

PART 10

Finance and Procurement

This Part sets how the Council will manage its finance and contracts

PART 10 – Finance and Procurement

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Section 1

1 INTRODUCTION

- 1.1** The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed.
- 1.2** Financial control within the Council is exercised via the mechanism of these Rules. The Rules are complimentary to the scheme of decision-making contained within the Constitution.
- 1.3** To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of rules that set out the financial policies of the council. A modern council should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.
- 1.4** These Rules provide clarity about the financial accountabilities of individuals – Executive Members, the Chief Executive, the Chief Legal Officer, the Section 151 Officer, other Executive Directors and Heads of Service.
- 1.5** The Finance and Contract Procedure Rules form only part of the overall framework of the Council which also includes the other Articles, Parts and Rules of the Council's Constitution.
- 1.6** The Council is moving to the increased use of electronic means for the procurement of and payment for services. Officers shall comply with directions issued by the Section 151 Officer and the Chief Legal Officer setting out how these rules are to be applied in such circumstances.
- 1.7** These Finance and Contract Procedure Rules should be read in conjunction with The Financial Procedures in Appendix 1. The Financial Procedures provide the framework for managing the Council's financial affairs and set out the controls in place and responsibilities of staff in the following five broad areas:
 - 1.7.1 Financial Management;
 - 1.7.2 Financial Planning;
 - 1.7.3 Risk management and Control of Resources;
 - 1.7.4 Financial Systems and Procedures;
 - 1.7.5 External arrangements.

Section 2

2 DEFINITIONS AND DELEGATED LIMITS

2.1 Definitions:

In the context of the Finance and Contract Procedure Rules:

“Executive Directors” means the Council’s Chief Executive and all those senior officers designated as Executive directors.

“Head of Paid Service” means the Chief Executive or authorised deputy.

“Chief Legal Officer” means the Chief Legal Officer whose duties as Chief Legal Officer are set out in Article 12.03 of the Constitution or authorised deputy.

“Head of Corporate Commissioning and Procurement” means the officer designated as such by the Director of Transformation and Resources.

“Head of Service” means the officers designated as such by Directors

“Equalities Legislation” shall mean any legislation relating to race, gender, age, disability, religion and belief, and sexual orientation.

In the case of a school, all references in these rules to **“a Director”** or **“a Corporate Director”** shall be interpreted to refer to the Head teacher, and references to an **“Executive Member”**, to refer to the Governing Body of the establishment in question.

“School” means a school with a delegated budget in accordance with the Education Reform Act 1988 (as amended).

In order to assist users, certain officers are named in the appendices to these Rules. The relevant Corporate Director may amend such names and descriptions provided that any such changes are notified to the Chief Legal Officer in order that electronically available copies of the Constitution may be amended.

In any limits set out in these rules, the VAT element shall be ignored but only where the VAT element is recoverable by the Council.

2.2 Delegated Limits

In accordance with General Delegation 5, any officer of the Council has delegated authority within their general area of responsibility (subject to the conditions set out in the Constitution) and references to **“Executive Directors”** within these Rules apply to any such officer of the Council.

2.3 Limits for Executive Directors

Corporate Directors have the power to make decisions within the context of the agreed Budget and Policy Framework where the contractually committed expenditure will not exceed **£500,000** unless the decision has been the subject of examination under the Council’s Business Case and Risk Appraisal Processes [see Appendices

3 and 5] in which case the limit shall be **£1,000,000** [These limits shall not apply to Schools - see Article 3.3 and [Appendix G.](#)]

Executive Directors may delegate powers that can be exercised by officers within their service. The Internal Scheme of Management should be approved by the Executive Director, and should be reviewed annually to ensure that it is up to date and reflects the needs of the particular service.

2.4 Limits for Executive Members and Executive Directors

Executive Directors and the relevant Executive Member together have the power to make decisions within the context of the agreed Budget and Policy Framework where the contractually committed expenditure will not exceed **£1,000,000** unless the decision has been the subject of examination under the Council's Business Case and Risk Appraisal Processes [see Appendices 3 and 5] in which case the limit shall be **£2,000,000** [These limits shall not apply to Schools - see Article 3.3 and [Appendix G.](#)].

2.5 Reports to the Executive

A schedule of proposed decisions over these limits shall be presented to the monthly meetings of the Executive although in the case of urgency, the Leader may consent to the decision being taken and then reported to the Executive for information with reasons for the urgency being given.

2.6 Engagement of Consultants

2.6.1 For the sake of clarity the Finance and Contract Procedure Rules apply to the engagement of any consultant by the Council, and any consultant who works for the Council must also comply with these Rules as if they were an Officer of the Council.

2.6.2 The engagement of consultants should only take place where it can be demonstrated that the use of the consultant is necessary to obtain particular expertise or as a result of the extent of the work involved and the appointment must be demonstrated to offer value for money. The engagement of a consultant should only take place with the approval of the appropriate Executive Director and appropriate Executive Member.

2.6.3 Consultancy contracts must be executed by the Procurement Service who will maintain a central register of consultancy appointments

2.6.4 Any requests to extend or modify existing consultancy contracts must be approved by the Procurement Service to ensure adherence to all relevant legislation

For these purposes, a consultant is a firm or person who offers professional or expert advice on the provision of services by the Council and who is not an employee of the Council for the purposes of section 112 Local Government Act 1972.

Section 3

3 RESPONSIBILITIES

3.1 General Responsibilities

All Members and officers have a general responsibility for taking reasonable action to provide for the security and use of the resources and assets under their control, and for ensuring that the use of these resources and assets is legal, is consistent with the Council's policies, properly authorised, provides value for money and achieves best value.

3.2 Executive Director

Each Executive Director is ultimately responsible to the Council for ensuring that Financial and Contract Rules are applied and observed by his/her staff and will report to the Executive how such delegated powers have been exercised. Each Executive Director will review the degree of compliance in their respective Groups with these rules at least annually. Internal Audit will perform routine testing of the application of these Finance and Contract Procedure Rules as part of the Audit Plan.

Executive Directors are responsible for ensuring compliance with the Financial Procedures and for reporting to the Section 151 Officer any known or suspected breaches of these.

Executive Directors are responsible for ensuring that all staff in their groups are aware of and understand the existence and content of these rules and other internal regulatory documents and related guidelines and procedures, and that they comply with them. They must also ensure that staff are aware of how to access the documents, providing an adequate number of copies for reference within their groups, where a readily accessible electronic version is not available

Where any Executive Director considers that complying with these Rules in a particular situation might conflict with the achievement of value for money or the principles of best value or the best interests of the Council, he/she shall raise the issue with the Section 151 Officer and the Monitoring Officer who will, if they consider it necessary and appropriate, seek formal approval in accordance with the Constitution for a specific waiver of the Rules or an amendment to the Rules themselves.

3.3 Schools

3.3.1 Separate financial regulations for schools are included as the Northumberland Scheme for Financing Schools (Appendix 7) relating to those matters where decisions have been delegated to school governing bodies. The Section 151 Officer (in consultation with the Executive Director of Children, Young People and Education) is responsible for keeping that scheme under review and issuing updates when appropriate.

- 3.3.2 Schools within the remit of the Local Authority shall apply the Scheme, in the absence of express provision to the contrary. In particular Schools may only exercise the power within the limits set out in the Scheme.
- 3.3.3 For the convenience of users, much of the Scheme is included here as Appendix 7. This may not be altered by the Council using the procedures set out in Article 15 of the Constitution but only in accordance with the provisions of Section 48 of the School Standards and Framework Act 1998 and any regulations or statutory guidance issued thereunder (as amended or replaced from time to time).

3.4 Section 151 Officer

The Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- 3.4.1 Section 151 of the Local Government Act 1972
- 3.4.2 The Local Government Finance Act 1988
- 3.4.3 The Local Government and Housing Act 1989
- 3.4.4 The Accounts and Audit Regulations 2011
- 3.4.5 The Local Government Finance Act 1992

The Section 151 Officer is responsible for maintaining a continuous review of these rules and submitting any additions or changes necessary to the Council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the rules to the appropriate part of Council and/or to other law enforcement bodies.

The Section 151 Officer and the Monitoring Officer have delegated authority to produce and update advice on the implementation of these rules.

The Section 151 Officer is responsible for issuing advice and guidance to underpin these rules that Members, officers and others acting on behalf of the council are required to follow. He/she will be given access to any information, which in his/her opinion is necessary to comply with his/her statutory duties and the requirements and instructions of the Council.

For the sake of clarity, it is confirmed that the powers given to the Section 151 Officer and to the Monitoring Officer under these rules shall be part of their delegated powers in addition to those in [Part 3](#) of the Constitution.

Section 4

4 CONTRACTS

4.1 This section of the Finance and Contract Procedure Rules support the Council's Commercial Strategy and is intended to:

- 4.1.1 secure the best value for the Council;
- 4.1.2 provide those involved in spending public money, with clear and transparent procedural
- 4.1.3 requirements to complement existing professional skills, integrity and commitment;
- 4.1.4 ensure fairness to those seeking to contract with the Council;
- 4.1.5 prevent fraud and corruption or the suspicion of it; and
- 4.1.6 ensure the Council operates within the law.

4.2 Personal Responsibilities

- 4.2.1 Officers undertaking procurement (i.e. contracting for works, supplies or services) should inform themselves of the Council's requirements under these Rules and corresponding Codes of Practice. If an officer is in any doubt as to their obligations, then they must seek advice from the Monitoring Officer. Officers should not undertake procurements unless they have the necessary knowledge and skills to do so.
- 4.2.2 All officers and Members must comply with the requirements of the Council's Code of Conduct and in particular declare any interest, which could, or be seen to, influence their judgement in any procurement or contract matters.
- 4.2.3 All officers must report to their manager, supervisor or other responsible senior officer any illegality, impropriety, breach of procedure or serious deficiency in procurement practices. Employees are able to do this without fear of recrimination providing they act in good faith via the Council's Whistleblowing Policy. In such circumstances managers must record and investigate such reports and take appropriate action, including referral to the Monitoring Officer in more serious cases.

4.3 Compliance

- 4.3.1 All procurement shall comply with:
 - (a) all applicable statutory provisions;
 - (b) the applicable national procurement rules e.g. Public Contracts Regulations 2015, Utilities Contracts Regulations 2016 and Concession Contracts Regulations 2016;

- (c) the Council's Constitution including these Finance and Contract Procedure Rules and the Scheme of Delegation;
 - (d) the Council's Procurement Codes of Practice.
- 4.3.2 A failure to comply with any of the provisions of these Procedure Rules or the Codes of Practice by any officer may amount to misconduct, which can result in disciplinary action being taken.
- 4.3.3 Members and officers are required to apply the highest standards of probity at all stages of a procurement process. Members and officers are, in particular, reminded of their responsibilities in relation to gifts and hospitality and must comply with the applicable Code of Conduct.
- 4.3.4 Executive Directors and managers are responsible for ensuring that employees, agency workers, consultants and agents comply with these Rules and the Procurement Codes of Practice.
- 4.3.5 Executive Directors and managers must ensure that any local procedures produced within their Group are fully compliant with these Rules and Procurement Codes of Practice.

4.4 General Waiver of any of the Finance and Contract Procedure Rules

No exemptions from any of the following provisions of these Rules shall be made except following consultation with the Head of Corporate Commissioning and Procurement, the appropriate Executive Member and with the written consent of the Section 151 Officer and of the Monitoring Officer, who may direct that any or all of the provisions of these Rules may be waived where they are satisfied that the exemption is justified in the special circumstances of the contract. The consent shall specify the reasons for the exemption. The Monitoring Officer and Head of Corporate Commissioning and Procurement shall keep a register of all such exceptions, which may be inspected by any Member of the Council. No exception shall be permitted for contracts which exceed the thresholds prescribed by the UK Government from time to time in accordance with the Regulation 5 Public Contracts Regulations 2015, or as amended, substituted or replaced by applicable successor legislation.

4.5 Estimating Contract Values / Aggregation

- 4.5.1 Where there is a reference to the value of any contract or transaction, it shall mean its total estimated value net of VAT over the entire term of the contract, including all options, permitted extensions and variations. Where a contract does not include a total price the estimated value will be the amount of the consideration payable each month multiplied by 48.
- 4.5.2 Executive Directors shall have regard to the optimum packaging of works, supplies or services, particularly works, supplies or services of a similar nature, which are likely to be carried out in connection with a particular project necessary to achieve the best value for money. A proposed contract must not be divided into separate lower value contracts to avoid the full application of these Rules, which would otherwise apply.

- 4.5.3 Contracts of a similar nature should not be artificially split into different parts to avoid the application of the **£10,000** minimum threshold of these Rules. At the same time, contracts of a recurring or similar nature must be aggregated and this accumulative value used. If there is doubt as to whether contracts must be aggregated, advice from the Head of Corporate Commissioning and Procurement must be sought and followed.

4.6 Contract Terms and Conditions

- 4.6.1 Every contract which exceeds **£10,000** in value shall be in writing and signed in accordance with the scheme of delegation, including signatories from authorised officers and the contractor. The goods, services or works should be specified along with the price to be paid together with a statement as to the amount of any discount(s) or other deduction(s); the period(s) within which the contract is to be performed and such other conditions and terms as may be agreed between the parties.
- 4.6.2 Contractual documentation should be in accordance with internal rules and policies, or drafted or approved by the Council's legal department.

4.7 Contractual and Transparency Requirements

- 4.7.1 Details of any contract exceeding £30,000 inc VAT must be provided to the Head of Corporate Commissioning and Procurement for possible inclusion on the Council's website in order to comply with statutory and / or regulatory transparency requirements.
- 4.7.2 Details of any planned spend exceeding £10,000 must be provided to the Head of Corporate Commissioning and Procurement for inclusion on the Councils procurement forward plan.
- 4.7.3 Any extensions or variations to existing contracts must be sought in a timely manner and made only after approval from the Executive Director and Head of Corporate Commissioning and Procurement to assess the commercial and legal implications of any proposed variation, including of it constitutes a substantial change. All modifications shall be in writing and in accordance with the terms of the relevant contract or framework agreement and published to the Council's Contracts Register for transparency.

4.8 Contract Management / Performance Monitoring

- 4.8.1 During the term of a contract, the applicable Executive Director should undertake monitoring and evaluation to include the following items:
- (a) Performance
 - (b) Compliance with specification and contract;
 - (c) Cost;
 - (d) User satisfaction; and

- (e) Risk management.

4.9 Choice of Procedure and Thresholds

4.9.1 Prior to proceeding with any procurement regardless of value, the following must be satisfied:

- (a) establish a business case for the procurement;
- (b) consider the most appropriate means of satisfying the requirement;
- (c) ensure that no alternative procurement arrangements are in place;
- (d) ensure the course of action chosen represents Best Value for Money to the Council; in the case of external consultants comply with the additional requirements set out in the Rules.
- (e) in the case of individual procurements where the aggregate value of the intended procurement(s) is estimated to be equal to or over **£2,000,000** that Executive approval is obtained. This does not apply to those corporate contracts that are in place to underpin the day to day workings of the Council, e.g. utility supplies, stationery supply and confirmation must be obtained from the Chief Legal Officer prior to reliance on this exemption;
- (f) ensure that the budget holder responsible for the contract has sufficient funds in place to maintain the contract;
- (g) establish a clear written specification for the procurement requirement;
- (h) assess the risks associated with the procurement;
- (i) comply with the corporate procurement process where the value of the procurement is equal to or exceeds **£50,000** or where the procurement poses a significant risk to the Council. Where agreement is not reached, the Monitoring Officer shall determine the matter.

4.9.2 Contracts Exceeding Public Procurement Regulatory Thresholds

This rule applies to contracts for applicable works, supplies or services with an estimated value above the thresholds prescribed by the UK Government from time to time in accordance with the Regulation 5 Public Contracts Regulations 2015, or as amended, substituted or replaced by applicable successor legislation. The thresholds, set as at 01 January 2022, are:

- (a) Works £5,336,937 inclusive of VAT (indicative value £4,447,447 exclusive of VAT)
- (b) Supplies £213,477 inclusive of VAT (indicative value (£177,897 exclusive of VAT)

- (c) Services £213,477 inclusive of VAT (indicative value (£177,897 exclusive of VAT)

These thresholds will be reviewed and updated in accordance with section 5A Public Contracts Regulations 2015 every 2 years and in the event of any amendment to the thresholds this para 1.26.2 shall be read with reference to those amended figures.

Where a contract is to be awarded under the Utilities Contracts Regulations 2016 and the Concession Contracts Regulations 2016 the relevant thresholds shall be those published by the UK Government from time to time as appropriate.

Contracts subject to this rule must be let by one of the following procurement procedures and managed by the Corporate Director and the Head of Corporate Commissioning and Procurement:

- (i) Open Procedure;
- (ii) Restricted Procedure;
- (iii) A Call-Off or further competition pursuant to an existing Framework Agreement let by the Council or other Third party
- (iv) Competitive Dialogue Procedure;
- (v) Competitive Procedure with Negotiation.

The contract should be awarded according to the most economically advantageous tender. Where the most economically advantageous bid is not selected, the reasons for this shall be documented and certified by the Executive Director and Head of Corporate Commissioning and Procurement.

4.9.3 **Procurements equal to or exceeding £50,000 up to Public Procurement Regulatory Thresholds**

This rule applies to contracts for works, supplies or services with an estimated value equal to or exceeding **£50,000** but less than the thresholds prescribed by the UK Government (Regulation 5 and 5A Public Contracts Regulations 2015, Utilities Contracts Regulations 2016 and the Concession Contracts Regulations 2016 each as amended or replaced from time to time) or to which the full extent of them do not apply.

Contracts subject to this rule must be let by one of the procurement procedures below:

- (a) Open Procedure;
- (b) Restricted Procedure;

- (c) A Call-Off or further competition pursuant to an existing Framework Agreement let by the Council or other Third party;
- (d) Competitive Dialogue Procedure;
- (e) Competitive Procedure with Negotiation.

The contract should be awarded according to the most economically advantageous tender. Where the most economically advantageous bid is not selected, the reasons for this shall be documented and certified by the Executive Director and Head of Corporate Commissioning and Procurement.

Tenders obtained through the use of a framework agreement via further competition must be managed by the Head of Corporate Commissioning and Procurement. Details of these will be recorded on the Councils e-sourcing system and where appropriate the Councils contract register.

Any extensions to existing contracts must be made only after approval from the Executive Director and Head of Corporate Commissioning and Procurement sought in a timely manner.

4.9.4 **Procurements between £10,000 and £50,000**

This Rule applies to Procurements which are equal to or exceed **£10,000** but which are less than **£50,000**.

- (a) The Executive Director shall obtain and consider at least three written relevant quotations from suitable third parties. In addition, where available any in-house provider must also be asked to provide a quotation.
- (b) Quotations should be sought via the councils e-sourcing system and utilise the quick quotes functionality to ensure that where reasonably practicable at least one local supplier is asked to provide a quotation.
- (c) The contract should be awarded according to the most economically advantageous quotation. Where less than three quotations are received, or where the most economically advantageous bid is not selected, the reasons for this shall be documented and certified by the Executive Director
- (d) Quotations obtained through the use of a framework agreement via further competition must be managed by the Head of Corporate Commissioning and Procurement. Details of these will be recorded on the Councils e-sourcing system and where appropriate the Councils contract register.

4.9.5 **Procurements up to £10,000**

This Rule applies to Procurements which are less than **£10,000**.

- (a) An Executive Director may procure works, supplies or services up to a value of less than **£10,000** providing that he can objectively demonstrate value for money and he has considered the use of competition.

4.10 Collaborative or joint procurement arrangements

- 4.10.1 Where the Council acts as the lead or host authority in any collaborative or joint procurement arrangement these Procedure Rules will apply, unless otherwise agreed by the Monitoring Officer and the Section 151 Officer.
- 4.10.2 Where the Council decides that a third party will undertake procurement on its behalf the Executive Director shall ensure that the procurement process followed is broadly comparable to that set out in these Procurement Procedure Rules, unless otherwise agreed by the Monitoring Officer and the Section 151 Officer.
- 4.10.3 Executive Directors should seek from the Monitoring Officer confirmation as to the legal power to enter into any collaborative or joint procurement arrangement prior to it being agreed.
- 4.10.4 The procedures established by the collaborative or joint procurement agreements must be followed, including any relevant Public Procurement Regulations and any applicable requirement of this Constitution.
- 4.10.5 The use of collaborative or joint procurement agreements shall not be undertaken without the prior approval of the Head of Corporate Commissioning and Procurement.
- 4.10.6 A record of the agreement for the use of collaborative or joint procurement agreements should be retained by the Head of Corporate Commissioning and Procurement and entered onto the Councils contracts register.

4.11 Submission and Opening of Tenders

- 4.11.1 All tender documentation will be issued and received via the Council's electronic tendering system.
- 4.11.2 The tenders shall be locked in the e-tendering system until the time and date specified for their opening. At this time the Monitoring Officer will unlock the tenders for the Head of Corporate Commissioning and Procurement to access.
- 4.11.3 No tender received after the time and date specified in the invitation shall be accepted or considered unless:
 - (a) the delay in submission is the result of a failure of the electronic tendering system, and where this can be verified to be the case, or
 - (b) Only one submission is received, and where this submission has arrived late but is compliant in every other aspect and the Head of

Corporate Commissioning and Procurement approves its acceptance.

4.12 Acceptance of Tenders

4.12.1 This Rule is subject to the delegated limits set out in section 2 of these Rules.

4.12.2 All tenders are evaluated against a pre-determined evaluation model provided to all tenderers.

4.13 Exceptions for specific types of agreement

4.13.1 Except where the contract is subject to the requirements of the Public Contracts Regulations 2015, Utilities Contracts Regulations 2016 and Concession Contracts Regulations 2016 the Rules requiring tenders for the supply of goods or services shall not apply to:

- (a) Contracts for the placement of individuals in private residential or nursing homes where the appropriate Executive Director considers such a contract to be in the best interests of an individual.
- (b) Contracts for care services to be provided to an individual or household where the appropriate Executive Director considers such a contract to be in the best interests of an individual.
- (c) Contracts for educational or social care or educational and social care placements for individuals where the appropriate Executive Director considers such a contract to be in the best interests of an individual.
- (d) Contracts with a third party where sections 184 or 278 of the Highways Act 1980 apply.
- (e) Contracts for the instruction of Counsel or any external legal advisors with the consent of the Monitoring Officer.
- (f) Contracts for expert witnesses and advisers instructed in connection with litigation (possible or actual) or public inquiries of whatever nature.

4.14 Emergency Action

4.14.1 Nothing in these Rules shall apply to the execution of work or the supply of goods or materials where, in the opinion of the appropriate Executive Director emergency action is necessary for example to render a building, highway or structure safe and watertight, or to preserve property for which the Council is responsible or to deal with a source of danger to persons (including a danger to health) or it is essential to enable an existing service to continue, provided that such action is kept to the minimum necessary. A report of expenditure incurred under this part of this Rule of an amount exceeding that delegated to the relevant Corporate Director, shall be made

to the Executive, or to the Council. In the event that emergency works or supply of goods are necessary and, may be subject to the requirements of the Public Contract Regulations the consent of either the Head of Procurement or the Monitoring Officer must be obtained.

4.15 Retention of Documents

4.15.1 Executive Directors shall ensure that copies of documents in connection with any tendering or quotation process shall be kept either for the period shown below or for the date that the Council’s Auditor approves the relevant annual accounts (whichever shall be the longer).

Documentation	Retention period
Documents in connection with the successful tender (including specific contracts resulting from framework agreements)	6 years or where the Contract is by way of Deed 12 years. In both cases such period commencing with the completion of the contract
Documents in connection with the unsuccessful tender (including specific contracts resulting from framework agreements)	12 months commencing with the date of the award of the contract

4.16 Financial Management

4.16.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

4.16.2 In law, the Council has a fiduciary duty towards its council taxpayers with regard to financial decisions and their consequences. The full Council is responsible for approving and monitoring compliance with the Council’s overall system of accountability and control. The full Council is also responsible for monitoring compliance with the agreed budget and policy framework.

4.16.3 The full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council and its committees. These delegations and details of who has responsibility for which decisions are set out in [Part 3](#) (Responsibility for Functions) of the Council’s Constitution.

4.16.4 The Executive is responsible for proposing the Budget and Policy Framework to the full Council, and for discharging executive functions in accordance with the Budget and Policy framework.

4.16.5 The Section 151 Officer is responsible for:

- (a) the proper administration of the Council’s financial affairs

- (b) setting and monitoring compliance with financial management standards
- (c) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- (d) providing financial information
- (e) preparing the revenue budget and capital programme
- (f) treasury management.

4.16.6 Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the Council, the Executive and external auditor if the Council or one of its officers:

- (a) has made, or is about to make, a decision that involves incurring unlawful expenditure
- (b) has taken, or is about to take, an unlawful action that has resulted or would result in a loss or deficiency to the council
- (c) is about to make an unlawful entry in the council's accounts.

The Section 151 Officer is to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally. The Council is to provide the Section 151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

4.16.7 Executive Directors are responsible for ensuring that Executive Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Section 151 Officer.

4.16.8 It is the responsibility of Executive Directors to consult with the Section 151 Officer and seek approval on any matter that may affect the Council's finances materially, before any commitments are incurred.

4.17 Other Financial Accountabilities

Virement

4.17.1 The Council is responsible for agreeing procedures for virement of expenditure between budget headings within the overall "cash limit" it approves each year for each Group. The Scheme of Virement is set out as Appendix 2 to these Rules.

4.17.2 Executive Directors are responsible for agreeing in-year virements within delegated limits in accordance with the Scheme of Virement. Executive Directors are also responsible for ensuring that all decisions are recorded and adequate records maintained.

4.18 Treatment of Year End Balances

4.18.1 Over and underspends on budget heads must be accounted for in the year in which they occur. Under and overspends should be reflected in the budget provisions for future years. This is set out in Appendix 4.

4.19 Accounting Policies

4.19.1 The Section 151 Officer is responsible for selecting accounting policies and ensuring that they are applied consistently. The accounting policies will be in line with the CIPFA's Code of Practice for Local Authority Accounting in the UK.

4.20 Accounting Records and Returns

4.20.1 The Section 151 Officer is responsible for determining the accounting procedures and records for the council.

4.21 The Annual Statement of Accounts

4.21.1 The Section 151 Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The Audit Committee is responsible for approving the annual statement of accounts after completion of the external audit.

4.22 Write-Offs

4.22.1 The Council has a Corporate Debt Policy published separately. This must be followed at all times. Write-off limits associated with the Corporate Debt Policy are set out below.

4.23 Sundry Debt Write Offs

4.23.1 Heads of Service may, after consultation with The Revenues Manager, write off debts due to the County Council provided they do not exceed **£2,500** and the debt has been unsuccessfully pursued using the normal debt recovery procedures.

4.23.2 Heads of Service may, after consultation with The Revenues Manager, write off debts due to the County Council provided they do not exceed **£25,000** with the written consent of the Section 151 Officer.

4.23.3 Heads of Service may, after consultation with The Revenues Manager, write off debts due to the County Council in the range of **£25,000** up to and including **£50,000** with the written consent of the Section 151 Officer.

4.23.4 Decisions on debts due to the County Council over **£50,000** will be made by the Section 151 Officer and the Chief Executive, in consultation with The Revenues Manager. The Revenues Manager will provide the Section 151 Officer with a quarterly report showing the amount of debt written off in that quarter, the Group, Service and budget bearing the write off.

- 4.23.5 The Executive Member for Corporate Services will be notified of every individual write off over **£20,000**.
- 4.23.6 The Section 151 Officer will provide an annual report to the Executive showing the total amount of debt written off in any year broken down by the Groups and Services and also where any one debtor has an annual aggregated total of write offs which exceed **£5,000**.
- 4.23.7 In exercising their powers under this paragraph, Heads of Service will have regard to the Corporate Debt Recovery Policy, particularly with regard to the reasons for write offs and the recording of decisions.
- 4.23.8 Special limits apply to Schools [See Article 3.3 [and Appendix G](#)].

4.24 Sundry Debt Credits

- 4.24.1 The Revenues Manager may approve the appropriation of credits up to **£100**.
- 4.24.2 The Revenues Manager and the Revenues and Benefits Manager may approve the appropriation of credits over **£100**.

4.25 Council Tax and Non-Domestic Rates Write Offs

- 4.25.1 The Revenues Manager may write off debts up to **£100**.
- 4.25.2 The Revenues Manager and the Revenues and Benefits Manager may write off debts between **£100** and **£5,000**.
- 4.25.3 The Revenues Manager and the Revenues and Benefits Manager may write off committals and remissions of any value i.e. if a debtor is committed to prison or if a debt is remitted by the Magistrates and deemed irrecoverable.
- 4.25.4 Revenues and Benefits Manager and Head of Financial Services may write off debts between **£5,000** and **£50,000**.
- 4.25.5 The Head of Financial Services and the Section 151 Officer may write off debts between **£50,000** and **£100,000**.
- 4.25.6 The Section 151 Officer and the Chief Executive may write off debts over **£100,000**.
- 4.25.7 The Executive Member for Corporate Resources will be notified of every individual write off over **£20,000**.
- 4.25.8 In exercising their powers under this paragraph, Officers will have regard to the Corporate Debt Recovery Policy and the Write-Off Policy.
- 4.25.9 The Section 151 Officer will include the details of Council Tax and non-domestic rates write offs in an annual report on debt write-offs to Executive.

4.26 Council Tax and Non-Domestic Rates Credits

- 4.26.1 The Revenues Manager may approve the appropriation of credits up to **£100**.
- 4.26.2 The Revenues Manager and the Revenues and Benefits Manager may approve the appropriation of credits over **£100**.

4.27 Benefit Overpayment Write Offs

- 4.27.1 The Benefits Manager may write off debts up to **£100**.
- 4.27.2 The Benefits Manager and the Revenues and Benefits Manager may write off debts between **£100** and **£5,000**.
- 4.27.3 Revenues and Benefits Manager and Head of Financial Services Debts may write off debts between **£5,000** and **£50,000**.
- 4.27.4 The Head of Financial Services and the Section 151 Officer may write Debts between **£50,000** and **£100,000**.
- 4.27.5 The Section 151 Officer and the Chief Executive may write off debts over **£100,000**.
- 4.27.6 The Executive Member for Corporate Resources will be notified of every individual write off over **£20,000**.
- 4.27.7 In exercising their powers under this paragraph, Officers will have regard to the Corporate Debt Recovery Policy and the Write-Off Policy.
- 4.27.8 The Section 151 Officer will include the details of benefit overpayment write offs in an annual report on debt write-offs to Executive.

4.28 Benefit Overpayment Credits

- 4.28.1 The Benefits Manager may approve the appropriation of credits up to **£100**.
- 4.28.2 The Benefits Manager and the Revenues and Benefits Manager may approve the appropriation of credits over **£100**.

Section 5

5 FINANCIAL PLANNING

5.1 The full Council is responsible for agreeing the Council's Budget and Policy framework, which will be proposed by the Executive. In terms of financial planning, the key elements are:

5.1.1 the corporate plan

5.1.2 the budget

5.1.3 the capital programme.

5.2 The full Council is responsible for approving the Budget and Policy framework. The Policy Framework comprises various plans and strategies as set out in Article 4 of the Council's Constitution.

5.3 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the full Council by the Monitoring Officer or the Section 151 Officer.

5.4 The full Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another. The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget and policy framework within the financial limits set by the Council.

5.5 Budgeting

5.5.1 Budget Format

- (a) The general format of the budget will be approved by the full Council and proposed by the Executive on the advice of the Section 151 Officer. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

5.5.2 Budget Preparation

- (a) The Section 151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a medium- term basis for consideration by the Executive, before submission to the full Council. In setting the budget, the Section 151 Officer will give consideration to the Council Tax base, and determine an appropriate level at which the charge will be levied. Each year the Section 151 Officer will report to the Executive and to the Council on the general financial situation of the Council and on any significant matters or events that will need to be considered in determining the coming year's budget or that may affect the financial position of the Council in the longer term.

- (b) The Executive is responsible for issuing guidance on the general content of the budget in consultation with the Section 151 Officer as soon as possible following approval by the full Council.
- (c) It is the responsibility of Executive Directors to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive.
- (d) The full Council may amend the draft budget previously considered by the Executive or ask the Executive to reconsider it before approving it.

5.6 Preparation of the Capital Programme

- 5.6.1 The Capital Strategy Group (“CSG”) (of officers), chaired by the Section 151 Officer, is responsible for establishing a rolling capital plan encompassing all areas of the council’s capital expenditure. CSG reports to EMT and the annual capital programme and a general medium term capital plan is considered by the Executive before submission to full Council.
- 5.6.2 The Council will determine the policy guidelines within which a forward capital programme will be prepared each year. The definition of “capital” is prescribed in Part IV of the Local Government and Housing Act 1989 and is applied by the Section 151 Officer having regard to Government regulations and accounting requirements.
- 5.6.3 Each Corporate Stakeholders Group will prepare annually a proposed forward capital programme in accordance with the Guide to Capital Expenditure contained in Appendix 6 for consideration by the Executive and subsequent approval by the Council. This programme will have regard to the Council’s priorities, Government controls and the availability of resources as determined by the Council.
- 5.6.4 The capital programme will be prepared in accordance with the criteria, format, timetable and targets determined by the Section 151 Officer (reporting to the Executive) and the Council, and in consultation with appropriate finance and other technical staff.
- 5.6.5 Guidelines on budget preparation are issued to Members and Executive Directors by the Executive following agreement with the Section 151 Officer. The guidelines will take account of:
 - (a) legal requirements
 - (b) medium-term planning prospects
 - (c) the corporate plan
 - (d) available resources
 - (e) spending pressures

- (f) best value and other relevant Government guidelines
- (g) other internal policy documents
- (h) crosscutting issues (where relevant).

5.7 Business Case

- 5.7.1 Each Executive Director shall ensure that proposals for new expenditure comply with the Business Case Guidance procedure set out in Appendix 5. The Section 151 Officer may agree with Executive Directors that categories of projects may be dealt with on a programme basis rather than a project by project basis.

5.8 Maintenance of Reserves

- 5.8.1 It is the responsibility of the Section 151 Officer to advise the Executive and the Council on prudent levels of reserves for the council. This will be supported by a risk assessment.

5.9 Budget Monitoring and Control

- 5.9.1 The Section 151 Officer is responsible for providing Executive Directors and their staff with appropriate access to financial information via the corporate accounting and budgeting systems to enable budgets to be monitored effectively. He or she must monitor and control overall expenditure against budget allocations, assisted by all Corporate Directors who will monitor and control at service and more detailed levels, and report to the Executive on the overall position on a regular basis.
- 5.9.2 It is the responsibility of Executive Directors to control income and expenditure within their area and to monitor performance, taking account of financial information derived from corporate accounting and budgeting systems maintained by the Section 151 Officer. They will provide the Section 151 Officer with any information required to enable effective corporate monitoring within appropriate deadlines and will report on variances within their own service areas. They will also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer to any problems as soon as these are identified.
- 5.9.3 The Section 151 Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework and also reflects agreed service priorities.

Section 6

6 AUDITING AND INTERNAL CONTROLS

- 6.1** Internal control refers to the systems of control devised by management to help ensure the council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the council's assets and interests are safeguarded, whilst securing probity and legitimacy of transactions and preventing and detecting fraud, corruption or irregularity.
- 6.2** The Section 151 Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- 6.3** It is the responsibility of Executive Directors to ensure that effective systems of internal control are in place, to ensure compliance with Financial Regulations and Financial Procedures and to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.
- 6.4** The Accounts and Audit Regulations 2003 require every local authority to maintain an adequate and effective internal audit of the Council's accounting records and control systems. The Section 151 Officer holds delegated responsibility from the Council for the internal audit function, which is exercised by his/her Internal Audit division. The terms of reference of the Internal Audit division and its annual work plan and performance are subject to review and approval by the Audit Committee.
- 6.5** The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- 6.6** Internal and external audit will report to the Audit Committee on both financial and corporate governance issues. The Committee has right of access to obtain all the information it considers necessary in relation to audit reports and to consult directly with internal and external auditors. The Committee is responsible for reviewing the external auditor's annual audit letter and approval of the Internal Audit annual work plan.
- 6.7** The council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise, the HMRC, the Audit Commission and OFSTED, all of whom have statutory rights of access.
- 6.8** The Section 151 Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy, which shall include the avoidance of involvement in money laundering (see section 18)

6.9 The Section 151 Officer shall bring appropriate general issues to the attention of the Standards Committee.

6.10 Losses and Special Payments

- 6.10.1 The Section 151 Officer will prepare procedural instructions on the recording of and accounting for:
- (a) losses (including theft, fraud and overpayments), payments on abortive works, bad debts and irrecoverable damage to buildings and loss of equipment and property.
 - (b) special payments (including compensation payments made under legal obligation, extra contractual payments to contractors an ex gratia payments).
- 6.10.2 Any employee or officer discovering or suspecting a loss of the kind described above must immediately inform their head of department, who must notify the Section 151 Officer. Where a criminal offence is suspected, the Section 151 Officer must immediately inform the police if theft or arson is involved.
- 6.10.3 The Head of Internal Audit must notify the external auditor of all frauds where the loss is in excess of **£1,000**.
- 6.10.4 The Section 151 Officer shall maintain a Losses and Special Payments Register in which the details set out in the guidance is recorded. The Audit Committee will review the register on at least an annual basis.
- 6.10.5 The Section 151 Officer will consider whether individual losses or special payments within delegated limits should be reported to the Executive.
- 6.10.6 The Section 151 Officer shall be authorised to take any necessary steps to safeguard the Council's interests in bankruptcies and company liquidations.
- 6.10.7 For any loss, the Section 151 Officer should consider whether any insurance claim could be made.

Section 7

7 RISK MANAGEMENT

- 7.1** It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the council. This should include the proactive participation of all those associated with planning and delivering services.
- 7.2** The Executive is responsible for approving the council's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Executive is responsible for ensuring that proper insurance exists where appropriate.
- 7.3** The Section 151 Officer is responsible for preparing the council's risk management policy statement, for promoting it throughout the council and for advising the Executive on proper insurance cover where appropriate.
- 7.4** Each Executive Director has responsibility for implementing the risk management framework within the areas of service for which they are responsible.
- 7.5** Before entering into any arrangement involving a legal relationship, the relevant Executive Director must ensure that the Council has adequate legal powers and there is adequate indemnity insurance cover to minimise the financial risk to the Council and to those individuals involved. Advice can be obtained from the Monitoring Officer.
- 7.6** Before entering any arrangement involving a legal relationship, the Executive Director must consider whether the matter should form the subject of a formal Risk Appraisal Panel in accordance with the procedures set out in Appendix 3 [The Risk Appraisal Panel Process] and having regard to the financial limits in Articles 2.3 and 2.4. Any project, partnership, or proposal whose cost is expected to exceed **£1 million** must be subject to a formal Risk Appraisal Panel.
- 7.7** Good risk management may require potentially courageous decisions to defer the introduction of a new service so that fully tested processes and systems, operated by well trained staff whose operational productivity has been fully established, are in place at service commencement. The problems and costs arising from delays, and the damage to reputation, may be less in practice than those which may arise from going live with a system not fully fit for the purpose. Corporate Directors need to carefully consider the relative risks of each alternative in deciding the way forward.

Section 8

8 TREASURY MANAGEMENT

- 8.1** The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.
- 8.2** The full Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in paragraph 15 of CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the full Council by the Executive. The Section 151 Officer has delegated responsibility for implementing and monitoring the statement.
- 8.3** All money in the hands of the council is controlled by the Section 151 Officer.
- 8.4** The Section 151 Officer is responsible for reporting to the Executive a proposed treasury management strategy for the coming financial year at or before the start of each financial year.
- 8.5** All executive decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities as adopted by the Council. The Section 151 Officer is responsible for the management of the Council's cash flow and associated temporary investment strategy.
- 8.6** The Section 151 Officer is responsible for reporting to the Executive not less than two times in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30th September of the succeeding financial year.

Section 9

9 SYSTEMS AND PROCEDURES

- 9.1** Sound systems and procedures are essential to an effective framework of accountability and control.
- 9.2** The Section 151 Officer is responsible for the operation of the council's accounting systems, the form of accounts and the supporting financial records. Any changes proposed by Executive Directors to the existing financial systems or the establishment of new systems must be approved by the Section 151 Officer. However, Executive Directors are responsible for the proper operation of financial processes in their own Departments.
- 9.3** Any changes to agreed procedures by Executive Directors to meet their own specific service needs should be agreed with the Section 151 Officer.
- 9.4** Executive Directors should ensure that their staff receive relevant financial training that has been approved by the Section 151 Officer and that their staff are competent to use any financial systems as necessary to perform their role effectively.
- 9.5** Executive Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Executive Directors must ensure that staff are aware of their responsibilities under the Data Protection and Freedom of Information legislation.

Section 10

10 INCOME AND EXPENDITURE

10.1 It is the responsibility of Executive Directors to ensure that a proper scheme of delegation has been established and documented for all aspects which fall within their area and that it is operating effectively. The scheme of delegation should identify staff authorised to act on the Executive Director's behalf, or on behalf of the Executive, and the limits of their council in respect of, for instance, payments, income collection and placing orders. The Executive is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

Section 11

11 PAYMENTS TO OFFICERS AND MEMBERS

11.1 The Section 151 Officer is responsible for all payments of salaries and wages to all officers, including payments for overtime, and for payment of allowances to Members.

Section 12

12 TAXATION

12.1 The Section 151 Officer is responsible for advising Executive Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the council.

12.2 The Section 151 Officer is responsible for maintaining the council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

12.3 Assets

12.3.1 The assets of the Council include buildings, vehicles, furniture and equipment, computer systems, stocks and materials, money and investments as well as less obvious things such as data and information. Each Executive Director is responsible for ensuring that assets are properly maintained and securely held and that use is properly authorised and controlled. Executive Directors should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place and regularly tested.

12.3.2 It is the responsibility of Executive Directors to ensure compliance with the Protocol for Dealing with Surplus Property Assets as contained in Appendix 8.

12.4 Trading Accounts / Business Units

12.4.1 It is the responsibility of the Section 151 Officer to advise on the establishment and operation of trading accounts and business units.

12.5 External Arrangements

12.5.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

12.5.2 The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

12.5.3 The Executive can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the council's Constitution. Where functions are delegated, the Executive remains accountable for them to the full Council.

12.5.4 Members and Officers will represent the council on partnership and external bodies, in accordance with the scheme of delegation.

- 12.5.5 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the council.
- 12.5.6 The Section 151 Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory and he/she will provide such guidance to Executive Directors and Members as may be required on this aspect. The Chief Executive and other Executive Directors must also consider the overall corporate governance arrangements and legal issues (having regard to advice from the Monitoring Officer) when arranging contracts with external bodies. They must also ensure, in liaison with the Section 151 Officer, that the risks have been fully appraised and documented before agreements are entered into with external bodies.
- 12.5.7 Executive Directors are responsible for ensuring that appropriate approvals are obtained from the Council or the Executive, as appropriate, before any negotiations are concluded in relation to work with external bodies.

12.6 External Funding and Work for Third Parties

- 12.6.1 The Section 151 Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the council's accounts and Executive Directors are responsible for providing him/her with all necessary information to enable this to be achieved.
- 12.6.2 The Executive is ultimately responsible for approving the contractual arrangements for any work for third parties or external bodies subject to the powers delegated within these Rules.

12.7 Money Laundering

- 12.7.1 The Section 151 Officer shall be the "nominated officer" for the purpose of the Money Laundering regulations 2003 (or any amendment or replacement of the same).
- 12.7.2 Any Member or officer of the Council to whom information or other matter comes in the course of relevant business (as set out in the Money Laundering Regulations) as a result of which he knows or suspects or has reasonable grounds for knowing or suspecting that a person is engaged in money laundering must, as soon as is practicable after the information or other matter comes to him, disclose it to the Section 151 Officer (as nominated officer) or a person authorised for the purposes of the Money Laundering Regulations by the Director General of the National Criminal Intelligence Service, particularly if there is to be a payment of cash or travellers cheques made to or by the Council which exceeds **15,000 euros**.
- 12.7.3 Notwithstanding the above, the Section 151 Officer must be informed immediately of any sum in excess of **£1,000** paid or proposed to be paid in cash or travellers cheques.

- 12.7.4 Officers should ensure they do not breach the “tipping-off” requirements of the Money Laundering legislation by advising third parties of any reports made under these provisions. Breaches may incur personal criminal liability.

Appendix A - Financial Procedures

Section 1

1 INTRODUCTION

- 1.1** Financial procedures are the detailed rules setting out the key financial controls in each of the five areas identified within the financial regulations, along with the detailed responsibilities of the Section 151 Officer and Corporate Directors.
- 1.2** The key controls represent the controls that the Council should ideally have in place.
- 1.3** Financial procedures provide the framework for managing the Council's financial affairs. All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
- 1.4** The five areas covered in this document are as follows:-
 - 1.4.1 Financial Management;
 - 1.4.2 Financial Planning;
 - 1.4.3 Risk Management and Control of Resources;
 - 1.4.4 Financial Systems and Procedures;
 - 1.4.5 External Arrangements.

Section 2

2 FINANCIAL MANAGEMENT

2.1 Introduction

- 2.1.1 Financial management is critical to improving the quality of public service outcomes. Financial stewardship, accountability and transparency are also central to establishing public trust.
- 2.1.2 This section of the Financial Procedures sets out the key controls in place and responsibilities associated with overarching aspects of financial management.
- 2.1.3 The areas covered in this section are as follows:
 - (a) Financial Management Standards
 - (b) Scheme of Virement
 - (c) Accounting Policies
 - (d) Accounting Records and returns
 - (e) Annual Statement of Accounts

2.2 Financial Management Standards

- 2.2.1 All employees and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.
- 2.2.2 The financial management standards set out the overarching requirements of the Council in relation to the management of its financial affairs.
- 2.2.3 This sub section of the financial procedures sets out the key controls and responsibilities relevant to Financial Management Standards.

2.3 Key Controls

- 2.3.1 Promotion of financial management standards throughout the Council.
- 2.3.2 A monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Executive and full Council.

2.4 Responsibilities of the Section 151 Officer

- 2.4.1 To ensure the proper administration of the financial affairs of the Council.
- 2.4.2 To set the financial management standards and to monitor compliance with them.

- 2.4.3 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance employees throughout the Council.
- 2.4.4 To advise on the key strategic controls necessary to secure sound financial management.
- 2.4.5 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

2.5 Responsibilities of Executive Directors

- 2.5.1 To promote the financial management standards set by the Section 151 Officer in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Section 151 Officer.
- 2.5.2 To promote sound financial practices in relation to the standards, performance and development of staff in their Groups.

2.6 Responsibilities of Budget Holders

- 2.6.1 To follow the financial management standards established by the Section 151 Officer.
- 2.6.2 To apply relevant controls and follow relevant procedures.
- 2.6.3 To work within delegated limits established within their Groups.

2.7 Scheme of Virement

- 2.7.1 The scheme of virement sets out the rules relating to the transfer of budgets within and between Groups.
- 2.7.2 The rules for both revenue and capital budget transfers are intended to enable the Executive, Executive Directors, and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources.
- 2.7.3 The Scheme of Virement is detailed in the Constitution under the Rules of Procedure: Budget and Policy Framework.

2.8 Key Controls

- 2.8.1 It is administered by the Section 151 Officer.
- 2.8.2 The overall budget is agreed by the Executive and approved by the full Council. Executive Directors and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget.

2.8.3 Budget virement must not create additional overall budget liability.

2.9 Responsibilities of the Section 151 Officer

2.9.1 To authorise appropriate levels of virement as laid out in the Constitution (Rules of Procedure: Budget and Policy Framework).

2.10 Responsibilities of Executive Directors

2.10.1 To authorise appropriate levels of virement as laid out in the Constitution (Rules of Procedure: Budget and Policy Framework).

2.11 Responsibilities of Budget Holders

2.11.1 To abide by the levels of virement established by the Section 151 Officer and relevant Executive Directors.

2.12 Accounting Policies

2.12.1 Accounting policies are the bases on which transactions and balances are brought to account in the Council's annual financial statements. This sub section of the financial procedures sets out the controls and responsibilities relevant to the development and application of accounting policies.

2.12.2 The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC), for each financial year ending 31st March.

2.12.3 This sub section of the financial procedures sets out the key controls and responsibilities relevant to accounting policies.

2.13 Key Controls

2.13.1 Systems of internal control are in place to ensure that financial transactions are lawful.

2.13.2 Suitable accounting policies are selected and applied consistently.

2.13.3 Proper accounting records are maintained.

2.13.4 Financial statements are prepared which present fairly the financial position of the Council and its expenditure and income.

2.14 Responsibilities of the Section 151 Officer

2.14.1 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which are prepared to 31st March each year, and cover such items as:

- (a) Separate accounts for capital and revenue transactions;
- (b) The basis on which debtors and creditors at year end are included in the accounts;
- (c) Provisions and reserves;
- (d) Non-current assets;
- (e) Depreciation;
- (f) Capital charges to revenue;
- (g) Work in progress;
- (h) Inventory;
- (i) Accounting for value added tax;
- (j) Government grants;
- (k) Leasing;
- (l) Pensions;
- (m) Allocation of central administration expenses;
- (n) Provision for credit liabilities.

2.15 Responsibilities of Executive Directors

2.15.1 To adhere to the accounting policies and guidelines approved by the Section 151 Officer.

2.16 Responsibilities of Budget Holders

2.16.1 To adhere to the accounting policies and guidelines approved by the Section 151 Officer.

2.17 Accounting records and returns

2.17.1 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that adequate arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

2.17.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to accounting records and returns.

2.18 Key Controls

- 2.18.1 All Members, finance staff and budget managers operate within the required accounting standards and timetables.
- 2.18.2 All the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- 2.18.3 Procedures should be in place to enable accounting records to be reconstituted in the event of systems failure.
- 2.18.4 Reconciliation procedures are carried out to ensure transactions are correctly recorded.
- 2.18.5 Prime documents are retained in accordance with legislative and other requirements.
- 2.18.6 Measures are in place to enable prevention and detection of fraud.

2.19 Responsibilities of the Section 151 Officer

- 2.19.1 To determine the accounting procedures and records for the Council and to ensure that they follow good financial practice.
- 2.19.2 To arrange for the compilation of all accounts and accounting records under his or her direction.
- 2.19.3 To ensure that all accounting practices and records are compatible with the County Council's financial systems.
- 2.19.4 To comply with the following principles when allocating accounting duties:

Separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them/

Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 2.19.5 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 1996.
- 2.19.6 To ensure that all claims for funds including grants are made by the due date.
- 2.19.7 To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable and with the requirement for the full Council to approve the statement of accounts by 30th June.

- 2.19.8 To identify the correct retention periods for financial documents and ensure the retention of financial documents is maintained in accordance with the requirements.

2.20 Responsibilities of Executive Directors

- 2.20.1 To consult and obtain the approval of the Section 151 Officer before making any changes to accounting records and procedures.
- 2.20.2 To maintain adequate records to provide a management trail leading from the source of income / expenditure through to the accounting statements.
- 2.20.3 To supply information required enabling the statement of accounts to be completed in accordance with guidelines issued by the Section 151 Officer.

2.21 Responsibilities of Budget Holders

- 2.21.1 To consult and obtain the approval of the relevant Executive Director before making any changes to accounting records and procedures.
- 2.21.2 To maintain adequate records to provide a management trail leading from the source of income / expenditure through to the accounting statements.
- 2.21.3 To supply information required enabling the statement of accounts to be completed in accordance with guidelines issued by the Section 151 Officer.

2.22 Annual Statement of Accounts

- 2.22.1 The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Audit Committee is responsible for approving the statutory annual statement of accounts before 30th September.
- 2.22.2 This subsection of the financial procedures sets out key controls and responsibilities relevant to the preparation of the annual statement of accounts.

2.23 Key Controls

- 2.23.1 The Council is required to make arrangements for the proper administration of its financial affairs.
- 2.23.2 The Council's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC)*.

2.24 Responsibilities of the Section 151 Officer

- 2.24.1 To select suitable accounting policies and to apply them consistently.
- 2.24.2 To make judgements and estimates that are reasonable and prudent.

- 2.24.3 To comply with the Code.
- 2.24.4 To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year in question and to provide a general letter of representation.
- 2.24.5 To draw up the timetable for final accounts preparation and to advise employees and external auditors accordingly.
- 2.24.6 To publish the statement of accounts together with any certificate, opinion or report given by the external auditor and arrange for copies to be available for purchase at a reasonable cost.

2.25 Responsibilities of Executive Directors

- 2.25.1 To comply with accounting guidance provided by the Section 151 Officer and to supply the Section 151 Officer with information when required.

2.26 Responsibilities of Budget Holders

- 2.26.1 To comply with accounting guidance provided by the Section 151 Officer and to supply the Section 151 Officer with information when required.

Section 3

3 FINANCIAL PLANNING

3.1 Introduction

- 3.1.1 Sound systems of financial planning are necessary to ensure that resources are allocated to council priorities and that the expenditure of financial resources is maintained within budgetary constraints.
- 3.1.2 This section of the Financial Procedures sets out the key controls in place and responsibilities associated with financial planning.
- 3.1.3 The areas covered in this section are as follows:
 - (a) Corporate Planning
 - (b) Budget Format
 - (c) Revenue Budget Preparation, Monitoring and Control
 - (d) Budgets and Medium Term Planning
 - (e) Resource Allocation
 - (f) Capital Programme

3.2 Corporate Plans

- 3.2.1 The council prepares an annual Corporate Plan which supports the Northumberland Sustainable Community Strategy. The purpose of the Corporate Plan is to set out overall priorities and objectives and how the council will work with stakeholders to achieve these. The Corporate Plan is underpinned by Service Plans that include current performance and proposals for further improvement.
- 3.2.2 This subsection of the financial procedures sets out key controls and responsibilities relevant to the preparation of corporate plans.

3.3 Key Controls

- 3.3.1 To ensure that all relevant plans are produced and that they are consistent.
- 3.3.2 To meet the timetables set.
- 3.3.3 To ensure that all performance information is accurate, complete and up to date.
- 3.3.4 To provide improvement targets which are meaningful, realistic and challenging.

3.4 Responsibilities of the Section 151 Officer

- 3.4.1 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 3.4.2 To contribute to the development of corporate and service targets and objectives and performance indicators.
- 3.4.3 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

3.5 Responsibilities of Executive Directors

- 3.5.1 To contribute to the development of performance plans in line with statutory requirements.
- 3.5.2 To contribute to the development of corporate and service targets, objectives and performance information.
- 3.5.3 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

3.6 Responsibilities of Budget Holders

- 3.6.1 To contribute to the development of performance plans in line with statutory requirements.
- 3.6.2 To contribute to the development of corporate and service targets, objectives and performance information.
- 3.6.3 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

3.7 Budget format

- 3.7.1 The format of the budget determines the level of detail to which financial control and management will be exercised.
- 3.7.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to budget format.

3.8 Key Controls

- 3.8.1 The format complies with all legal requirements
- 3.8.2 The format complies with CIPFA's Service Reporting Code of Practice
- 3.8.3 The format reflects the accountabilities of service delivery.

3.9 Responsibilities of the Section 151 Officer

- 3.9.1 To advise the Executive on the format of the budget that is approved by the full Council.

3.10 Responsibilities of Executive Directors

- 3.10.1 To comply with the format of the budget as agreed by the full Council.

3.11 Responsibilities of Budget Holders

- 3.11.1 To comply with the format of the budget as agreed by the full Council.

3.12 Revenue budget preparation, monitoring and control

- 3.12.1 Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 3.12.2 By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the budget allocated to it.
- 3.12.3 This subsection of the financial procedures sets out key controls and responsibilities relevant to the preparation monitoring and control of the council's revenue budget.

3.13 Key Controls

- 3.13.1 The preparation of the annual estimates shall reflect the Strategic Statement and Service Plans of the Council.
- 3.13.2 Budget managers should be responsible only for income and expenditure that they can influence.
- 3.13.3 Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- 3.13.4 Budget managers follow an approved certification process for all expenditure.
- 3.13.5 Income and expenditure are properly recorded and accounted for.
- 3.13.6 Performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

3.14 Responsibilities of the Section 151 Officer

- 3.14.1 To establish an appropriate framework of budgetary management and control, within a budget monitoring manual to ensure that:
- (a) each Executive Director has available timely information on income and expenditure for each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
 - (b) expenditure is committed only against an approved budget;
 - (c) all employees responsible for committing expenditure comply with relevant guidance, the Constitution of the Council and the financial regulations;
 - (d) significant variances from approved budgets are investigated and reported by budget managers regularly;
 - (e) Budget provision is only carried forward where there the Group has underspent
- 3.14.2 To submit reports to the Executive and to the full Council, in consultation with the relevant Executive Director, where a Executive Director is unable to balance expenditure and resources within existing approved budgets under his or her control.
- 3.14.3 To prepare and submit reports on the Council's projected income and expenditure compared with the budget on a quarterly basis.
- 3.14.4 To give access to and training in the Council's budget process and financial information system, and provide supplementary reports where appropriate.
- 3.14.5 To advise the Executive and Full Council on the prudent levels of reserves for the Council.

3.15 Responsibilities of Executive Directors

- 3.15.1 To maintain budgetary control within their departments and to ensure that all income and expenditure is properly recorded and accounted for.
- 3.15.2 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Executive Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 3.15.3 To ensure that spending remains within the service's overall budget, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast. The inclusion of an item in the approved budget provides authority for Executive Directors to incur relevant expenditure or receive relevant income.

- 3.15.4 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 3.15.5 To prepare and submit to the Executive reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer. Where there is an anticipated overspend, a report shall be submitted to the Executive giving the following details:
- (a) An explanation of how the situation has arisen
 - (b) An estimate of the overspend or shortfall in income
 - (c) The consequences of adhering to the approved budget
- 3.15.6 To ensure prior approval by the Executive for new proposals, of whatever amount, that:
- (a) Create financial commitments in future years
 - (b) Change existing policies, initiate new policies or cease existing policies
 - (c) Materially extend or reduce the Council's services.
- 3.15.7 A report on new proposals should explain the full financial implications, following consultation with the Section 151 Officer. Unless the full Council or Executive has agreed otherwise, Executive Directors must plan to contain proposals within their budget.
- 3.15.8 To ensure compliance with the scheme of budget virement (Rules of Procedure: Budget and Policy Framework).
- 3.15.9 To agree with the relevant Executive Director where it appears that a budget proposal, including a budget transfer proposal, may impact materially on another service area or Executive Director's level of service activity.

3.16 Responsibilities of Budget Holders

- 3.16.1 To comply with the budget rules established by the Section 151 Officer.
- 3.16.2 To support the relevant Executive Director to establish and maintain budgetary control within their Groups.

3.17 Budgets and medium term planning

- 3.17.1 The revenue budget must be constructed so as to ensure that resource allocations properly reflect the strategic statement and priorities of the full Council. Budgets are required so that the Council can plan, authorise, monitor, and control the way money is allocated and spent. It is illegal for a council to budget for a deficit.

3.17.2 Medium-term planning involves a three year planning cycle in which managers develop plans for their particular service. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.

3.17.3 This subsection of the financial procedures sets out key controls and responsibilities relevant to budgets and medium-term planning.

3.18 Key Controls

3.18.1 Specific budget approval for all expenditure.

3.18.2 Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Executive for their budgets and the level of service to be delivered.

3.18.3 A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

3.19 Responsibilities of the Section 151 Officer

3.19.1 To prepare and submit reports on budget proposals to the Executive, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.

3.19.2 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the full Council, and after consultation with the Executive and Executive Directors.

3.19.3 To prepare and submit reports to the Executive on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council tax to be levied.

3.19.4 To advise on the medium-term implications of spending decisions.

3.19.5 To encourage the best use of resources and value for money by working with Executive Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

3.19.6 To advise the full Council on Executive proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

3.20 Responsibilities of Executive Directors

3.20.1 To prepare estimates of income and expenditure for revenue and capital over the next three financial years, in accordance with the laid-down guidance and timetable.

- 3.20.2 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 3.20.3 When drawing up draft budget requirements, to have regard to:
- (a) Spending patterns and pressures revealed through the budget monitoring process;
 - (b) Legal requirements;
 - (c) Policy requirements as defined by the full Council in the approved policy framework;
 - (d) Initiatives already underway;
 - (e) Efficiency savings that can be made.

3.21 Responsibilities of Budget Holders

- 3.21.1 To support the relevant Executive Director to identify opportunities to improve economy, efficiency, and effectiveness in the use of resources in their areas of budgetary control.
- 3.21.2 To work with the relevant Executive Director to establish budget proposals.

3.22 Resource Allocation

- 3.22.1 A mismatch often exists between available resources and required resources. It is therefore imperative that required resources are carefully prioritised and that available resources are fairly allocated, in order to fulfil all legal responsibilities.
- 3.22.2 This subsection of the financial procedures sets out key controls and responsibilities relevant to budgets and resource allocation.

3.23 Key Controls

- 3.23.1 Resources are acquired in accordance with the law and using an approved authorisation process.
- 3.23.2 Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for.
- 3.23.3 Resources are securely held for use when required.
- 3.23.4 Resources are used with the minimum level of waste, inefficiency or loss for other reasons.

3.24 Responsibilities of the Section 151 Officer

- 3.24.1 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.

3.24.2 To assist in the allocation of resources to budget managers.

3.25 Responsibilities of Executive Directors

3.25.1 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective, and economic way.

3.25.2 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

3.26 Responsibilities of Budget Holders

3.26.1 To work within limits set by the Council's budget process.

3.26.2 To identify opportunities to minimise or eliminate resource requirements or consumption in day to day activities.

3.27 Capital Programme

3.27.1 Capital expenditure involves acquiring or enhancing fixed assets with a long- term value to the council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

3.27.2 The Government places strict Controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

3.27.3 This subsection of the financial procedures sets out key controls and responsibilities relevant to the capital programme.

3.28 Key Controls

3.28.1 Specific approval by the full Council for the programme of capital expenditure, after consideration by the Executive.

3.28.2 Expenditure on capital projects is subject to the appraisal and evaluation of schemes by the Corporate Stakeholders Group under the rules laid out in the capital strategy and a Guide to Capital Expenditure agreed by the Executive.

3.28.3 A scheme and estimate, including project plan, business case, progress targets and associated revenue expenditure is prepared for each capital project.

3.28.4 The capital programme will have regard to the Council's priorities, Government controls and the availability of resources.

- 3.28.5 Where capital projects are to be financed from the revenue budget the funding should be approved by the appropriate Executive Director and considered by the Capital Strategy Group.
- 3.28.6 Proposals for improvements and alterations to buildings must be approved by the appropriate Executive Director.
- 3.28.7 Schedules for individual projects within the overall budget approved by the full Council must be submitted to the Executive for approval (for example, minor works), or under other arrangements approved by the full Council.
- 3.28.8 The development and implementation of asset management plans.
- 3.28.9 Accountability for each proposal is accepted by a named manager.
- 3.28.10 Monitoring of progress in conjunction with expenditure and comparison against the approved budget.

3.29 Responsibilities of the Section 151 Officer

- 3.29.1 To be represented on the Corporate Stakeholders Group
- 3.29.2 As part of the Corporate Stakeholders Group and in line with the Council's capital strategy:-
 - (a) Co-ordinate, assess and prioritise capital projects;
 - (b) Prepare and manage the capital programme;
 - (c) Identify requirements for new land and property assets and to review assets which are surplus to requirements;
 - (d) Monitor the performance, development and promotion of the Council's estate and assets through the Head of Property;
 - (e) Ensure that property-related revenue expenditure is properly targeted in accordance with Council and service priorities;
 - (f) Report capital expenditure to the Executive Management Team, Executive and Scrutiny on a regular basis;
 - (g) To exercise delegated powers to bring forward or put back projects within the programme to more effectively manage the programme;
 - (h) To issue guidance concerning capital projects and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Section 151 Officer, having regard to government regulations and accounting requirements;
 - (i) To obtain authorisation from the Executive for individual projects where the estimated expenditure exceeds the capital programme provision;

- (j) To monitor the generation of capital receipts, reporting quarterly to the Corporate Stakeholders Group. The role of this group includes tracking the progress of receipt generation from the initial identification of a surplus asset, through the planning permission process and on to the eventual sale.

3.30 Responsibilities of Executive Directors

- 3.30.1 To comply with guidance concerning capital schemes and controls issued by the Section 151 Officer.
- 3.30.2 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Corporate Stakeholders Group and defined in the Capital Strategy and A Guide to Capital document.
- 3.30.3 To nominate a project manager for each capital project in the current or future capital programmes. The role of the project manager is to manage the project and ensure it is delivered to time, within specification and budget.
- 3.30.4 To prepare regular reports, in conjunction with technical staff, reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final costs of schemes in the approved capital programme for submission to the Executive.
- 3.30.5 To ensure that adequate records are maintained for all capital contracts.
- 3.30.6 To agree proposals for improvements and alterations to buildings.
- 3.30.7 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Section 151 Officer where required.
- 3.30.8 To have regard to the need to maintain the capital value of buildings through regular repair and maintenance.
- 3.30.9 To reflect the cost of holding and using assets in the revenue budgets.
- 3.30.10 To prepare and submit reports, after consultation with the Section 151 Officer, to the Executive, of any variation in contract costs greater than the approved limits. The Executive may meet cost increases by budget transfer from savings elsewhere within their capital programme provided that the overall capital budget requirement for the year as approved by Council is not exceeded.
- 3.30.11 To prepare and submit reports, after consultation with the Section 151 Officer, to the Executive, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- 3.30.12 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Section 151 Officer and, if applicable, approval of the scheme through the capital programme.

- 3.30.13 To consult with the Corporate Stakeholders Group and to seek approval from the Section 151 Officer where the Executive Director proposes to bid for supplementary credit approvals to be issued by government departments or for additional external funding to support expenditure that has not been included in the current year's capital programme.

3.31 Responsibilities of Project Managers

- 3.31.1 To comply with guidance concerning capital schemes and controls issued by the Section 151 Officer.
- 3.31.2 To support Executive Directors to discharge their responsibilities.

3.32 Maintenance of Reserves

- 3.32.1 The Council must decide the level of general reserves it wishes to maintain before it can decide the level of Council tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.
- 3.32.2 This subsection of the financial procedures sets out key controls and responsibilities relevant to the maintenance of reserves.

3.33 Key Controls

- 3.33.1 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and CIPFA guidance on Local Authority reserves and balances (when draft consultation is agreed) and agreed accounting policies.
- 3.33.2 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 3.33.3 Authorisation and expenditure from reserves by the appropriate Executive Director in consultation with the Section 151 Officer.

3.34 Responsibilities of the Section 151 Officer

- 3.34.1 To advise the Executive and/or the full Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

3.35 Responsibilities of Executive Directors

- 3.35.1 To ensure that resources are used only for the purposes for which they were intended.

3.36 Responsibilities of Budget Holders

3.36.1 To support the relevant Executive Director to ensure that resources are used only for the purposes for which they were intended.

Section 4

4 RISK MANAGEMENT AND CONTROL OF RESOURCES

4.1 Introduction

- 4.1.1 Risk Management and the Control of Resources are the processes and procedures employed to manage the risks faced by the by the Council and to ensure the effective management and security of the resources under its control. The procedures identify the detailed responsibilities of the Section 151 Officer and all Executive Directors.
- 4.1.2 The key controls are the controls in place to ensure that the procedures in place are operated and applied effectively.
- 4.1.3 This section provides details of the risk management and resource controls that are required to enable the Council to achieve agreed objectives. Risk Management and the Control of Resources are the responsibility of all Members and Officers of the Council and it is expected that all Members and Officers will follow the detailed procedures covered within this section.
- 4.1.4 The areas covered in this section are as follows:
- (a) Risk Management
 - (b) Internal Controls
 - (c) Internal Audit
 - (d) External Audit
 - (e) Preventing Fraud and Corruption
 - (f) Security of Assets
 - (g) Asset Disposal
 - (h) Treasury Management
 - (i) Imprest Accounts
 - (j) Staffing

4.2 Risk Management

- 4.2.1 Risk management is the planned and systematic approach to the identification, evaluation, and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the Council. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage

identified risks and then recommending the action the organisation needs to take to control these risks effectively.

- (a) It is the overall responsibility of the Executive to approve the Council's risk management strategy, and to promote a culture of risk management awareness throughout the council.
- (b) This subsection of the financial procedures sets out key controls and responsibilities relevant to risk management.

4.3 Key Controls

- 4.3.1 The Executive is responsible for approving the Risk Management Policy Statement and Strategy, and Audit Committee advises on the adequacy and effectiveness of Risk Management arrangements.
- 4.3.2 Procedures to identify, assess, prevent, or contain material known risks should be in place.
- 4.3.3 A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- 4.3.4 Managers will be informed that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.
- 4.3.5 Provision is made for losses that might result from the risks that remain.
- 4.3.6 Procedures are in place to investigate and process claims within required timescales.
- 4.3.7 Acceptable levels of risk are determined and insured against where appropriate.
- 4.3.8 The Council should identify business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

4.4 Responsibilities of the Section 151 Officer

- 4.4.1 To prepare and promote the Council's risk management policy statement.
- 4.4.2 To develop risk management controls in conjunction with other Executive Directors.
- 4.4.3 To arrange all insurance to cover risks required to be insured by law and such other risks as the Council may from time to time determine.
- 4.4.4 To include all appropriate employees of the Council in a suitable fidelity guarantee from insurance.

- 4.4.5 To offer insurance cover to schools in accordance with local management of schools arrangements.
- 4.4.6 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.
- 4.4.7 To keep a register of all such insurance cover.

4.5 Responsibilities of Executive Directors

- 4.5.1 To notify the Section 151 Officer immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Section 151 Officer or the Council's insurers.
- 4.5.2 To take responsibility for risk management, having regard to advice from the Section 151 Officer and other specialist officers (e.g. the Risk Manager, crime prevention, fire prevention, health and safety).
- 4.5.3 To ensure that there are regular reviews of risk within their departments.
- 4.5.4 To notify the Section 151 Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances. Schedules of vehicles and property within Executive Director control should be maintained containing all details of users, ownership, occupation and sum insured.
- 4.5.5 To consult the Section 151 Officer and the Monitoring Officer on the terms of any indemnity, which the Council is requested to give.
- 4.5.6 To ensure that employees, or anyone covered by the Council's insurances, do not admit liability, or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

4.6 Responsibilities of Budget Holders

- 4.6.1 To support Executive Directors to discharge their responsibilities.

4.7 Internal Controls

- 4.7.1 The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 4.7.2 The Council faces a wide range of financial, administrative, and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 4.7.3 The system of internal controls is established in order to provide measurable achievement of:
 - (a) Efficient and effective operations

- (b) Reliable financial information and reporting
- (c) Compliance with laws and regulations
- (d) Prevention of fraud and corruption
- (e) Risk management

4.7.4 This sub section of the financial procedures sets out the key controls and responsibilities relevant to internal controls.

4.8 Key Controls

4.8.1 Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.

4.8.2 An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

4.9 Responsibilities of the Section 151 Officer

4.9.1 To assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

4.10 Responsibilities of Executive Directors

4.10.1 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

4.10.2 To review existing controls in the light of changes affecting the council and to establish and implement new ones in line with guidance from the Section 151 Officer. Executive Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective -for example, because of duplication.

4.10.3 To ensure employees have a clear understanding of the consequences of lack of control.

4.11 Responsibilities of Budget Holders

4.11.1 To comply with internal controls established by the Council.

4.11.2 To support Executive Directors to discharge their responsibilities.

4.12 Internal Audit

- 4.12.1 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit Regulations 1996 (SI 1996/590), regulation 5, more specifically require the Council to maintain an adequate and cost effective Internal Audit of its accounts.
- 4.12.2 Internal auditing is a review activity and should not be seen as a substitute for management or introducing and maintaining good internal procedures.

4.13 Key Controls

- 4.13.1 The internal audit function is independent in its planning and operation.
- 4.13.2 The Head of Audit has direct access to the Chief Executive, all levels of management and elected Members.
- 4.13.3 The internal auditors comply with the Auditing Practices Board's guideline Guidance for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, which defines the roles and objectives of Internal Audit.
- 4.13.4 All aspects of the Council's financial activities are subject to regular internal audit.

4.14 Responsibilities of the Section 151 Officer

- 4.14.1 To maintain an adequate and effective system of internal audit in accordance with all scrutiny requirements.
- 4.14.2 To ensure that internal auditors have the council to:
 - (a) Access County Council premises at reasonable times
 - (b) Access all assets, records, documents, correspondence and control systems relating to the matter under examination
 - (c) Require and receive from employees, Members or other persons, assistance or explanations, written or oral, concerning any matter under examination
 - (d) Require any employee of the Council to account for cash, stores or any other council asset under his or her control
 - (e) Access financial records belonging to third parties, such as contractors, organisations in receipt of grant and partnering arrangements where the Council has lead responsibility, when required.
 - (f) Directly access the Chief Executive, the Executive and Audit Committee.

- 4.14.3 To approve the strategic and annual audit plans prepared by the Head of Audit, which take account of the characteristics and relative risks of the activities involved.
- 4.14.4 To ensure that effective procedures are in place to investigate promptly any suspected fraud or irregularity.
- 4.14.5 To take further action by way of investigation and report as appropriate, in consultation with the Section 151 Officer and appropriate Executive Director, immediately upon discovery, or suspicion of any fraud or financial irregularity on the part of any employee of the Council or otherwise affecting the finances of the Council.
- 4.14.6 To be the line manager for the Head of Audit and ensure that the quality of his or her work is monitored.

4.15 Responsibilities of Executive Directors

- 4.15.1 To ensure that service managers take responsibility for establishing and maintaining a proper and effective control environment and for managing risk.
- 4.15.2 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 4.15.3 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 4.15.4 To consider and respond promptly to recommendations in audit reports and to clearly indicate the action they intend to take, including (where appropriate) reasons why a recommendation has not been accepted or why the proposed action cannot be implemented.
- 4.15.5 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 4.15.6 To notify the Section 151 Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Executive Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 4.15.7 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Audit prior to implementation.

4.16 Responsibilities of Budget Holders

- 4.16.1 To support Executive Directors to discharge their responsibilities.

4.17 External audit

- 4.17.1 The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 4.17.2 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in March 2000 sets out the auditor's objectives to review and report upon:-
- (a) the audited body's financial statements;
 - (b) aspects of the audited body's arrangements to secure economy efficiency and effectiveness in its use of resources.
- 4.17.3 The Council's accounts are scrutinised by the external auditors, who must be satisfied that the statement of accounts "give a true and fair view of the council's affairs and of its income and expenditure" for the year in question and complies with the legal requirements.
- 4.17.4 This sub section of the financial procedures sets out the key controls and responsibilities relevant to external audit.

4.18 Key Controls

- 4.18.1 External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a code of audit practice, which external auditors follow when carrying out their audits.

4.19 Responsibilities of the Section 151 Officer

- 4.19.1 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- 4.19.2 To ensure there is effective liaison between external and internal audit.
- 4.19.3 To work with the external auditor and advise the full Council, Executive and Corporate Directors on their responsibilities in relation to external audit.

4.20 Responsibilities of Executive Directors

- 4.20.1 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- 4.20.2 To ensure that all records and systems are up to date and available for inspection.

4.21 Responsibilities of Budget Holders

4.21.1 To support Executive Directors to discharge their responsibilities.

4.22 Preventing Fraud and Corruption

4.22.1 The Council will not tolerate fraud and corruption in the administration of its affairs, whether from inside or outside the council.

4.22.2 The Council's expectation of propriety and accountability is that Members and employees at all levels will lead by example in ensuring adherence to the Constitution of the Council, legal requirements, rules, procedures, codes of conduct and professional practices.

4.22.3 The Council also expects that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom it comes into contact will act towards the council with integrity and without thought or actions involving fraud and corruption.

4.22.4 This sub section of the financial procedures sets out the key controls and responsibilities relevant to preventing fraud and corruption.

4.23 Key Controls

4.23.1 All Members and employees act with integrity and lead by example.

4.23.2 Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the County Council or who are corrupt.

4.23.3 High standards of conduct are promoted amongst Members.

4.23.4 The maintenance of registers of Members and Employees interests and a Register of hospitality or gifts accepted by Members.

4.23.5 Whistle blowing procedures are in place and operate effectively.

4.23.6 Legislation including the Public Interest Disclosure Act 1998 is adhered to.

4.24 Responsibilities of the Section 151 Officer

4.24.1 To develop and maintain an anti-fraud and anti-corruption policy.

4.24.2 To maintain adequate and effective internal control arrangements.

4.24.3 To report significant confirmed irregularities to the Chief Executive, the Executive and Audit Committee.

4.25 Responsibilities of Executive Directors

4.25.1 To ensure that all suspected irregularities are reported immediately to the Head of Audit

4.25.2 To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

- 4.25.3 To ensure that where financial impropriety is discovered, the Section 151 Officer is informed immediately.

4.26 Responsibilities of Budget Holders

- 4.26.1 To support Executive Directors to discharge their responsibilities.

4.27 Security of Assets

4.27.1 The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

4.27.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to security of assets.

4.28 Key Controls

4.28.1 Resources are used only for the purposes of the Council and are properly accounted for.

4.28.2 Resources are available for use when required;

4.28.3 Resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits;

4.28.4 An asset register is maintained for the Council, assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset;

4.28.5 All employees are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act and software copyright legislation;

4.28.6 All employees are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's Information Security Policy.

4.29 Responsibilities of the Section 151 Officer

4.29.1 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of a predetermined amount. The function of the asset register is to provide the Council with information about fixed assets so that they are:

- (a) Safeguarded
- (b) Used efficiently and effectively

(c) Adequately maintained.

- 4.29.2 To receive the information required for accounting, costing and financial records from each Executive Director.
- 4.29.3 To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC).

4.30 Responsibilities of Executive Directors

- 4.30.1 To maintain appropriate records and inventories and ensure procedures are operated for the safe custody, issue and disposal of assets such as goods, equipment, information and supplies.
- 4.30.2 To arrange regular physical checks of equipment, stores etc and report significant surpluses, deficiencies or deterioration. The examination of inventories should be completed at least every three years, by or under supervision of a nominated officer, not in charge of the property or records concerned.
- 4.30.3 To ensure the proper security of all buildings and other assets under their control.
- 4.30.4 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the responsible Executive Director and the Section 151 Officer taking into account the Council's policy and procedures for the disposal of land and property.
- 4.30.5 To ensure that no Council asset is subject to personal use by an employee without proper authority.
- 4.30.6 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 4.30.7 To ensure cash holdings on premises are kept to a minimum.
- 4.30.8 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Council's Facilities Manager as soon as possible.
- 4.30.9 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Section 151 Officer.
- 4.30.10 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the council in some way.

4.31 Responsibilities of Budget Holders

4.31.1 To ensure that the rules established by the Section 151 Officer are adhered to.

4.31.2 To support Executive Directors to discharge their responsibilities.

4.32 Asset disposal

4.32.1 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the Council's Asset Management Plan.

4.32.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to external audit.

4.33 Key Controls

4.33.1 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Council, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.

4.33.2 Procedures should protect employees involved in the disposal from accusations of personal gain.

4.34 Responsibilities of the Section 151 Officer

4.34.1 To issue guidelines representing best practice for disposal of assets.

4.34.2 To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.

4.34.3 To give authorisation for the disposal of leased assets after obtaining the consent of the company concerned.

4.35 Responsibilities of Executive Directors

4.35.1 To seek advice from Property on the disposal of surplus or obsolete land and buildings. To seek advice from the Head of Corporate Commissioning and Procurement on the disposal of surplus or obsolete materials, stores or equipment.

4.35.2 To record all disposal or part exchange of assets, which should normally be subject to competitive tender or public auction, unless, following consultation with the Section 151 Officer, the Executive agrees otherwise. Assets subject to a lease agreement shall not be disposed of without the prior consent of the Section 151 Officer, who shall be responsible for notifying the leasing company concerned and obtaining their consent to disposal.

- 4.35.3 To ensure that income received for the disposal of an asset is properly banked and coded.

4.36 Responsibilities of Budget Holders

- 4.36.1 To ensure that the guidelines issued by the Section 151 Officer are adhered to.
- 4.36.2 To support Executive Directors to discharge their responsibilities.

4.37 Treasury Management

- 4.37.1 The council has adopted CIPFA's Code of Practice (Treasury Management in the Public Services). This aims to provide assurances that the Council's money is properly managed in a way that balances risk with return.
- 4.37.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to external audit.

4.38 Key Controls

- 4.38.1 That the Council's borrowings and investments comply with the CIPFA Code of Practice (Treasury Management in the Public Services) and with the Council's Treasury Management Policy Statement, which states the policies and objectives of its treasury management activities. The Treasury Management Policy Statement sets out limits on borrowing and investments that must be adhered to.
- 4.38.2 Creation and maintenance of suitable Treasury Management Practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives in the policy statement, and prescribing how it will manage and control those activities.

4.39 Responsibilities of Section 151 Officer

- 4.39.1 To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice (Treasury Management in the Public Services) and the Council's treasury management policy statement and strategy.
- 4.39.2 To operate bank accounts as are considered necessary; opening or closing any bank account shall require the approval of the Section 151 Officer.
- 4.39.3 To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the full Council.
- 4.39.4 To ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate Executive Director.
- 4.39.5 To effect all borrowings in the name of the Council.

- 4.39.6 To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.
- 4.39.7 To adhere to the borrowing and investment limits set out in the Council's Treasury Management Policy Statement.
- 4.39.8 To report to the executive on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year end, and an annual report after its close, in the form prescribed in the Treasury Management Practices.

4.40 Responsibilities of Executive Directors

- 4.40.1 To follow the instructions on banking issued by the Section 151 Officer.
- 4.40.2 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Section 151 Officer and following advice from the Council's Monitoring Officer.
- 4.40.3 To arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Section 151 Officer, unless the deed otherwise provides.
- 4.40.4 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Section 151 Officer, and to maintain written records of all transactions.
- 4.40.5 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

4.41 Responsibilities of Budget Holders

- 4.41.1 To ensure that instructions and rules issued by the Section 151 Officer are adhered to.
- 4.41.2 To support Executive Directors to discharge their responsibilities.

4.42 Imprest Accounts

- 4.42.1 An imprest account can be issued to offices, establishments and departments as appropriate.
- 4.42.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to external audit.

4.43 Key Controls

- 4.43.1 Imprests are used only for the purposes of the Council and are properly accounted for.

4.44 Responsibilities of the Section 151 Officer

- 4.44.1 To provide employees of the council with cash or bank imprest accounts to meet minor expenditure on behalf of the council and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- 4.44.2 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- 4.44.3 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

4.45 Responsibilities of Executive Directors

- 4.45.1 To ensure that employees operating an imprest account:
 - (a) Acknowledge receipt of and responsibility for the account;
 - (b) Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
 - (c) Make adequate arrangements for the safe custody of the account;
 - (d) Produce upon demand by the finance director cash and all vouchers to the total value of the imprest amount;
 - (e) Record transactions promptly in a cash book or other form agreed by the Section 151 Officer;
 - (f) Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
 - (g) Provide the Section 151 Officer with a certificate of the value of the account held at 31st March each year;
 - (h) 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;
 - (i) Ensure that the account is never overdrawn;
 - (j) On leaving the council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Section 151 Officer for the amount advanced to him or her.

4.46 Responsibilities of Budget Holders

4.46.1 To ensure that the rules established by the Section 151 Officer are adhered to.

4.46.2 To support Executive Directors to discharge their responsibilities.

4.47 Staffing

4.47.1 In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable employees, qualified to an appropriate level.

4.47.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to external audit.

4.48 Key Controls

4.48.1 Staff are appointed in line with the guidance in the Constitution (Procedure Rules: Officer Employment).

4.48.2 Staffing requirements and budget allocation are matched.

4.48.3 Procedures are in place for forecasting staffing requirements and cost.

4.48.4 Controls are implemented that ensure that employees time is used efficiently and to the benefit of the Council.

4.48.5 Checks are undertaken prior to recruiting new employees to ensure that they are appropriately qualified, experienced and trustworthy.

4.49 Responsibilities of the Section 151 Officer

4.49.1 To act as an advisor to Executive Directors on areas such as National Insurance and pension contributions, as appropriate.

4.50 Responsibilities of Executive Directors

4.50.1 To produce an annual staffing budget.

4.50.2 To ensure that budget provision exists for all existing and new employees.

4.50.3 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

4.50.4 To monitor employees' activity to ensure adequate control over such costs as sickness, overtime, training and temporary employees.

4.50.5 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

4.51 Responsibilities of Budget Holders

4.51.1 To support Executive Directors to discharge their responsibilities.

Section 5

5 FINANCIAL SYSTEMS AND PROCEDURES

5.1 Introduction

- 5.1.1 Robust financial systems and procedures are fundamental to securing council assets and resources.
- 5.1.2 This section of the Financial Procedures sets out the key controls in place and responsibilities associated with financial planning.
- 5.1.3 The areas covered in this section are as follows:
 - (a) General
 - (b) Income
 - (c) Ordering and paying for work, goods and services
 - (d) Payments to Employees and Members
 - (e) Resource Allocation
 - (f) Taxation

5.2 General

- 5.2.1 Groups have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Departments are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 5.2.2 The Section 151 Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore formally approve any new developments or changes.
- 5.2.3 This sub section of the financial procedures sets out the key controls and responsibilities relevant to general procedures.
- 5.2.4 **Key Controls**
 - (a) Basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated.
 - (b) Performance is communicated to the appropriate managers on an accurate, complete and timely basis.

- (c) Early warning is provided of deviations from target, plans and budgets that require management attention.
- (d) Operating systems and procedures are secure.

5.2.5 Responsibilities of the Section 151 Officer

- (a) To make arrangements for the proper administration of the Council's financial affairs, including to:-
 - (i) Issue advice, guidance and procedures for employees and others acting on the Council's behalf;
 - (ii) Determine the accounting systems, form of accounts and supporting financial records;
 - (iii) Establish arrangements for audit of the Council's financial affairs;
 - (iv) Approve any new financial systems to be introduced;
 - (v) Approve any changes to be made to existing financial systems.

5.2.6 Responsibilities of Executive Directors

- (a) To ensure that accounting records are properly maintained and held securely.
- (b) To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Section 151 Officer.
- (c) To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- (d) To incorporate appropriate controls to ensure that, where relevant:-
 - (i) All input is genuine, complete, accurate, timely and not previously processed;
 - (ii) All processing is carried out in an accurate, complete and timely manner;
 - (iii) Output from the system is complete, accurate and timely.
- (e) To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- (f) To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the

event of an interruption as per the Council's Information Security Policy Document.

- (g) To ensure that systems are documented and employees trained in operations.
- (h) To obtain the approval of the Section 151 Officer before changing any existing system or introducing new systems.
- (i) To establish a scheme of delegation identifying officers authorised to act upon the Executive Director's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- (j) To supply lists of authorised officers, with specimen signatures and delegated limits, to the Section 151 Officer, together with any subsequent variations.
- (k) To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems as per the Council's Information Security Policy Document.
- (l) To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that employees are aware of their responsibilities under the legislation.
- (m) To ensure that relevant standards and guidelines for computer systems are observed.
- (n) To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- (o) To comply with the copyright, designs and patents legislation and, in particular, to ensure that:-
 - (i) Only software legally acquired and installed by the Council is used;
 - (ii) Employees are aware of legislative provisions;
 - (iii) In developing systems, due regard is given to the issue of intellectual property rights.

5.2.7 Responsibilities of Budget Holders

- (a) To ensure that procedures and rules established by the Section 151 Officer are adhered to.
- (b) To support Executive Directors to discharge their responsibilities.

5.3 Income

5.3.1 Effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly.

5.3.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to Income.

5.3.3 Key Controls

- (a) All income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.
- (b) All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery.
- (c) Sums due to the Council will be recorded, collected, held securely and banked promptly in accordance with the directions of the Section 151 Officer. All income must be banked intact and payments shall not be made from receipts.
- (d) Effective action is taken to pursue non-payment within defined timescales.
- (e) Formal approval for debt write-off is obtained.
- (f) Appropriate write-off action is taken within defined timescales.
- (g) Appropriate accounting adjustments are made following write-off action.
- (h) All appropriate income documents are retained and stored for the defined period in accordance with the appropriate retention requirements.
- (i) Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

5.3.4 Responsibilities of the Section 151 Officer

- (a) To agree arrangements for the invoicing and collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- (b) To order and supply to departments all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- (c) To follow the requirements related to write offs documented in Section 6 of the Finance and Contract Procedure Rules.

- (d) To keep a record of all sums written off and to adhere to the requirements of the Accounts and Audit Regulations 1996.
- (e) To provide an annual report to the Executive on debt write-offs.
- (f) To ensure that appropriate accounting adjustments are made following write-off action.

5.3.5 **Responsibilities of Executive Directors**

- (a) To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- (b) To notify the Section 151 Officer promptly and in writing of all transactions which involve the receipt of money to the Council including:
 - (i) Contracts
 - (ii) Conveyances
 - (iii) Leases
 - (iv) Tenancy and other agreements
- (c) To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- (d) To ensure cheques received are made payable to Northumberland County Council and not to an individual or Group. Executive Directors should ensure this requirement is communicated to debtors at the time the amount is requested and is understood by those employees involved in the collection of income.
- (e) To establish and initiate appropriate recovery procedures, including legal action where as necessary, for debts that are not paid promptly.
- (f) To issue official receipts or to maintain other documentation for income collection.
- (g) To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- (h) To hold securely receipts, tickets and other records of income for the appropriate period.
- (i) To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

- (j) To ensure that where funds are held belonging to third parties in, an adequate safe and efficient system for the custody and control of such funds exists, including an annual audit and report, a copy of which should be submitted to the Section 151 Officer for inspection.
- (k) To ensure that all income received on behalf of the County Council is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- (l) To ensure cash income is not used to convert personal cheques or make other personal payments.
- (m) To maintain details relating to work done, goods supplied, services rendered or other amounts due. To record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, Executive Directors should use established performance management systems to monitor recovery of income and flag up areas of concern to the Section 151 Officer. Corporate Directors have a responsibility to assist the Section 151 Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- (n) To keep a record of every transfer of money between employees of the Council. The receiving employee must sign for the transfer and the transferor must retain a copy.
- (o) To recommend to the Section 151 Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. 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.
- (p) To ensure that the requirements related to write offs documented in Section 6 of the Finance and Contract Procedure Rules are followed.
- (q) To provide the Section 151 Officer with a Quarterly report showing the amount of debt written off in that quarter.
- (r) To take appropriate action to minimise increasing and persistent debt.
- (s) To assess the credit risk of firms with which the Council does business.

- (t) To notify the Section 151 Officer of outstanding income relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Section 151 Officer and not later than 30th April.

5.3.6 **Responsibilities of Budget Holders**

- (a) To support Executive Directors to discharge their responsibilities.

5.4 **Ordering and paying for work, goods and services**

5.4.1 The Council has a Corporate Procurement Strategy in place, which should ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Contract Procedure Rules and Scheme of Delegations within the Constitution.

5.4.2 Every employee and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/ or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.

5.4.3 Official orders must be in a format approved by the Section 151 Officer. Official orders must be issued for all work, goods or services to be supplied to the council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Section 151 Officer. All telephone or verbal orders should be confirmed by an official order on the same day.

5.4.4 Official orders for work, goods or services which exceed a value of £10,000 must comply with Contract Procedure Rules.

5.4.5 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

5.4.6 Officers and Members should be mindful of the council's rules on the acceptance of hospitality and gifts in relation to forming relationships with suppliers and potential suppliers.

5.4.7 This sub section of the financial procedures sets out the key controls and responsibilities relevant to ordering and paying for work, goods and services.

5.4.8 **Key Controls**

- (a) All goods and services are ordered only by appropriate persons and are correctly recorded.
- (b) All goods and services shall be ordered in accordance with the Council's Contract Procedure Rules for tenders and contracts unless they are purchased from sources within the Council.

- (c) Goods and services received are checked to ensure the quality and quantity are in accordance with the order.
- (d) Payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards and receipted within the respective Information System in a timely manner.
- (e) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
- (f) All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
- (g) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
- (h) In addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

5.4.9 Responsibilities of the Section 151 Officer

- (a) To ensure that all the Council's financial systems and procedures are sound and properly administered.
- (b) To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- (c) To approve the form of official financial stationery along with the associated terms and conditions, and to make proper arrangements for the safe custody and issue of these items.
- (d) To maintain a list of budget holders or their nominees authorised to incur expenditure.
- (e) To make payments from the Council's funds on the Executive Director's authorisation that the expenditure has been duly incurred in accordance with Financial Procedure Rules.
- (f) To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- (g) To make payments to contractors on the certificate of the appropriate Executive Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- (h) To provide advice and encouragement on making payments by the most economical means.

5.4.10 Responsibilities of Executive Directors

- (a) To ensure that a budget provision is available before any goods or services are ordered.
- (b) To ensure the effective use of the corporate process for the ordering all goods and services with the exception of:
 - (i) Contracts led by exchange of formal contract documents
 - (ii) Regular periodic payments
 - (iii) Petty cash purchases
- (c) To ensure that orders are only used for goods and services provided to the department. Individuals must not use official orders to obtain goods or services for their private use.
- (d) To ensure that all telephone or verbal orders are confirmed by an appropriate official order on the same day.
- (e) To ensure that only those employees authorised by him or her sign orders and to maintain an up-to-date list of such authorised employees, including specimen signatures identifying in each case the limits of their authority. This list should be forwarded to the Section 151 Officer who should be notified promptly of any amendments. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Council's approach to procurement. Value for money should always be achieved.
- (f) To ensure that any alteration to an official order is certified in accordance with system approvals limits.
- (g) To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different employee from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- (h) To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:-
 - (i) Receipt of goods or services;
 - (ii) That the invoice has not previously been paid;
 - (iii) That expenditure has been properly incurred and is within budget provision;

- (iv) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
 - (v) Correct accounting treatment of tax;
 - (vi) That the invoice is correctly coded;
 - (vii) That discounts have been taken where available;
 - (viii) That appropriate entries will be made in accounting records and inventories;
 - (ix) That the invoice is forwarded to the Accounts Payable team without delay;
 - (x) That the invoice is passed for payment within the payee's normal settlement period;
- (i) To ensure that two authorised employees are involved in the ordering, receiving and payment process.
 - (j) To ensure that the department maintains and reviews periodically a list of employees approved to authorise invoices. Names of authorising employees together with specimen signatures and details of the limits of their authority shall be forwarded to the Section 151 Officer.
 - (k) To ensure where payments are made on a photocopied or faxed invoice, statement or other document other than the formal invoice, the appropriate checks are made to ensure payment has not been made on the original invoice.
 - (l) To encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit or standing order have the prior approval of the Section 151 Officer.
 - (m) To ensure that the department obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the Corporate Procurement Strategy and the Council's Contract Procedure Rules.
 - (n) To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Section 151 Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
 - (o) To notify the Section 151 Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31st March

in line with the timetable determined by the Section 151 Officer and, in any case, not later than 30th April.

- (p) With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Section 151 Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- (q) To notify the Section 151 Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- (r) To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

5.4.11 Responsibilities of Budget Holders

- (a) To support Executive Directors to discharge their responsibilities.

5.5 Payments to employees and Members

5.5.1 Employee costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' Allowances are authorised in accordance with the Constitution: [Members' Allowances Scheme](#).

5.5.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to payments to employees and Members.

5.5.3 Key Controls

- (a) Proper authorisation procedures are in place and there is adherence to corporate timetables in relation to:
 - (i) Starters;
 - (ii) Leavers;
 - (iii) Variations;
 - (iv) Enhancements.
- (b) Payments for casual staff are made on the basis of timesheets or claims.

- (c) Frequent reconciliation of payroll expenditure against approved budget and bank account.
- (d) All appropriate payroll documents are retained and stored for the defined retention period.
- (e) HMRC regulations are complied with.

5.5.4 **Responsibilities of the Section 151 Officer**

- (a) To arrange and control secure and reliable payment of salaries, pensions, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- (b) To record and make arrangements for the accurate and timely payment of tax, pension and other deductions.
- (c) To make arrangements for payment of all travel and subsistence claims.
- (d) To make arrangements for paying Members travel or other allowances upon receiving the prescribed format, duly completed and authorised in accordance with the approved scheme of allowances.
- (e) To provide advice and encouragement to secure payment of salaries by the most economical means that being via BACS.
- (f) To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.

5.5.5 **Responsibilities of Executive Directors**

- (a) To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- (b) To notify the Section 151 Officer of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Section 151 Officer.
- (c) To ensure that adequate and effective systems and procedures are operated, so that:
 - (i) Payments are only authorised to bona fide employees;
 - (ii) Payments are only made where there is a valid entitlement;
 - (iii) Conditions and contracts of employment are correctly applied;

- (iv) Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- (d) To send an up-to-date list of the names of employees authorised to sign records to the Section 151 Officer, together with specimen signatures, and to promptly notify the Service Director of Finance of any changes to the list. The Employee Services should have signatures of employees authorised to sign timesheets and claims.
- (e) To ensure that payroll transactions are processed only through the payroll system. Executive Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Section 151 Officer.
- (f) To ensure that all prime documents used to calculate pay are signed by the individual and authorised by an appropriate budget holder or nominee.
- (g) To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Section 151 Officer is informed where appropriate.
- (h) To ensure that the Section 151 Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- (i) The Executive Director will undertake validation checks of travel claims and provide necessary reports for Managers to review employee travel status.
- (j) To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with required document retention requirements.

5.5.6 Responsibilities of Budget Holders

- (a) To ensure that procedures and rules established by the Section 151 Officer are adhered to.
- (b) To support Executive Directors to discharge their responsibilities.

5.6 Taxation

- 5.6.1 Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for

incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

5.6.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to Taxation.

5.6.3 **Key Controls**

- (a) Budget managers are provided with relevant information and kept up to date on tax issues.
- (b) Budget managers are instructed on required record keeping.
- (c) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- (d) Records are maintained in accordance with instructions.
- (e) Returns are made to the appropriate authorities within the stipulated timescale.

5.6.4 **Responsibilities of the Section 151 Officer**

- (a) To complete all HMRC returns regarding PAYE.
- (b) To complete a monthly return of VAT inputs and outputs to HMRC.
- (c) To maintain up-to-date VAT guidance for Council employees.

5.6.5 **Responsibilities of Executive Directors**

- (a) To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- (b) To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- (c) To follow the guidance on taxation issued by the Section 151 Officer in the Council's accounting manual and VAT manual.

5.6.6 **Responsibilities of Budget Holders**

- (a) To ensure that procedures and rules established by the Section 151 Officer are adhered to.
- (b) To support Executive Directors to discharge their responsibilities.

5.7 Trading Accounts and Business Units

5.7.1 Under best value, Councils are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

5.7.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to trading accounts and business units.

5.7.3 **Responsibilities of the Section 151 Officer**

- (a) To advise on the establishment and operation of trading accounts and business units.

5.7.4 **Responsibilities of Executive Directors**

- (a) To consult with the Section 151 Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- (b) To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- (c) To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- (d) To ensure that each business unit prepares an annual business plan.

5.7.5 **Responsibilities of Budget Holders**

- (a) To support Executive Directors to discharge their responsibilities.

Section 6

6 INTRODUCTION

6.1 Increasingly, the Council has opportunities to work with or for other bodies and has access to external sources of funding. These arrangements pose a variety of challenges to sound financial management and governance.

6.2 This section of the Financial Procedures sets out the key controls in place and responsibilities associated with external arrangements.

6.3 The areas covered in this section are as follows:

6.3.1 Partnerships

6.3.2 External Funding

6.3.3 Work for Third Parties

6.4 Partnerships

6.4.1 The main reasons for entering into a partnership are:-

- (a) The desire to find new ways to share risk;
- (b) The ability to access new resources;
- (c) To provide new and better ways of delivering services;
- (d) To forge new relationships.

6.4.2 A partner is defined as either:-

- (a) An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project; or
- (b) A body whose nature or status give it a right or obligation to support the project.

6.4.3 Partners participate in projects by:-

- (a) Acting as a project deliverer or sponsor, solely or in concert with others;
- (b) Acting as a project funder or part funder;
- (c) Being the beneficiary group of the activity undertaken in a project.

6.4.4 Partners have common responsibilities:-

- (a) To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;

- (b) To act in good faith at all times and in the best interests of the partnership's aims and objectives;
- (c) Be open about any conflict of interests that might arise;
- (d) To encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
- (e) To hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
- (f) To act wherever possible as ambassadors for the project.

6.4.5 This sub section of the financial procedures sets out the key controls and responsibilities relevant to partnerships.

6.4.6 **Key Controls**

- (a) If appropriate, to be aware of their responsibilities under the Council's Financial Procedure Rules and the Contract Procedure Rules.
- (b) To ensure that risk management processes are in place to identify and assess all known risks (see section 4).
- (c) To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- (d) To agree and accept formally in writing the roles and responsibilities of each of the partners involved in the project before the project commences.
- (e) To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

6.4.7 **Responsibilities of the Section 151 Officer**

- (a) To advise on effective controls that will ensure that resources are not wasted.
- (b) To advise on the key elements of funding a project. They include:-
 - (i) A scheme appraisal for financial viability in both the current and future years;
 - (ii) Risk appraisal and management;
 - (iii) Resourcing, including taxation issues;

- (iv) Audit, security and control requirements;
 - (v) Carry-forward arrangements.
- (c) To ensure that the accounting arrangements are satisfactory.

6.4.8 Responsibilities of Executive Directors

- (a) To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared and taken through the appropriate channels, including the Section 151 Officer.
- (b) To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- (c) To ensure that all agreements and arrangements are properly documented.
- (d) To provide appropriate information to the Section 151 Officer to enable a note to be entered into the Council's statement of accounts concerning material items.
- (e) To maintain a register of all contracts entered into with external bodies.

6.4.9 Responsibilities of Budget Holders

- (a) To support Executive Directors to discharge their responsibilities.

6.5 External funding

6.5.1 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the Budget and Policy Framework of the Council. Funds from external agencies such as the National Lottery and the EU provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

6.5.2 Guidance detailing the procedures to be adopted when seeking external resources has been established by the Section 151 Officer.

6.5.3 This sub section of the financial procedures sets out the key controls and responsibilities relevant to external funding.

6.5.4 Key Controls

- (a) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.

- (b) To ensure that funds are acquired only to meet the priorities approved in the policy framework by the full Council.
- (c) To ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

6.5.5 Responsibilities of the Section 151 Officer

- (a) To ensure guidance relating to the application of external funds is updated and communicated to Executive Directors.
- (b) To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- (c) To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- (d) To ensure that audit requirements are met.

6.5.6 Responsibilities of Executive Directors

- (a) To ensure guidance established by the Section 151 Officer regarding the application of external resources is followed.
- (b) To ensure that any match-funding requirements are drawn to the attention of the Section 151 Officer and the Executive before entering into an agreement.
- (c) To ensure that all claims for funds are made by the due date and are compliant with any specified conditions.
- (d) To ensure that the project progresses in accordance with any agreed project conditions and that all expenditure is properly incurred and recorded.

6.5.7 Responsibilities of Budget Holders

- (a) To support Executive Directors to discharge their responsibilities.

6.6 Work for Third Parties

- 6.6.1 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is intra vires.
- 6.6.2 This sub section of the financial procedures sets out the key controls and responsibilities relevant to work for third parties.

6.6.3 **Key Controls**

- (a) To ensure that risks are assessed and proposals are costed properly in accordance with guidance provided by the Section 151 Officer.
- (b) To ensure that contracts are drawn up using any guidance provided by the Section 151 Officer or the Monitoring Officer and that the formal approvals process is adhered to.
- (c) To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

6.6.4 **Responsibilities of Section 151 Officer**

- (a) To issue guidance in consultation with the Monitoring Officer with regard to the financial aspects of third party contracts, the form of contract and the maintenance of the contract register.

6.6.5 **Responsibilities of Executive Directors**

- (a) To ensure that any necessary approval of the Executive is obtained before any negotiations are concluded to work for third parties.
- (b) To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Section 151 Officer.
- (c) To ensure that appropriate insurance arrangements are made.
- (d) To ensure that the Council is not put at risk from any bad debts.
- (e) To ensure that no contract is subsidised by the Council unless agreed by the Council.
- (f) To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- (g) To ensure that the department/unit has the appropriate expertise to undertake the contract.
- (h) To ensure that such contracts do not impact adversely upon the services provided for the council.
- (i) To ensure that all contracts are properly documented.
- (j) To provide appropriate information to the Section 151 Officer to enable a note to be entered into the statement of accounts.

6.6.6 **Responsibilities of Budget Holders**

- (a) To ensure that guidance issued by the Section 151 Officer is adhered to.

(b) To support Executive Directors to discharge their responsibilities.

Appendix B –The Scheme of Virement

1 DEFINITION

Virement is the transfer of approved budget from one activity to another within a Directorate operational plan consistent with the Budget and Policy Framework for the purpose of delivering improvements in the performance of services and outcomes for clients, or a client group. The outcome of all virement decisions should be the delivery of better services to the community.

2 PURPOSE OF VIREMENT RULES

- 2.1 The virement rules restrict the authority of officers to vary the approved budget without management appraisal of the justification for the virement and some scrutiny by the Section 151 Officer and without the need to refer the proposal to the Council.
- 2.2 The virement rules seek to strike a balance between the delegation to officers to enable them to manage their services efficiently and effectively and the need for the Council to be involved in the decision to transfer approved resources to other purposes.

3 SCOPE OF VIREMENT

All revenue and capital budgets will fall within the scope of the virement policy except for the following:

3.1 Revenue

- 3.1.1 Asset Depreciation;
- 3.1.2 Debt charges;
- 3.1.3 Payment of enhanced pensions;
- 3.1.4 Council Tax/ Business Rates;
- 3.1.5 Repairs and maintenance;
- 3.1.6 Insurance;
- 3.1.7 Utilities budget;
- 3.1.8 Precepts and levies

3.2 Virement will operate at Directorate level, with Executive Director approval required for any proposals, along with any additional requirements set out within this document. .

3.3 Virement can represent both in-year and recurrent changes but there should be no additionality (e.g. virement from non-staffing to staffing can be in-year and temporary but not permanent). Where an Executive Director wishes to make a permanent

change to the allocation of resources, this must be in line with the Budget and Policy Framework, all Council policies, procedures and accounting rules.

- 3.4** The virement limits set out in this document are cumulative in any financial year at the Executive Director level. The cumulative amount of virement at the Executive Director level shall determine which approval route should be taken.

4 APPROVAL OF VIREMENT

- 4.1** All virement shall satisfy the definition for Virement as set out in this document and should be capable of being adjudged to be reasonable subject to the following annual and cumulative limits in any financial year (1 April - 31 March):

	Executive Director in consultation with S151 Officer	Section 151 Officer	Cabinet or Cabinet Committee	Council
Revenue				
Within directorate	£250,000	£250,001-£500,000	-£500,001 - £2,000,000	Over £2,000,000
Between directorates	N/A	£500,000	£500,001 - £2,000,000	Over £2,000,000
From earmarked reserves and contingencies	N/A	£500,000	£500,001-£2,000,000	-Over £2,000,000
Capital				
Between projects	N/A	£500,000	£500,001 £2,000,000	-Over £2,000,000
From capital reserves and contingencies	N/A	£2,000,000	£2,000,001 £5,000,000	-Over £5,000,000

Section 151 Officer.

- 4.2** An Executive Director may, with the approval of the Section 151 Officer, delegate their authority for virement to any Service Directors or Heads of Service who are responsible and accountable for specific budgets within their service areas. Where such delegation is agreed the approval the Section 151 Officer should be notified in writing of the name of the senior manager(s) and the date from when the delegation is operative.

4.3 All decisions on virement shall be recorded and a copy sent to the Section 151 Officer Executive Directors should have regard to appropriate consultation to enable the Section 151 Officer to make the judgement under 17 below.

4.4 The Section 151 Officer reserves the right to refer a proposal for virement to the Cabinet or Council for approval before it is implemented.

5 INCOME RECEIVED IN EXCESS OF BUDGETED INCOME

5.1 Provided that there is not a predicted overspend at the Executive Director level where income actually received exceeds the budgeted income in year by £100,000 or less the Executive Director may authorise additional in -year expenditure up to a corresponding maximum amount within the same Service.

5.2 Provided that there is not a predicted overspend at the Executive Director level where income actually received in-year exceeds the budgeted income by more than **£100,000** the approval of the Section 151 Officer is required to authorise additional expenditure.

5.3 Each type of income within a Service shall be subject to the financial limits of these provisions.

Appendix C –Risk Appraisal Panel Process

1 THE PROCESS PRINCIPALLY APPLIES TO:

1.1 Projects:

1.1.1 where successful completion is a condition of any grant; and/or

1.1.2 there is a continuing obligation to a third party; or

1.2 Proposals

1.2.1 requiring a strategic policy decision; and/or

1.2.2 entering into a partnership; and

1.2.3 involving elements of serious or very severe risk

However, it can be applied to any aspect of council business or service provision giving cause for concern.

1.3 The Risk Appraisal Process is designed to identify the risk to the Council associated with participating in a project, introducing new or changes to existing policy and strategy and includes entering into strategic partnerships. It must consider events that may prevent the Council from achieving the objectives of the project or proposal and include any conflict with achieving the Council's existing objectives.

1.4 Although those concerned with a project or proposal will continuously monitor progress in reducing risks along with new and emerging risks there are likely to be three key stages at which the potential risk should be considered and reviewed.

1.4.1 **Stage 1 Conception**

The very early stages in the development of a project or proposal involving internal NCC staff and Executive Members.

1.4.2 **Stage 2 Progression**

The idea needs the input of staff time and resources and the involvement of outside bodies/agencies to prepare a detailed project or proposal.

1.4.3 **Commitment**

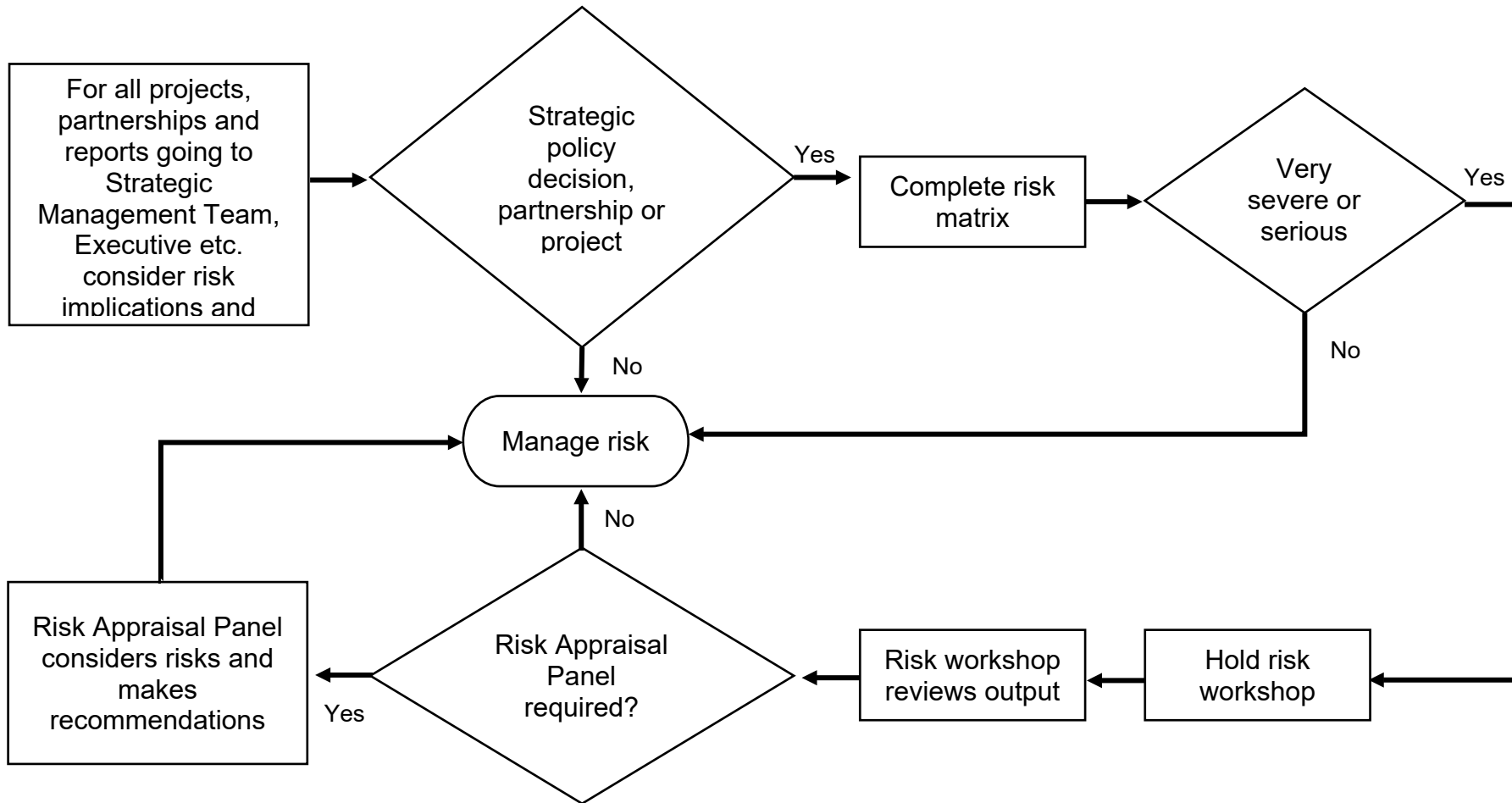
The stage at which a decision is required on whether or not a project or proposal should go ahead.

1.5 The Risk Appraisal Panel Process

1.5.1 In general terms the type of risk assessment process will depend upon the likely cost of the project or proposal together with the level of reasonably quantifiable risks associated with it. Any report (proforma attached) going to Risk Appraisal Panel should be accompanied by a risk assessment matrix.

- 1.5.2 In assessing the potential costs to cover risks (which may not materialise and therefore not be needed) those involved in sponsoring projects or proposals will use their expertise in judging what is reasonable.
- 1.5.3 Notwithstanding the guidance provided, any officer or Member may direct that any project at any time is to be subject of review by a Risk Appraisal Panel and in particular:
- (a) The Leader, Deputy Leader, Chief Executive, Monitoring Officer or Chief Finance Officer;
 - (b) The relevant spokesperson(s) for any project;
 - (c) The Project Manager; or
 - (d) Risk Manager.
- 1.5.4 The Project or Service Manager will present their report to the Risk Appraisal Panel which will comprise relevant Executive Members and Officers who will be selected by the Deputy Leader. The Panel will be chaired by the Deputy Leader or his nominee.
- 1.5.5 The Risk Appraisal Panel will make a recommendation as to whether the Council's involvement in a project or the proposal is an acceptable risk or not and may recommend conditions or further action.
- 1.5.6 A minute of the decision of the Risk Appraisal Panel will be reported to a convenient meeting of the Executive or will be retained in the case of delegated decisions.
- 1.5.7 The Risk Appraisal Panel, however, is not a decision-making body. The decision following appraisal, once potential costs have been assessed, will be made in accordance with the Scheme of Delegations within Constitution and as amplified in the Definitions and Delegated Limits within the Section 2 of Finance and Contract Procedure Rules.
- 1.5.8 The process is outlined in the following slide:

1.5.9 Risk Appraisal Process



1.5.10 Risk Appraisal Panel Report

The process principally applies to:

- (a) projects:
 - (i) where successful completion is a condition of any grant; and/or
 - (ii) there is a continuing obligation to a third party; or
- (b) proposals:
 - (i) requiring a strategic policy decision; and/or
 - (ii) entering into a partnership; and involving elements of serious or very severe risk

But can be applied to any aspect of council business or service provision giving cause for concern.

There is a shorter form if your report is principally for information – please see the intranet under Risk Management.

Guidance Notes are also available on the intranet under Risk Management.

Please consider if a map would assist the Panel’s appreciation of the issues.

Risk Appraisal Panel Report	
Name of Project or Proposal	
Short Description	
Sponsoring Group and Service	
Project or Service Manager	
Executive Member	
1 Legal Powers	
1.1 What is Northumberland County Council’s (NCC’s) power to be involved in the project/proposal?	
2 Authorisation by NCC	

Risk Appraisal Panel Report	
2.1	Under the County Council's scheme of delegation as laid in the Constitution, what authority has been given for involvement in the project, and what is necessary in the future?
3 Statutory Permissions	
3.1	What statutory orders/ permissions are required? If the project involves the use of land, the intranet Risk Management page has a list of the various permissions which may be needed.
3.2	What is the achievable timescale for obtaining any orders/permissions?
3.3	What are any (likely) conditions?
3.4	What is the effect of non-compliance with those conditions?
For proposals, go straight to section 7	
4 Capital Schemes: Land and Property	
4.1	What land/property is required for the project?
4.2	Are there any land/property issues that may affect the project?
4.3	Does the location of the project pose any risks for NCC or for completion of the project?
4.4	Are there potential claims under the Land Compensation Act against NCC?
5 Capital Schemes: Construction	
5.1	Have all investigation works been

Risk Appraisal Panel Report	
	completed?
5.2	Is the design completed? If not what stage is it up to?
5.3	What is the method of procuring the works?
5.4	Is NCC to be the client for the Construction (Design and Management) Regulations and so responsible for Health and Safety issues concerning the project?
6 Finance Grants	
6.1	What external grants are being sought?
6.2	What are the grant conditions?
6.3	How will NCC monitor compliance with grant conditions
6.4	What are the circumstances when, and by whom, grant is repayable?
6.5	If grant is repayable by NCC, is there budget provision?
The following sections are to completed for projects and proposals	
7 Finance: Capital and ongoing financial implications	
7.1	How reliable are the project/proposal budget estimates?
7.2	What is the contingency for unforeseen events?
7.3	Is there provision in NCC budget?
7.4	Is there provision in NCC budget?

Risk Appraisal Panel Report	
7.5	What steps are to be taken to comply with the Council's Constitution?
7.6	What VAT/Tax implications are there? <i>If the project may not come under county council business or if it involves community use or partnership working, specific advice must be sought from the nominated VAT Officer, Derek Brown.</i>
7.7	What are the balance sheet implications? <i>Any queries should be referred to your accountant.</i>
8 Insurance	
8.1	What insurance cover is required and has it been included in the project/proposal budget estimates?
9 Third Parties (including e.g. strategic partners, voluntary and community sector, public utilities)	
9.1	Is the project/proposal dependant upon third parties carrying out/allowing works?
9.2	What is their legal status?
9.3	What steps have been/are to be taken to secure third party compliance/agreement?
10 European Union Issues	
10.1	Does the project require compliance with the Procurement Directives and Regulation?
10.2	If so, has an OJEU notice been given (give date if applicable)?
10.3	Are there any other EU related issues, not dealt with in other sections of the report?

Risk Appraisal Panel Report

11 Timescales

11.1 What are the project/proposal timescales; are any elements dependant upon achieving certain targets?

12 Advantages V Risks

12.1 What are the advantages/benefits to NCC of the project/proposal?

12.2 The potential risks to NCC are detailed in the risk assessment matrix attached as Appendix A.

12.3 The measures to reduce risks are detailed in the risk assessment matrix attached as Appendix A.

PROJECT or SERVICE MANAGER'S SUMMARY

Executive Member(s)'s Summary [if appropriate]:

Appendix D – Guidance on Production of a Business Case

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1 INTRODUCTION

Through the annual planning process, capital and revenue schemes are identified for each service. In order for the schemes to be prioritised, considered, approved and ultimately implemented a business case is required.

This guidance has been developed in order to ensure that all developments within the Council are fully costed, and are agreed as such by the Section 151 Officer, before they are submitted to the Executive and County Council.

Where developments cost £100,000 or more it is expected that all relevant internal specialists are consulted and “sign off” the Business Case before it is submitted e.g. legal, finance, procurement, IT.

The level of detail expected is less for schemes with –

1.1 Pre-existing budget approval;

1.2 A value of less than £100,000.

A common-sense approach should be taken to proportionality.

It is envisaged that the format of this document will change as time progresses.

2 USE OF THIS GUIDANCE

This guidance relates to the attached form and should be completed in all cases. In order to stream line the process and avoid as much duplication as possible, it has been set out in three sections to reflect the stages of prioritisation and decision-making.

Initially Section 1 only should be completed, with Section 2 following on once approval has been given to commit to the full feasibility study for the project. Where a project then gets approval for implementation, arrangements should then be put in place for the completion of Section 3 which evaluates the success of the completed project overall and provides a basis for continuous improvement.

The flow chart below sets out all stages of the capital process for the development, implementation, and evaluation of capital projects and how they relate to the completion of Section 1, 2 and 3 of the Business Case.

Capital Process Stage	Process/Responsibility
Medium Term Financial Plan agreed	Broad Capital allocations agreed by the County Council
Corporate and service level priorities identified	Service Plans, Annual Executive Statement, BVPP

Capital Process Stage	Process/Responsibility
Capital plans developed in line with priorities and individual schemes identified. Pre-feasibility estimates prepared for each scheme Section 1 to be completed at this stage	ICT Strategy, LTP, AMP, Waste Strategy etc Project Managers
Schemes scored and prioritised and approval given to progress to Stage 2	Individual Stakeholder Groups Capital Strategy Group
Detailed Project Analysis prepared for each scheme in line with Section 2	Service Managers or Project Managers, as appropriate
Schemes scored and prioritised	Individual Stakeholder Groups – eg Property Board, ICT Board, LTP Programme Board etc.
Capital programme developed	Capital Strategy Group
Recommendations agreed or amended	Strategic Management Team
Recommendations finalised	Executive
Capital programme approved	County Council
Capital programme implemented	Project Managers
Capital programme monitored	Capital Strategy Group
Scheme and programme evaluated in accordance with Section 3 Post Implementation Review	Capital Strategy Group

This Appendix provides guidance as to the completion of the pro forma and staff within the Business Support are available to provide assistance (see Appendix 1 for details). The relevant Executive Directors and Executive Members should also be consulted as appropriate.

Once completed the form should be forwarded to the Section 151 Officer.

3 TIMETABLE

It is envisaged that submission of the forms will coincide with the budget planning cycle and follow the timetable detailed below. However, bids which arise during the year with sufficient justification will be considered separately.

When	What	Who
September	<p>Capital projects proposed by Service Departments are passed through the relevant stakeholder groups. The proposals, including a narrative description of the scheme and the relevant financial information, are scored and prioritised in line with the requirements of the stakeholder groups. Feedback for further clarification or rejections will be made direct to the applicant.</p> <p>The proposals should build on existing proposals included in the existing Medium Term Plan rather than establishing a new programme each year.</p> <p>Mid-year proposals including fast track applications will be scored and prioritised in line with the on the same basis as regular bids.</p>	Stakeholder Groups
October	<p>Each Stakeholder Group will forward their proposals to the CSG.</p> <p>Proposals which are not rejected immediately by CSG are returned to the originating service to be worked up into a full business case. The business cases are returned to CSG for review and recommendation to SMT.</p> <p>Mid-year proposals, including fast track applications, will be reviewed and either rejected or full business case completion requested. Fast track requests will follow the same process within a shorter timeframe.</p>	CSG
November	Proposed capital programme escalated from CSG to SMT for review and authorisation.	SMT
December	Proposed capital programme escalated to the Executive for review and authorisation.	Executive
February	Capital MTP and schemes agreed and outline plans for years 2, 3 and 4 agreed.	County Council

The form contains the following sections:

3.1 Title Page

Please mark an 'X' in the appropriate box and date the form.

Section 1

1 INITIAL PROJECT OUTLINE

1.1 Contact Name

Name and position of the person completing the pro forma, to whom queries may be addressed.

1.2 Contact Details

Group, e-mail address and telephone number where the person can be reached.

1.3 Project Name

Please ensure that if the name of the project is revised that the appropriate accountant within the Finance Group is advised.

1.4 Description of the Proposed Scheme

This should be a brief statement, which clearly describes the specific project.

1.5 Objective(s) of the Scheme

This should demonstrate how the proposed scheme contributes to the achievement of clearly defined objectives in line with the County Council's strategic aims and objectives and the Council's Asset Management Plan.

If the scheme has already been agreed by the County Council but the funding is being held as a reserve then the objectives and links need to be restated.

Also, include here any links to national and local initiatives and organisations. Activity data to be included in applicable. Identify common/linked data.

1.6 Need for the Scheme

This should include reasons as to why the current position is no longer satisfactory and details as to the expected outcome of implementing the scheme.

Where possible provide evidence of the need for the scheme. Consider for example, any supporting documentation, i.e. legislation, government guidelines, reports, statistics, risk assessment.

1.7 Was the scheme identified during the medium term planning process?

If the proposed development was identified and included within the service improvement statement and medium term planning statement for the current year please state this here. If the development was not included in the service improvement statement or the medium term planning statement please state why the development needs to be considered now.

1.8 What would be the implications of not proceeding?

If the scheme were not approved, what would be the consequences; e.g. risks, prosecution, deterioration in quality of service, etc.

1.9 Description of Outputs/Benefits

This requires a clear statement of both qualitative and quantitative outputs (including Pls), e.g. clients to benefit, improved standards in education, improved health and safety, time efficiencies etc.

1.10 Property Condition, Suitability and Sufficiency

As part of the corporate asset management process surveys/assessments are undertaken to identify the condition, suitability and sufficiency of the Council's assets. Please explain and quantify what Condition Survey items are to be rectified as part of this project, including estimated costs. If the project will address suitability or sufficiency issues identified in the building's Suitability/Sufficiency Assessment explain what these are here.

1.11 Is this project linked with any other project or scheme?

Provide information on proposals from different functions of the Council which need to be linked together. This should include reference to any data, information and processes which are or should be linked more closely together as part of this project.

1.12 Indicative Cost

Provide details of the indicative costs of the preferred project as determined through the initial project option appraisal.

1.13 Project Options

A brief summary of all options explored should be shown here, including as a minimum the "do nothing" option. Outline how the options were analysed in both financial and non-financial terms and state the results of the appraisal.

1.14 Preferred Option

State the preferred option and the reason why this is the preferred option.

Section 2

2 DETAILED PROJECT ANALYSIS

2.1 Financial Implications

A summary of the financial implications of the scheme, both revenue and capital should be detailed in this section. A full breakdown of costs and income should be provided. Staff within the Resources Group are available to assist with the completion of this section and should be contacted to ensure that all associated costs are included.

If any funding is available for the scheme (capital and revenue) please show this here; e.g.

2.1.1 Approved budgets held in reserve

2.1.2 Grants

2.1.3 Contributions

2.1.4 Earmarked Capital Receipts

If this is a new grant/contribution, please indicate the contribution to be made by the other parties and attach written confirmation from the other parties involved.

If the scheme results in any revenue savings please show this here.

The cashflow statement should also be completed for capital schemes. Estimated expenditure on a quarterly basis should be shown.

2.2 Whole Life Costs

Please refer to Annex 4.

2.3 Feasibility Study: Executive Summary

A clear but concise summary of the findings of the full feasibility study should be set out here. The detailed feasibility study report should be made available as an appendix.

2.4 Cost/Benefit Analysis

Include financial and non financial analysis (NPV). Staff within the Resources Group are available to assist with the completion of this section and should be contacted to ensure that all associated costs are included.

2.5 Value Added Tax Implications

The Council's VAT Officer must be contacted in order to assess if there are any VAT implications for the Council. Please state here the progress with regard to this topic.

2.6 Other Resource Requirements

Please describe the requirements e.g. staff, IT, land and buildings - The Property Service can assist with such property issues and should be contacted. Please describe the progress made with regard to this topic.

2.7 Has a Risk Appraisal Checklist for the scheme been completed?

The Checklist should be completed for all projects in an attempt to identify all risks, whether financial and non financial. This checklist should be attached to the Business case as an appendix.

A formal risk appraisal panel may be required depending on the circumstances of an individual project. The service manager may request or be requested to attend a formal Risk Appraisal Panel if necessary. The Risk Manager can provide assistance.

2.8 Project Management and Monitoring Arrangements

Please describe the arrangements

2.9 Timescales

A broad implementation plan with details of the proposed timescales for the scheme. If there are any time constraints associated with funding this should be stated here.

2.10 Please state which services will be affected by the scheme

Consider the implications and organisational issues which may arise from the scheme. If it is likely to impact across a number of departments within the service, or across other services, the scheme must be discussed with all parties concerned.

To enable the new scheme to proceed, consideration may need to be given to either not proceeding with plans or ceasing part or all of a current service area. Inevitably this will involve a review of the evidence base for each area involved.

Section 3

3 POST IMPLEMENTATION REVIEW

To maintain good practice it is essential not only to monitor progress on implementation of all capital schemes but to evaluate the schemes success in meeting its objectives once it is completed.

Post Project Evaluation (PPE) acts as an indicator of performance and provides a framework through which improvements in project planning, management and implementation can be identified. The lessons learned can then be applied to the delivery of future projects resulting in a process of continuous improvement.

PPE is not something which, as its name suggests, should be left to the end of the procurement process. It is an integral part of the project planning process and must be considered by the Project Manager at the Business Case preparation stage. It is important at this stage that responsibility for the following roles is identified:

- 3.1** Project Owner – usually the sponsoring Service
- 3.2** Project Manager
- 3.3** Construction Project Manager
- 3.4** Evaluation Officer

The Evaluation Officer, who should be independent of the project being evaluated, will be nominated by CSG to oversee the PPE process. This appointment should normally be made when the project is approved.

PPE is a flexible tool and whilst the overall evaluation framework should be regarded as a constant the scope of performance measures will vary with individual projects. Evaluation should be appropriate to project scale and care needs to be taken to ensure it does not become an administrative burden. For this reason the selection of performance measures needs to be targeted and the mechanism, timing and responsibility for data collection must be agreed from the outset

A structured process will ensure consistency of approach and lead to ongoing improvement.

There is a cost associated with PPE commensurate with the complexity of the project and the process needs to be properly resourced. For instance a comprehensive end user satisfaction survey may be required and the cost of PPE should therefore be built into the project budget

A representative sample of all projects, chosen by CSG at project approval stage, will be subject to formal post project evaluation. The evaluation process, coordinated by the nominated Evaluation Officer, will usually take place between three to six months following the completion of the project or such other period(s) as may be defined in the Business Case. The Evaluation Officer nominated by CSG at the Business Case approval stage will perform an independent scrutiny role.

Where necessary, CSG can request that a formal evaluation of any project be undertaken.

An outline of an appropriate timetable for PPE should be defined and agreed at the project planning stage by the Project Manager and stated in the Business Case.

The proforma, set out in Section 3 of the Business Case Submission, is to be used as a basis for PPE and should be developed as appropriate to meet the needs of an individual project.

At the conclusion of the PPE process a summary report, focussing on any lessons learnt (based on Section 3.8 of the proforma), is to be prepared by the Evaluation Officer setting out any recommendations for improvement. CSG will consider the report and propose any corrective action required to lead to improvement. The implementation of the action plan will be monitored by the CSG on a quarterly basis.

As part of the corporate PPE process CSG will present an annual review of project delivery performance for consideration by Scrutiny Committee.

The completed form should then be forwarded to:

Section 151 Officer
County Hall
Morpeth
Northumberland
NE61 2EF

The forms will then be collated and will be subject to the planning process. Updates and decisions by Members will be forwarded by the Section 151 Officer as soon as is possible.

Annex A - Finance Contacts

Directorate	Executive Director	Finance Manager
Chief Executive	Dr Helen Paterson	Andy Stewart
Place and Regeneration	Simon Neilson	Suzanne Dent
Adults, Ageing and Wellbeing	Neil Bradley	Kris Harvey
Children, Young People and Education	Audrey Kingham	Kris Harvey
Transformation and Resources	Jan Willis	Andy Stewart
Public Health, Communities and Inequalities	Gill O'Neill	Andy Stewart

Annex B - Business Case Submission

This scheme has:	(Please put an 'X' in the appropriate box)
Revenue Implications	
Capital Implications	
Revenue and Capital Implications	
Whole Life Costs	

Date of Submission:	
Received in Resources:	

Annex C - Business Case Pro forma

All sections of this form should be completed. Please do not leave any sections blank as this may delay consideration of your scheme.

Section 1

1 INITIAL PROJECT OUTLINE

1. Contact Name	2. Contact Details
3. Project Name	
4. Description of proposed scheme	
5. Objectives of the Scheme	
6. Need for the Scheme	
7. Was the scheme identified during the Medium Term Planning process?	
8. What would be the implications of not proceeding?	
9. Description of Outputs and Benefits	
10. How does the proposed scheme address issues identified in the property's condition survey	

1. Contact Name	2. Contact Details
and/or suitability and sufficiency assessments?	
11. Is this project linked with any other project or scheme?	
12. Indicative Cost	
13. Project Option Appraisal	
14. Preferred Option	

Section 2

2 DETAILED PROJECT ANALYSIS

1. Summary of financial implications (A full breakdown of costs and financing (revenue and capital) should be provided as an appendix to this submission)

Capital Cost	Year 1* £000	Year 2* £000	Later Years £000	Total £000
Land Purchase				
Building Purchase				
Construction				
Fees				
IT, Plant, Furniture and Equipment				
Vehicles				
Other (specify):				
Total Capital Cost				

Capital Financing	Year 1* £000	Year 2* £000	Later Years £000	Total £000
Grants (specify)				
Capital Receipts (specify)				
Contributions (specify)				
Other (specify)				
Total Capital Financing				

Additional Revenue Costs and Income	Year 1* £000	Year 2* £000	Later Years £000	Total £000
Employee Related				
Premises Related				
Running Costs				
Other				
Total Revenue Cost				
Additional Revenue Funding (<i>Specify</i>)	Year 1* £000	Year 2* £000	Later Years £000	Total £000
Grants				
Contributions				
Approved budget held in reserve				
Other				
Total Revenue Income				

Revenue Savings (specify)	Year 1* £000	Year 2* £000	Later Years £000	Total £000
Total Revenue Savings				

* Please specify the specific years in question in relation to your particular project.

Cashflow - Capital	Q1 £000	Q2 £000	Q3 £000	Q4 £000	Q5 £000	Q6 £000	Q7 £000	Q8 £000	Total £000
Land/Property Purchase									
Construction									
Fees									
IT, Plant, Furniture and Equipment									
Vehicles									
Other (<i>specify</i>)									
Total									

2. Whole Life Costs

Baseline costs (Existing and/or Benchmark):

£/m2/year

Provide cognisance of:

1. Resource Requirements
2. Planning Costs
3. Consultancy Fees
4. ITC Costs
5. Construction Costs
6. Health and Safety
7. Operational Requirements
8. Cleaning and Maintenance
9. Utility Requirements
10. Alterations / Flexibility of Installation
11. Disposal strategy
12. Risk Analysis

3. Feasibility Study: Executive Summary

2. Whole Life Costs

4. Cost /Benefit Analysis

5. Value Added Tax and any other tax implications

6. Other Resource Requirements

7. Has a Risk Appraisal Checklist for the scheme been completed?

8. Project Management and Monitoring Arrangements

9. Timescales

10. Please state which services will be affected by the scheme. Full consultation must have taken place with those affected.

Section 3

3 POST IMPLEMENTATION REVIEW

3.1 Post Project Evaluation

Project Title	
Brief Description of Project	

To be used as a basis and developed as appropriate to meet the needs of an individual project.

Responsibility:

PO Project Owner usually the sponsoring Service

PM Project Manager

CPM Construction Project Manager

EO Evaluation Officer in consultation with PO/PM

Responsibility	Name and Job Title
Project Owner	
Project Manager	
Construction Project Manager	
Evaluation Officer	

3.2 Revisiting the Strategic Context

Indicator	Comment	Responsibility
Was the organisation ready (i.e. cultural readiness) for the investment?		PO
Were the assumptions made at the appraisal stage borne out by actual experience?		PO
What lessons were learned?		EO

3.3 The investment Decision

Indicator	Comment	Responsibility
Were all appropriate stakeholders sufficiently involved during the consultative process?		PO
Was the right option chosen?		PO
Was the risk analysis valid?		PO
Was the affordability analysis robust?		PO
Was the decision- making process robust, sound, and consultative?		PO
Could the decision- making process have been improved?		PO
What lessons were learned?		EO

3.4 The Procurement Process

This review should ideally be carried out by an independent party and should review the success of the process from both the perspective of the service sponsor and the designer/project manager

Indicator	Comment	Responsibility
Was the procurement process in accordance with NCC policy?		PM
Was a programme defined and agreed at the Business Case stage for the project?		PM

Indicator	Comment	Responsibility
Was the brief received by the designer adequate?		PM/EO
Did the design comply with the brief?		PM/EO
Were changes to the brief agreed and incorporated and budgetary implications identified and approved?		PM/EO
Was the client kept informed of the likely cost of the project or changes to cost as the project progressed?		PM/EO
Could any steps have been taken to improve the procurement process?		PM/EO
What lessons were learned?		EO

3.5 Project Management and Implementation

This review should ideally be carried out by an independent party and should review the success of the process from both the perspective of the service sponsor and the designer/project manager

Indicator	Comment	Responsibility
Was the client kept informed of progress of the project including discussion of any potential delays and planning for the consequences?		CPM
Were requirements for access and occupation dealt with satisfactorily?		CPM/Service Provider

Indicator	Comment	Responsibility
Were safety issues satisfactorily addressed?		CPM/Service Provider
Was the finished project handed over in a satisfactory state?		CPM/Service Provider
Were appropriate documents / instructions / training made available to end user at appropriate time?		CPM/Service Provider
What lessons were learned?		EO

3.6 Review contract delivery – timing and cost

Indicator	Comment	Responsibility
Was the project delivered on time?		PM/CPM
Was the project delivered within budget?		PM/CPM
Was the quality of the product acceptable		PM/CPM
Were there any Health and safety issues identified?		PM/CPM
How did performance compare to the DTI Construction Industry Key Performance Indicators?		PM/CPM
What lessons were learned?		EO

3.7 Organisational Impact and Change Management

Indicator	Comment	Responsibility
Was change managed properly?		PO
Was appropriate support and training provided?		PO
Was change communicated effectively?		PO
What lessons were learned?		EO

3.8 Outcome and Impact (as specified in Section 1.9)

Indicator	Comment	Responsibility
Were there any undesirable outcomes not previously identified?		PO
Were the objectives for the project met?		PO
What impact did it have on end users of the service? An appropriate end user satisfaction survey will usually be required.		PO/End Users
What lessons were learned?		EO

3.9 Lessons for Future Projects (summary of Evaluation Officer recommendations)

Indicator	Comment
To be based on the lessons learned from Sections 3.1 to 3.7 above.	

Please forward the completed form to the Section 151 Officer.

Annex D - Whole Life Costs

1 WHOLE LIFE COST MANAGEMENT POLICY

Northumberland County Council will employ the following Whole Life Management approaches to achieve both Best Value and continual improvement in the quality, standards and delivery of County Council Services and strategic project planning, development, implementation and monitoring.

2 DEFINITION

Value for money is the optimum combination of whole-life cost and quality to meet the user's requirement. This means that awarding contracts on the basis of lowest price tendered for construction works is rarely value for money; long-term value over the life of the asset is a much more reliable measure. It is the relationship between long-term costs and the benefit achieved that represents value for money.

3 RESPONSIBILITY WITHIN NORTHUMBERLAND COUNTY COUNCIL

The investment decision maker is accountable for any decision relating to the cost of the project or programme. Whole-life costings should provide the information necessary to make the best decision in terms of procurement.

The project sponsor (Senior Officer) is responsible for ensuring that budgetary estimates are based on whole-life costs and assisted by the project sponsor and project manager, as appropriate, together with additional client advice as required, such as value managers and cost consultants.

4 METHODOLOGY – ITEMS TO BE CONSIDERED

At Outline Business Case stage, Life cycle and whole life cycle assessments should be presented in a transparent manner with auditable backup to demonstrate the methodology utilised and the data sources called upon to generate the estimate, where appropriate.

5 ESTABLISHING BASELINE COSTS

Establish the expected operational running costs of the facility. For the whole life of the facility, produce a quantified estimate of running, maintenance and other support costs of operating the proposed building, including the costs of disposal. All options should be compared on net present value. ([refer to Green Book](#))

Benchmark comparison of the whole life model should be undertaken with costs from existing buildings or other comparable facilities. The Building Cost Information Services (BCIS www.bcis.co.uk) provides a source of such data.

6 ELEMENTS TO BE CONSIDERED

The aim of the whole life cost model is to include every cost likely to be incurred in respect of the asset from inception to disposal. This section identifies some of the elements that need to be included in the model, though the list is not exhaustive.

Each part of a facility has its own physical and economical lifespan. The model must reflect the economical lifespan of each part.

The OBC requires due consideration, in narrative form, for each element.

7 IN-HOUSE RESOURCES

These should include the total costs to the Council for all staff time and other resources relating to the project and should include the relevant proportion of all overhead resources.

8 PLANNING COSTS

All costs associated with obtaining planning permission for construction of the asset should be included, including any requirement for a refurbishment project.

9 CONSULTANCY FEES

The total costs of all consultancy fees incurred for the project at any stage from inception to disposal should be included in the model. Consultancy fees may be incurred through any of the following:

- 9.1** Procurement advice and development of client brief;
- 9.2** Legal advice;
- 9.3** Fees linked to purchase of site / assets;
- 9.4** Cost consultancy;
- 9.5** Change management;
- 9.6** Financing;
- 9.7** Design;
- 9.8** Value management and risk management;
- 9.9** Project management;
- 9.10** Economic appraisal;
- 9.11** CDM Co-ordinator; and
- 9.12** Advice on technical issues.

With an integrated procurement route, some of the above elements will not appear as separate items, but will be included as part of the integrated design and construction package.

10 IT COSTS

Where not included in design / construction / project management costs, there may be IT costs including 3D-modelling of the proposed facility, planning for prefabrication of construction components and project scheduling.

11 CONSTRUCTION COSTS

The construction cost of a project is made of many elements, which include:

- 11.1** In-house costs and expenses;
- 11.2** Consultancy fees and expenses;
- 11.3** Land costs;
- 11.4** Wayleaves and compensation;
- 11.5** Demolition and / or diversion of existing facilities;
- 11.6** New construction or refurbishment costs; and
- 11.7** Insurances.

The cost estimate for the construction components of a project should address each element to arrive at the total cost estimate for the project. Focussing on any individual element of the total project cost, in isolation, may result in a distorted picture because a reduction in one element could result in an increase in cost for another element.

12 HEALTH AND SAFETY

Health and Safety issues arising out of construction, occupation, maintenance, alteration and disposal of the asset should be included in the model. The Construction (Design and Management) Regulations 2007 (CDM 2007) place specific duties and responsibilities on Clients.

13 OPERATIONS

The aim is to identify the total resources necessary to operate the asset. There is often an overlap between this element and the resources necessary to carry out the core business operations of the organisation including staff costs and IT infrastructure costs. The important aspect is to consider how the performance of the facility can be improved to optimise the resources used for both elements. There should be a risk allowance to cover risks that materialise during the operational life of the facility.

14 CLEANING

The sustainability of a facility can be attributed in part to maintaining it in its original state and that required a structured, effective cleaning regime. Cleaning of the facility, both internally and externally, needs to be addressed at the outset. The design can have a significant impact on the ease of cleaning and even on the frequency at which cleaning is required.

15 MAINTENANCE

The maintenance strategy needs to be developed during the early stages of the project. Allowance needs to be made for total resources for normal routine maintenance, regular inspections and, where appropriate, testing as well as for the replacement of elements through normal wear and tear. The costs of providing accommodation and other facilities for maintenance activities, such as access, need to be addressed. The costs of disruption to business operations and / or resources incurred in decanting staff while maintenance operations are carried out should be included.

16 UTILITIES

The total costs for different forms of utility supply, such as heating, cooling, power, lighting, water and waste, should be allowed for.

17 ALTERATIONS

There needs to be consideration of the likelihood for future changes to the facility that may be required as a result of changes in the way that the core business operations are carried out. Any allowance considered necessary should include the total costs of making the alterations, including those incurred when moving staff.

18 DISPOSAL

Consideration needs to be made of how the asset will be disposed of and whether it will have any residual value at the time. This may include demolition or sale.

19 RISK ANALYSIS

A strategic risk analysis is required to be carried out listing all significant risks that might occur over the life of the facility.

Annex E - Risk Appraisal Checklist

TO BE ATTACHED AS AN APPENDIX TO THE BUSINESS CASE SUBMISSION

1 INTRODUCTION

This checklist is designed to assist project managers and others. It should be used as part of the Business Planning Process.

It is intended that the completed form should be attached as an appendix to the Business Case Submission.

Some of the issues raised may be unfamiliar to Service Managers but all could cause potential difficulties for a project if not addressed at an early stage

Guidance Notes for the formal risk appraisal scheme are at the end of the form. The Service Manager / Project Manager may be asked to attend a risk appraisal panel.

The process principally applies to:

1.1 Projects

1.1.1 where successful completion is a condition of any grant; and/or

1.1.2 there is a continuing obligation to a third party; or

1.2 proposals

1.2.1 requiring a strategic policy decision; and/or

1.2.2 entering into a partnership; and involving elements of serious or very severe risk

But can be applied to any aspect of council business or service provision giving cause for concern.

Guidance Notes are at the end of the Form.

Risk Appraisal Check List

Risk Appraisal Check List	
Name of Project or Proposal	
Short Description	
Sponsoring Group and Service	
Project or Service Manager	
Executive Member	
1. Legal Powers	
1.1 What is Northumberland County Council's (NCC's) power to be involved in the project/proposal?	
2. Authorisation by NCC	
2.1 Under the County Council's scheme of delegation as laid out in the Constitution, what authority has been given for involvement in the project, and what is necessary in the future?	
3. Statutory Permissions	
3.1 What statutory orders/ permissions are required? If the project involves the use of land, the intranet Risk Management page has a list of the various permissions which may be needed.	
3.2 What is the achievable timescale for obtaining any orders/permissions?	
3.3 What are any (likely) conditions?	
3.4 What is the effect of non-compliance with those conditions?	
4. Capital Schemes: Land and Property	
4.1 What land/property is required for the project?	

4.2 Are there any land/property issues that may affect the project?	
4.3 Does the location of the project pose any risks for NCC or for completion of the project?	
4.4 Are there potential claims under the Land Compensation Act against NCC?	
5. Capital Schemes: Construction	
5.1 Have all investigation works been completed?	
5.2 Is the design completed - if not what stage is it up to?	
5.3 What is the method of procuring the works?	
5.4 Is NCC to be the client for the Construction (Design and Management) Regulations and so responsible for Health and Safety issues concerning the project?	
6. Finance: Grants	
6.1 What external grants are being sought?	
6.2 What are the grant conditions?	
6.3 How will NCC monitor compliance with grant conditions?	
6.4 What are the circumstances when, and by whom, grant is repayable?	
6.5 If grant is repayable by NCC, is there budget provision?	
7. Finance: Capital and ongoing financial implications	
7.1 How reliable are the project/proposal budget estimates?	
7.2 What is the contingency for unforeseen events?	
7.3 Who will fund any additional costs?	

7.4 Is there provision in NCC budget?	
7.5 What steps are to be taken to comply with the Council's Constitution?	
7.6 What VAT/Tax implications are there? <i>If the project may not come under county council business or if it involves community use or partnership working, specific advice must be sought from the nominated VAT Officer.</i>	
7.7 What are the balance sheet implications? <i>Any queries should be referred to your accountant.</i>	
8. Insurance	
8.1 What insurance cover is required and has it been included in the project/proposal budget estimates?	
9. Third Parties (including e.g. strategic partners, voluntary and community sector, public utilities)	
9.1 Is the project/proposal dependant upon third parties carrying out/allowing works?	
9.2 What is their legal status?	
9.3 What steps have been/are to be taken to secure third party compliance/agreement?	
10. European Union Issues	
10.1 Does the project require compliance with the Procurement Directives and Regulation?	
10.2 If so, has an OJEU notice been given (give date if applicable)?	
10.3 Are there any other EU related issues, not dealt with in other sections of the report?	
11. Timescales	
11.1 What are the project/proposal timescales; are any elements dependant upon achieving certain targets?	

12. Advantages V Risks	
12.1 What are the advantages/benefits to NCC of the project/proposal?	
12.2 The potential risks to NCC are detailed in the risk assessment matrix attached as Appendix 1.	
12.3 The measures to reduce risks are detailed in the risk assessment matrix attached as Appendix 1.	
2 PROJECT or SERVICE MANAGER'S SUMMARY	
3 Executive Member(s)'s Summary [if appropriate]:	

1 GUIDANCE NOTES

- 1.1** The Risk Appraisal Process is designed to identify the risk to the Council associated with participating in a project, introducing new or changes to existing policy and strategy and includes entering into strategic partnerships. It must consider events that may prevent the Council from achieving the objectives of the project or proposal and include any conflict with achieving the Council's existing objectives.
- 1.2** Although those concerned with a project or proposal will continuously monitor progress in reducing risks along with new and emerging risks there are likely to be three key stages at which the potential risk should be considered and reviewed.
- 1.2.1 Stage 1 Conception
- The very early stages in the development of a project or proposal involving internal NCC staff and Executive Members.
- 1.2.2 Stage 2 Progression
- The idea needs the input of staff time and resources and the involvement of outside bodies/agencies to prepare a detailed project or proposal.

1.2.3 Stage 3 Commitment

The stage at which a decision is required on whether or not a project or proposal should go ahead.

1.3 **The Risk Appraisal Panel Process**

1.3.1 In general terms the type of risk assessment process will depend upon the likely cost of the project or proposal together with the level of reasonably quantifiable risks associated with it. Any report going to Risk Appraisal Panel should be accompanied by a risk assessment matrix.

1.3.2 In assessing the potential costs to cover risks (which may not materialise and therefore not be needed) those involved in sponsoring projects or proposals will use their expertise in judging what is reasonable.

1.3.3 Notwithstanding the guidance provided, any officer or Member may direct that any project at any time is to be subject of review by a Risk Appraisal Panel and in particular:

- (a) The Leader, Deputy Leader, Chief Executive, Monitoring Officer or Chief Finance Officer;
- (b) The relevant spokesperson(s) for any project;
- (c) The Project Manager; or
- (d) Risk Manager

1.3.4 The Project or Service Manager will present their report to the Risk Appraisal Panel which will comprise relevant Executive Members and Officers who will be selected by the Deputy Leader. The Panel will be chaired by the Deputy Leader or his nominee.

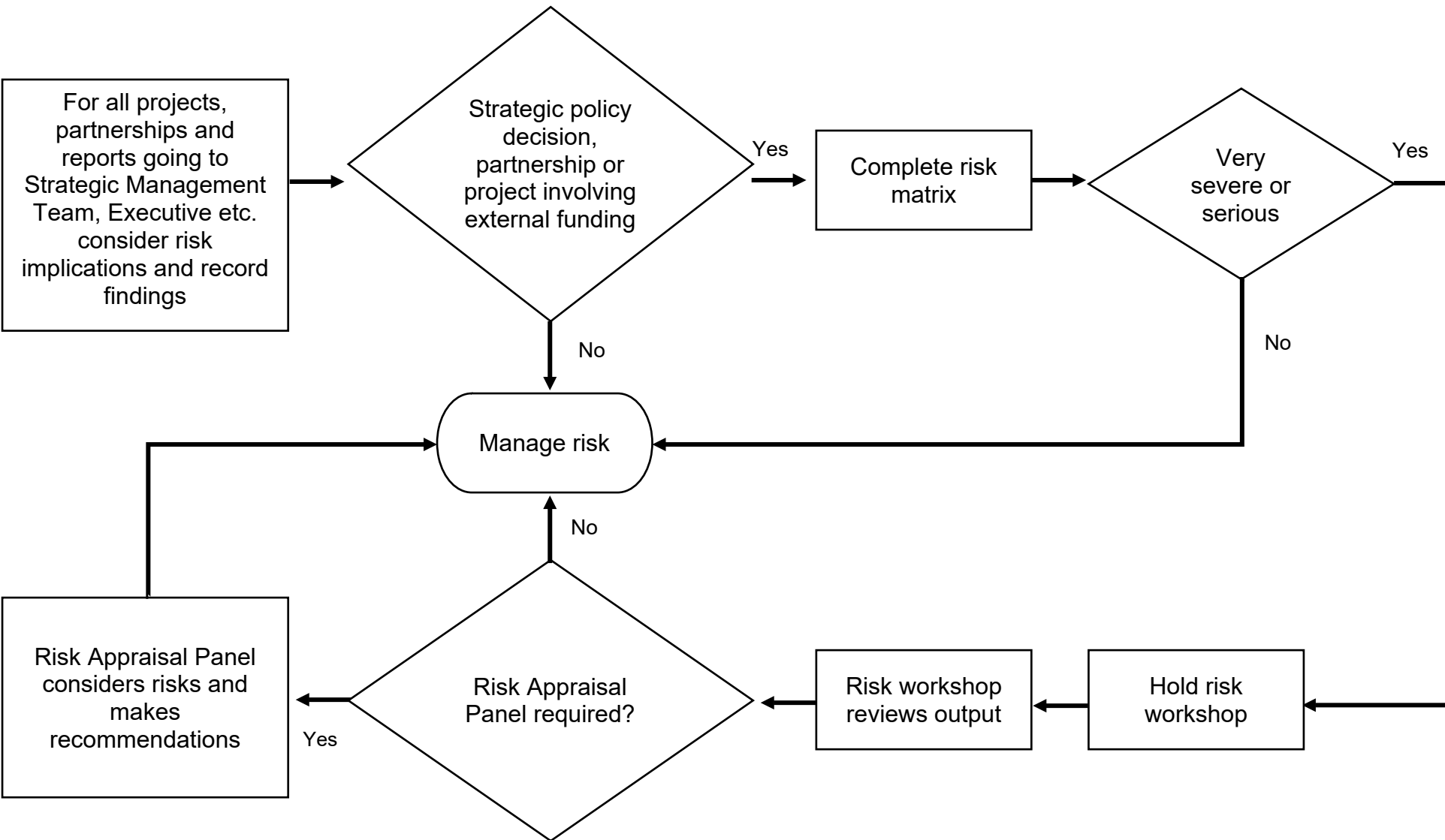
1.3.5 The Risk Appraisal Panel will make a recommendation as to whether the Council's involvement in a project or the proposal is an acceptable risk or not and may recommend conditions or further action.

1.3.6 A minute of the decision of the Risk Appraisal Panel will be reported to a convenient meeting of the Executive or will be retained in the case of delegated decisions.

1.3.7 The Risk Appraisal Panel, however, is not a decision-making body. The decision following appraisal, once potential costs have been assessed, will be made in accordance with the Scheme of Delegation within Constitution and as amplified in the Finance and Contract Regulations.

1.3.8 The process is outlined in the following slide:

1.4 Risk Appraisal Process



Appendix E – Guide to Capital Expenditure

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1 INTRODUCTION

In line with central government requirements, and to help improve our asset planning and management processes, the Council has produced a Capital Strategy Statement. This provides a high level summary of the Council's approach to capital investment, explaining how we identify and prioritise capital project proposals, how we monitor and evaluate capital projects and how we ensure the efficient and effective use of our assets.

The Capital Strategy is an implicit element of the Council's overall planning framework, making sure that all issues are taken fully into account. A coherent, well-expressed, and well-understood capital strategy is vital to ensure that assets and the resources tied up in them are efficiently and effectively used and that the deployment of capital resources contributes to the achievement of the Council's goals. The Executive endorsed the Capital Strategy in July 2002.

The Council spends significant sums of capital each year, investing in new or improved roads, schools, and other facilities such as Northumberland's IT infrastructure. It is important that the Council makes best use of this money – it is never as much as we would like it to be – and monitors our expenditure carefully.

This document aims to provide a more detailed guide as to the processes supporting the capital procedure and explains the roles and responsibilities of individual services in relation to capital assets.

2 DEFINITION OF CAPITAL EXPENDITURE

2.1 For the purposes of these procedures capital expenditure is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as follows:-

“All expenditure on the acquisition, creation or enhancement of fixed assets should be capitalised.

Expenditure that should be capitalised will include expenditure on the:

- 2.1.1 Acquisition, reclamation, enhancement or laying out of land;
- 2.1.2 Acquisition, construction, preparation, enhancement or replacement of roads, buildings or other structures;
- 2.1.3 Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means the carrying out of works which are intended to:-

- 2.1.4 Lengthen substantially the useful life of the asset; or
- 2.1.5 Increase substantially the open market value of the asset; or

2.1.6 Increase substantially the extent to which the asset can or will be used for the purposes of, or in conjunction with, the functions of the council.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred. Expenditure on existing fixed assets should be capitalised in three circumstances:-

2.1.7 Enhancement – see above;

2.1.8 Where a component of the fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful life is replaced or restored;

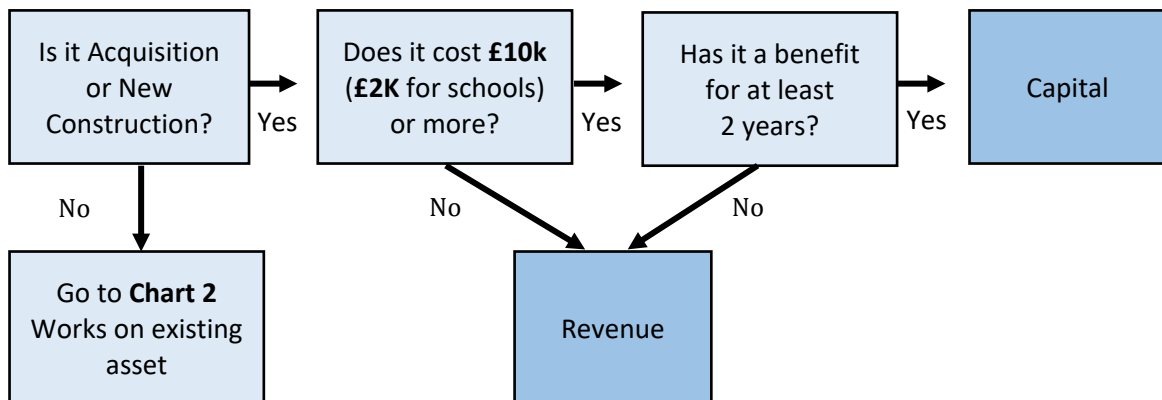
2.1.9 Where the subsequent expenditure relates to a major inspection or overhaul of a fixed asset that restores the benefits of the asset that have been consumed by the council and have already been reflected in depreciation.

Assets acquired under finance leases should be capitalised and included together with a liability to pay future rentals.”

These should also flow through the below test criteria to evaluate if it complies with the Council’s policy on capitalisation.

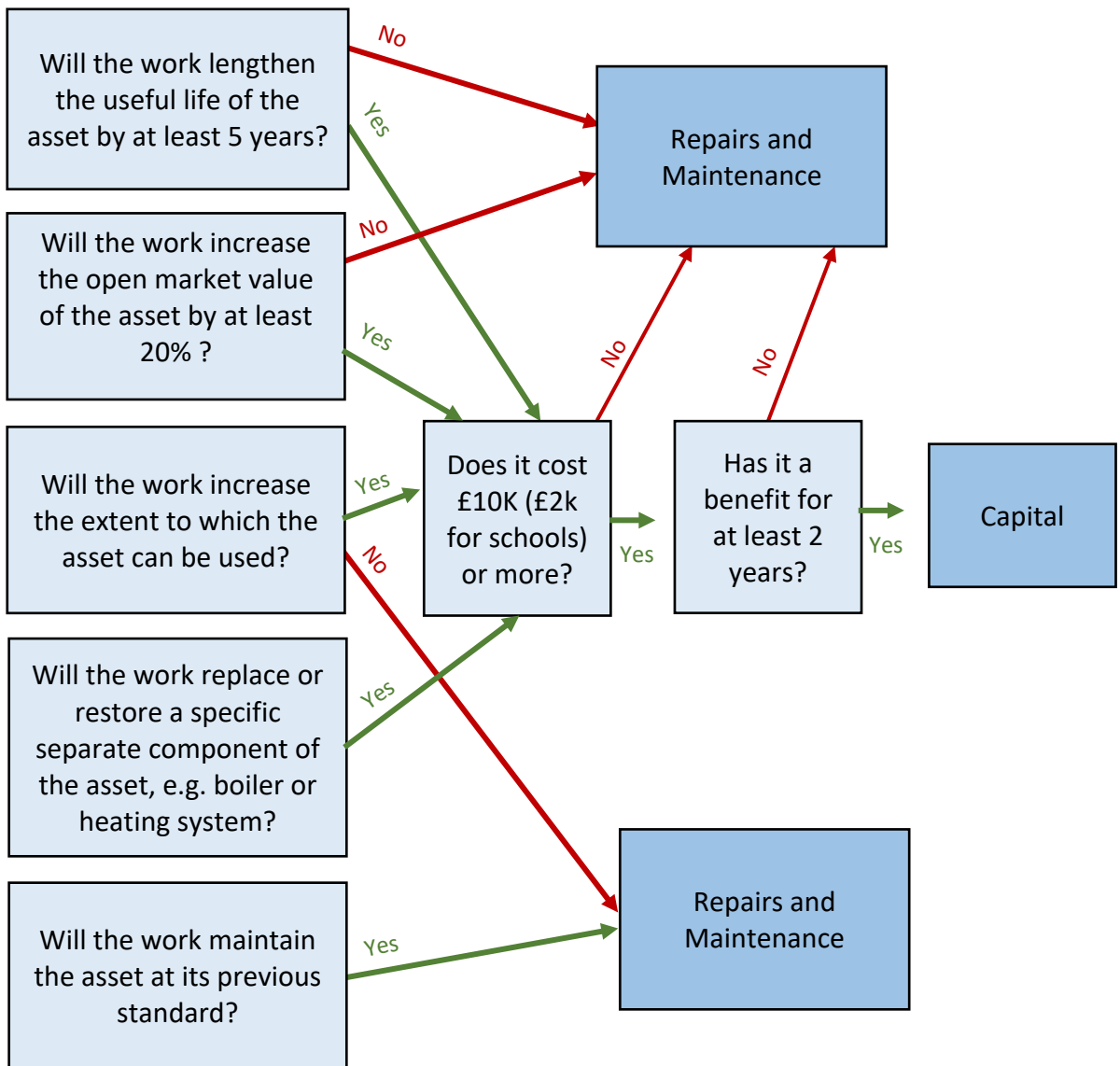
2.2 The following template identifies the above criteria in a flow chart format;

Chart 1: Acquisition or New Construction?



Note that an exception to this is expenditure on Members Local Improvement Schemes for which the £10,000 and £2,000 de minimis thresholds do not apply.

Chart 2: Works on existing asset. Enhancements or Repairs and Maintenance?



2.3 Under no circumstances is it acceptable to charge capital acquisitions to a revenue budget in an attempt to circumvent the capital control procedures. The capital procedures must be followed for all capital schemes even if the funding is available within a revenue budget.

2.4 Under normal circumstances, no items of revenue expenditure should be charged to a capital scheme. There are limited exceptions to this rule and the relevant Service Business Support Manager should be contacted before any such charge is made. Appendix 4 contains all current BSM contacts.

3 AUTHORISATION OF A CAPITAL SCHEME

3.1 Stages of the Capital Process

There are three differing scenarios for submission of capital requests:

- 3.1.1 Bids identified in advance of the following financial year and submitted through the Medium Term Financial Plan process.
- 3.1.2 Bids which are raised in year and were not part of the MTFP
- 3.1.3 Fast track bids which have been identified as an urgent requirement in year.

Appendix 4 (Guidance on the Production of a Business Case) sets a timetable for dealing with these requests.

3.2 Feasibility Costs

Any pre project spend should follow the above route for mid year application. The candidate business case template should be completed and submitted via the relevant stakeholder group before submission to CSG.

3.3 High volume applications

Where there are high volume applications for example in the Highways and Fleet areas. It is permissible to use the candidate template only. This template only requires minimal information and does not require a full analysis per asset. This template suits the nature of these functions as fleet generally operates a rolling programme which should be well planned in advance, and highways should follow the long term strategic plan already developed in the service plan.

3.4 Funding purchases

As part of the capital application consideration should be given to the funding of the project. Any external grants will be allocated initially and any shortfall should be built into the bid. An evaluation should be performed comparing the financial benefit of funding by leasing or borrowing. Rates for prudential borrowing can be obtained from the Business Support function. Leasing costs will form part of the revenue budget therefore budgetary provision should either currently be available or the consequences of entering into a lease should form part of the medium term plan. In all instances whether leasing or capital purchases, Business Support should be advised in order to adhere to statutory reporting requirements of assets.

3.5 Funding agreements

Where loans are requested by partners of the Council for asset purchases the Section 151 Officer is responsible for setting the agreed terms. This is normally stated as a fixed percentage rate above prudential borrowing rates. All other negotiated terms will be defined in a standard loan agreement contract drawn up by the Council's legal department.

3.6 Disposals

When an asset has been identified as surplus to requirements or has no further useful life then it should be disposed of. A capital asset disposal form is to be prepared evidencing the reasons for disposal (Appendix 3). This should be

submitted via the stakeholder groups to CSG. This will be considered and if authorised will be returned to the originator who will instigate the disposal process via Asset Management.

Once the asset is available for immediate sale it must be valued at market value and classified as 'Non operational - Held for Disposal' and accounted for accordingly.

All further spend should be classified as revenue and accounted for in the above correct manner.

An asset will meet the definition as Non operational – Held for disposal when the following criteria have both been met;

3.6.1 The asset or Disposal Group must be available for immediate sale in its present condition;

3.6.2 The sale must be highly probable;

Factors that need to be considered when determining whether these criteria have been satisfied are as follows:

3.6.3 A non operational asset is available for immediate sale if the Vendor is able to demonstrate the intention and ability to transfer the asset in its present condition. Accordingly, if the asset is still in use or is a property that is still occupied, it is not available for immediate transfer and would not qualify as Held for Disposal.

3.6.4 All required approvals to dispose of the asset / Disposal Group must have been received, both at Service level and Property board (as appropriate under existing Delegated Authority). This is necessary to demonstrate that the appropriate level of management is committed to selling the asset(s).

3.6.5 The sale must be expected to be completed within a year from the date of classification as Held for Disposal, unless there are circumstances out of the control of the Vendor - an example is the requirement for regulatory approval that could extend the period to complete the sale beyond a year.

3.6.6 An asset that is to be scrapped or a business that is to be closed will not be classified as Held for Disposal. It should be highlighted in the disposal template and processed through the stakeholder group to CSG for Approval. Once approved the document should be returned to the stakeholder group who will inform the Asset accountant for removal from the register.

3.6.7 The asset / Disposal Group must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

3.6.8 Sale and leaseback under finance lease arrangements will not be classified as Held for Disposal. However if the leaseback is under an operating lease it will be classified as Held for Disposal.

3.7 Compilation of the Business Case

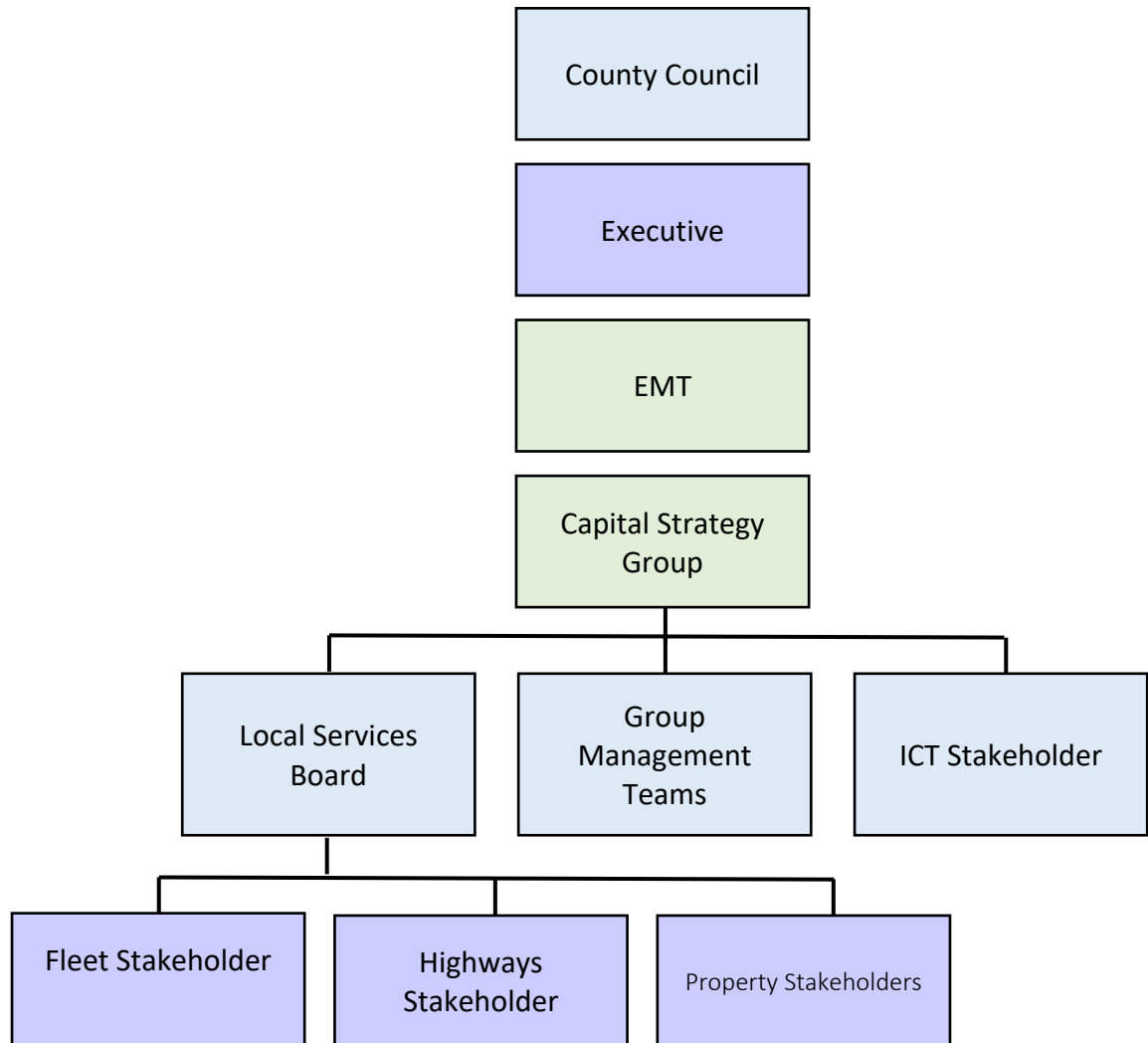
Guidance on the compilation of the business case and risk appraisal checklist required in support of capital bids is attached as Appendices 1 and 2.

3.8 Rejected and “unexpected bids”

A capital bid can be made during the year for a scheme not previously identified. This should only be done in exceptional circumstances and will require an explanation of the ‘unexpected nature’ of the bid. A rejected bid can be resubmitted the following year and the Capital Strategy Group will maintain a record of all outstanding bids, including deferred bids and rejected bids. It will be necessary to highlight the changed circumstances in relation to a rejected bid.

4 ROLES, MEMBERSHIP AND RELATIONSHIPS OF MEMBER AND OFFICER GROUPS

4.1 The following diagram outlines the relationships between the various groups involved in the capital process. Subsequent paragraphs detail the responsibilities of these groups and their membership.



4.2 The County Council

The County Council Members agree the overall financial content of the Capital Plan

Membership: all elected Members of the Council

4.3 The Executive

The Executive determines the broad shape of the Capital Plan setting out budget allocations to meet key objectives.

Membership: the Leader, Deputy Leader of the Council, and the Executive Members.

4.4 EMT

The role of EMT is approve the work of the CSG and to make recommendations to the Executive.

Membership: the Chief Executive, Deputy Chief Executive and Executive Directors.

4.5 Capital Strategy Group

The Group is chaired by the Section 151 Officer or officer nominated by the Section 151 Officer can release capital expenditure as per Appendix 4 delegated authority for schemes with a proven and justifiable business case, within agreed spending proposals. The CSG have unlimited authorisations where a project has full external funding. The CSG is advised by a number of Stakeholder Groups mentioned below. It should be noted that these Stakeholder Groups cannot authorise capital expenditure, but their recommendations will be given due regard by the CSG, which will then be responsible for recommending how the specific allocations are spent.

The role of the CSG can be summarised as:-

- 4.5.1 To establish a rolling capital plan encompassing all areas of the council's capital expenditure. This will cater for essential programmed expenditure and expenditure to support the transformation of the Council.
- 4.5.2 The authorisation of all capital expenditure up to £2,000,000 in line with the Capital Plan, as agreed by the County Council;
- 4.5.3 The monitoring of the capital programme to identify both slippage and expenditure variances and the implementation of strategy where necessary to ensure achievement of budgets.
- 4.5.4 Where a significant capital project is proposed, the CSG will be responsible for the commissioning of feasibility work.
- 4.5.5 To develop and enhance the capital process to continually improve the delivery of a meaningful capital programme.
- 4.5.6 The CSG will also report formally to Executive Management Team (EMT) on a quarterly basis, and EMT will agree the proposed forward programme as part of the annual budget setting process Membership: Executive Director of Transformation and Resources/Section 151 Officer; Representatives from each Service.

4.6 Stakeholder Groups

Stakeholder Groups consider and score capital projects identified by Services and recommend priorities for capital investment to the Capital Strategy Group. The Groups are then responsible for the implementation and monitoring of agreed schemes and the preparation of a monthly, consolidated progress report to the Capital Strategy Group.

Stakeholder Groups: ICT Board, Property Board, Fleet Board and Group Management Teams.

5 TENDERING AND CONTRACT PROCEDURES

The rules of procedure regarding contracts were set out in the County Council's Constitution dated 5th February 2003. This guidance is updated periodically, and Officers should ensure that they refer to the most up to date version of the Constitution.

Further information and guidance can be obtained from the Procurement Team.

6 MONITORING OF THE CAPITAL PROGRAMME

6.1 The capital programme is monitored at various levels once the programme has been approved and individual schemes implemented. The following paragraphs outline the full monitoring process.

6.2 Stakeholder Groups will consider monitoring reports, prepared by the relevant Project Managers, detailing the progress of individual schemes in terms of both time and cost. These reports will follow the standard format and be reviewed as part of the Budget monitoring process. Each Group's Project Managers will prepare a commentary and this will be provided to the relevant stakeholder group and the service director on a monthly basis. Any further comments from a service department perspective will be added. For example, any unforeseen impact on service delivery, any problems or issues which are causing concern or indeed any positive comments on progress and/or benefits. Particular attention needs to be given regarding the profiling of spend and funding. The Stakeholder Groups will thereafter prepare consolidated monthly progress reports for consideration by the Capital Strategy Group.

6.3 It should be noted that under no circumstances can the scheme specification be changed for projects that would lead to increased costs without the approval of the Capital Strategy Group, or underspends committed to enhance a scheme.

6.4 All schemes where significant cost/time overruns exist will be subject to review by the Capital Strategy Group. This will initially involve a comprehensive report from the Project Manager, using a standard proforma.

6.5 The Capital Strategy Group is responsible for monitoring the Capital Programme and can authorise:

6.5.1 Expenditure variances as per the limits set in Appendix D.

6.5.2 Delayed starts up to a maximum of 6 months.

6.6 On a quarterly basis, the Capital Strategy Group will also prepare a formal progress report for consideration by the Executive. This will also provide an opportunity for any variances above £10,000 or 10% of the total scheme cost to be considered and authorised by the Executive.

6.7 Progress reports to the Executive, are thereafter considered by Scrutiny.

7 PROJECT EVALUATION

7.1 All schemes over £250,000 and a random sample of 5% of all schemes below this threshold will be subject to a post implementation evaluation by the Capital Strategy group, three to six months following the completion of the project. Standard proformas, as set out in Section 3 of the Business Case Guidance, should be used to:-

7.1.1 Review the achievement of Service Outputs/Benefits;

7.1.2 Review issues of contract timing and costs;

7.1.3 Review the success of the implementation process;

7.1.4 Review the satisfaction of the end user (it may be appropriate to delay this evaluation to enable the end user to be able to give an informed view through use of the facility).

7.2 Where necessary, the CSG can request that a formal evaluation of any project be undertaken, regardless of value.

7.3 The CSG will present an annual review of the success, or otherwise, in meeting its stated objectives to the Executive Management Team.

8 ROLE OF INDIVIDUAL DEPARTMENTS

8.1 Service Departments, as Clients

8.1.1 Identifying potential capital bids in line with agreed corporate and service level priorities.

8.1.2 Organising pre feasibility estimates and preparing Business Cases for bids, where appropriate.

8.1.3 Monitoring the progress of schemes, from a client perspective.

8.1.4 Evaluating projects with regard to the achievement of stated objectives.

8.2 Service Departments, as Project Managers (Property, Highways, IT,)

8.2.1 Reviewing all bids to ensure compliance with both County Council strategy and agreed industry standards.

8.2.2 Providing advice on potential solutions and assistance in option appraisal.

8.2.3 Preparing pre-feasibility estimates and full feasibility studies.

8.2.4 Preparing or supporting the preparation of Business Cases, as appropriate.

- 8.2.5 Planning and costing works schemes.
- 8.2.6 Identifying technical support required both during and post project implementation.
- 8.2.7 Scheduling major Capital schemes.
- 8.2.8 Managing and monitoring the cost of schemes in line with initial estimates and providing Business Support Department with monthly cashflow and revised monthly outturn reports.
- 8.2.9 Ensuring minor capital works schemes are completed in accordance with the timetable agreed with the Departments/Groups.
- 8.2.10 Providing detailed project monitoring information to Stakeholder Groups, in conjunction with Business Support.
- 8.2.11 Raising Works orders in accordance with the Standing Orders.
- 8.2.12 Ensuring no capital work is carried out within the maintenance budget.
- 8.2.13 Considering the reallocation of surplus assets, prior to formal disposal, where appropriate.
- 8.2.14 Ensure compliance with Standing Orders and Financial Regulations.

8.3 Business Support

- 8.3.1 Preparing a consolidated monthly capital expenditure report incorporating the revised financial forecasts obtained from the Monitoring Group meetings.
- 8.3.2 Preparing cashflow forecasts to ensure the Council deals with any slippage on the capital programme or obtains the necessary financial cover and is able to achieve its financial targets set by the Executive.
- 8.3.3 Establishing the annual capital budget by reference to the available resources. The County Council will decide the distribution of resources for the Capital Programmes and major schemes.
- 8.3.4 Advising on the preparation of business cases and the calculation of net present values where relevant. The Service Business Support Manager will undertake any relevant financial analysis as part of the preparation of a Business Case and must be fully involved in the process.
- 8.3.5 Providing detailed project monitoring information to Stakeholder Groups, in conjunction with the appropriate Project Manager.
- 8.3.6 Monitoring compliance with Standing Orders and Financial Regulations and providing advice to client Groups.

- 8.3.7 Financially evaluating the approved list of suppliers.
- 8.3.8 Maintaining the asset register and provision of asset information to departments and Groups.
- 8.3.9 Providing advice and guidance on procurement and tendering.
- 8.3.10 Providing VAT advice.

As part of the Local Services, the Property Service is responsible for:-

- (a) Maintaining and updating the Asset Management Plan;
- (b) Assisting with the maintenance of the asset register and the provision of asset information;
- (c) Providing Estates and Valuation services.

Appendix F – Scheme for Financing Schools Financial Regulations

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1 APPLICATION

- 1.1** These financial regulations apply to governors, headteachers and employees of the Council's maintained schools, which operate with delegated budgets.
- 1.2** These regulations shall also apply to all employees engaged upon the execution or administration of the Northumberland County Council Scheme for Financing Schools.
- 1.3** In order to avoid any doubt it is hereby declared that these regulations do not apply to work undertaken by Governors of Voluntary Aided Schools in relation to their responsibilities under Paragraph 3 of Schedule 3 of the School Standards and Framework Act 1998, nor do they apply to Academies.

2 DEFINITIONS

- 2.1** the Council' means Northumberland County Council or any committee or representative body thereof.
- 2.2** 'the Scheme of Delegation' means the scheme prepared by the Council in accordance with the provisions of the School Standards and Framework Act 1998 as may be amended from time to time.
- 2.3** 'the Governors' means the governing body of any school to which these regulations apply.
- 2.4** 'the Headteacher' means the person who is the headteacher or acting headteacher of a school to which the scheme of delegation applies.
- 2.5** 'Budget Share' means the school's share of the Individual Schools Budget adjusted to take account of under or overspends from the previous year.
- 2.6** 'Budget' means the combined total of the budget share determined by the formula and any earmarked allocations made by the Council.

3 FINANCIAL ADMINISTRATION

- 3.1** The Section 151 Officer is, for the purpose of Section 151 of the Local Government Act 1972, the responsible officer for the proper administration of the Council's financial affairs and is under the Local Government Finance Act 1988 the Chief Finance Officer of the Council.
- 3.2** The governors shall be responsible for the proper management of the school's delegated budget. They must ensure that these regulations are complied with and should establish and document internal procedures to ensure that financial control is carried on in an efficient and well-ordered manner.
- 3.3** In determining these procedures, governors should ensure that, wherever possible, the duties of staff concerned with financial transactions are distributed so that key tasks are assigned to separate Members of staff. The work of one person should act as a check on another. All such checks should be documented as having been carried out.

- 3.4** The Section 151 Officer is responsible for the compilation of the Council's statutory accounts. All accounting procedures and financial records which are required for schools subject to these regulations shall :-
- 3.4.1 be compatible with the Council's financial systems required to administer the scheme;
 - 3.4.2 follow good financial practice; and
 - 3.4.3 be approved by the Section 151 Officer.
- 3.5** The Section 151 Officer shall approve all accounting systems, procedures and records consistent with these requirements. Governors may suggest to the Section 151 Officer changes to accounting procedures and records that may lead to the improvement of school administration.
- 3.6** Governors, Headteachers and other employees shall provide to the Council all accounts and records, and any other relevant documents and information that may be required from time to time.
- 3.7** Governors shall have the power to establish committees to examine detailed issues arising from the implementation of the Scheme. Signed minutes of the meetings of committees must be presented to the next full meeting of the Governors. Where Governors grant decision making powers to a committee they shall make a record in their minutes stating the limit of such delegation. Governors are advised to ensure that all major decisions are taken only at their full meetings.
- 3.8** The Section 151 Officer and the Executive Director of Children, Young People and Education, or their representatives, shall have the right to attend any meeting of the Governors, including sub-committees, for the purpose of giving advice or reporting on any matter that affects the probity and regularity of the Council's financial activities.

4 DELEGATED BUDGETS

- 4.1** The Council shall inform the Governors of their budget share by 31st March each year with adjustments for carry forwards from the previous year being notified by 31st May. The Council will endeavour to give information to Governors as early as possible to assist their planning process.
- 4.2** Where a school's budget share is over or under spent in any financial year such a balance shall be carried forward to the next financial year, provided any surplus balance (after allowing for any amounts that the Governing Body of the school has declared to be assigned for specific purposes permitted by the Council) does not exceed 5% of the new financial year's budget share (8% in the case of First and Special Schools) or £10,000, whichever is the greater. If this amount is exceeded then the Council will deduct from the current year's budget share an amount equal to the excess. Calculations of such a balance will be determined by the Section 151 Officer in accordance with the procedures required to prepare the Council's final accounts.

- 4.3** Governors shall report to the Executive Director of Children, Young People and Education by 1st July each year on the use which they intend to make of any surplus balance which existed on the previous 31st March where that surplus is in excess of 5% (or 8% as appropriate) of the school's budget share.
- 4.4** Governors shall require the prior written approval of the Section 151 Officer should they wish to plan to spend more than their budget share, including any carry forward (surplus or deficit) from a previous year in any financial year. In the event of approval being given, such an amount shall be deducted from the following year's annual budget share, unless other arrangements are agreed with the Section 151 Officer.

5 WITHDRAWAL OF DELEGATION

The Governors shall ensure that the school operates within its annual delegated budget and in accordance with all the requirements of the Council's Scheme for Financing Schools. Failure to comply with these requirements may lead to the withdrawal of the delegated budget and to such other action as the Council deems appropriate. Any unplanned overspending shall be deducted from the following year's annual budget share (unless otherwise agreed with the Section 151 Officer).

6 DELEGATION TO THE HEADTEACHER

- 6.1** It is assumed that Governors will need to delegate to the Headteacher the day to day management of the budget. For the purpose of these regulations, a model scheme of delegation to the Headteacher is attached at Appendix A. It is assumed that all schools will adopt the model scheme of delegation. However, if governors wish to adopt an alternative scheme this will require the written approval of the Section 151 Officer.
- 6.2** The Headteacher shall ensure that at all times Financial Regulations and other instructions issued by the Section 151 Officer in relation to the proper financial administration of the school are complied with.
- 6.3** Where no specific item has been provided for in the budget, the Headteacher shall not enter into any financial commitment exceeding **£5,000** (or ½ % of the budget share whichever is the greater) without the consent of the Governors or, in the case of emergency, the Chairman of the Governors.
- 6.4** The above delegation shall not apply in respect of the appointment of staff. It shall be for the Governors to lay down from time to time the extent of the power of the Headteacher to deal with staffing matters.
- 6.5** The Headteacher shall not vire from one approved budget head to another any sum exceeding **£5,000** (or ½ % of the budget share whichever is the greater) without the consent of the Governors, or, in cases of emergency, the Chairman of the Governors. Regardless of this limit, all virements shall be reported to the Governors and the Section 151 Officer at the earliest opportunity.

- 6.6** The Headteacher must produce to the Governors at least once each term, and on such further occasions as the Governors may specify, a written report on the performance of the approved budget. This will include all income, expenditure and commitments entered into since the last such report to the Governors.

7 PROVISION OF FINANCIAL SERVICES

- 7.1** The requirement for a school to operate sound financial procedures is independent of the service provider. Where services are provided by the Council, schools must act in accordance with any approved procedures.
- 7.2** Where financial services are provided externally there shall be a written agreement setting out the responsibilities of both parties. The Section 151 Officer shall be notified of all such arrangements.

8 CONTRACTS AND PURCHASING

- 8.1** All documents required to execute a hire, hire purchase or leasing contract shall be examined by the school's legal adviser before any commitment is entered into. Before entering any other contract that requires a continuing commitment by the Council or obligations on the part of the supplier, the Headteacher should consider taking advice from the Executive Director of Children, Young People and Education.
- 8.2** All contracts for the purchase of goods, services or works shall be in the name of the school and the Council, and be signed by the chair of governors.
- 8.3** All purchases of goods, services or works exceeding **£10,000** shall be obtained only after receiving not less than three competitive quotes in writing. Details of the written quotes must be retained in school in line with other financial records.
- 8.4** The requirement for three competitive quotes may be waived in individual cases by express resolution of the Governors after consideration of a written report from the Headteacher explaining the reasons for such a course of action, or, in cases of emergency, by the Chairman or the Vice-Chairman of Governors, but in such cases the action taken and the reasons for it shall be reported in writing to the next meeting of the Governors.
- 8.5** Contracts that commit the school to expenditure exceeding **£10,000**, or are for a period of more than one year, must be specifically agreed in advance by the Governing Body. Additionally:
- 8.5.1** Schools may only enter into contracts with suppliers that have not been specifically recommended by the Council and where there is a cost over more than one financial year after the terms and conditions have been approved by the school's legal adviser;
- 8.5.2** Contracts must be countersigned by the Chair of Governors, or by the Vice Chair in the absence of the Chair;

- 8.5.3 When outsourcing a service, schools must ensure that the requirements of relevant legislation are complied with and paper indemnities exist.
- 8.5.4 Special rules apply to contracts for works, supplies or services with an estimated value above thresholds prescribed by UK regulations. The thresholds that apply from 01 January 2022 (such figures being subject to review and amendment every two years) are:
- (a) Works £5,336,937 inclusive of VAT (indicative value £4,447,447 exclusive of VAT)
 - (b) Supplies £213,477 inclusive of VAT (indicative value (£177,897 exclusive of VAT)
 - (c) Services £213,477 inclusive of VAT (indicative value (£177,897 exclusive of VAT)
- 8.5.5 In situations where contracts are estimated to exceed these values, the school's legal adviser should be consulted.

8.6 Orders and Payments

- 8.6.1 All orders for works, goods or services shall be in a form specified by the Section 151 Officer. The Headteacher shall be responsible for the proper authorisation of all such official orders issued from the school.
- 8.6.2 The Headteacher shall notify the Section 151 Officer of all employees authorised to approve orders, authorise payments and certify payroll notifications. A copy of the list of staff authorised to approve these functions shall be retained in school.
- 8.6.3 Written orders shall be made wherever practicable but will not normally be required for supplies of public utility services, for periodical payments such as rent or rates, for petty cash purchases or other exceptions as the Section 151 Officer may approve. However, an adequate record must be maintained to document the payment of these accounts.
- 8.6.4 If exceptionally it is necessary to issue a verbal order, then such orders must be confirmed in writing the same day. The written order must be clearly marked "confirmation order".
- 8.6.5 Local Accounts shall be kept in such a manner as shall be prescribed or agreed by the Section 151 Officer. All payments from the account shall be supported with invoices, receipts or other vouchers.
- 8.6.6 The Headteacher shall be responsible for ensuring that all accounts (including those paid through the Local Account), travelling and subsistence claims, or other payment vouchers, are examined, verified and certified for payment. Subject to this requirement the Headteacher may authorise other employees of the school to carry

out these procedures, provided they are included on the list of authorised personnel. Certifications must be in manuscript and confirm that the expenditure has been properly incurred and that the goods or services have been received.

- 8.6.7 The duties of certifying accounts, claims or vouchers shall not be performed by the same person who ordered the goods or services or is making a claim unless other arrangements are made with the Section 151 Officer.
- 8.6.8 All invoices, or other accounts for payment, must be made out to the School or the Council. Payment must only be made on original invoices not photocopies, faxes or statements.
- 8.6.9 Any amendment to an account shall be made in ink and initialled by the person making it, stating briefly the reasons where they are not self evident.
- 8.6.10 Where invoices are to be paid by the Council, they must be received seven clear working days before the discount date expires. Where a discount is lost or interest is incurred due to the failure of the Council to pay the invoice within the seven days, the school shall be reimbursed for the loss. Where interest is payable due to a delay by the school, the cost will be charged to the delegated budget.

8.7 Appointment of Staff

Except for Foundation and Aided schools, all staff shall be appointed to the service of the Council on conditions of service specified by the Council. Subject to this requirement Governors may appoint staff at such levels of nationally and locally determined pay as they may decide.

8.8 Declaration of Interests

- 8.8.1 Governors shall leave the meeting during any decisions where they may have any pecuniary interest, direct or indirect, and must not vote on any such matters. The Clerk to the Governors will advise upon the detailed provisions set out in the regulations. The provisions relating to pecuniary interests, set out in the regulations, shall be deemed to apply with necessary adaptations to any decisions to be made outside a governing body meeting by the Chairman, Vice-Chairman, the Headteacher, or any employee to whom a decision under the Scheme for Financing Schools has been delegated.
- 8.8.2 The Governors shall maintain a register of any interests that they, their families or close friends may have, which might affect their position. The register should also record any school employees who may have interests that might conflict with their duty to their employer. The register must be updated annually and be available for inspection by members of the public.

8.9 Salaries, Wages and Pensions

- 8.9.1 The arrangements for the payment of all salaries, wages, pensions, compensation and other emoluments due from the Council to all employees or former employees of the Council shall be approved by the Section 151 Officer. Where the service is not provided by the Council, the Governors shall ensure that all necessary statutory returns are submitted to the Council in accordance with the specified timetable.
- 8.9.2 Where the service is provided by the Council, payroll notifications shall be submitted, within the timetable and in the form laid down in the service level agreement.
- 8.9.3 All time records and other payroll documents shall be in a form prescribed or approved by the Section 151 Officer and shall be certified in manuscript by the Headteacher or other authorised employee.

8.10 Income

- 8.10.1 Arrangements for the invoicing and collection of all official income due to the Council shall be specified by the Section 151 Officer.
- 8.10.2 The Section 151 Officer shall specify the arrangements for the order, supply and control of all receipts, forms, books, tickets, and other such items. Only official, approved stationery must be used to acknowledge receipt of income.
- 8.10.3 Income shall be collected promptly, ideally in advance of the provision of goods or services.
- 8.10.4 A record of all income received shall be kept and, where appropriate, an official receipt issued.
- 8.10.5 Income shall be banked promptly and in its entirety. Income must not be used to defray expenditure.
- 8.10.6 Cheques must not be cashed from money received on behalf of the Council.
- 8.10.7 Income collected in respect of delegated or curriculum activities must be banked directly into the Council's Income Account not any other account.
- 8.10.8 Governors shall consider and approve an annual charging policy and scheme of charges for regular sources of income.
- 8.10.9 The Headteacher shall make, or cause to be made, all reasonable endeavours to recover all debts due to the school or council. Headteachers may write off debts up to a value of **£50**. All other debts may only be written off with the permission of the Section 151 Officer.

8.11 Banking Arrangements

- 8.11.1 All arrangements for the provision of banking services in relation to Council money shall be made by or under arrangements approved by the Section 151 Officer. Appendix B to these regulations sets out the rules under which schools may operate an independent bank account.
- 8.11.2 Withdrawals from the local bank account can be made using cheques, direct debits and standing orders.
- 8.11.3 Schools that do not have an independent bank account must bank at their nearest Post Office or Co-operative Bank unless alternative arrangements have been authorised by the Section 151 Officer. If a school elects to bank elsewhere which results in bank charges then these charges will be debited to the school's delegated budget.
- 8.11.4 The Headteacher shall notify the Section 151 Officer of those members of staff authorised to sign Local Account cheques.
- 8.11.5 Wherever possible cheques should be signed by two members of staff.
- 8.11.6 Cheques should be held securely when not in use and must never be pre-signed.

8.12 Asset Management and Security

- 8.12.1 The Headteacher shall be responsible for the safe custody and control of all monies, vehicles, furniture, equipment, stocks, stores, and other property.
- 8.12.2 Schools are required to maintain a record of all moveable assets with an insurable value in excess of **£100**. Records must be in a form approved by the Section 151 Officer.
- 8.12.3 The Headteacher shall arrange for annual checks of such inventories and for the records to be updated to show that this check has been carried out. Any significant losses of stocks, stores or other assets must be reported to the Section 151 Officer immediately.
- 8.12.4 The Headteacher shall ensure that procedures are in place to safeguard the school's information technology systems and data from loss or abuse, and ensure that adequate arrangements are in place to ensure continuity of IT service in the event of an emergency.

8.13 Disposal of Assets

- 8.13.1 The procedure for disposal of assets owned by the school should always ensure that the best price is obtained for the benefit of the school and that staff dealing with the disposal are protected.

- 8.13.2 Staff nominated to manage the disposal of school assets should make a record of how each disposal was dealt with as this information may be required during an audit.
- 8.13.3 Assets belonging to the school may be sold to school staff or Members of the governing body provided that this does not conflict with the requirements of the Code(s) of Conduct and that the best price is obtained for the benefit of the school bearing in mind alternative means of disposal.

8.14 Borrowing and Investments

- 8.14.1 The Section 151 Officer shall be responsible for borrowing or lending of all Council monies, except for funds provided to schools which operate an independent bank account.
- 8.14.2 Where schools decide to continue to operate their banking arrangements with the Council a notional interest payment to schools will be calculated annually in accordance with the principles set out in Appendix D.

8.15 Insurance

- 8.15.1 The Governors shall determine the insurance arrangements they consider necessary to safeguard assets and to protect against third party claims against the school and the Council. Any arrangements with outside providers must provide cover that is equal to or better than the minimum requirements specified by the Section 151 Officer.
- 8.15.2 The Section 151 Officer' consent shall be required prior to any indemnity being given on behalf of the Council to a third party.
- 8.15.3 The Section 151 Officer shall be notified of all losses which are covered by the Council's insurance arrangements and shall negotiate all insurance claims in respect of them.

8.16 Audit Arrangements

- 8.16.1 The Council requires that each Governing Body shall complete the annual Schools Financial Value Standard self assessment and return it to the Section 151 Officer by 31 March. The first returns are due on 31 March 2013, except for those schools which did not confirm that they meet the requirements of the DfE's Financial Management Standard in Schools, in which case the returns are required by 31 March 2012. This will help provide confirmation to the Governors and the Director of Finance on the proper operation of financial systems and compliance with the Scheme of Delegation and Financial Regulations, including:-
 - (a) Fraud, irregularity, mismanagement or other offences;

- (b) waste, extravagance, inefficient administration, poor value for money; and the suitability, reliability, and effectiveness of financial and other management data maintained by schools.
- 8.16.2 The Governors shall promptly respond in writing to those matters raised in audit reports.
- 8.16.3 Internal Audit and the Council's external auditors shall have authority to:-
 - (a) enter at all reasonable times on any school premises or land;
 - (b) have access to all records, documents and correspondence and any other source of relevant information relating to any financial and other transactions of the school;
 - (c) require and receive assistance and explanations concerning any matter under examination; and
 - (d) require any employee at a school to produce cash, stores or any other Council property under their control.
- 8.16.4 Whenever any matter arises which involves or is thought to involve fraud, or financial irregularity, or bribery, or corruption, it shall at once be brought to the attention of the Section 151 Officer who will refer the matter to the Head of Internal Audit. Internal Audit shall take such steps as are considered necessary to investigate and report upon such matters to the Director of Finance and the Governors.
- 8.16.5 The Section 151 Officer is responsible for the development and maintenance of the Council's Anti-Fraud Strategy. In accordance with this strategy, school staff are required to report all suspected irregularities to the Section 151 Officer immediately, using the Anti-Fraud hotline.
- 8.16.6 The Strategy recognises that staff may not feel they are able to voice their suspicions for fear of reprisal or discrimination against themselves by other members of staff. To encourage staff to come forward and report their suspicions, and in compliance with the provisions of the Public Interest Disclosure Act 1998, the Council has a Whistleblowing Policy. This policy (available on the Council's intranet) ensures that any suspicions that are reported are dealt with in a consistent and confidential manner and provides staff with an assurance that they will not be discriminated against."

8.17 Risk Management

- 8.17.1 The Governors shall be responsible for ensuring that all risks are adequately managed at a local level. The Council's Risk Management team shall provide such advice and guidance as is necessary to assist in this task.

8.18 Financial Losses

- 8.18.1 Where the Council suffers unnecessary financial loss due to negligence or a school's failure to report any of the matters referred to in the previous paragraphs, the Council reserves the right to deduct such financial losses, as determined by the Section 151 Officer, from a school's budget share.
- 8.18.2 Where the Council suffers a financial loss, including any interest charge or loss, due to a school's failure to comply with regulations governing the accounting for Value Added Tax, National Insurance, income tax, construction industry tax or pension contributions, the Council reserves the right to deduct such financial losses from a school's budget share.

8.19 School Fund and other voluntary accounts

- 8.19.1 Governing Bodies are responsible for funds from a number of sources other than the Council; examples include School Funds, Tuck Shops, visits and Youth Clubs. These are public funds and Governing Bodies are required to ensure proper management in accordance with good financial practice. These regulations apply to all voluntary funds operated by the school not just the traditional School Fund.
- 8.19.2 The Governing Body shall formally approve a Constitution for the use of any funds by the school provided from sources other than the Council. The Constitution should be regularly reviewed and updated.
- 8.19.3 The Headteacher shall maintain a list of funds in operation and make arrangements to ensure that proper financial controls are put in place for their proper management.
- 8.19.4 The Governing Body shall formally appoint a treasurer and an independent auditor for each fund annually.
- 8.19.5 The fund's treasurer should have sufficient knowledge, experience and resources to ensure that the records are maintained accurately and in line with the Constitution approved by the governors.
- 8.19.6 The Headteacher must ensure that each fund is audited annually and that a certified statement of accounts is presented to the governing body within four months of the end of the accounting year. Once approved by the governing body, a copy of the certified accounts must be sent to the Head of Audit
- 8.19.7 The auditor should be independent and should have no conflict of interest. An independent auditor should have no involvement with the management or administration of the fund or be a close relative of anyone who has such an involvement. The auditor must not be a member of the governing body.

8.19.8 Where a fund's annual income or expenditure exceeds £50,000 the accounts must be audited and certified by a suitably qualified accountant and a copy sent to the Head of Internal Audit.

8.19.9 Income which is properly due to the school's delegated budget or the Council must not be paid into voluntary funds.

8.20 Retention of Records

8.20.1 All financial records must be retained for inspection for a minimum period of the current and three previous financial years. However, in order to answer queries from HM Revenues and Customs, and to respond to interest claimed under the Late Payment of Commercial Debts Act, the school is advised to keep Local Account records for up to six full years. In all cases original documents shall be retained and not photocopies, unless alternative arrangements are agreed with Internal Audit.

8.21 Data Protection

8.21.1 The Headteacher shall be responsible for proper registration of the schools systems and compliance with the requirements of the Data Protection Act and shall make adequate arrangements for the security and integrity of data held by the school.

8.22 Legal Proceedings

8.22.1 The Section 151 Officer shall be empowered to institute legal proceedings for the recovery of the sums due to the Council and for possession of Council property, to lay information, make complaints, institute, defend or settle proceedings or take legal action to enforce rights or obligations, to appear at public inquiries, and where in his opinion it is in the Council's interests so to do to engage Counsel.

8.23 Revision of Financial Arrangements

8.23.1 The Section 151 Officer shall be responsible for keeping these regulations under review and make minor amendments. Any significant changes will require the approval of the Council.

Appendix A

1 MODEL SCHEME OF DELEGATION TO THE HEADTEACHER

- 1.1** The Headteacher shall have the delegated power to undertake all functions delegated to the Governors under the School Standards and Framework Act 1998 pursuant to the Scheme for Financing Schools provided that :-
- 1.2** The Headteacher shall comply with all policy directions given by the Governors;
- 1.3** The Headteacher shall prepare detailed estimates of expenditure and income relating to matters delegated to the school for approval by the Governors, and shall have the authority to spend all monies allocated to individual specific items in the approved estimate. The Headteacher shall provide the Section 151 Officer with details of the approved estimates and details of any changes to those estimates arising from virements agreed under A6 below;
- 1.4** Where no specific item has been provided for in the budget, the Headteacher shall not enter into any financial commitment exceeding £5,000 (or ½ % of the budget share whichever is the greater) without the consent of the Governors or, in the case of emergency, the Chairman of the Governors;
- 1.5** The above delegation shall not apply in respect of the appointment of staff. It shall be for the Governors to lay down from time to time the extent of the power of the Headteacher to deal with staffing matters;
- 1.6** The Headteacher shall not vire from one approved budget head to another any sum exceeding £5,000 (or ½ % of the budget share whichever is the greater) without the consent of the Governors, or, in cases of emergency, the Chairman of the Governors. All virements shall be reported to the Governors at the earliest opportunity;
- 1.7** The Headteacher shall produce to the Governors at least one each term, and on such further occasions as the Governors may specify, a written report on all income, expenditure and commitments entered into since the last such report to the Governors;
- 1.8** The Headteacher shall have the power to nominate the Deputy Headteacher and one other member of staff to exercise the powers of this delegation during periods of their absence;
- 1.9** The Headteacher and any other person nominated under A8 above shall ensure that at all times these financial regulations and any other instructions issued by the Section 151 Officer with regard to the proper administration of the school finances are complied with;
- 1.10** The Headteacher shall notify the Section 151 Officer of the names of all persons nominated to certify orders, invoices, claims, payroll records and other official documents, together with specimen signatures and initials;

- 1.11** The Headteacher may write off monies due to the school's delegated budget, up to a value of £50, after all reasonable steps have been taken to secure payment.

1 REGULATIONS FOR INDEPENDENT BANKING ARRANGEMENTS

1.1 Application

- 1.1.1 These regulations only apply to advances made by the Council to schools in respect of their delegated budgets.
- 1.1.2 The term "bank" used throughout these regulations means any of those financial institutions included in the approved list shown in the Scheme.

1.2 Choice of Bank

- 1.2.1 Schools can use any of the banks on the approved list to provide both current and deposit bank accounts (subject to regulation B4). Schools should not use any other bank without the written approval of the Section 151 Officer.
- 1.2.2 Where practicable, schools shall seek competitive quotes from at least three of the approved banks at each renewal date, keeping details of all quotes on file. It is recommended that banking arrangements should not be made for a period exceeding three years.
- 1.2.3 Where competitive quotes are not sought, a written report must be made to the Governing Body setting out the reasons for not doing so. Such reasons will be open to scrutiny by the Section 151 Officer to ensure propriety and value for money.

1.3 Operating Bank Accounts

- 1.3.1 Schools can operate one current account with one bank, but may operate more than one deposit account. All bank accounts should include the name of NORTHUMBERLAND COUNTY COUNCIL as well as the school name.
- 1.3.2 Schools shall notify the Section 151 Officer of the bank(s) used, the numbers of all accounts opened, and the banking terms agreed. The terms agreed with the banking provider shall include a restriction that the accounts must not be allowed to be overdrawn.
- 1.3.3 Where practicable each bank account should have four members of staff as authorised signatories with cheques being signed by any two. These members of staff should normally not be responsible for the placing of orders, checking invoices, or for the day to day operation of the accounts.
- 1.3.4 Investment of surplus cash shall only be in a current account or deposit account with a bank on the approved list or placed on deposit with a local authority. Any opportunity to use other forms of investment is subject to the written agreement of the Service Director of Finance.

- 1.3.5 Schools must not make arrangements for overdrafts, loans or other forms of borrowing and should not themselves offer any security to the bank. Should a bank request security, this shall be referred to the Section 151 Officer.
- 1.3.6 Requests from schools for a temporary advance to overcome a particular cash flow difficulty may be made, in writing, to the Section 151 Officer. The school will have to meet the costs of such advances.
- 1.3.7 Blank cheques must not be pre-signed and must be kept in a safe place.
- 1.3.8 Debit and Cash cards shall not be used. Cash shall only be obtained using a cheque. If an encashment facility is needed arrangements shall be agreed with the bank and notified to the Section 151 Officer. No personal cheques shall be cashed from any school monies.
- 1.3.9 Payments from bank accounts will normally be made by cheque but regular payments such as rates may be paid by standing order or direct debit. The setting up of new standing orders or direct debits shall require specific written approval of the Headteacher, in addition to any standard forms.
- 1.3.10 Any cheque which is cancelled shall be retained, be clearly marked cancelled, and a record made as to the reason for cancellation.

1.4 Payments into and from the School Bank Account

- 1.4.1 The bank account shall only be used to meet expenditure approved as part of the delegated budget. Where the payroll service is provided by the Council no payments shall be made relating to employee costs.
- 1.4.2 Schools shall ensure that there are sufficient funds in their current account to meet the total sum of cheques issued.
- 1.4.3 All expenditure from voluntary funds shall be kept completely separate from the school bank account. Contributions from a voluntary fund towards expenditure may be paid into the school bank account.
- 1.4.4 Cash instalments, less an adjustment for lost interest, made by the Council in respect of the delegated budget will be paid into the bank current account in accordance with the schedule of payments described in the Scheme for Financing Schools.
- 1.4.5 Other payments into the bank accounts should only be in respect of Standards Fund, VAT and tax reimbursements by the Council, and any income received in respect of the delegated budget contributions towards delegated expenditure from other sources.
- 1.4.6 Paying-in books only must be used for banking income. A record of cheques received by the school should be kept showing the name of

the drawer, what the income is for, and the amount. The total of this list should agree with the total of the cheques banked.

- 1.4.7 Cash instalments will be calculated from the original budget for each financial year. Where, for schools deciding to receive only non-employee costs, changes are made between employees and non-employees' expenses during the year, additional payments to or deductions from the bank account may need to be made. Schools shall inform the Section 151 Officer immediately such changes are known so that prompt cash adjustments can be made. Charges may be made where repayments from bank accounts are not notified to the Section 151 Officer in a reasonable time.

1.5 Interest and Bank Charges

- 1.5.1 Schools may move temporary surplus funds to a deposit account opened under these regulations and retain the interest earned.
- 1.5.2 All charges for operating any bank accounts will be borne by the school.
- 1.5.3 Schools shall ensure that all interest is paid gross, i.e. without deduction of income tax. If interest is paid net, a tax deduction certificate must be obtained and sent to the Service Director of Finance to reclaim the tax which will be paid back to the school.

1.6 Administration

- 1.6.1 All financial records must be retained for inspection for a minimum period of the current and three previous financial years. However, in order to answer queries from HM Customs and Revenue, and to respond to interest claimed under the Late Payment of Commercial Debts Act, the school is advised to retain the relevant records for up to six full years. In all cases original documents should be retained and not photocopies, unless alternative arrangements are agreed with Internal Audit.
- 1.6.2 There must be a clear trail from the cheque counterfoil to the order form and invoice, and from the monthly expenditure returns sent to the Section 151 Officer either to a school's manual records or electronic records.

1.7 Accounting Returns to Section 151 Officer

- 1.7.1 Each month the school must send to the Section 151 Officer a summary transaction's statement and a VAT claim in the prescribed form. At the end of the financial year a return shall be sent to the Section 151 Officer which reconciles to the monthly returns.
- 1.7.2 Failure to return this information by the due dates may result in delays in making cash instalments, reimbursing VAT, and may lead to VAT penalties being recharged to schools.

- 1.7.3 Where a computer accounting package is used, a copy must be retained separately for each financial year. Secure back-up copies should always be made of the accounting records, both during and at the end of the financial year. These should be stored in a safe location, but away from the normal work area in the school where it is created. Storage arrangements away from the school premises may be considered.

1.8 Bank Statements and Reconciliation

- 1.8.1 The school shall arrange to receive a monthly bank statement which must be addressed to the school at its normal address. On request the bank must send direct to the Director of Finance copies of any bank statements. The Section 151 Officer will require each bank to notify them immediately of any accounts that are overdrawn.
- 1.8.2 A bank reconciliation must be carried out each month between the bank statement and the school's own bank account record. The reconciliation shall be signed by the person who carries out this task and by the Headteacher. All cheques more than six months old must be treated as being stale and the appropriate entries made in the financial records.
- 1.8.3 The Headteacher shall certify that all expenditure has been made in accordance with these regulations, and that the bank account is reconciled when making the monthly return of expenditure.

1.9 Special Payment Arrangements

Building Maintenance - Construction Industry Scheme (CIS)

- 1.9.1 To avoid schools having to apply the complex conditions of this scheme, it is suggested that all payments for building maintenance work not exempted by the HMRC's concession should be paid by the Head of Property and Commercial Services. Schools would authorise the work, confirm satisfactory completion and invoice details, and then pass the certified invoice with a cheque for the gross amount to the Head of Property and Commercial Services who will pay the contractor or,
- 1.9.2 For projects not exempted by the HMRC concession schools should seek the advice of the Head of Property and Commercial Services as to how the scheme applies to a project before making payment.

1.10 Special Energy Contracts

- 1.10.1 The Council has special contracts for the supply of energy to specific premises and these contracts require payment to be made on specific dates. Where a school participates in such contracts, in order to avoid a significant increase in the price of energy, the Council will continue to pay the invoices centrally and invoice the schools covered. A

charge will be made for administration, the loss of interest and invoice preparation for this arrangement.

1.11 Operation of the Scheme

- 1.11.1 Schools wishing to join or withdraw from this scheme once in force must give at least three months' notice to do so. The operative date for banking arrangements under this scheme will be 1st April.
- 1.11.2 The Section 151 Officer has the right to suspend or remove the management of the bank accounts from the school if these regulations are not complied with or should delegation be withdrawn from the school under the Scheme. Suspension of the school bank account will continue until adequate steps have been taken and approved by the Section 151 Officer to rectify the position.

1 INDEPENDENT SCHOOL BANK ACCOUNTS STATEMENT OF INTEREST DEDUCTION CALCULATION

1.1 Background

- 1.1.1 Where a school elects to operate its own bank account the Secretary of State has acknowledged that the Council will incur a loss of investment income. Therefore, the Council is allowed to make a compensatory deduction from cash advanced to schools.
- 1.1.2 There are four elements to the cash advance to be made to schools. These are:-
- (a) accumulated balance at 1st April in the year when the account is opened;
 - (b) current financial year's budgets, either including or excluding for non- employee costs as appropriate;
 - (c) loans and licensed deficits;
 - (d) special advances.
- 1.1.3 An accumulated balance at 1st April may be a surplus or deficit. The total amount to be advanced in any financial year will be the school's budget, excluding the total employees costs if the payroll service is provided by the Council, and any accumulated balance brought forward.
- 1.1.4 This statement should be read in conjunction with the regulations for the operation of independent school bank accounts.

1.2 Calculation of Interest Deduction

- 1.2.1 The interest deduction will be made on cash advances.
- 1.2.2 Cash advances will be made monthly for schools which have their full budget share paid into an independent bank account. For schools which decide not to include employee costs in their advance, payments will be made on the 1st April, 1st September and 1st January each financial year, in the proportions set out in the Scheme.
- 1.2.3 The budget figures upon which the cash advances and interest deductions are to be made will be those approved by the Governing Body for the forthcoming financial year. Where this information, for schools which receive only their non payroll costs, is not available before 1st April, the Section 151 Officer will make an interim first advance. This will be adjusted when the current year's budget is completed.

- 1.2.4 Changes to a school's spending plans during the year, which will affect the overall allocation of money to a school, shall be notified to the Service Director of Finance immediately, so that an adjustment to the remaining cash advance(s) can be made subject to the following:-
- (a) where the change is \pm £3,000 no adjustment will be made;
 - (b) no retrospective reduction in the interest deductions will be made if a school fails to notify the Section 151 Officer of budget changes;
 - (c) an interest charge of 2% above the bank base rate will be made on any budget change which reduces the non-employee costs where a school has failed to notify the Section 151 Officer during the year;
 - (d) where a school has spent its cash advances but has an urgent payment to make before its next advance is due, the Council will be willing to consider a request for an interim advance. Where such an advance is agreed, the Council will make an interest charge of 2% above bank base rate.
- 1.2.5 The interest charges calculated under (c) and (d) will be deducted from the next cash advance due.
- 1.2.6 The deduction for lost interest will be determined by calculating the monetary interest that would have been earned on the total cash advances for all schools after deducting the cumulative average payments made in each month. This monetary loss of interest will be expressed as a percentage of the total budget or total non-employee costs for all schools, as appropriate. The resulting percentage will be used to calculate the monetary reduction to each advance made to individual schools.
- 1.2.7 The interest rate to be used in this calculation will be the 7 day deposit rate. Prior to each cash advance date a current rate will be obtained and, where there is a change of more than 2% the percentage reduction will be recalculated.

1 SCHOOL PAYMENTS THROUGH THE COUNCIL'S BANKING ARRANGEMENTS, CALCULATION OF INTEREST

1.1 Introduction

1.1.1 Where schools decide to continue making their payments through the Council's banking arrangements, interest will be calculated on their cash flow related to their non-employee costs. This arrangement puts these schools in a similar position to those schools who decide to operate their own independent bank account.

1.1.2 It is acknowledged that this arrangement may not provide the full benefits of the independent bank account. However, any loss of benefit is offset by the savings schools make in not having to administer their own bank accounts.

1.2 Calculation of expenditure

1.2.1 The County Council's financial accounting system, the E-Business Suite will be the prime record for the purposes of this calculation. Schools will be able to influence their interest payment to the extent that they make the decision on when to make their purchases.

1.2.2 The financial record in the E-Business Suite in effect becomes the 'bank account'. When a transaction appears on this record it is then deemed to be a cash payment for the purpose of calculating interest.

1.2.3 The interest payment will be calculated on a monthly basis. It will be deemed that the current year's expenditure is spent evenly throughout each month. Therefore, in the month of April half of the actual expenditure will be used in the calculation of interest, and in each successive month the cumulative total expenditure incurred, to the end of the preceding month, will be added to the half of the current month's expenditure.

1.3 Calculation of Income

1.3.1 Cash payment from the Council to schools to meet their non-employee costs will be deemed to be made in twelve equal instalments. A school's balance brought forward from a previous year (whether cash in hand or cash overdrawn) will be deemed to be the cash position for the start of the new financial year.

1.3.2 The allocation of the cash payment for the current financial year will be deemed to be given in the middle of each month. Therefore, in the month of April one half of the cash instalment will be used in the calculation. In each successive month the cumulative total cash instalments paid to the end of the preceding month will be added to half of the current month's cash instalment.

1.4 Calculation of Monthly Cash Position and Interest

- 1.4.1 The calculation of the cumulative monthly expenditure described in paragraph D5 is deducted from the cumulative cash instalments paid calculated under paragraph D7. The resulting cash figure in hand or overdrawn is the amount that would be available for investment or upon which overdraft charges would be charged.
- 1.4.2 Where a school has a surplus of cash this will attract an interest payment. Where a school's cash position fluctuates between cash in hand and overdrawn, the periods where there is an overdraft will count against those periods where there is cash in hand. Where a school has an overall overdrawn cash position at the end of the financial year the County Council will impose a charge.
- 1.4.3 All interest payments referred to in paragraph D9 will be calculated on the following basis. The net cumulative cash position calculated will attract interest at the prevailing 7 day interest rate obtained by the County Council in its dealings in the money markets. The total interest calculated for the year will be added to or subtracted from the school's account at the end of the financial year.

1.5 Licensed Deficits

- 1.5.1 Where a deficit budget has been approved by the Section 151 Officer, the agreed amount will not be subject to an interest charge. If during the year the overdrawn balance exceeds the agreed deficit amount, interest will be charged on the excess.

Appendix G - Protocol for Dealing with Surplus Property Assets

1 PROTOCOL FOR DEALING WITH SURPLUS PROPERTY ASSETS

- 1.1** When a property asset is vacated by the occupying service it will be deemed to be declared surplus to operational requirements unless the service can justify a case to retain the property asset for an already identified and approved future operational use.
- 1.2** The head of commercial and property services should be advised six months before a property becomes vacant.
- 1.3** Vacant property will be held as a corporate asset for re-use or disposal within the framework of the corporate asset management plan.
- 1.4** When a property asset is deemed to be surplus to requirements, the ongoing premises related expenditure (pre) costs will be identified, and the appropriate pre budget held by the previous occupying service will be transferred to the corporate surplus property budget. When the property asset is re-used or disposed of, the transferred pre budget can then be counted as a saving by the service. In instances where it is necessary to board up a vacant property and/or arrange for on site security, the costs incurred above the existing pre budget will be recharged against the project where a property is to be re-used, or in the case of a disposal, against the future capital receipt, subject to the prior consultation with the section 151 officer.