

# DRAFT Financial Rules

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## 1. Introduction

1.1 These Financial Rules, whilst specific in terms, are intended to operate with proper consultations with the appropriate Heads of Service/Directors, especially where other professions and skills are required to give effect to them in relation to procedures and professional practices to be observed.

1.2 These Rules should be read in conjunction with other internal regulatory frameworks which form part of the Council's Constitution, including but not limited to:

[The Procurement Rules \(lancashire.gov.uk\)](http://lancashire.gov.uk) (contract standing orders);

[The Scheme of Delegation to Officers \(lancashire.gov.uk\)](http://lancashire.gov.uk);

[The Standing Orders \(lancashire.gov.uk\)](http://lancashire.gov.uk);

[The Code of Conduct for Employees \(lancashire.gov.uk\)](http://lancashire.gov.uk); and

[The Code of Member Conduct \(lancashire.gov.uk\)](http://lancashire.gov.uk).

## 2. Financial Accountabilities and Management

2.1 As set out in [Part 9 of the Constitution \(lancashire.gov.uk\)](http://lancashire.gov.uk) and in accordance with Section 151 of the Local Government Act 1972, the Chief Financial Officer is responsible for ensuring the proper administration of the Council's financial affairs, including the Pension Fund. This includes setting and monitoring compliance with these Financial Rules, setting the key financial controls necessary to secure sound financial planning and management, and acting as financial adviser to the Full Council, Cabinet, individual Cabinet Members and Committees.

- 2.2 The responsibilities of the Chief Executive, Monitoring Officer and Executive Directors are also set out in [the Council's Constitution \(lancashire.gov.uk\)](http://lancashire.gov.uk). These Financial Rules provide further detail around their financial responsibilities and should be read in conjunction with [the Scheme of Delegation to Officers \(lancashire.gov.uk\)](http://lancashire.gov.uk).
- 2.3 All accounts and financial records shall be kept in a form approved by the Chief Financial Officer who will also be responsible for the submission of all significant returns and claims for grant to Government and other public bodies.
- 2.4 Executive Directors and Directors are responsible for ensuring compliance with these Financial Rules throughout the service areas under their management.
- 2.5 For the purpose of complying with these Rules, Executive Directors and Directors shall provide the Chief Financial Officer with any information which they may require and allow them access to all relevant records.
- 2.6 The Chief Financial Officer will arrange for the preparation and publication of the annual Statement of Accounts for the Council and its Pension Fund. Executive Directors and Directors will comply with accounting guidance provided by the Chief Financial Officer and supply them with the information when required.
- 2.7 For the financial management of schools, the Council will delegate the financial operations and management to the Board of Governors of Lancashire schools. The financial regulation of schools is set out in The School and Early Years Finance (England) Regulations 2014. Schools are required to comply with [the consistent financial reporting framework \(gov.uk\)](http://gov.uk) as specified by the Department for Education. The Council gives guidance for schools on their financial operations in [the Scheme for Financing Schools in Lancashire \(April 2022\) \(lancashire.gov.uk\)](http://lancashire.gov.uk).
- 2.8 Failure to comply with these Financial Rules may constitute misconduct and lead to formal action under the Council's Disciplinary Policy and Procedure.

### Financial Planning

- 2.9 The Local Government Act 1972 set out how the Council's expenditure can be financed. This is identified as 'revenue' and 'capital'.
- a) Revenue is the Council's operating expenditure and includes salaries and wages, and running costs such as fuel, utility bills and service contract payments. The Council funds revenue expenditure through revenue income sources such as Council Tax and charging service users.
  - b) Capital is the Council's expenditure on the acquisition, maintenance and enhancement of assets. Capital expenditure can be funded by capital income sources such as capital receipts, grants and borrowing.

- c) The Council's records and financial systems must separate the income and expenditure on revenue activities from the income and expenditure on capital activities.

2.10 The Council is required to ensure and demonstrate that it complies with these rules by making sure there is a clear separation between capital and revenue in all of its financial activities. It is generally clear whether a transaction is revenue or capital, but there are some nuances:

- a) Maintenance, repairs and refurbishment – if the expenditure does not increase the asset's economic life, increase the sale value of the asset, or enhance the asset's use, it is considered revenue expenditure.
- b) Income – regular income derived from a capital asset, for example rent or service charges, is considered revenue income. Whereas the proceeds of the sale of an asset are considered capital income (known as capital receipt).
- c) Normally, councils are not allowed to use capital income to fund revenue expenditure, other than in some cases when capital receipts may be used to fund the revenue costs of transformation projects.
- d) There is a lower limit of £12,000, below which expenditure is assumed to be revenue.
- e) Guidance and advice on capital and revenue expenditure should be sought from the Chief Financial Officer.

### Financial Management for Revenue

2.11 Under [the Scheme of Delegation to Officers \(lancashire.gov.uk\)](http://lancashire.gov.uk), Executive Directors and Directors are responsible for the financial management of their services and for the purpose of these Financial Rules are called budget holders.

2.12 Budget holders are responsible for ensuring that their budget, as approved by the Full Council, is not used for any purpose other than that for which it is approved.

2.13 Budget holders are responsible for maintaining appropriate control of expenditure and income within their service area against budget and ensuring it is properly recorded, including taking corrective action where there are material differences.

2.14 Budget holders are responsible for ensuring that any proposed expenditure that is unfunded shall not be incurred without prior consent of the Chief Financial Officer.

2.15 Budget holders are responsible for ensuring that funding has been identified for the ongoing costs of any decisions taken.

2.16 Each Directorate has a Finance Monitoring Board, chaired by its Executive Director. These Boards report upwards to the Strategic Finance Board, chaired by the Chief Financial Officer (or as delegated).

2.17 As set out in [Part 9 of the Constitution \(lancashire.gov.uk\)](#) and in accordance with Section 114 of the Local Government Finance Act 1988, the Chief Financial Officer must report to the Full Council if there is or is likely to be unlawful expenditure or an unbalanced budget, where income is not expected to meet expenditure commitments. This would include situations where reserves have become seriously depleted.

2.18 Directorate Leadership Teams shall receive appropriate reports for their revenue expenditure and income on a regular basis.

2.19 The Chief Financial Officer will provide guidance on suitable approaches to enable income and expenditure to be monitored effectively.

#### 2.20 *Managing Variations from Budget*

- a) Corrective action may be required to bring expenditure and income in line with budgets. This may involve taking action to reduce expenditure where there is a projected overspend or to increase expenditure where there is a projected underspend. This type of corrective action must be considered in the context of Directorate plans and performance targets.
- b) Steps taken by the Cabinet or any officer discharging delegated responsibilities to implement Council policy shall not exceed the allocated budget for the service in question. Decisions should only be taken which are in line with the Council's Budget and Policy Framework, Corporate Plan and Directorate Plans. Decisions which would be contrary to the Policy Framework, or contrary to, or not wholly in accordance with, the Budget approved by Full Council, can only be taken by the Full Council.
- c) If an officer wishes to make a decision which may be contrary to the Policy Framework or not in accordance with the approved Budget, they shall take advice from the Monitoring Officer and/or the Chief Financial Officer, prior to any consideration by the Full Council. The advice of the relevant Head of Financial Management should initially be sought.
- d) Executive Directors must consult and agree with the Chief Financial Officer any matter likely to affect the Council's finances materially before any commitments are made. The advice of the relevant Head of Financial Management should initially be sought.

## 2.21 *Maintenance of Revenue Reserves*

- a) The Chief Financial Officer will advise the Full Council on the prudent levels of reserves for the Council. Section 25 of the Local Government Act 2003 requires that, in giving consideration to budget proposals, members must have regard to the advice of the Council's Chief Financial Officer, on the robustness of estimates and the adequacy of the Council's reserves.
- b) Use of reserves are reviewed by the Cabinet on a regular basis, and authorisation to finance expenditure from reserves can only be approved by the Cabinet and Full Council on setting the Budget, upon the advice of the Chief Financial Officer.
- c) For each reserve established, the purpose, usage (including the timeframe for usage) and basis of transactions will be clearly recorded and reported to Cabinet and Full Council.

## 2.22 *Scheme of Virement*

- a) Transfers of expenditure or income revenue budgets are described as 'virements.'
- b) These are a financial management practice to reallocate funds based on changing priorities or unforeseen circumstances without needing to seek additional budget approval.
- c) There may also be realignments of budgets that form the basis of a virement within a service area to reflect changing trends of expenditure and income across those budgets.
- d) A virement must not be used to smooth underspending and overspending positions across services.
- e) Virements may be authorised by the relevant Executive Director from their delegated budgets, providing the amount of any individual transfer does not exceed 10% of the gross expenditure of the Director's budget or in any other case, with the consent of the relevant Cabinet Members.
- f) Directors or Heads of Service as delegated can authorise virements which do not exceed 10% of the gross expenditure within their own service budgets. If budgets are to transfer across Directors (within the same directorate) approval is required from all Directors or Heads of Service impacted.

## 2.23 *In Year Budget Increases and Supplementary Budgets*

- a) In the event that it is not possible to move resources between budget headings to meet an expenditure commitment, a request may be made to the Finance

Monitoring Board and the Strategic Finance Board to support the additional funding request. These boards should advise the Chief Financial Officer if there is no corrective action that can be taken within the directorate to finance the commitment. The Chief Financial Officer will report to the Cabinet if financing is to be arranged. Any changes required to the "in-year" budget require Full Council approval.

#### 2.24 *Treatment of Year End Balances*

- a) The Council's financial position at the end of the financial year will be financed from the Council's reserves (this could be a transfer to or from reserves depending on whether the outturn position is an under or overspend). Any requirement to finance expenditure from reserves in future years resulting from underspending in-year will require authorisation from the Head of Financial Management in consultation with the Chief Financial Officer.

#### 2.25 *Financial Implications of Reports*

- a) Executive Directors will ensure that Cabinet Members are briefed on the financial implications of all proposals and that the financial implications have been cleared by the Chief Financial Officer prior to the reports being sent to the Cabinet (or individual Cabinet Members under the urgency procedure).

#### Financial Management for Capital

2.26 The capital programme sets out the Council's medium-term plans for capital expenditure.

2.27 The Chief Financial Officer is responsible for ensuring that the capital programme is updated annually for consideration by Cabinet before submission to Full Council for approval.

2.28 The planned capital expenditure will be consolidated into a comprehensive report by the Chief Financial Officer in consultation with individual Cabinet Members. The estimated cost of capital projects will be prepared jointly by the Chief Financial Officer and the appropriate Executive Director (or as delegated).

2.29 The estimated expenditure will be the amount of the accepted tender (adjusted if necessary for any non-contract items), or, if there is no tender, the latest estimate of cost. This figure constitutes the approved budget for monitoring purposes.

2.30 Capital expenditure should be based on the Council's long-term plans as detailed in the Capital Strategy.

2.31 Approval by the Full Council of the capital programme constitutes the authority for incurring expenditure. Additions to the authorised Capital Programme may be made by the Cabinet provided that the source of finance is clear at the point of approval and that the revenue consequences including that of any increased

borrowing can be contained within existing or newly identified budgetary provision and reflected in an updated medium term financial strategy.

- 2.32 Amendments to the capital programme must comply with [the Scheme of Delegation to Officers \(lancashire.gov.uk\)](https://www.lancashire.gov.uk) where the changes are within the total approved budget for a service programme and the scope of works within it are not fundamentally changed. Amendments requiring additional funding or a fundamental change of scope of a programme will require approval by Cabinet. The Cabinet shall have the power to suspend all authority to commit or to incur any capital expenditure on a specified project or programme which is not legally or contractually committed. Such action will require confirmation by the Full Council.
- 2.33 The estimated expenditure committed by officers under the Scheme of Delegation to Officers must not, in aggregate, exceed the amount approved for the scheme in the annual Capital Programme by more than 20% of the annual programme budget or £250,000 (whichever is the lower). If estimated expenditure does exceed the approved annual Capital Programme figure by more than the above limits, then approval to the excess must be sought from Cabinet and Full Council as necessary before any commitment is entered into.
- 2.34 One of the key differences between the Revenue Budget and Capital Programme is that Capital schemes will more likely operate over a number of years and can experience a number of delays, changes or enhancements over the life of the scheme. It is important that the Capital Programme is flexible to accommodate these factors.
- 2.35 It is the responsibility of the Chief Financial Officer to determine how the Capital Programme will be funded and report the implication this will have on the revenue budget to Cabinet and the Full Council.
- 2.36 Cost increases which arise in the course of a programme will be treated as follows:
- a) If additional payments arising from cost increases are required to allow a project to continue without delay or if the cost increases arise from fluctuations in the price of loose furniture and equipment, no prior approval is required but any action taken under this Regulation should be reported by an officer decision under the Scheme of Delegation to Officers as long as the programme budget is not breached.
  - b) If total increased costs, including any previous increases are less than 20% of the annual programme budget or £250,000 (whichever is the lower) approval to the increase may be given by the Chief Financial Officer on the recommendation of the appropriate Chief Officer and Capital Board, but any action taken under this Regulation should be reported by an officer decision under the Scheme of Delegation to Officers.

- c) Approval to any other cost increases in a programme budget must be sought from Cabinet before any expenditure arising from such cost increases are committed. Where there are no additional costs to the Council in relation to an additional scheme, approval can be undertaken by officers under the Scheme of Delegation to Officers.

2.37 For each capital project with an out-turn cost greater than £50,000,000 a post-completion statement will be presented to the relevant Cabinet Member. The statement must show the original capital programme cost estimate, the amount of the accepted tender if appropriate, any subsequent approvals to increased costs and the actual out-turn expenditure. The statement is to be produced as soon as possible, and at the latest within two years after practical completion of the project.

2.38 Where a capital scheme approval takes the form of a general approval to spend over a programme and the detailed projects within the programme are identified, officers can allocate funding between the projects as long as the overall funding envelope is not exceeded, and the scope is not changed. Where a change to scope or overall costs is required, this should be approved by Cabinet as necessary.

2.39 Where approval to a programme is a general allocation, with scheme details to be developed, then approval by Cabinet to the detailed programme of capital expenditure is necessary prior to expenditure being incurred. This regulation does not apply to schemes for structural maintenance.

#### 2.40 *Capital Programme Additions*

- a) A business case is required for a new scheme to be added to the capital programme. The business case will comprise of the following as a minimum:
  - (i) Scheme objectives
  - (ii) Contribution to Council's objectives
  - (iii) Initial capital estimates of cost
  - (iv) Revenue consequences of the borrowing and whole life costs
  - (v) Risk
  - (vi) Funding source(s)
- b) The business cases will be reviewed by Capital Board and where appropriate referred to Strategic Finance Board for review and inclusion as a recommendation to Cabinet.
- c) Amendments to the capital programme will largely be made in the same way, with some discretion allowed at the Capital Board as to the route for Cabinet approval.
- d) Costs incurred prior to the business case's approval, such as option appraisals and any fees including initial design, are classed as feasibility and will be charged to the service revenue budget.



- e) For this purpose, contributions from funds delegated or devolved to school governing bodies will not be regarded as Council contributions.
- f) Schemes that are wholly funded by external contributions and represent no identified financial or reputational risk can be added to the capital programme under the Scheme of Delegation to Officers and these officer decisions must be recorded on the central Mod.gov recording system.

#### 2.41 *Monitoring of Capital Expenditure*

- a) Capital project and programme managers will proactively forecast anticipated expenditure on their projects and where this will exceed their budget allocation, initiate a change request and business case for additional funding as appropriate.

#### 2.42 *Corrective Action*

- a) Due to the nature of long-term projects and deterioration of assets, it is not unusual to encounter slippage in project delivery and / or to require items planned for future years to be brought forward for earlier interventions. The transfer of approved schemes between years of the capital programme will not be considered as a budget change provided that there is no overall long-term impact on the capital programme funding. There is, therefore, no requirement for prior approval by the Cabinet or the Full Council for re-profiling. These transfers can be made by programme managers following consultation with the Chief Financial Officer or as delegated and be reported in the quarterly update reports to Cabinet.
- b) Where a project is forecast to exceed its budget allocation pre-emptive action should be taken by the project and programme manager in consultation with the relevant capital accountant to ensure funding is made available for the completion of the project. This can include de-scoping the project to be deliverable within the funding envelope, moving funds within a programme, rescoping a programme, or requests for additional funding to be made.
- c) Directorate Leadership Teams must receive appropriate reports for their capital expenditure on a regular basis.
- d) Cabinet will receive a report on a quarterly basis, giving details of movements in the capital programme over time, the anticipated annual delivery, and details of under / overspends and slippage within the capital programme.

### **3. Accounting and Financial Systems**

- 3.1 All accounting records and statements must comply with the relevant accounting standards, adapted in accordance with the current Code of Practice on Local Authority Accounting in United Kingdom (The Code).

3.2 Budget holders are provided with relevant information to comply with the Council's accounting policies which are updated annually.

3.3 Budget holders are instructed on the required record keeping. All taxable (and National Insurance) transactions are identified, properly carried out and accounted for within stipulated time scales as required by His Majesty's Revenue and Customs (HMRC). Returns are made to the appropriate authorities within the stipulated timescales.

3.4 New financial procedures and systems will not be introduced, or existing systems amended without consultation with, and the prior approval of, the Chief Financial Officer.

3.5 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

3.6 Budget holders must consult and obtain approval of the relevant Financial Head of Service before making any changes to accounting records and procedures, and maintain adequate records to provide a management trail leading from the source of income/expenditure through to the statement of accounts.

### *3.7 Statement of Accounts*

- a) The Council will publish financial statements as stipulated by the Accounts and Audit Regulations. The statement of accounts gives electors, those subject to locally levied taxes and charges, members of the council, employees and other interested parties information about the Council's finances.
- b) The Full Council delegates responsibility to scrutinise and approve the statement of accounts to the Audit, Risk and Governance Committee.
- c) The statement of accounts must be prepared on the basis of proper practices, which ensure that they present a true and fair view of the Council's financial position and performance. The Chief Financial Officer is responsible for the preparation of the council's statement of accounts and in doing so is required to:
  - (i) Select suitable accounting policies;
  - (ii) Make arrangements for these policies to be scrutinised by the Audit, Risk and Governance Committee and ensure that they are applied consistently;
  - (iii) Make judgements and estimates that are reasonable and prudent;
  - (iv) Comply with The Code; and
  - (v) Take reasonable steps to secure the prevention and detection of fraud and other irregularities.

### *3.8 Closure of Accounts*

- a) To comply with the statutory requirements and deadlines, budget holders must:
  - (i) Adhere to the accounting policies and guidelines provided by the Chief Financial Officer;

- (ii) Adhere to the timetable issued by the Chief Financial Officer;
- (iii) Comply with accounting requirements contained within the closure of accounts guidance issued by the Chief Financial Officer;
- (iv) Supply information for the statement of accounts as and when required.

#### **4. Taxation**

4.1 The Chief Financial Officer is responsible for ensuring the Council's tax affairs are in order. Tax issues are often complex and the penalties for incorrect accounting can be severe. It is therefore important that advice is sought from the appropriate finance officer wherever necessary.

4.2 The Chief Financial Officer is responsible for providing an adequate financial system that will:

- a) Comply with HMRC reporting requirements;
- b) Calculate and make tax and National Insurance deductions and reflect this correctly in the Council's accounts;
- c) Accurately account for VAT under all the categories stipulated by HMRC and reflect this correctly in the accounts;
- d) Retain sufficient information in respect of taxation and National Insurance to meet the reporting requirements of HMRC and management;
- e) Provide an adequate payroll system that will correctly calculate and deduct/refund income tax and National Insurance contributions from employees in line with HMRC guidelines and legislation;
- f) Ensure that financial control systems are operating effectively to produce the necessary information and minimise the risk of error; and
- g) Report significant tax and National Insurance related matters to members.

4.3 The Chief Financial Officer must also ensure that officers are designated to be responsible for:

- a) The completion of monthly and annual returns to HMRC and to employees for tax and National Insurance in line with defined timetables, and providing other information requested;
- b) Collating and issuing statements in line with the terms of the various tax schemes;
- c) Making payments to HMRC of all taxes and National Insurance deducted in line with the defined timetables;
- d) Verifying and maintaining required information held within the financial system;
- e) Providing advice to staff on taxation that affects the Council in the light of the guidance issued by the appropriate bodies and relevant legislation;
- f) Keeping up to date with the current HMRC requirements on Pay As You Earn (PAYE) and National Insurance and ensuring the payroll system is maintained in line with legislative changes;
- g) Liaising with HMRC on tax and National Insurance management issues such as routine or special investigations, taxable benefits and dispensations; and

h) Providing advice and guidance on tax and National Insurance issues to management.

4.4 Executive Directors are responsible for ensuring that all staff in their directorates are aware of the regulations and procedures relating to taxation, and that they comply with them. The Director of People is responsible for advising on terms and conditions of employment.

4.5 Executive Directors, together with their staff, are responsible for providing the Chief Financial Officer with the necessary information to enable the proper application of income tax and National Insurance procedures.

#### 4.6 *Construction Industry Scheme (CIS)*

a) Businesses in the construction industry are known either as contractors or sub-contractors. These may be companies, partnerships, or self-employed individuals. The CIS applies to payments made by 'contractors' (in this case the council) to 'sub-contractors' for construction work that is deemed to be 'in scope' of the scheme. In general, this covers almost any work done to a building or structure, civil engineering work or installation of a variety of equipment. This includes demolition, site preparation, construction, alteration, repair and dismantling.

b) The CIS is administered by the HMRC. Under the scheme some payments could be liable to a tax deduction from the labour element of an invoice. The Council is required by legislation to keep records, complete forms and returns, and account for tax withheld. The Council is liable to HMRC for the amount deductible from payments to subcontractors, whether or not these deductions have actually been made. Where a failure to deduct tax results from an error or omission at department level, the appropriate local budget will be charged with the tax due.

c) When initiating an order for 'construction' type work, budget holders must consider the potential CIS implications, and inform the Accounts Payable and Procurement teams if the scheme applies.

#### 4.7 *Value Added Tax (VAT)*

a) VAT is charged on supply and receipt of goods and services. The Council is registered for VAT and as such can recover from HMRC the majority of VAT it pays. However, the Council must also charge and pay to HMRC VAT on its income, where appropriate. Overall, the Council recovers more VAT than it pays. HMRC have statutory powers to inspect records and to ensure that financial systems comply with their requirements. Substantial financial penalties may be applied for the incorrect treatment of VAT. Although inspections generally occur centrally, HMRC may undertake site visits. All officers involved in making payments or

collecting income must familiarise themselves with VAT rules and procedures to ensure that VAT is accounted for correctly.

- b) The Council accounts for VAT to be paid to or recovered from HMRC through submission of a monthly VAT return. The requirement to submit this return digitally must be met. VAT can only be recovered where goods and services are supplied directly to the Council, and correct treatment is recorded in the financial system.

## **5. Control of Resources**

6.1 For the security of assets such as property, equipment, software and information, the key controls are as follows:

- a) An asset register is maintained for the authority. Assets are recorded when they are acquired, and this record is updated as changes occur with respect to the location and condition of the asset.
- b) Resources are used only for the purposes of the authority, are properly accounted for, have suitable insurance coverage and are regularly monitored.
- c) Resources are available for use when required.
- d) Resources no longer required are disposed of in accordance with the law and to the maximum benefit of the authority.
- e) All staff are aware of their responsibilities with regard to safeguarding the authority's assets and information, including the requirements of the Data Protection Act, software copyright legislation and any relevant policies and standards produced by the council.
- f) All staff are aware of their responsibilities with regard to safeguarding the security of the authority's computer systems, including maintaining restricted access to the data held on them and compliance with the authority's data security and IT security policies.

## Procurement and Accounts Payable

5.2 For ordering and payment, the following key controls must be met:

- a) The purchase is legitimate and lawful.
- b) The purchase is within the Budget and Policy Framework.
- c) All goods and services are ordered in accordance with [the Procurement Rules \(lancashire.gov.uk\)](http://lancashire.gov.uk).
- d) The purchase is authorised by an appropriate person and correctly recorded.
- e) Goods or services received meet the requirements of the authorised order.
- f) Payments are only made for goods or services received at the correct price, quantity and quality standards.
- g) The budget holder monitors all expenditure through their budget.
- h) Payments are recorded accurately in the Council's accounts on a timely basis.
- i) Processes are in place to maintain the security and integrity of data for transacting business electronically.

5.3 Purchase of equipment, goods and materials shall be affected through the most economical and practical means, making use of contracts arranged by the Procurement Service and co-ordinated purchasing or any other contracting arrangements where these are available. To this end the Chief Financial Officer will issue such general instructions as they deem necessary and is entitled to make such enquiries and to receive such information and explanations as they may reasonably require.

#### *5.4 Initial Purchasing Considerations*

Before any procurement takes place, officers must consider:

- a) The service needs and objectives;
- b) Funding;
- c) Availability of corporate contracts to source the required goods/services;
- d) For purchases of £10,000 and below a single supplier can be approached; however, the purchasing officer should still be satisfied that they are obtaining best value. The use of corporate contracts should always be considered in the first instance. The purchasing officer may wish to check the market for indicative prices and quality; and
- e) For purchases over £10,000, the purchaser should refer to [the Procurement Rules \(lancashire.gov.uk\)](http://lancashire.gov.uk).

#### *5.5 New Suppliers to the Council*

- a) If it is necessary to procure from a new supplier because an established supplier or contract does not exist, then it is necessary to ensure the supplier is set up within the council's Oracle Fusion system before the order is placed.
- b) The only exception to (a) is when imprest or purchase cards are used. In these instances, the names of the imprest account and card provider are the suppliers on the council's system.
- c) Before requesting a new supplier to be set up, the requesting officers must assure themselves that:
  - (i) The supplier is bona fide and can be considered a reputable trader;
  - (ii) Existing contracts have been adequately considered before approaching a new supplier;
  - (iii) Sufficient checks have been undertaken to ensure that the supplier has not already been set up on Oracle Fusion; and
  - (iv) For the supply of large contracts, the appropriate financial due diligence has been carried out to ensure the supplier is financially sound and can execute the contract and this will be performed as part of a tender exercise.
- d) For new suppliers, the following information should be sent to the Procurement Service titled 'supplier set up request':

- (i) Your name;
  - (ii) Your work email address;
  - (iii) Name of supplier;
  - (iv) Contact name for supplier (they will be completing the online form);
  - (v) Contact email address for the supplier;
  - (vi) Contact phone number for the supplier;
  - (vii) Reason for the request;
  - (viii) Type of goods or services; and
  - (ix) Any additional information.
- e) If a supplier is set up but has not been used for some time, it may be closed for use. If this is the case, the details set out at (d) should be re-sent to the Procurement Service indicating the need to reactivate the supplier.

### 5.6 *Ordering Goods and Services*

- a) In the main, goods and services should be purchased by raising a requisition through the Oracle Fusion system or through the appropriate line of business care management system. (See sections 5.39 to 5.42 on Payment Methods where alternatives are available).
- b) In most instances, goods or services will be requested in advance. When this is the case, a requisition should be raised which will be converted into a purchase order by the Procurement Service.
- c) The purpose of this purchase order is to:
- (i) Comply with the Council's No Purchase Order No Pay policy;
  - (ii) Formally notify the supplier of requirements;
  - (iii) Provide the Council with a control over procurement;
  - (iv) Provide a commitment against budgets; and
  - (v) Inform the supplier of the Council's terms and conditions.
- d) An official quantity-based purchase order should always be issued to the supplier, except in the following circumstances:
- (i) For ongoing commitments, in which case a call-off order can be raised;
  - (ii) Procurement Card purchases;
  - (iii) Purchases for reimbursement through an imprest account; and
  - (iv) For those categories of spend exempt from the council's No Purchase Order No Pay policy.
- e) Each official order or formal contract shall indicate clearly the nature and quantity of the work, goods, materials or services. It should also show the agreed value or price, any trade discount or allowance, together with any reference to a quotation, tender or other arrangement. Orders should specify delivery to a Council address or site.

- f) Orders must be raised against the correct cost centre and account code to be charged.
- g) Access to the Oracle Fusion system to raise and authorise a requisition and purchase order is restricted in line with the authorisation limits set out in these Financial Rules.
- h) Generally, orders must not be changed after issue to the supplier.
- i) If additional goods/services/works are required after the purchase order has been issued to the supplier, then a new purchase must be raised. Only in exceptional circumstances should an order be amended.
- j) Lines on a purchase order that are no longer required or available should be cancelled by the initial requisitioner. If goods/services/works are no longer required, then the supplier must be advised of this separately.
- k) Outstanding orders must be reviewed on a regular basis and appropriate action taken to either secure the goods/services/works or cancel the order.
- l) Official orders should not be raised for any personal or private purchases.

#### *5.7 Call-Off Purchase Orders*

- a) Call-off purchase orders are a means of creating one purchase order to meet an ongoing requirement instead of lots of smaller purchase orders. This approach reduces the number of requisitions and purchase orders that are created. Requisitioners are to undertake call-off orders using the 'by amount' option within Oracle Fusion.

#### *5.8 Receipt of Goods and Services*

- a) Responsibility for checking and recording that any good/services/works have been received is the responsibility of the requesting budget holder.
- b) Requisitioners should ensure that when goods or services are received, they agree with the order delivery note or equivalent record.
- c) Receipting must be undertaken as deliveries are received or services are satisfactorily received. Requisitioners are required to keep receipts up to date in a timely manner on the Oracle Fusion system.
- d) Requisitioners must not receipt the full value of the purchase order in advance, only receipting goods/services/works validated as received, this is particularly relevant for call-off purchase orders where multiple receipts are likely to be required over the length of the contract.
- e) If for any reason goods received do not meet the required standards, and a decision is taken to return the goods to the supplier, evidence of the goods



returned must be kept. The invoice should not be processed for payment, and a credit note should be requested for any returned goods.

### 5.9 Accounts Payable

- a) Accounts payable represents the Council's financial obligation to pay suppliers for goods or services that have been received or will be received in the future.
- b) These provisions exclude the purchase of services through the following social care systems which will operate based on local configuration on a commissioned care basis:
  - (i) Liquid Logic Adult System (LAS)
  - (ii) Liquid Logic Children System (LCS)
- c) Payments will be made when the following conditions are met:
  - (i) An appropriately authorised purchase order is sent to the supplier;
  - (ii) The receipt of the goods or service is recorded against the purchase order;
  - (iii) A VAT compliant invoice is received and can be matched to a receipted purchase order; and
  - (iv) All transactions are recorded using the Council's Oracle Fusion system.

### 5.10 Stages of the Procure to Pay Process

- a) The overall process of purchasing goods and services is as follows:
  - (i) Procurement process complete, and good or services ordered; then
  - (ii) Goods or services delivered and recognition of liability; then
  - (iii) Payment to supplier.

### 5.11 Ordering Goods and Services

- a) Purchase orders are documents given to the supplier that identify the nature of the goods or services requested, including the quantity, unit price and description.
- b) The purchase order must be authorised for it to be a valid purchasing instruction. Purchase order authorisation limits are subject to the following financial limits. Amounts above £10 million must be approved by the relevant Executive Director in conjunction with the Chief Financial Officer.

<b>Position</b>	<b>Approval Limit</b>
Chief Executive	Above £100 million
Executive Directors	£100 million
Directors	£10 million
Head of Service	£500,000
Grade 10-13	£100,000
Grade 6-9	£5,000
Requisitioner (self-approval)	£500

- c) Certain exceptions may be allowed to these limits with the appropriate business case approved by the Chief Financial Officer and appropriate Executive Director.

- d) Individual directorate schemes of delegation will further detail the operational approval requirements deployed within respective service areas within the above corporate framework.

#### *5.12 Supplier Invoice*

- a) A valid supplier invoice will contain the following details:
  - (i) Supplier name;
  - (ii) VAT registration number;
  - (iii) Tax point date;
  - (iv) Description of good/service;
  - (v) Units;
  - (vi) Currency;
  - (vii) Amount before tax;
  - (viii) VAT amount; and
  - (ix) Amount after tax.
- b) Invoices are to be sent directly from the supplier to the Council's Finance Accounts Payable team via email.
- c) Where payments are to be made in foreign currency denominations, the settlement date must be identified if required.

#### *5.13 Payment*

- a) The council will make payment to suppliers by BACS transfer. Payment will be made within the supplier's contracted credit terms as measured from the date of receipt in the Council's Accounts Payable team.

#### *5.14 Urgent Payment Procedure*

- a) Where a payment for the purchase of goods or services is required to be made urgently, due to the absence of an appropriately receipted purchase order or in advance of credit terms, the urgent payment must be authorised by an appropriate Head of Service by email and will be subject to a £100 processing charge per urgent transaction.

#### *5.15 Alternative Payment methods*

- a) Where payments are to be made that do not relate to the purchase of goods and services, a payment by bank transfer request can be made to the Accounts Payable team, for the following circumstances:
  - (i) For payments to public bodies or partner organisations as directed by law, legal direction, or formal contractual agreement.
  - (ii) For payment to private citizens (not companies or employees) for the reimbursement of costs that they have incurred on behalf of the Council. A maximum of £1,000 per person per annum is applicable.

## Collection of Income

5.16 Each Executive Director should establish the charging policy within their own area of responsibility, taking into account any statutory obligations and the appropriate charging of VAT where applicable. All such policies should be subject to annual review and should be notified to the Chief Financial Officer.

5.17 Executive Directors have a responsibility to:

- a) Ensure that all income due to the Council is identified and collected;
- b) All income due to the Council is identified and charged correctly, in accordance with an approved departmental charging policy which is reviewed annually;
- c) All money received by an employee on behalf of the Council is paid without delay into the Council's bank accounts and properly recorded within the Council's financial system;
- d) Effective action is taken to pursue non-payment within defined timescales;
- e) Formal approval for amendments to debtor invoices is obtained (credit memos); and
- f) All appropriate income documents are retained and stored for a defined period in accordance with the document retention schedule.

5.18 Where consideration is being given to the introduction of charges for discretionary services or to utilising a trading power, the relevant Executive Director must consult with the Chief Financial Officer and the Monitoring Officer on all aspects of the proposal (i.e. financial, legal and personnel related).

5.19 The Chief Financial Officer will determine where debts can no longer be collected and must be written off.

### 5.20 *Debt Management*

- a) Principles of debt recovery:
  - (i) The Council's approach to recovering invoiced debt will be consistent, transparent, firm, fair and courteous.
  - (ii) Recovery action will be taken in a timely manner and wherever possible technology will be utilised to automate and expedite processes.
  - (iii) The Council will always take recovery action where a client does not pay and has not informed the Council that they are having difficulty paying.

### 5.21 *Recovery Considerations*

- a) If a customer is considered to be vulnerable (for example due to physical illness or disability, mental health, frailty due to older age, learning disability) and this makes it difficult for them to pay outstanding bills, recovery action will be avoided, and assistance will be provided to facilitate payment.

- b) Where it has been identified that a customer is suffering from financial difficulties or other extenuating circumstances the Council is committed to providing advice and support including:
  - (i) Holding enforcement action once a customer makes contact to inform of a hardship in making payment; or
  - (ii) Voluntary payment solutions considered in preference to statutory or civil remedies.
- c) Where the debt is for an ongoing service, the Council may stop providing the service until the debt is paid or an acceptable payment arrangement is agreed. The cessation of services will only be actioned following the approval by the service department and only following consultation with the assigned social worker in Adults' or Children's social care cases.

#### *5.22 Low Invoice Amounts*

- a) Services should consider the administrative costs of raising one-off invoices for low amounts, generally considered to be less than £50, and should take steps where possible to collect such income at the point of sale/purchase/charge.

#### *5.23 Overpayments*

- a) Where the Council has received a payment in excess of the amount owing, reasonable efforts will be made to contact the recipient. Generally, the steps taken will be as follows:
  - (i) Deceased client – contact the next of kin by letter/telephone call for up to two years. These are reviewed on an individual case by case basis, but if the amount or case is deemed significant, a trace or will and probate search will be carried out.
  - (ii) All other accounts – contact by letter/telephone call for up to 12 months.
- b) If attempts to contact the client/next of kin are unsuccessful the overpayment will be moved to the council's reserves, and the action noted to ensure that if the overpayment is then subsequently claimed, it can be refunded.

#### *5.24 Complaints and Errors*

- a) If an error is identified in the process of recovering debt the account will be reviewed and the error corrected as soon as possible where the correction would result in a material benefit to the client. If evidence emerges of this after enforcement proceedings have taken place, the Council will take appropriate action to remedy the situation as far as possible.
- b) If the correction of the error will cause a detrimental impact to the client, the Chief Financial Officer may determine to waive this aspect of the debt.
- c) If a customer is unhappy with the service provided or disagrees with decisions made relating to their debt, complaints will be handled through the council's general complaints procedure.

## Property

5.25 Executive Directors, in consultation with the Chief Financial Officer, are responsible for the Council's estate management, including:

- a) Acquiring land and premises;
- b) Disposal of land and premises when surplus to requirements;
- c) To accept and grant leases of land and premises and such other rights over land and premises as may be deemed necessary and appropriate;
- d) All property acquisition and disposal;
- e) Declaring land and premises surplus to requirements, after consultation with the appropriate Cabinet Member and Lead Member.
- f) The management, maintenance, furnishing and equipping of premises for which they are responsible. All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control;
- g) The safe custody and physical control of stores and equipment and for the maintenance of records in the form approved by the Chief Financial Officer. The records shall include such items as the Chief Financial Officer, after consultation with Executive Director, considers necessary; and
- h) Arranging periodic physical checks of equipment and stores against relevant records by officers other than those responsible for their custody and control.

## Cash

5.26 Officers shall inform the Treasury Management team of all income and expenditure over £500,000 to allow for effective cashflow management of the Council's cash resources.

5.27 The Chief Financial Officer is responsible for providing assurances that the Council's money is properly managed in a way that balances risk with return, with the overriding consideration being given to security. In accordance with the Council's Anti Money Laundering Policy, all suspected attempts to use the Council to launder money must be reported to the Head of Internal Audit and the Council's Money Laundering Reporting Officer. Council staff who handle cash and cheques on behalf of the Council (including those who deal with voluntary funds, school and amenity funds) should adhere to the Council's key principles of cash handling as detailed below:

- a) Cash and cheques should be immediately recorded on an agreed form of receipting record on receipt showing the date, the value, the identity of the officer receiving the income and payment type (e.g. cash, cheque etc.).
- b) If responsibility for the cash is subsequently passed to another officer, there should be a formal handover process. Officers involved should agree the amount of income being handed over and evidence this action by signing and dating an appropriate record. This formal handover process should also be in place where employees are handling cash / cheques on behalf of a third party.

Income should remain unbanked only for the shortest length of time operationally possible. The banking of income should occur on a regular basis and all income should be banked in full.

- c) The cash and cheques retained should be held securely in a locked depository. In most cases this will mean a safe, however, where small amounts of cash are held, a locked cabinet, cupboard or drawer is acceptable.
- d) Whatever type of storage is used, access to income held must be restricted to a minimum. Wherever operationally possible, this should mean only one or two officers holding keys. Keys should remain with the key holders and should not be left on site overnight.
- e) Where banking is undertaken in the normal course of work duties, officers should take care to minimise the risks involved, for example to vary time and route taken, to use a vehicle wherever possible.
- f) Employees should not risk personal injury to try and prevent the loss of county council monies.

### Treasury Management

5.28 Treasury management is an important aspect of the overall financial management of the Council. Treasury management activities are those associated with the management of borrowings and investments to meet the council's cashflow needs. A fundamental aim is to effectively control the risks associated with these activities and to pursue best value, in so far as that is consistent with the effective management of those risks.

5.29 The Full Council delegates responsibility for the oversight of its treasury management policies and for ensuring effective scrutiny of the treasury management strategy to the Audit, Risk and Governance Committee.

5.30 The Chief Financial Officer is responsible for the execution and administration of treasury management decisions, who will act in accordance with the Council's annual Treasury Management Strategy and statements approved by the Full Council. This includes the investment of public funds on behalf of the Council, undertaking all money market transactions associated with cash flow functions, borrowing on behalf of the council to finance long term capital spending plans and providing the safe custody arrangements of investment securities.

5.31 Schools require the prior written approval of the Chief Financial Officer to make any alternative investments of surplus cash other than prescribed deposit and other interest-bearing accounts.

5.32 The Chief Financial Officer is responsible for ensuring all investment and borrowing activity is undertaken in accordance with the relevant legislation, government and accounting regulations. The Chief Financial Officer will propose an annual Treasury Management and Investment Strategy to the Full Council in advance of the start of the relevant financial year. These strategies will comply

with the relevant regulations and will set the parameters within which investment and borrowing activity will be managed during the forthcoming year.

5.33 The Chief Financial Officer is responsible for ensuring that all borrowing and investment activity is undertaken in compliance with the approved Treasury Management Strategy. All day-to-day operational treasury activities are delegated by the Chief Financial Officer to appropriately their qualified nominated staff.

5.34 All investment of money and borrowings undertaken on behalf of the Council will be made in the name of the Council. All records of such transactions will be maintained in loan and investment registers.

#### 5.35 *Borrowing*

- a) The Council must comply with the Chartered Institute for Public Finance and Accountancy's (CIPFA) Prudential Code which governs and regulates how the Council uses borrowing to finance the Council's capital expenditure plans. The aim of this code is to ensure that the level of the Council's borrowing remains prudent, affordable and sustainable. To enable compliance, Prudential Indicators are published alongside the Council's annual budget each year and are approved by Full Council. The Chief Financial Officer has delegated responsibility for the raising and repayment of loans within the limits set by the Prudential Indicators as approved by Full Council, and also in respect of loans raised for the purposes of cash flow, as may be necessary from time to time.
- b) In line with the CIPFA Prudential Code, the Council publishes a Capital Strategy which addresses the affordability and risk profile of non-treasury investment and borrowing activity of the Council as well as looking at the process of the formulation of the capital programme in line with the Council's strategic plans.
- c) Lancashire schools may only take out loans with the prior consent of the Chief Financial Officer. In accordance with the Scheme for the Financial Management of Schools, the Council operates a loan scheme that is available to all schools. Details of the loan scheme can be found in the School Finance Handbook. Schools are only permitted to take out external loans with prior consent of the Secretary of State after consultation with the Chief Financial Officer.

#### 5.36 *Loans to Third Parties*

- a) The Chief Financial Officer is responsible, in consultation with the Cabinet Member where appropriate, to make loans and advances to outside bodies.

#### 5.37 *Bank Accounts*

- a) The Chief Financial Officer is responsible for arranging appropriate banking and related services on behalf of the Council and is authorised to open and close all bank accounts related to this provision. This responsibility is delegated to appropriately trained designated staff.

- b) No Council bank account should be opened in the name of an individual or individual establishment.

#### 5.38 *School Local Bank Accounts (Prime Account Schools)*

- a) In line with the Scheme for the Financial Management of Schools, all schools with full delegation may elect to operate a local bank account. The decision to operate a local account should be notified in writing to the Council's banking team.

#### Payment Methods

5.39 The Council's default method of payment is electronically by BACS for supplier and payroll payments. The following methods are also available and can be used following approval by the Chief Financial Officer in order to meet service needs.

#### 5.40 *Cash/Cash equivalent*

- a) Must not be used for personal expenses or administrative expenditure. The following tools are available to access cash/cash equivalent payment in pursuit of delivering council services:
  - (i) Paypoint;
  - (ii) Debit card; or
  - (iii) Imprest Account.
- b) These methods will be subject to a person specific and transaction level financial limit, as agreed between the Chief Financial Officer and the relevant Head of Service.
- c) Cash should only be used for payment in limited circumstances where no alternative electronic means is available.

#### 5.41 *Cheque Payments*

- a) Cheque payments are only made in limited circumstances where cheques are specifically requested and are necessary in a specific payment scenario.

#### 5.42 *Purchase Cards (PCards)*

- a) PCards are a corporate charge card, similar to a credit card which is settled in full at the end of each month, provided by the Council to appropriate staff to facilitate the electronic payment for goods without the need for a purchase order. The guidance for the use of PCards explains the types of purchases the PCard can and cannot be used for.
- b) Generally, to be used for spending in pursuit of delivering Council services and must not be used for personal expenses or administrative expenditure.
- c) PCards may be attributed to an:
  - (i) Individual employee; or



- (ii) Group of employees.
- d) PCards will be subject to a person specific and transaction level financial limit, as agreed between the Chief Financial Officer and the relevant Head of Service.

### Records Management and Retention of Records

- 5.43 Executive Directors must ensure that accounting records and financial systems are operated in line with the information governance framework, to ensure security of information/information systems is maintained.
- 5.44 Executive Directors must ensure records are managed appropriately and obligations set out in applicable information legislation are met.

## **6. Payments to Employees and Members**

### Payments to Employees

6.1 The assessment, calculation and payment of all salaries, wages, pensions, pension payments, compensation and other emoluments or allowances to employees or former employees of the Council shall be made by the Chief Financial Officer, or in a manner approved by them after consultation with the appropriate Executive Director.

### *6.2 Pay Policy Statement*

- a) The Localism Act 2011 (the Act) requires the council to prepare a Pay Policy Statement each year. The pay policy statement must articulate the Council's approach to a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.
- b) This Pay Policy Statement is subject to annual review and approval by Full Council by 31 March each year. In exceptional circumstances, the statement may be reviewed/amended mid-year by the Full Council.
- c) The purpose of this statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (excluding staff working in local authority schools) by identifying:
  - (i) The methods by which salaries of all employees are determined;
  - (ii) The detail and level of remuneration of the Council's most senior staff;
  - (iii) The remuneration of the Council's lowest-paid employees; and
  - (iv) The relationship between the remuneration of chief officers and those employees who are not chief officers.
- d) The Pay Policy Statement is published on the Council's website following approval by Full Council: [Annual Pay Policy Statement \(lancashire.gov.uk\)](http://lancashire.gov.uk).

### 6.3 *The Council's Pay and Grading Structure*

- a) Section 112 of the Local Government Act 1972 provides that a local authority shall appoint such officers as they think fit for the proper discharge of their functions. Officers so appointed shall hold office on such reasonable terms and conditions, including conditions as to remuneration, as the local authority thinks fit.
- b) In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. The Council will ensure that there is no pay discrimination within its pay and grading structures and that all pay differentials can be objectively justified through the use of job evaluation mechanisms, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.

### Payments to Members

6.4 The Council's Members' Allowance Scheme sets out the allowances which members and co-opted members may receive and is included in [Part 8 of the Constitution \(lancashire.gov.uk\)](#).

## **7. External Funding**

7.1 Executive Directors and Directors will ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts in a form approved by the Chief Financial Officer.

7.2 Executive Directors and Directors will ensure that the written approval of the Chief Financial Officer is obtained prior to committing the Council to act as the "accountable body" for any partnership with which it is involved.

7.3 Executive Directors and Directors will ensure that the matched funding requirements are considered prior to entering into an agreement and that future revenue budgets reflect these requirements.

7.4 Executive Directors and Directors will ensure that audit requirements are met, that all claims for funds are made by the due date, and that all expenditure is properly incurred and recorded.

## **8. Grants**

8.1 [The Procurement Rules \(lancashire.gov.uk\)](#) must be followed for the award of grants of public money.

8.2 Providing grants to Districts and the voluntary, community faith and social enterprise sector can be an important way of supporting Lancashire's communities and the Council's corporate priorities. However, when awarding public money, the

appropriate safeguards must be put in place to ensure the grant schemes achieve their aims, deliver value for money, and are organised in a transparent way.

8.3 The Council's [Protocol for Developing a Grants Scheme \(lancashire.gov.uk\)](http://lancashire.gov.uk) must be followed, which covers the following key principles for grant schemes established by the Council:

- a) Decide what you want to achieve;
- b) Establish what funding is available and whether it can be used for that purpose;
- c) Name a "Senior Responsible Owner";
- d) Develop criteria;
- e) Decide who can and cannot apply;
- f) Agree how applications can be made, and what evidence or documentation is required;
- g) Consider how to promote the scheme;
- h) Agree the assessment and decision-making process;
- i) Create a Grant Funding Agreement;
- j) Establish monitoring arrangements;
- k) Keep records; and
- l) Conduct a review.

## **9. Risk Management and Whistleblowing**

### *9.1 Annual Governance Statement*

- a) Local authorities are required by statute to review their governance arrangements at least once a year.
- b) The Council prepares and publishes an Annual Governance Statement in accordance with the CIPFA/Solace "Delivering Good Governance in Local Government Framework" (2016) (the Framework), and approved by the Audit, Risk and Governance Committee, in order to help fulfil this requirement.
- c) The Framework requires local authorities to be responsible for ensuring that their business is conducted in accordance with all relevant laws and regulations; public money is safeguarded and properly accounted for; and resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.
- d) The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

### *9.2 Corporate Risk Register*

- a) Performance management is a key component of the Council's approach to achieving its outcomes. Part of this process involves identifying and, where appropriate, mitigating risks, ensuring that performance and risk management

processes are in place throughout the organisation with effective processes to ensure sound financial management. Managing risks is the responsibility of services. All service risks are scored on the same basis and the greatest risks are elevated onto the Corporate Risk Register.

- b) During the year, service risk and opportunity registers are updated regularly, and the Corporate Risk and Opportunity register is reported to Executive Management Team, Cabinet and Audit, Risk and Governance Committee.

### *9.3 Medium Term Financial Strategy*

- a) The medium term financial strategy is updated and reported to Cabinet on a regular basis, with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the Council operates.

### *9.4 Corporate Performance*

- a) Cabinet receives high-level metrics relating to the corporate strategy, together with more detailed, service specific performance metrics which enable members to monitor ongoing service delivery and performance. The reports highlight good performance and areas for improvement.

### *9.5 Financial Management Code*

- a) The CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code sets out six principles underpinned by a series of financial management standards identifying the professional standards to be met if a local authority is to meet the minimal expectations of financial management that are acceptable to meet the fiduciary duties to taxpayers, customers, and lenders.
- b) The Council undertakes medium-term financial planning which drives the annual budget-setting and monitoring process.
- c) Through the Scrutiny Management Board and the Audit, Risk and Governance Committee, sources of assurance are recognised as an effective tool in delivering and demonstrating good financial management.

### *9.6 Internal Audit*

- a) The Council's Internal Audit Service provides independent assurance that the Council's risk management, governance and internal control processes are operating effectively.
- b) The Chief Financial Officer (or as delegated) shall have access for any necessary examination and audit, at all reasonable times, to all cash, property, documents, accounting and vouchers appertaining in any way to the finances of the Council and shall be entitled to require such explanations as may be

reasonably considered necessary to satisfy themselves of the correctness of any matter under examination.

- c) The Chief Financial Officer shall, to the extent they consider necessary or desirable, conduct or arrange for the examination and audit of the accounting records of the Council and of its officers and agents.
- d) Executive Directors have responsibility to ensure they and all officers in their directorate:
  - (i) Notify the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use, or misappropriation of the Council's property or resources.
  - (ii) Take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
  - (iii) Ensure that potential irregularities remain confidential and to determine what action should be taken as a result of an investigation.
  - (iv) Take immediate action to minimise the risk of any or a further loss arising from actual or suspected fraud or financial irregularity.
  - (v) Follow the Council's Disciplinary Policy and Procedures against any member of staff where the outcome of an investigation indicates improper behaviours.

### *9.7 Irregularities*

- a) Executive Directors shall notify the Chief Financial Officer immediately of all financial or accounting irregularities or suspected irregularities or of any circumstances which may suggest the possibility of irregularities including those affecting cash, stores, property, remuneration or allowances.

### *9.8 Insurance*

- a) Executive Directors shall notify the Chief Financial Officer promptly of all risks, liabilities, properties, or vehicles which require to be insured and of any alterations affecting risks or insurances indicating the amount of cover required.
- b) Executive Directors shall immediately notify the Chief Financial Officer of any fire, loss, accident or other event which may give rise to a claim against the Council's insurers.
- c) The Chief Financial Officer is responsible for advising the Council on proper insurance cover, and will:
  - (i) Effect corporate insurance cover through external insurance and internal funding, and negotiate all claims in consultation with other officers, where necessary;
  - (ii) Offer insurance cover to schools in accordance with arrangements for financing schools;
  - (iii) Ensure that provision is made for losses that might result from identified risks;
  - (iv) Ensure that procedures are in place to investigate claims within required timescales; and

- (v) Advise anyone covered by the Council's insurances to not admit liability or make any offer to pay compensation which may prejudice the assessment of liability on any claim against the Council.
- d) The Monitoring Officer is responsible for handling all claims made to the Council and will report to the Chief Financial Officer the value of claims settled on a quarterly basis.
- e) In the case of a school exercising the option for delegation, insurance will by the school be in a manner approved by the Chief Financial Officer.

#### 9.9 *External Audit*

- a) The Local Audit and Accountability Act requires the Full Council to appoint an external auditor to form an opinion on the Council's statement of accounts and produce an annual report on its efficiency and effectiveness.
- b) The Chief Financial Officer and Executive Directors must give access to all records, documents, assets and explanations that can reasonably be required for the auditor to undertake their duties.