- Budgets not under effective control of the budget holder must not be vired e.g., rates or insurance; and
- Virement cannot be used to change a service base budget for future years.

Value of Virement	Delegation	Evidence Required
Up to £1,000	Not permitted – to be managed within budget	Not permitted
£1,000 to £9,999	Budget holder and Strategic Director of Finance and Customer Services	Written authorisation from Strategic Director of Finance and Customer Services

£10,000 and over	Budget holder, Strategic Director of Finance and Customer Services and Chief Executive	Written authorisation from Strategic Director of Finance and Customer Services and Chief Executive (usually by way of a minute from the Corporate Management Team)
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2.5.3 If the proposed transfer affects budget heads controlled by another Strategic Director or Head of Service the transfer must be authorised by both affected members of the Corporate Management Team.

2.6 Treatment of Year-end balances - Carry Forwards

2.6.1 In certain circumstances, it is permissible to carry unspent budget forward for use in the following year.

2.6.2 Provision for carry forward of unspent capital budget items is made under capital programme arrangements, whereby spend may be projected over several years. This is subject to approval by Full Council.

2.6.3 In the first quarter of a new financial year Strategic Directors or Heads of Service may apply to carry forward part of a revenue budget not spent, or of income not collected from one financial year to the next (minimum value £1000). A brief description of the relevant circumstances and explanation of the need for carry forward must be prepared by the Strategic Director or the Head of Service and authorised by the Chief Executive. All such requests will be aggregated and considered collectively on one occasion annually. The approval process for aggregate value of carry forward requests is set out below:

Up to £1,000	Not permitted
£1,000 - £25,000	Chief Executive (normally by way of a minute from Corporate Management Team)
£25,000 and over	Executive

2.7 Capital Programme

2.7.1 The Strategic Directors and Heads of Service must prepare capital bids in accordance with the timetable prepared by the Strategic Director of Finance and Customer Services. These will then be considered by the Corporate Management Team for review and submission to Executive and Full Council for approval. Each bid must include the following details:

- Name of scheme;
- Project officer responsible for delivering the scheme on time, to budget and in accordance with the specification;
 - Timescale and any limiting factors/constraints;

- Robust estimated total cost of project including appropriate levels of contingency;
- The apportionment of estimated costs between financial years (where the scheme will not be delivered within the financial year in which it is authorised);
- Estimated annual revenue costs on project completion (e.g., additional staffing, goods, services, and maintenance); and
- Estimated revenue savings or additional income as a result of the capital investment.

2.7.2 Any proposed capital project not previously included in the approved Capital Programme must be the subject of a separate Executive report for recommendation to Full Council, in consultation with the Strategic Director of Finance and Customer Services.

The report must detail:

- Project officer responsible for delivering the scheme on time, to budget and in accordance with the specification;
- Reasons why the scheme was not included in the annual Capital Programme approved by Full Council in February preceding the start of the financial year;
- Timescale and any limiting factors/constraints;
- Financial costs and benefits analysed over all relevant elements;
- Any return on investment;
- Estimated annual revenue costs on project completion (e.g., additional staffing, goods, services, and maintenance); and
- Estimated revenue savings or additional income as a result of the capital investment.

2.7.3 Once Full Council approves a Capital Programme, the nominated Project Officer must arrange for the land and resources needed to be acquired. The Strategic Director of Finance and Customer Services must report to the Leader/Executive on how the Capital Programme will be funded, for onward recommendation to Full Council in the February preceding the start of the financial year.

2.7.4 The Project Officer must ensure that estimates for capital schemes must be robust and appropriate levels of benchmarking are undertaken to properly assess market prices. Estimates should be regularly reviewed to ensure that anticipated project costs are consistent with estimates included in the Capital Programme. Subject to section 2.7.5 below, if the Project Officer considers that the relevant estimate in the Capital Programme may be inaccurate due to any change in market prices or the need for additional works or services, the Project Officer must seek approval for additional funding without delay.

2.7.5 Any proposal to increase the provision for a project within an approved Capital Programme by the lesser of 5% of that provision or £10,000, must be submitted to the Leader/Executive, with reasons for the proposed change and the financial effects for both capital and ongoing revenue. Any proposal for deletion of a scheme from the Programme must be submitted to the Leader/Executive.

2.7.6 Expenditure is classified as capital expenditure when:

- It results in the acquisition, construction, or the addition of subsequent costs to non-current (i.e., fixed) assets that will be held by the Council for use in the production or delivery of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year;
- It is defined by Regulation as capital (e.g., where expenditure that would ordinarily be treated as capital relates to an asset that the Council has no future direct control over or is unlikely to receive any benefit from);
- it is classified by Government Direction as capital.

2.7.7 However, expenditure on assets meeting the capitalisation criteria outlined above may nevertheless be charged to revenue rather than capital, if they are below the de-minimis limit of £10,000, as set out in the Council's annual Statement of Accounting Policies.

2.7.8 Where expenditure meets the capitalisation criteria set out above, and is in excess of the Council's de-minimis limits, it will be classified as capital expenditure, even if provision exists within the Revenue Budget to fund the work. Similarly, where specific financing (e.g., government grant) is provided to facilitate a project, this will not determine the accounting treatment of the expenditure. That is, the accounting treatment is determined according to the type of expenditure, and not by the funding source.

2.8 Maintenance of Reserves and Balances

2.8.1 Reserves are maintained as a matter of prudence. A general reserve (i.e., the General Fund Balance) is maintained as a contingency fund and earmarked reserves are held for specific earmarked policy purposes.

2.8.2 For each reserve established, the purpose, usage (including the timeframe for usage) and basis of transactions will be clearly articulated in an annual report to the Audit & Standards Committee. Authorisation to finance expenditure from reserves will require the approval of the Strategic Director of Finance and Customer Services unless alternative arrangements were agreed when the reserve was established.

2.8.3 The Strategic Director of Finance and Customer Services will advise upon prudent levels of reserves and balances for the Council, considering the degree of risk in the budget for the Council over the medium and longer term, in the financial reports submitted to Full Council in the February in advance of the financial year.

2.8.4 Under section 114 of the Local Government Finance Act 1988 the Strategic Director of Finance and Customer Services must report to Council if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is

forecast that the Council will not have the resources to meet its expenditure in a particular financial year.

3. Accounting Records and Financial Systems

3.1 Accounting Records

- 3.1.1 The Strategic Director of Finance and Customer Services determines the accounts, accounting procedures and financial records of the Council and its officers and must approve and advise on records and procedures in services, and any changes to them.
- 3.1.2 The principle of segregation of duties must be followed. If this is not possible for operational reasons, then other methods of control approved by Internal Audit must be in place.
- 3.1.3 Prime financial records must not be altered without such alteration being clearly auditable. Where alterations are made to records passing between services, the officer making the alteration must notify the originating officer of all changes made.

3.2 Annual Statement of Accounts

- 3.2.1 The Council has a statutory responsibility to prepare its accounts to present a true and fair view of the financial performance and results of its activities during the year and is responsible for approving and publishing those annual statements in accordance with the timetable specified in the Accounts and Audit Regulations as amended from time to time.
- 3.2.2 The Strategic Director of Finance and Customer Services is responsible for selecting suitable accounting policies, and for applying them consistently, to ensure that the Council's annual statement of accounts is prepared in compliance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and other relevant accounting standards and statutory provisions.
- 3.2.3 The Strategic Director of Finance and Customer Services will issue accounting instruction notes on closure of the accounts, including a timetable, annually. All budget holders must comply with these accounting instructions and supply the information requested by the dates specified.
- 3.2.4 The Strategic Director of Finance and Customer Services must sign and date the Statement of Accounts, thereby confirming that the accounts give a 'true and fair' view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March. The Strategic Director of Finance and Customer Services is responsible for making proper arrangements for the audit of the Council's accounts.

3.3 Financial Systems

- 3.3.1 The Strategic Director of Finance and Customer Services has responsibility for ensuring that the Council's financial systems are sound, properly maintained and are held securely.
- 3.3.2 Strategic Directors and Heads of Service must ensure that prior approval is obtained from the Strategic Director of Finance and Customer Services to operate any financial system within or on behalf of their area of responsibility.

3.4 Risk Management

- 3.4.1 It is the overall responsibility of the Performance and Finance Committee to review the Council's Risk Management Policy and Strategy and the Corporate Risk Register.
- 3.4.2 The Corporate Risk Management Group is responsible for preparing the Council's Risk Management Policy and Strategy, and for promoting it throughout the Council where appropriate, and to review and update the risk register
- 3.4.3 Strategic Directors or Heads of Service must have regard to the advice of the Risk Management Group and adhere to the Council's Risk Management Policy and Strategy.

3.5 Insurance

- 3.5.1 The Strategic Director of Finance and Customer Services must arrange all insurance cover and negotiate all claims in consultation with other officers, as necessary. The Council must review its level of risk cover at least annually.
- 3.5.2 Strategic Directors and Heads of Service must keep the Strategic Director of Finance and Customer Services informed of:
- All new or emerging risks;
 - Additional properties or vehicles that need to be insured;
 - Any alterations to service delivery affecting existing insurances; and
 - Any special risks regarding contracts.

They must review all insurances in consultation with the Strategic Director of Finance and Customer Services as and when necessary, consulting the Strategic Director of Finance and Customer Services on the terms of any indemnity that the Council is asked to provide.

- 3.5.3 The Strategic Director of Finance and Customer Services must maintain appropriate records detailing all insurances arranged for the Council and keep Strategic Directors or Heads of Service informed, as necessary. Strategic Directors or Heads of Service must keep records of all plant, vehicles, furniture, and equipment under their control, to be available for inspection by the Strategic Director of Finance and Customer Services.
- 3.5.4 In the event of any potential loss, liability, damage, or other event likely to lead to a claim, Strategic Directors or Heads of Service must promptly notify and

provide a written report to the Strategic Director of Finance and Customer Services. Officers must never verbally admit liability, take any action or record in any way an admission of liability on behalf of the Council.

- 3.5.5 All employees of and voluntary workers for the Council must be included in a suitable fidelity guarantee policy.
- 3.5.6 Unless qualifying as a small claim (under £200), an insurance claim should be made where possible and no payments made to third parties in lieu of or advance for damage to third party property. Strategic Directors or Heads of Services are responsible for ensuring that claims are completed in the manner prescribed by the Strategic Director of Finance and Customer Services.
- 3.5.7 The Strategic Director of Finance and Customer Services has authority to make ex-gratia payments of up to £200 for any single claim.
- 3.5.8 Strategic Directors or Heads of Services must obtain details of insurance cover arranged by organisations that own or lease buildings on Council held land at least annually.

3.6 Preventing Fraud and Corruption

- 3.6.1 The Council has an Anti-fraud and Corruption Policy and maintains a culture that will not tolerate fraud or corruption. It is the responsibility of the Head of Human Resources to maintain the Council's Anti-fraud and Corruption Policy.
- 3.6.2 In accordance with the Council's Speaking Up Policy, all suspected irregularities must be reported in the first instance to line management or failing this to any Executive Head or Head of Service, the Monitoring Officer, the Council's external auditors, or the Internal Audit Manager. The Head of Human Resources, Performance & Communications is responsible for the maintenance and operation of the Speaking Up Policy.
- 3.6.3 To avoid giving rise to suspicion about the honesty and integrity of the Council or its employees, or giving the impression of corruption or improper behaviour, all interests of a personal and/or financial nature with external bodies or persons who have dealings with the Council, or any other interests which could conflict with an officer's duties, must be declared in accordance with the Code of Conduct for Officers.
- 3.6.4 Officers must be cautious regarding offers of gifts and hospitality as acceptance can give the impression of improper behaviour or favour. The Council's Code of Conduct for Officers explains how offers of gifts and hospitality are to be dealt with, including what can or cannot be accepted and what must be declared. The Chief Executive must ensure that a gifts and hospitality register is established and maintained.
- 3.6.5 All Council officers and elected members are required to complete a declaration of interest form annually. This must be returned to the Council

Monitoring Officer and the Strategic Director of Finance and Customer Services within required timescales.

- 3.6.6 Officers should be aware of and have regard to risks of money laundering. Money laundering is the process that turns money obtained illegally or through criminal activity into funds that appear lawful and can therefore be spent as if they were from legal sources. Examples of money laundering offences include tax evasion, theft, fraud, bribery, corruption, smuggling, modern slavery, human trafficking, drug trafficking and illegal arms sales.

The definition of money laundering is broad. Money laundering is a process whereby criminals:

- Retain, disguise, and conceal the proceeds of their crimes; or
- Raise, consolidate, or retain funds for use in financing terrorism.

In UK law money laundering is defined in the Proceeds of Crime Act (2002) and includes all forms of handling or possessing criminal property, including possessing the proceeds of one's own crime, and facilitating any handling or possession of criminal property.

Criminal property (defined in POCA) constitutes or represents a person's benefit from criminal conduct where the alleged offender knows or suspects that the property in question represents such a benefit. Criminal property may take any form, including money or money's worth, securities, tangible property, and intangible property.

- 3.6.7 Any suspected attempts to use the Council to launder money must be reported to the Strategic Director of Finance and Customer Services who is also the Council's Money Laundering Reporting Officer.
- 3.6.8 To mitigate the risks of the Council being used to launder money cash payments in excess of £5,000 will not be accepted except with the prior approval of the Strategic Director of Finance and Customer Services.
- 3.6.9 In accordance with the Council's Bribery Policy and Procedure, the detection, prevention and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control.

4. Audit Requirements

4.1 External Audit

- 4.1.1 The basic duties of the external auditor are defined in the Local Audit and Accountability Act 2014. 'Local audit' relates to the audit procedure which must be followed by all local authorities, fire authorities, Police and Crime Commissioners, Clinical Commissioning Groups, and various related bodies in England. The procedures require the auditor to review and report upon:

- The Council's Accounts;

- Whether the Council has made proper arrangements for securing financial resilience and
- Whether the Council has proper arrangements for securing value for money (i.e., through economy, efficiency, and effectiveness).

4.1.2 The primary role of external audit is to report on the Council's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out by the Public Sector Audit Appointments (PSAA) organisation.

4.1.3 The Strategic Director of Finance and Customer Services, in conjunction with the external audit lead officer advises on the development of the annual audit plan, leads on any negotiations related to the annual audit fee and advises the Executive and Members on their responsibilities in relation to external audit and issues arising from the Annual Audit and Inspection Letter (the ISA160 report).

4.1.4 Strategic Directors and Heads of Service are required to ensure that external auditors are given access at all reasonable times to premises, personnel, documents, and assets, and provided with information and explanations which the external auditors consider necessary for the purposes of their work, in the timescales required.

4.1.5 Strategic Directors and Heads of Service are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the timescale agreed with the external auditor, and report on progress.

4.2 Internal Audit

4.2.1 The Head of Legal and Democratic Services is responsible for providing an adequate and effective internal audit of all Council activities. The duties and functions of Internal Audit are regulated in the Public Sector Internal Audit Standards, and the Accounts and Audit Regulations 2015.

4.2.2 Internal Audit is governed by terms of reference and the Audit Charter agreed by Members. Internal Audit will review and report on all the activities and operations of the Council as a service to management. The purpose of these reviews is to:

- Promote economy, efficiency, and effectiveness in the use of Council resources and thereby secure value for money;
- Ensure systems are in use to protect the Council against fraud and other irregularities;
- Ensure that records are kept, and that information produced is reliable, necessary, and appropriate;
- Appraise and report on compliance with established policies, plans and procedures;

- Produce a full position statement on cause and effect where fraud or any other improper act is suspected, that either directly or indirectly affects the Council's finances or assets.
- Report key findings to management and flag areas for improvement through audit recommendations

4.2.3 On production of identification, officers from the Internal Audit team may:

- Enter any Council premises or land;
- Access all records, documents and correspondence relating to any Council transactions;
- Require and receive any explanations needed concerning any matter under investigation;
- Require any Council employee to produce cash, stores, or any other Council property under their control.

4.2.4 When any actual or suspected irregularity arises concerning cash, stores or other Council property, or any suspected irregularity in Council business, officers must immediately notify the Strategic Director of Finance and Customer Services and the Monitoring Officer who will investigate and report, as necessary. Where irregularities involve either Council Members or officers, the Chief Executive will be responsible for decisions to involve the police.

4.3 Audit of Unofficial Funds

4.3.1 The Strategic Director of Finance and Customer Services will advise on the keeping and audit of unofficial funds, that is any funds associated with Council business, supervised, or managed by council officers, but not part of Council funds or Council trust funds, i.e., charities. Officers invited to act as Honorary Treasurers of unofficial funds must notify their line manager and the Strategic Director of Finance and Customer Services for approval before accepting the position.

4.3.2 The Strategic Director of Finance and Customer Services can require any officer holding unofficial funds to provide a true account in writing of all money and property in their charge, of all receipts and payments with vouchers and other records supporting the accounts, and a list of persons to or from whom money is due detailing amounts for each.

5. Control of Resources

5.1 Security

5.1.1 The Chief Executive, Strategic Directors and Heads of Service are responsible for the security of all buildings, stocks, stores, equipment, cash, documents, and other assets under their control. The Strategic Director of Finance and Customer Services must be consulted whenever security might be inadequate or special arrangements are needed.

- 5.1.2 Maximum limits for cash holdings must be agreed with the Strategic Director of Finance and Customer Services and cannot be exceeded without their permission, to manage risk and to prevent invalidating insurance cover.
- 5.1.3 Keys to safes, cash boxes, strong rooms and security systems must be always held by the officers responsible for them, and access kept restricted at all times . The loss of any such keys must be reported to the Strategic Director of Finance and Customer Services at once and no new keys cut without agreement from the Strategic Director of Finance and Customer Services.
- 5.1.4 The Head of Human Resources, Performance & Communication is responsible for the proper security and privacy of electronic data. The Chief Executive, Strategic Directors and Heads of Service are each responsible for ensuring compliance with Data Protection Act 2018 in their respective services, and for ensuring all staff are aware of their obligations under the Act.

5.2 Asset Registers and Inventories

- 5.2.1 Strategic Directors or Heads of Service are responsible for setting up and maintaining an inventory of all items under their control with a replacement value of over £1000. Inventories must be kept up to date, in a form agreed with the Strategic Director of Finance and Customer Services.
- 5.2.2 Details of all purchases or disposals, including make and model, asset serial number if known, and approximate replacement value must be included on inventories at the time of purchase, sale or disposal and notified to the Strategic Director of Finance and Customer Services. In respect of any disposal, Strategic Directors or Heads of Service are required to ensure that the means of disposal achieves best value and all documentation is completed to effect the transfer of legal title and all risks to the buyer. All disposals must be in accordance with the Council's Disposal Policy.
- 5.2.3 Head of Human Resources, Performance & Communication is responsible for maintaining a central inventory of computer equipment.
- 5.2.4 Strategic Directors or Heads of Service are responsible for the care and custody of all equipment held in their respective services. Council property must not be removed or used except in the ordinary course of business, or in accordance with specific directions from the Strategic Director or Head of Service concerned.
- 5.2.5 The Strategic Director of Finance and Customer Services is responsible for the maintenance of a corporate register of the Council's fixed assets. This asset register must be maintained in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK and any other underlying accounting standards.

5.3 Property Transactions

5.3.1 In the course of its business, the Council may enter into a variety of property agreements, including (but not limited to):

- Freehold sales and purchases;
- Long leasehold disposals and acquisitions
- Short leases as tenant and as landlord;
- Section 106 and/or CIL agreements as landowner; [NB: This is about to change as the Government has published a White Paper on alternatives to S106 and CIL]
- Release of covenants;
- Compulsory acquisitions and land compensation claims;
 - Taking and granting easements;
 - Option Agreements;
 - Lease surrenders and exit agreements (including dilapidations).

5.3.2 The Head of Legal Services is authorised to undertake all actions in relation to the administration of the Council's estate and property portfolio **except** the following matters which are reserved to the Executive:

- (a) Acquisitions or disposal of land or property with a value in excess of £25,000;
- (b) the grant or renewal of all commercial leases in excess of 2 years that do not reflect market conditions in terms of value or risk;
- (c) the grant of all leases for the purposes of development or refurbishment schemes including building leases;
- (d) the grant or renewal of all leases where the Head of Legal Services considers referral to the Executive is appropriate

5.4 Leases

5.4.1 The majority of leases are standard, non-controversial and meet the Council's policies and objectives. The granting or renewal of leases should only be referred to the Executive for decision if the lease is not a standard lease or is a controversial lease and will be subject to the above thresholds. Such thresholds are to be reviewed every 2 years. The Leader of the Council, under the allocation of portfolio holder responsibilities, has responsibility for the Council's Property Portfolio and is regularly updated in relation to the grant and renewal of leases.

5.5 Consumable Stocks and Stores

5.5.1 Strategic Directors or Heads of Service will make adequate arrangements for the care and custody of consumable stocks and stores held by their services and will maintain inventory records that document the purchase and usage of these items.

- 5.5.2 The stock of such items should be maintained at an appropriate level and be subject to a regular physical check. Discrepancies must be investigated and pursued to a satisfactory conclusion.
- 5.5.3 The Strategic Directors or Head of Service must produce a stock certificate at each financial year end, confirming the number and value (i.e., value representing the lower of cost or net realisable value) of items held as at 31st March.
- 5.5.4 Stocks and stores must be removed from the Council's financial records when obsolete (i.e., when they cannot be sold or consumed) or when no longer held (i.e., due to theft or other loss). Thresholds for stock write-off are set out below:

Value of stock write-off	Delegated to	Evidence required
Up to £4,999	Strategic Director of Finance and Customer Services or any other Executive Head	Completion of write-off form
£5,000 and over	Executive	Minute from meeting of the Executive

5.6 Investments, Borrowing and Trust Funds

- 5.6.1 All money in the hands of the Council is to be aggregated for the purposes of treasury management under the control of the Strategic Director of Finance and Customer Services.
- 5.6.2 This Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (2017) (the Code).
- 5.6.3 The Council has created and will maintain:
- A treasury management policy statement, stating the policies and approach to risk management of its treasury management practices; and
 - Suitable treasury management practices (TMPs), setting out the way the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 5.6.4 The content of the policy statement and TMPs will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations.
- 5.6.5 The Council will receive reports on its treasury management policies from the Strategic Director of Finance and Customer Services, detailing practices and activities, and including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

- 5.6.6 The Council delegates responsibility for the implementation its treasury management policies and practices to the Leader/Executive and for the execution and administration of treasury management decisions to the Strategic Director of Finance and Customer Services who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 5.6.7 The Council nominates the Audit and Standards Committee to be responsible for the effective scrutiny of the treasury management strategy and policies.
- 5.6.8 All negotiable instruments, financial bonds and securities held in the name of the Council, or its nominees must be held securely by the Strategic Director of Finance and Customer Services or the Council's bankers unless the Council has authorised the use of an outside agent.
- 5.6.9 In consultation with the Leader or relevant Portfolio Holder, the Strategic Director of Finance and Customer Services may engage external Investment Fund Managers to manage the authority's investments. The terms and conditions of any engagement will be determined by the Strategic Director of Finance and Customer Services and include a requirement that any such managers must report regularly to and attend review meetings with Council representatives.
- 5.6.10 All trust funds must, wherever possible, be in the Council's name and always comply with the requirements of the Charity Commissioners. Unless the trust deed states otherwise, officers and councillors (except when acting in a private capacity) acting as trustees must give all related securities etc. to the Strategic Director of Finance and Customer Services for safekeeping. (See section 4.3 above on the Audit of Unofficial Funds for general management guidance.)

5.7 Bank Accounts

- 5.7.1 All arrangements with the Council's bankers must be made or approved by the Strategic Director of Finance and Customer Services, who is authorised to operate necessary banking, Credit and Purchasing Card Accounts and other banking arrangements, as well as providing any appropriate instruction or indemnity required by the Council's bankers.
- 5.7.2 All bank accounts must be in the name of Surrey Heath Borough Council. All payment forms and other debit and credit forms must be ordered by the Strategic Director of Finance and Customer Services, who must make proper arrangements for their security.
- 5.7.3 The Council does not make payment by cheque, other than on authorised imprest accounts.
- 5.7.4 All bank accounts must be reconciled to supporting records periodically in line with timetables and directions issued by the Strategic Director of Finance and Customer Services.

5.8 Petty Cash Accounts

5.8.1 Wherever possible, corporate Purchas Cards should be used for low value transactions and where there are no mandated procurement contracts in place. However, in the limited circumstances when Purchase Cards cannot be used, the Strategic Director of Finance and Customer Services may provide petty cash accounts to meet minor expenditure on behalf of the Council.

5.8.2 The Strategic Director of Finance and Customer Services or Chief Accountant will:

- Prescribe rules for operating these accounts;
- Determine the amount of each imprest account;
- Instruct services to maintain a record of all transactions and cash advances made; and
- Periodically review the arrangements for the safe custody and control of these advances.

5.8.3 Requests for additional funds to be transferred into petty cash accounts must be made to the Strategic Director of Finance and Customer Services. Arrangements for such transfers will be made by the Chief Accountant, following direction from the Strategic Director of Finance and Customer Services.

5.8.4 Employees operating an imprest account will:

- Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
- Make adequate arrangements for the safe custody of the account including access to the account;
- Produce cash and all vouchers to the total value of the imprest amount. Record transactions promptly;
- Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
- Ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made; and
- Provide the Strategic Director of Finance and Customer Services with a certificate of the value of the account held at 31 March each year.

5.9 Intellectual Property

5.9.1 Intellectual property is a generic term that includes inventions and writing. It is a category of property that includes intangible creations of the human intellect. There are many types of intellectual property, and some countries recognize more than others. The most well-known types are copyrights, patents, and

trademarks. If an employee creates these during employment, then, generally, they belong to the employer, not the employee.

- 5.9.2 Strategic Directors or Heads of Service will ensure that their staff are not carrying out private work in Council time and that their staff are aware of the Council's rights regarding intellectual property. Instances of where intellectual property may be, or has been, created should be referred to the Head of Legal Services.

6. Income

6.1 Income Collection Systems

- 6.1.1 Effective income collection systems are necessary to ensure that all income due to the Council is identified, collected, receipted, and banked properly. Wherever possible, income should be collected in advance of supplying goods or services.
- 6.1.2 It is the responsibility of Strategic Directors or Heads of Service to ensure that staff authorised to act on their behalf in respect of income collection are clearly identified. These officers must supply the Finance Department with details relating to work done, goods supplied, services rendered or other amounts due, to enable invoices to be raised promptly for sums due to the Council, and to ensure that such amounts are properly recorded as due to the Council.

6.2 Charging Policies

- 6.2.1 The Strategic Director of Finance and Customer Services will establish an income and charging policy for the supply of goods or services. This will be reviewed and approved periodically by the Executive.
- 6.2.2 Strategic Directors or Heads of Service must set annual discretionary fees and charges in consultation with the relevant Portfolio Holder and Strategic Director of Finance and Customer Services. An annual statement on fees and charges will be published on the Council's website as part of the budget setting process.
- 6.2.3 Any new charge or change that involves potentially sensitive issues must be agreed with the Chief Executive in consultation with the Leader.
- 6.2.4 One-off services may be undertaken, and associated charges set by the Chief Executive, Strategic Director or Head of Service concerned, subject to availability of resources and consideration of any sensitive issues by the Chief Executive in consultation with the Leader.

6.3 Income Collection

6.3.1 The Strategic Director of Finance and Customer Services will agree the arrangements for the collection of all income due to the Council and approve the procedures, systems, and documentation for its collection.

6.3.2 In relation to the collection of income, Strategic Directors or Heads of Service will ensure that:

- All money received by, or on behalf of, the Council is paid fully and promptly into the appropriate Council bank account in the form in which it is received;
- Income is not used to cash personal cheques or other payments;
- Appropriate details are recorded onto paying-in slips to provide an audit trail;
- A record is kept of money received directly by employees of the Council;
- The receiving officer signs for the transfer of funds, and the transferor retains a copy;
- Wherever possible, at least two employees are present when post is opened so that money received by post is properly identified and recorded; this requirement must be met where post regularly contains money. If this requirement cannot be met, then arrangements must be reviewed by Internal Audit;
- Money collected and deposited is reconciled to the appropriate bank account on a regular basis;
- The responsibility for cash collection is separated from that for identifying the amount due and that responsibility for reconciling the amount due is separated from handling of the amount received;
- Income is only held on premises up to levels approved by the Strategic Director of Finance and Customer Services. All such income will be locked away to safeguard against loss or theft, and to ensure the security of cash handling;
- Any discrepancies between amounts deposited and amounts shown as received (actual vs expected income) are recorded and promptly investigated, with Internal Audit notified immediately of any amounts over £20. If not corrected, any shortfall must be made good at a later deposit at the discretion of the Strategic Director of Finance and Customer Services;
- All appropriate income documents are retained and stored for the defined period in accordance with the Council's document retention policy and schedule;
- The Strategic Director of Finance and Customer Services is advised of outstanding income relating to the previous financial year as soon as possible after 31 March, and in line with the timetable for closure of the accounts issued by the Finance Department.

6.4 Income Collection – Sales

6.4.1 The Council collects income directly from service users at several sites (e.g., Camberley Theatre / Windle Valley Centre). This is generally collected via cash tills or similar systems. It is important that accurate records are maintained for income collected in this way. Where direct sales are made to service users, Heads of Service must ensure that proper procedures for collection of income are in place:

- At the start of each session, the responsible officer must count the cash float and sign for its accuracy;
 - At the close of each session, income collected must be reconciled to records on the till or similar record. This should be signed off by the officer who has operated the till or similar system;
 - Where possible, two officers should be present whenever cash is counted;
 - In addition, any cash float remaining at the close of the session should be signed for by the officer working on the till; and
 - Bank paying-in slips must be reconciled to income collection records.
- 6.4.2 Where income is collected at one-off events at remote sites (such as open-air concerts or shows) the Strategic Director or Head of Service must ensure that arrangements are in place to enable income collected to be reconciled to a record of sales made. Internal Audit must be consulted to ensure arrangements are secure. Any cash collected should be counted in the presence of two officers where possible, and banked at the earliest opportunity. Appropriate security arrangements must also be made should cash collected need to be held overnight before it can be banked.
- 6.4.3 Officers must ensure that secure arrangements are in place for the storage of cash and cheques until they are banked. Cash should only be stored at Camberley Theatre or Surrey Heath House.

6.5 Debt Recovery

- 6.5.1 Strategic Directors or Heads of Service will define which officers in their business unit may raise a debt on the Council's behalf.
- 6.5.2 Once debts are raised, Strategic Directors or Heads of Service have a responsibility to assist the Strategic Director of Finance and Customer Services in collecting the debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf. This will be done in accordance with the Council's Corporate Debt Management Policy.
- 6.5.3 The Strategic Director of Finance and Customer Services will provide regular reports to Executive Heads to enable them to pursue debts. Strategic Directors or Heads of Service must use this information to ensure that debts are followed up promptly. Debts must be followed up in line with timescales set out in Corporate Debt Management Policy.
- 6.5.4 Evidence of action to collect debts should be retained. This helps decision-making should debts require write-off by the Executive.

6.6 Debt Write-off and Release of Securities

- 6.6.1 The Strategic Director of Finance and Customer Services will review outstanding debts on a regular basis and has discretion to take prompt action to write-off debts no longer deemed to be recoverable in law following consultation with the Leader, Portfolio Holder for Finance and Head of Legal

Services. A delegated decision notice must be published to record any decision to write off debt pursuant to this section 6.6.1 and reported to the Executive as soon as possible.

6.6.2 No *bona fide* debt may be cancelled, other than by formal write off. The approval required to write off any such debt is as follows:

Value of Debt	Delegated to:	Evidence required
Up to £1,500	Strategic Director of Finance and Customer Services and Head of Service	Authorised debt write-off form
£1,500 and over	Executive	Minute from meeting of Executive

The appropriate accounting adjustments must be made following approval to write-off a debt.

6.6.3 No officer may release any security, warranty, or guarantee in favour of the Council, unless contractually obliged to do so, without the written approval of the Strategic Director of Finance and Customer Services or the Executive as appropriate.

6.7 Credit Notes

6.7.1 A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, and not to write-off a debt that is deemed to be uncollectable.

6.7.2 Credit notes can only be raised by officers in line with limits set out in authorised signatory schedules. Appropriate documentation must be retained to confirm reason for the credit note and to show it has been properly authorised.

6.7.3 All credit notes must be authorised by an appropriate budget holder who is a designatory authorised signatory for credit notes. Strategic Director of Finance and Customer Services.

6.8 Sponsorship and Contributions in Kind

6.8.1 Offers of sponsorship, or contributions in kind from outside organisations with a total value of less than £1,000 may be arranged and agreed by the Strategic Director or Head of Service concerned after consultation with the Chief Executive and the Leader, or appropriate Portfolio Holder. Sponsorship of less than £1,000 will be reported to the Leader and Executive twice yearly.

6.8.2 Offers of sponsorship or contributions in kind from outside organisations with a total value of over £1,000 must be approved by the Leader or Executive. All arrangements for sponsorship must comply with the Code of Conduct for

Officers. The Monitoring Officer will maintain a list of all sponsorship arrangements.

6.9 Grants and Other Income

6.9.1 Any income received by the Council which is not included within the annual budget and arising from, for example, grants, windfalls, or gifts must be notified to the Strategic Director of Finance and Customer Services as soon as it is identified. Authorisation for the use of this income must be obtained from:

Value of income	Delegation
Less than £1,000	Strategic Director of Finance and Customer Services
£1,000 to £9,999	Chief Executive in consultation with the Leader
£10,000 and over	Executive

6.9.2 Strategic Directors or Heads of Service must, as appropriate, ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts. This will include ensuring that claims for funding are made by the due date, and in accordance with the funding conditions.

6.9.3 Strategic Directors or Heads of Service must be clear as to any conditions attached to grants and other income from third parties and ensure systems are put in place to demonstrate compliance with these conditions. This should include systems to ensure grants are spent within the correct time period.

6.9.4 Strategic Directors or Heads of Service must satisfy audit requirements in respect of external funding claims. This includes maintaining appropriate records that accord with the funding conditions and making these available to the auditors as required.

7. Orders and Payments

7.1 Orders

7.1.1 Public money must be spent with demonstrable probity and in accordance with the Council's policies.

7.1.2 Officers involved with engaging contractors, and/or with purchasing decisions, have a responsibility to declare:

- Any links or personal interests that they may have with purchasers, suppliers and/or contractors; and
- Any gifts or hospitality offered by, or received from, purchasers, suppliers and/or contractors.

7.1.3 All works, goods and services must be ordered in accordance with the Council's Contract Standing Orders and Procurement Guidance. All officers

involved in placing orders with third parties must be familiar with these documents.

7.1.4 Current thresholds for orders of goods and services from third parties are set out below:

Total value (including VAT)	Procedure
Up to £4,999	At least one written quote in writing and in advance
£5,000 to £49,999	At least three written quotes in writing and in advance
£50,000 and over	The responsible officer must contact the relevant responsible officer for guidance; A contract number is required; At least three written tenders in advance; Due attention must be given to national procurement rules regarding the value of the contract

7.2 Ordering Works, Goods and Services

7.2.1 Official orders must only be raised, in advance of the supply of goods or services, on the Council's purchasing system by officers with appropriate system access. Orders for work, goods and services must:

- Be approved by an appropriate authorised signatory;
- Entered on the purchasing system with details of the nature and quantity of work, goods or services required, the relevant contract, expenditure code and agreed or estimated price;
- Apply the appropriate VAT rate; and
- Be coded to an appropriate cost centre with adequate budgetary provision.

7.2.2 The authoriser of an order must be satisfied that:

- The works, goods and services ordered are appropriate and needed; (ii) There is adequate budgetary provision; and
- Quotations or tenders have been obtained, if necessary, in accordance with the Contract Standing Orders and Procurement Guidelines.

7.2.3 The purchase order must be properly reviewed by the authorising officer. By approving the purchase order, the authorising officer is confirming that the order has been let in line with Contract Standing Orders and Procurement Guidelines.

7.2.4 Authorised purchase orders should be sent to the supplier to ensure details of the goods or services expected from the supplier are clearly set out.

7.2.5 Purchase orders must be raised on the purchasing system for all work goods or services to be supplied to the Council. The only exceptions are:

- Supply of public utilities;
- Periodic payments such as rent or rates;
- Suppliers registered under HMRC's Construction Industry Scheme; or
- Other items approved by the Strategic Director of Finance and Customer Services.

In these cases, approval to place orders without purchase orders must be obtained from the Strategic Director of Finance and Customer Services.

7.3 Receipt of Works, Goods and Services

- 7.3.1 Works, goods and services must be checked upon receipt to ensure they have been delivered in accordance with the order. The supplier should be contacted if there are any discrepancies between orders and the goods or services received.
- 7.3.2 Details of goods and services received should be recorded by staff with appropriate access on the Council's purchasing system, using the goods receipting function. Where possible, information to support goods received notes, such as delivery notes or timesheets, should be stored on the purchasing system.
- 7.3.3 Where approval has been obtained to purchase from a supplier without using the Council's purchasing system, then the Strategic Directors or Heads of Service must ensure that proper records are retained to show that goods or services ordered have been delivered by the supplier.
- 7.3.4 The Council will not pay suppliers in advance for goods or services. This is to avoid circumstances where monies are paid out, but suppliers fail to deliver goods or services that have been paid for. If a supplier insists on payment in advance of receipt of goods, then the procuring officer should consider using a different supplier. Exceptions to this are:
- Rent or rates, where payment in advance is contractually due;
 - Software licences and software upgrades where payment in advance is contractually due;
 - Course or conference bookings where advance payment is required to secure a booking;
 - Other circumstances where written approval for payment in advance of receipt of goods or services has been obtained from the Strategic Director of Finance and Customer Services.

7.4 Setting Up New Suppliers and Changes to Supplier Details

- 7.4.1 Officers must ensure the validity of supplier information when sourcing goods or services from new suppliers or changing details of existing suppliers. This is to reduce the risk of fraud.

7.4.2 The procuring officer must confirm key information such as business address, VAT number, and bank account details by email or telephone, and enter details of how these have been confirmed before any new supplier or changes to existing supplier details changes will be accepted and actioned by the Finance Department.

7.5 Payment of Accounts

7.5.1 The normal method of paying sums due from the Council is BACS. Separate arrangements are in place for payments using Purchase Cards (see paragraph 7.10). Payments by other methods may only be used at the discretion of the Strategic Director of Finance and Customer Services.

7.5.2 All invoices received by officers must be forwarded to the Finance Department as soon as they are received to ensure that the Council meets prompt payment performance targets. Invoices are stored electronically on the Council's finance system. Hard copy invoices are not retained.

7.5.3 Officers must ensure that suppliers send proper VAT invoices to the Council when seeking payment. The Council will not pay against statements issued by suppliers as this increases the risk of duplicate payments.

7.5.4 All invoices must include a purchase order number, where applicable. Failure to include this information will mean the invoice is returned to the supplier.

7.5.5 Certification of invoices for payment may only be carried out by officers with an appropriate authorised signatory limit for invoice authorisation (see paragraph 12). Before certifying an invoice for payment, a signatory must be satisfied that:

- The works, goods or services have been satisfactorily received;
- The sum due for payment is properly incurred and covered by approved budgets;
- The invoice is not in dispute;
- The invoice has not been previously paid;
- The prices, extensions, calculations, trade discounts, other allowances, credits, and treatment for VAT are correct.

7.5.6 All invoices will be scanned into the Council's finance system once they have been received by the Finance Department. At this point a "for invoice authorisation" email will be generated by the Council's finance system and sent to an appropriate authorised signatory.

7.5.7 Within 7 days of receipt of the email, the authorised signatory must, on completion of the checks set out in paragraph 7.5.5 above, authorise the invoice as ready for payment on the Council's finance system. If this is not possible, an alternative authorised signatory should complete this work.

7.6 Payment of Accounts – Invoices Without Purchase Orders

- 7.6.1 Where invoices are received for suppliers where no purchase order has been raised (see paragraph 7.2.4) then a BACS voucher form will need to be completed by the Service Department.
- 7.6.2 This will be scanned into the finance system and a “request for invoice authorisation” email generated by the Council’s finance system and sent to an appropriate authorised signatory. The process at paragraph 7.5.6 must then be followed.
- 7.6.3 In exceptional circumstances, the Strategic Director of Finance and Customer Services may authorise a payment where no invoice has been received. In these circumstances a BACS voucher must be completed by an appropriate authorised signatory to confirm that:
- The work, goods, services, refunds, rebates, or other commitments have been properly received or will be received or accounted for; and
 - The sum due for payment is provided for in approved budgets.

7.7 Financial Year-end

- 7.7.1 As soon as possible after 31st March, and no later than a date in April set by the Strategic Director of Finance and Customer Services each year, the Chief Executive, Strategic Directors and Heads of Service must each notify the Strategic Director of Finance and Customer Services of all outstanding revenue expenditure for the previous financial year relating to works, goods or services ordered and supplied during that year.
- 7.7.2 By 31st March each year, the Chief Executive, Strategic Directors and Heads of Service must ensure that all capital expenditure occurring in that year has been properly certified and passed for payment. No account may be taken of expenditure in the year incurred by contractors but not certified or paid by the Council.

7.8 Loans and Advances

- 7.8.1 Only the Chief Executive (or a properly authorised officer) is responsible for raising and certifying requisitions for making approved loans and advances.

7.9 Payments Relating to Purchase of Land and Property

- 7.9.1 Accounts for payments relating to purchase of land or property must be supported by details of the land or property including location, the vendor’s name, the purchase price, and all associated expenses, and be certified by the Chief Executive (or a properly authorised officer).

7.10 Corporate Purchase Cards

- 7.10.1 The Strategic Director of Finance and Customer Services may allocate corporate Purchase cards to nominated officers on completion of an

application form signed by the appropriate Strategic Director or Head of Service.

7.10.2 All officers allocated corporate Purchase Cards must follow guidance on how to use these cards and account for expenditure incurred as set out in the Purchase Card guidance notes, issued to officers by the Finance Department.

7.10.3 Corporate Purchase Cards and PIN numbers are personal to the cardholder and may not be used by other officers. Corporate Purchase Cards may not be used to:

- Obtain cash advances;
- For personal purchases;
- To buy goods and services with a value in excess of £1,000 (unless expressly authorised with a higher limit at card issue); or
- To buy goods and services covered by a contract.

7.10.4 Details of expenditure incurred on corporate Purchase Cards will be included in the spend data that the Council publishes to comply with the requirements of the Transparency Code 2015. Officers must consider the impact of this information when using corporate Purchase Cards.

7.10.5 For any Officer that holds a Purchase Card and due to leave the Council, the Purchase Card must be returned to the Finance Department prior to the Officer's last day of service.

8. Contracting

8.1 Financial Appraisals and Insurance

8.1.1 The Chief Executive, Strategic Director of Finance and Customer Services, Strategic Director or Head of Service concerned must be satisfied that the tenderer is able to fulfil a contract satisfactorily before any contract is entered into. The Strategic Director of Finance and Customer Services must verify the financial status of tenderers for contracts over £50,000, and for any other contract where such a check is considered necessary. A financial appraisal should also be undertaken before any contract is extended or negotiated for an additional period.

8.1.2 The Strategic Director or Head of Service must supply relevant insurance details to the Strategic Director of Finance and Customer Services (who will advise on necessary limits) for all contracts with an anticipated spend in excess of £50,000. Insurance documentation must be obtained for all contracts valued at £50,000 or over, although it is considered best practice that contract officers should request and obtain insurance details from suppliers for all contracts over £5,000.

8.2 Contract Management and Payment of Contractors

- 8.2.1 For each contract, the Chief Executive, Strategic Director or Head of Service must nominate a contract manager who will be responsible for complying with Standing Orders and Guidelines, properly maintaining all contract documentation, obtaining all necessary sub-contractor tax certificates, and forwarding them to the Strategic Director of Finance and Customer Services before payment is made.
- 8.2.2 A register of all contracts over £50,000, known as the Contracts Register, and all other contracts under seal, must be maintained and kept updated by the responsible officer. The register must record all payments and show the state of account on each contract between the Council and its contractors together with any other payments and related professional fees. (Contracts based on schedules of rates and for which individual job orders are placed are exempted from this Regulation.) Officers should notify the responsible officer of any such contract details in excess of £50,000 as above using the *pro forma* on-line form found on the intranet.
- 8.2.3 Where contracts of £50,000 or less are placed on official orders or other schedule of rates tenders allow for payment by instalments, the relevant Contract Manager must keep a record to show the state of account for each contract together with any other payments and related professional fees, in a form approved by the Strategic Director of Finance and Customer Services. Contracts of £5,000 or less must not be paid by instalment.
- 8.2.4 Purchase orders must be raised on the Council's purchasing system for all contracts entered into by the Council. Payment of contractors will be made following the process set out at paragraph 7.5 above.

8.3 Purchase of IT equipment

- 8.3.1 In accordance with the Council's Information Security Policy, ICT Equipment must always be purchased, tagged, and installed by the ICT Team. This is to ensure assets are adequately insured, authorised, and properly logged.

9. Salaries, Wages, Pensions and Expenses

9.1 Salaries, Wages and Pensions

- 9.1.1 Head of Human Resources, Performance & Communication pays salaries, wages, pensions, compensations etc. to all employees or former employees of the Council, under arrangements approved and controlled by the Strategic Director of Finance and Customer Services.
- 9.1.2 The Chief Executive, Strategic Director or Head of Service concerned must notify the Head of Human Resources, Performance & Communication who will in turn notify the Strategic Director of Finance and Customer Services as soon as possible of anything affecting such payments, particularly:
- Appointments, resignations, dismissals, retirements, redundancies, deaths, suspensions, secondments, and transfers;

- Absence from duty due to sickness, maternity, compassionate or unpaid leave;
- Changes in remuneration for employees on Surrey Heath Borough Council conditions of contract;
- Changes in remuneration apart from normal increments, pay awards and agreements affecting all other employees;
- Information necessary to maintain records of service for superannuation, income tax, national insurance, and similar matters.

9.1.3 All employees will be appointed in accordance with the Regulations of the Council and the approved establishments, grades, and rates of pay.

9.1.4 All time records or other pay documents must be in a form set or approved by the Executive Head of Transformation. Line managers are responsible for approving officer timesheets, as necessary.

9.2 Travel, subsistence, and other allowances

9.2.1 The Strategic Director of Finance and Customer Services is responsible for the payment of expense claims by staff in accordance with the Council's travel and subsistence policy. Mileage claims and parking fees are the responsibility of Head of Human Resources, Performance & Communication and are paid through iTrent, the HR/payroll system.

These officers will:

- Make arrangements for paying all authorised travel and subsistence claims; and
- Ensure that taxable allowances and benefits are accounted for, recorded, and submitted, where appropriate, to HM Revenue and Customs.

9.2.2 Certification of travel and subsistence claims means that journeys were authorised, and expenses properly and necessarily incurred for business purposes, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved.

9.2.3 All claims for payment of officers' car allowances, subsistence allowances, travelling and incidental expenses incurred on official duty must be properly certified by an authorised officer and submitted to Payroll or Finance as appropriate on the approved form available on the Council's intranet or through iTrent. The signatory must ensure that proper documentation to support mileage and other items claimed has been supplied by the claimant.

9.2.4 All claims for the payment of work or qualification training and course expenses (provided prior approval for the course has already been granted), including related subsistence and travel expenses, must be signed off by an authorised signatory in the same service. The claim should be submitted to Human Resources for certification. Claims for conference expenses must be signed by a properly authorised officer and submitted to the Strategic Director of Finance and Customer Services.

- 9.2.5 Payments to members, including co-opted members of the Council or its committees must be made by the Head of Legal and Democratic Services on receipt of the properly completed claim form.
- 9.2.6 Certification by or on behalf of the Chief Executive, Strategic Director or Head of Service means that the certifying officer is satisfied the journeys were authorised, expenses properly and necessarily incurred and that the allowances are properly payable by the Council.

9.3 Ex-Gratia Payments

- 9.3.1 Ex-gratia payments are one-off payments made to an employee or former employee as a gesture of goodwill, and not because there is a legal or contractual obligation to do so. They include settlement agreements and other payments made for loss of office.
- 9.3.2 All ex-gratia payments made to staff below Head of Service level must be approved by the Chief Executive, after consultation with the Strategic Director of Finance and Customer Services and the Head of Human Resources, Performance & Communication.
- 9.3.3 All ex-gratia payments made to the Chief Executive, Strategic Directors, or Heads of Service must be approved by the Employment Committee, unless the decision is reserved to the Full Council.
- 9.3.4 Any ex-gratia payments to the Chief Executive, another Statutory Officer, or the Head of Human Resources, Performance & Communication, as agreed by the Employment Committee or Full Council, must be authorised by two of the three Statutory Officers: the Chief Executive, the Monitoring Officer, or the Strategic Director of Finance and Customer Services. In the absence of these officers, the Deputy Monitoring Officer or Deputy Section 151 Officer can authorise these payments. An officer must not authorise a payment to themselves.
- 9.3.5 Any ex-gratia payments to Strategic Directors or Heads of Service, excluding Statutory Officers and the Head of Human Resources, Performance & Communication, as agreed by the Employment Committee, must be authorised by the Head of Human Resources, Performance & Communication and one of the Statutory Officers.

10. Taxation

10.1 Compliance with Tax Regulations

- 10.1.1 The Strategic Director of Finance and Customer Services is responsible for ensuring compliance with all relevant taxation regulations and guidance that affect the Council either directly, because of its own activities, or indirectly, because of service delivery through external partners.

- 10.1.2 To enable The Strategic Director of Finance and Customer Services to fulfil the requirements of this role, Strategic Directors and Heads of Service will ensure that the Strategic Director of Finance and Customer Services is consulted on all proposals that may alter or affect the Council's tax liability.
- 10.1.3 Certifying officers must confirm that all suppliers of goods, works or services have complied with VAT legislation and have correctly completed payment documentation in accordance with instructions issued by HMRC.
- 10.1.4 The Strategic Director of Finance and Customer Services will maintain the Council's tax records, make all tax payments, receive tax credits, and submit tax returns by their due date, as appropriate.

11. Transparency and Partnerships

- 11.1.1 To provide transparency in its stewardship of public funds the Council will make information available to the public in relation to its spending, regardless of value. Monthly payment transactions made via corporate Purchase Cards, employee expenses and accounts payable are available to be viewed or downloaded via the Council's website.
- 11.1.2 11.2.1 The Chief Executive, Strategic Directors and Heads of Service may enter into partnerships and similar joint undertakings on behalf of the authority, subject to consideration and approval by Corporate Management Team and the Leader/Executive. Partnership transactions must comply with these Financial Regulations and Procedure Rules, unless otherwise specified by the partnership and agreed by the Strategic Director of Finance and Customer Services.

12. Authorised Signatories

12.1 Powers Delegated to Officers

- 12.1.1 Under the Scheme of Delegation of Functions to Officers in the Constitution of the Council, authority to undertake financial transactions is delegated to senior managers and certain nominated officers. However, delegation to other officers may be necessary for practical purposes. These delegations form lines of accountability that must be clear, well communicated and regularly reviewed. They will provide control through appropriate levels of authorisation, limited numbers, and the proper separation of duties.
- 12.1.2 Delegations within services must be arranged under agreed procedures for authorised signatories. Strategic Directors or Heads of Service must supply the Strategic Director of Finance and Customer Services with the following information on the standard form found on the Council's intranet:
- The name and job title of the officer;
 - The delegated financial limits to be applied to the officer; and
 - A specimen signature from the officer, countersigned by the Head of Service.

Any changes to authorised signatory limits within a service must be advised in the same way.

- 12.1.3 Internal Audit will process new and amendments to existing signatory powers as well as maintain records of officers authorised to make financial transactions. Existing signatory powers are published on the Council's intranet and are reviewed periodically.
- 12.1.4 By exception signatory powers may be temporarily increased as a one-off in order to meet a genuine business need and where they are time critical. Such changes must be approved in writing in advance by the Chief Executive or the Section 151 Officer Strategic Director and should be notified to Internal Audit so that the appropriate records can be amended and to provide an audit trail. Changes must be on a short term basis and the officer's signatory powers reverted back to their substantive levels as soon as they are no longer required.
- 12.1.5 Any suspected breaches of authorised signatory limits should be reported immediately to Internal Audit. Breaches of agreed limits may be subject to internal audit review and may result in disciplinary action.