

# Isle of Wight Council Financial Regulations

## Document Information

Title:	Financial Regulations
Status:	Draft
Current Version:	1.0
Author:	Barry Downer, Strategic Manager - Finance Financial Management ✉ <a href="mailto:barry.downer@iow.gov.uk">barry.downer@iow.gov.uk</a> ☎ (01983) 821000 ext. 6314
Sponsor:	Chris Ward, Director of Finance and Section 151 Officer Financial Management ✉ <a href="mailto:chris.ward@portsmouthcc.gov.uk">chris.ward@portsmouthcc.gov.uk</a> ☎ (01983) 821000
Consultation:	Director of Finance & S151 Officer, Assistant Director of Finance, Strategic Manager – Finance.
Approved by:	Audit & Governance Committee
Approval Date:	29 April 2024
Review Frequency:	Annual
Next Review:	February 2025

Version History		
Version	Date	Description
1.0	8 April 2024	Format/branding roll forward, housekeeping of terminology, consistency with budget strategy.

## Contents

Document Information.....	2
1. Introduction .....	5
1.1 Purpose of Financial Regulations .....	5
1.2 Where Financial Regulations fit in.....	5
1.3 Statement of Principles.....	6
2. Financial Planning .....	7
2.1 Duties and Responsibilities.....	7
2.2 Strategic Planning .....	10
3. Budget Setting.....	12
3.1 Budget setting.....	12
3.2 Revenue Budget.....	12
3.3 Capital Budget.....	13
3.4 Reserves and Balances.....	14
3.5 Control and Suspense Accounts .....	15
4. Financial Management .....	17
4.1 Budget management and control .....	17
4.2 Virements .....	18
4.3 Carryover of over and underspends .....	19
4.4 Accruals.....	20
4.5 In year and ongoing savings.....	20
4.6 Publication of financial information .....	21
4.7 Trading accounts/business units .....	21
4.8 Journals .....	22
4.9 Treasury Management .....	23
5. Financial Control and Compliance .....	24
5.1 Risk Management.....	24
5.2 Insurance.....	26
5.3 Internal Control .....	27
5.4 Audit .....	27
5.5 Preventing Fraud and Corruption .....	28
5.6 Anti-Money Laundering .....	30
5.7 Retention of financial records .....	30
5.8 Assets.....	31

6.	Incurring Expenditure.....	33
6.1	Authority to Incur Expenditure .....	33
6.2	Procurement.....	33
6.3	Raising an Order .....	34
6.4	Procurement cards .....	35
6.5	Payment of accounts .....	37
6.6	Petty Cash.....	38
6.7	Value Added Tax (VAT).....	39
6.8	Vacancy Management.....	39
6.9	Salaries and Pensions.....	39
6.10	Travelling, Subsistence, Financial Loss and other Allowances.....	40
7.	Income.....	42
7.1	Management of income .....	42
7.2	Charging Principles .....	42
7.3	Income Collection and Banking.....	43
7.4	Banking Arrangements .....	45
7.5	Internal recharges.....	45
7.6	Debts.....	47
8.	External Arrangements .....	48
8.1	Partnership arrangements .....	48
8.2	Pooled budgets.....	49
8.3	External funding.....	49
8.4	Work for third parties .....	49
8.5	Collaborative Working Arrangements.....	50
8.6	Accountable Body Arrangements .....	51
8.7	Grants.....	52
9.	Financial Conduct.....	53
9.1	Need for openness and impartiality .....	53
9.2	Sales and Purchases from staff and members.....	53
9.3	Pecuniary interests, Conflicts of Interest .....	53
9.4	Gifts and Hospitality - requirement to declare .....	54
10.	Related Strategies and Accounting Guidance Notes.....	55
10.1	Strategy Documents.....	55
10.2	Accounting Guidance Notes.....	56

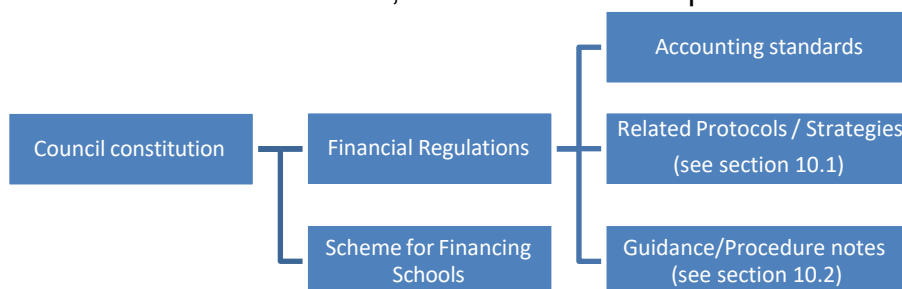
## 1. Introduction

### 1.1 Purpose of Financial Regulations

- 1.1.1 These financial regulations provide the framework for managing the council's financial affairs. As such, they apply to every member and officer of the authority and anyone acting on its behalf.
- 1.1.2 They set out the roles and responsibilities of the council, the members, and senior officers in respect of financial management. Financial management covers all financial accountabilities in relation to the running of the authority including the proper exercise of responsibility, accountability, and financial control as set out in the policy framework and budget. It is not possible to draft regulations or rules that cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility, and accountability, as set out in financial regulations, should be applied in all circumstances, even where any particular circumstance is not specifically referred to.
- 1.1.3 Financial regulations are subject to annual review and approved by the Audit & Governance Committee.
- 1.1.4 They are supported by a range of internal control systems which the council has put in place to ensure that risks to the delivery of its objectives are minimised.
- 1.1.5 Schools with delegated budgets are subject to a 'Scheme for Financing Schools'. This scheme sets out the financial relationship between the Council and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, binding on both the authority and on schools. It applies to all community, nursery, special, voluntary, foundation (including trust), and foundation special schools, and pupil referral units (PRU's) maintained by the Council. It does not apply to academies. A list of schools maintained by the Council is at: <https://www.iow.gov.uk/schools-and-education/schools/school-contacts/>

### 1.2 Where Financial Regulations fit in

- 1.2.1 These financial regulations are linked to other internal regulatory documents in particular the council's constitution. The following illustration shows where they fit in the hierarchy of the council's codes and standards, and their relationship to other documents.



### 1.3 Statement of Principles

1.3.1 The council expects high standards of conduct from its members and officers and those with whom it has dealings, and this expectation is set out in the council's constitution and various codes of conduct. The following statement of principles is the basis for the detailed guidance in the financial regulations:

- the council is responsible for the stewardship of public money and will make arrangements to safeguard the interest of the local residents and other stakeholders.
- the council expects its officers and members to exercise high standards in financial management and administration and aims to stimulate openness and transparency.
- the planning, monitoring and control of the use of resources is of vital importance to the council and it will make arrangements for the activities to be undertaken effectively.
- issues of probity will be dealt with effectively and the council will work to meet its duty to maintain proper accounts and related records.
- value for money is at the core of the council's financial activity and the way in which it administers its financial affairs.
- compliance with statutory requirements, accounting standards and appropriate codes of practice will be inherent in the council's arrangements for financial matters.
- allocation of responsibility and authority in relation to financial matters will be clearly identified.
- the council is a large organisation and is mindful of the need for consistent standards in financial administration and management across all of its operations. It will set in place guidance to be adhered to by all its services. In particular it expects staff to consult with and use all of the expertise in financial matters that it has available and act on advice from such sources.
- the assets and resources of the council must be protected to avoid loss, fraud, or misappropriation.
- identifying and quantifying risks to the council is of key importance and arrangements must be made to reduce, eliminate, or insure against them as appropriate, and
- the accurate, appropriate, and timely payment and collection of monies forms much of the routine financial business of the council and arrangements will be made for its proper administration.

## 2. Financial Planning

### 2.1 Duties and Responsibilities

#### Duties and Responsibilities of Elected Members

- 2.1.1 The cabinet is responsible for proposing a budget and for the strategic delivery of services within approved budgets and the approved policy framework. Full council is responsible for approving the budget as endorsed by the S151 Officer and has a duty to consider the advice of the S151 Officers in relation to all financial matters. The cabinet shall receive in-year budget monitoring information and ensures that any remedial action is taken to manage the budget within the overall resources available.
- 2.1.2 The scrutiny committee has a responsibility to review and assist with resolving the financial issues it regards as most benefiting from its input. It also provides the opportunity for constructive challenge around the robustness/impact of decisions in meeting the longer-term outcomes the council has set itself; in the short-term budget preparation and their potential impact on the longer-term strategy, and in reviewing how well the resources have been used to deliver the council's priorities and the relationship between cost and outturn performance.
- 2.1.3 The scrutiny committee and select committees and their associated sub committees and groups will pursue work programmes developing specific policy and strategic solutions to longer term issues, including those with a financial context. Detail on the decision-making structure is part of the council constitution.

#### Duties and Responsibilities of the Section 151 officer

- 2.1.4 The Section 151 officer has particular statutory duties in relation to the financial administration and stewardship of the authority as arising from S151 of the Local Government Act 1972. These statutory duties cannot be over ridden. Any reference to the S151 officer in this document relates to whichever postholder is assigned this role rather than a specific individual or post.
- 2.1.5 The statutory duties are incorporated in:
- the proper administration of the council's financial affairs.
  - setting and monitoring compliance with accounting and financial management procedures and standards.
  - implementing the council's duty to maintain an effective and adequate internal audit.
  - advising on the corporate financial position, including the robustness of the budget and the adequacy of reserves.
  - giving financial advice on all reports considered by the cabinet and council.
  - determining financing of capital and revenue budget items in the best financial interests of the council.
  - prescribing key financial controls and where necessary, the format of the council's financial records.

- providing financial information.
- co-ordinating forward revenue and capital plans and monitoring delivery.
- treasury management and all banking arrangements.
- arrangements for the disbursement of the council's payments in respect of creditors, staff, and partners, and
- arrangements for the collection of income due to the council as identified by the chief officers for the council and their staff.

### **Duties and Responsibilities of the Monitoring Officer**

2.1.6 The monitoring officer is a statutory appointment under the provisions of section 5 of the Local Government and Housing Act 1989. Any reference to the monitoring officer in this document relates to whichever postholder is assigned this role rather than a specific individual or post.

2.1.7 The monitoring officer's statutory duties are to:

- Report on contraventions or likely contraventions of the any enactment or rule of law
- Report on any maladministration or injustice where the ombudsman has carried out an investigation.
- Appoint deputy/deputies.
- Report on sufficiency of resources.
- Establish and maintain the register of members interest and the register of gifts and hospitality.
- Receive copies of certificates under the Local Authorities (Contracts) regulations 1997.
- Maintain, monitor, and review the governance arrangements of the authority.
- Support the council to promote and maintain high standards of conduct.
- Consider complaints against members.
- Consulting with, supporting and advising the chief executive and the chief finance officer and on issues of lawfulness and probity.
- Advising the authority on issues of lawfulness and probity.
- Conduct investigations into misconduct.
- Proper officer for access to information.
- Provide advice on vices issues, maladministration, financial impropriety, probity, budget, and policy framework issues to all members.

### **Duties and Responsibilities of the chief officers for the council**

2.1.8 The council is currently going through a period of unprecedented change which regularly alters job functions and titles and the management structure of the organisation. As this document is updated once a year, post titles as well as specific service responsibilities may change and quickly become inaccurate. Levels of responsibility are therefore attributed to tiers of management within the organisation with an acknowledgement that the chief officer or senior manager with responsibility for a specific service will hold the authority for that service area. If there is any degree of uncertainty about where responsibility and authority lie, this should be referred to the S151 officer for clarification.



2.1.9 This section sets out the financial management responsibilities of the chief officers for the council. At the time of this revision, the term ‘chief officers’ is intended to indicate all those senior strategic officers (including chief executive and any directors) who collectively meet as the corporate management team (CMT). Although this title and the make-up of the group may change, the overall roles and responsibilities of the chief officers of the council remain relevant within these regulations.

2.1.10 Most or all tasks will be the responsibility of the chief officers for the council, who may in turn further delegate to senior service managers as they see fit. The general presumption is that decisions should be taken at the lowest appropriate level, but it should be kept in mind that whilst tasks can be delegated, the chief officers for the council remain jointly and severally responsible for compliance.

2.1.11 The chief officers for the council responsibilities include the following:

- deploying budget resources to deliver the council’s objectives in the most economically advantageous way, and reporting on performance as required.
- ensuring that expenditure and income are monitored on at least a monthly basis (via service boards) and that:
  - service cash limits are not exceeded.
  - virements are approved within agreed limits as set out in section 4.2.
  - future expenditure commitments are constrained to matching resources.
  - an ‘exit strategy’ is in place for projects funded from non-recurring or declining income streams.
  - potential overspends are identified at an early stage and reported to the CMT and Cabinet/CMT Corporate Leadership Team (CLT) together with proposals for remedial action, and
  - achieving saving targets assigned to their service areas as agreed by council or Cabinet as part of the council’s overall budget strategy.
- Producing and implementing business plans at service level which incorporate:
  - key responsibilities.
  - service context.
  - budget allocations.
  - key objectives, and
  - associated risks and performance measures.
- Ensuring value for money through delivery of the council’s efficiency savings targets, and by benchmarking unit costs and performance against other organisations on an annual basis where it is appropriate to do so.
- Developing partnership arrangements where these provide clear advantages to service quality or efficiency, subject to:
  - clear definition of the benefits expected.
  - robust monitoring and governance arrangements.
  - clarity in the way risk is to be minimised and shared.
  - a viable exit strategy, and

- corporate approval where size or degree of risk warrants.
- Maintaining accounting records and audit trails in a form acceptable to the S151 officer, together with a documented scheme of delegation and authorised signatories. Each account and budget head to have a named responsible officer.
- Ensuring that financial systems in operation, and any changes thereto, are approved by the S151 officer, and that statutory taxation requirements are adhered to, and
- Minimising the possibility of loss through error, theft or fraud, or misuse of council assets, and the risk of litigation, damage to the council's reputation and its interests. This includes:
  - applying risk management techniques in order to reduce risk to optimal levels.
  - keeping the S151 officer informed about existing, new, or changing risks, both insurable and uninsurable.
  - providing assurance that the system of internal control is operating effectively within their service areas and if not, what remedial action they propose. Such assurance will form the basis of the council's annual governance statement, and applying the principles of segregation of duties, such that wherever possible, more than one individual is involved in managing the council's financial transactions.

## 2.2 Strategic Planning

2.2.1 The full council is responsible for agreeing the authority's corporate plan and priorities which will be proposed by the cabinet. The corporate plan sets out the long-term vision and outcomes to be achieved and therefore sets the priorities for resource allocation. Whilst they do not amount to an exhaustive list, they should be taken as the definitive list of where resources ultimately will be prioritised. Any programme, project or scheme which is not detailed in the corporate plan, will have to be carefully considered as to whether it contributes to the council's wider stated priorities and also whether there are any statutory requirements for the local authority to deliver such services which may take priority over other non- statutory functions. Failure to meet these tests will mean that resources will not be allocated.

2.2.2 The Joint Strategic Needs Assessment (JSNA) is a document produced by Local Authorities and Clinical Commissioning Groups as required by the Local Government and Public Involvement in Health Act 2007. Its purpose is to pull together in a single ongoing process, all the information which is available on the needs of our local population. It aspires to provide the 'big picture' for health and wellbeing needs, providing the evidence base for service delivery by the public sector to reduce health inequalities on the Island. Based on a Government Outcome Framework currently under consultation and augmented with local information it informs priority and target setting by the Health and Wellbeing Board, as they seek to realise the Government's vision "*to improve and protect the nation's health, and to improve the health of the poorest, fastest.*"

2.2.3 The S151 officer is responsible for producing a 3-year medium term financial strategy

(MTFS). The MTFS provides a financial framework for the council's strategic planning and decision making based on the priorities identified in the corporate plan and the JSNA. It incorporates key factors such as the Government's grant settlement, our spending plans and the level of savings that are likely to be needed to keep council tax affordable. The MTFS enables the council to anticipate financial pressures now, so that we can plan ahead early to meet the significant challenges in a way that ensures financial resources are targeted to the council's highest priorities and with the minimum impact on services.

2.2.4 The S151 officer is also responsible for producing a medium-term financial plan which provides additional details of the allocation of budgets against corporate priorities taking into account the grant settlement, budget pressures, demographic changes, inflationary pressures, capital financing, cash limits and savings plans. It aims to provide a comprehensive picture of the financial position of the council, covering the general fund revenue position, the capital programme and council tax levels. It also comments on the significant risks facing the council in the forthcoming years and explains what the council is doing to reduce those risks.

### **3. Budget Setting**

#### **3.1 Budget setting**

- 3.1.1 The approved revenue and capital budgets are the financial expression of the council's service delivery plans. The budgets and associated financing implications are approved each year by full council, on the basis of recommendations from the cabinet, and after having regard to the results of stakeholder consultation.
- 3.1.2 Approval of revenue and capital budgets as above confers authority on the cabinet, and the chief officers for the council to spend up to the net sums specified for each of the services within their remit.
- 3.1.3 Full council approve the capital programme which includes provision for individual schemes. The cabinet are responsible for the delivery of the schemes.
- 3.1.4 Changes to the budget may be agreed by the chief officers for the council in consultation with cabinet members and the S151 officer, provided that there is:
- no resulting reduction in the general reserve.
  - no material reduction in agreed service levels.
  - no resulting un-financed increase in commitments in future years, and
  - changes are within the agreed virement limits outlined in section 4.2.
- 3.1.5 Full council approval is required for other budget changes.
- 3.1.6 Any further savings made arising at year end (after allowing for specific carry forward requests) shall be transferred to the revenue reserve for capital, transformation reserve and general reserves, with the level of each transfer to be determined by the S151 officer.

#### **3.2 Revenue Budget**

- 3.2.1 Where the council has costs related to day-to-day provision of services e.g. salaries, supplies and services, utilities, these costs are called revenue expenditure. The council is required to set a balanced budget each year, so the amount of revenue the council can spend depends on the income the council receives from various sources.
- 3.2.2 The S151 officer is responsible for ensuring that a revenue budget for the coming year based on the agreed MTFs and MTFP, is prepared by cabinet and presented to full council in time for budget and council tax setting each year. In preparing the revenue budget, the cabinet will take into account the advice of the S151 officer.

- 3.2.3 Consultation with the local community and other stakeholders will be undertaken as part of this preparation and will inform the budget and council tax setting process.
- 3.2.4 The draft budget should include allocations to different services and projects, proposed sources of funding, proposed taxation levels and contingency funds.
- 3.2.5 The cabinet will then submit a final budget to the full council for approval.
- 3.2.6 The S151 officer is responsible for reporting to full council on the robustness of estimates contained within the budget proposed by cabinet and the adequacy of reserves allowed for in the preparation of the budget.
- 3.2.7 Approved revenue budgets may be amended during a financial year in response to external influences and management of budget pressures in accordance with the virement regulations and authorisation limits.
- 3.2.8 Should changes to service provision or structure be undertaken in year, the chief officers for the council are responsible for ensuring that the impact of such changes on their revenue budget are assessed adequately and reported fully to the cabinet within the limitations of the Budget and Policy Framework Rules outlined in the council's constitution.
- 3.2.9 The council's approved budget may allocate 'corporate growth' budgets to service areas where demographic growth has been identified or where pressure areas identified in previous years have been addressed.
- 3.2.10 The expectation is that such specific growth in service budgets will be utilised for those areas identified within the budget strategy and not vired or used for other service purposes or to be offset against savings targets.

### **3.3 Capital Budget**

- 3.3.1 Capital expenditure creates or enhances assets that have a life of more than one year, such as buildings, land and equipment. Many of the projects are delivered over a period of years and budgets will be spread across years according to project delivery plans. Capital investment can be paid for from:
- Capital receipts from the sale of assets such as buildings.
  - Capital Grants and contributions from government and other agencies.
  - Revenue contributions.

If funding is not available from these sources, the council can choose to borrow to fund invest to save capital schemes following the Prudential Borrowing Code.

- 3.3.2 The cabinet has responsibility for:
- recommending to Full Council any new bids for additional capital resources that arise during a financial year not currently provided for in the approved capital programme.
  - recommending to full council the capital programme each year as part of the budget process.

3.3.3 The S151 officer is responsible for

- ensuring that a medium-term capital programme and financing plan is prepared on an annual basis for consideration by the cabinet before submission to the full council in accordance with the budget procedure rules as set out in the constitution.
- Determining how each source of finance is used to fund the overall capital programme and to alter the overall mix of financing as necessary to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the council.
- Releasing capital resources held back for any contingency items that might arise, and for any match funding requirements that may be required of the council in order to secure additional external capital funding (e.g. bids for funding from Government or any other external source) This should be done in consultation with the leader of the council.
- setting up procedures under which capital expenditure proposals are evaluated and appraised to ensure that value for money is being achieved, are consistent with service and asset management objectives and are achievable.
- setting up procedures for corporate monitoring of external sources of capital funding.
- ensuring that expenditure treated as capital expenditure by the council is in accordance with best accounting practice, and
- advising on prudential indicators required to be set in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and for ensuring that all matters required to be taken into account in setting prudential indicators are reported to the leader and the council.

3.3.4 The chief officers for the council are responsible for ensuring that the procedures in the capital code of practice are followed. This includes:

- ensuring that appropriate options appraisals and business cases are developed for potential capital projects.
- establishing and maintaining suitable project management arrangements and records, and
- carrying out post completion evaluation of projects as required, in order to review performance in implementation of the project against budget and project plans and to evaluate performance of the project in the delivery of expected outcomes.

3.3.5 Virements between capital projects may be made by the chief officers for the council in line with the authorisation limits and within the scope of the programme agreed by the cabinet responsible for the capital programme.

## **3.4 Reserves and Balances**

3.4.1 Councils and other organisations, need financial reserves to help manage unforeseen circumstances and to smooth the impact of spending requirements over time. Reserves enable councils to:

- manage variations between their planned and actual budgets that result from unpredictable spending and income; and
- plan their finances strategically to support their activities over the medium and long term.

- 3.4.2 It is the responsibility of the S151 officer to provide the cabinet with a report on the levels of reserves that are considered prudent, based on an annual risk assessment of the authority's financial position and budget.
- 3.4.3 The S151 officer is also responsible for:
- ensuring that reserves are not only adequate but also necessary.
  - ensuring that there are clear protocols for the establishment and use of each earmarked reserve - reserves should not be held without a clear purpose or without a planned profile of spend and contributions, and
  - ensuring that provisions are set up for any liabilities of uncertain timing or amounts that have been incurred and are required to be recognised when:
    - the council has a present obligation (legal or constructive) as a result of a past event.
    - it is probable that a transfer of economic benefits will be required to settle the obligation, and
    - a reliable estimate can be made of the amount of the obligation. If the council does not yet have an obligation / or expects to have a future obligation as a result of something that has not yet happened, then a reserve should be set up and the regulations above apply.

### **3.5 Control and Suspense Accounts**

- 3.5.1 Suspense accounts are used within the council for collecting transactions which are in suspense i.e. their correct accounting treatment cannot be immediately recognised. Examples include cashier and banking suspense accounts where income is received direct into the council's bank account but cannot be identified and processed automatically. These accounts require manual intervention to review and move transactions to the appropriate profit centre.
- 3.5.2 The council uses control accounts to collect transactional details outside of the main general ledger and reconcile them, for example VAT control accounts collect the various types of input and output VAT for reconciliation prior to completing the monthly VAT return.
- 3.5.3 Both control and suspense accounts require regular review to reconcile and clear balances. This process:
- Enables the early identification of problems, including errors and potential fraud.
  - Gives assurance that the financial information in the general ledger is complete and accurate.
  - Enables year end closedown to be completed quickly and without delay.
  - Ensures that the proper revenue/capital budget bears the charge/credit before carry-overs are finalised.
- 3.5.4 Any control or suspense codes with year-end balances remaining should be fully supported by working papers to justify the amount remaining.

- 3.5.5 Each control or suspense account will be allocated a responsible officer who is responsible for ensuring that reconciliations are completed in line with the agreed frequency, that in exceptional circumstances write offs are appropriately authorised and actioned, and that appropriate year end action is taken to clear down and carry forward balances. Some suspense accounts will be reconciled within finance and some in other service areas, mainly shared services.
- 3.5.6 The frequency of reconciliation will depend on various factors, but more frequent daily or weekly reconciliations will take place where there are:
- High volumes of transactions.
  - High value transactions.
  - Sensitivity/high risk areas.
  - Problems previously encountered.
  - New systems introduced or systems changes.
- 3.5.7 Those reconciliations necessary to achieve the bank reconciliation will be undertaken more frequently. Each responsible officer will maintain suitable working papers.



## 4. Financial Management

### 4.1 Budget management and control

4.1.1 The S151 officer is responsible for:

- providing appropriate financial information to enable budgets to be monitored effectively.
- monitoring and controlling overall expenditure against budget allocations, and
- publication of a report to the cabinet on the overall position on a regular basis, drawing attention to overspends, shortfalls in income and underspends including reference to proposed action to deal with any problems.

4.1.2 It is the responsibility of the S151 officer, and the chief officers for the council to:

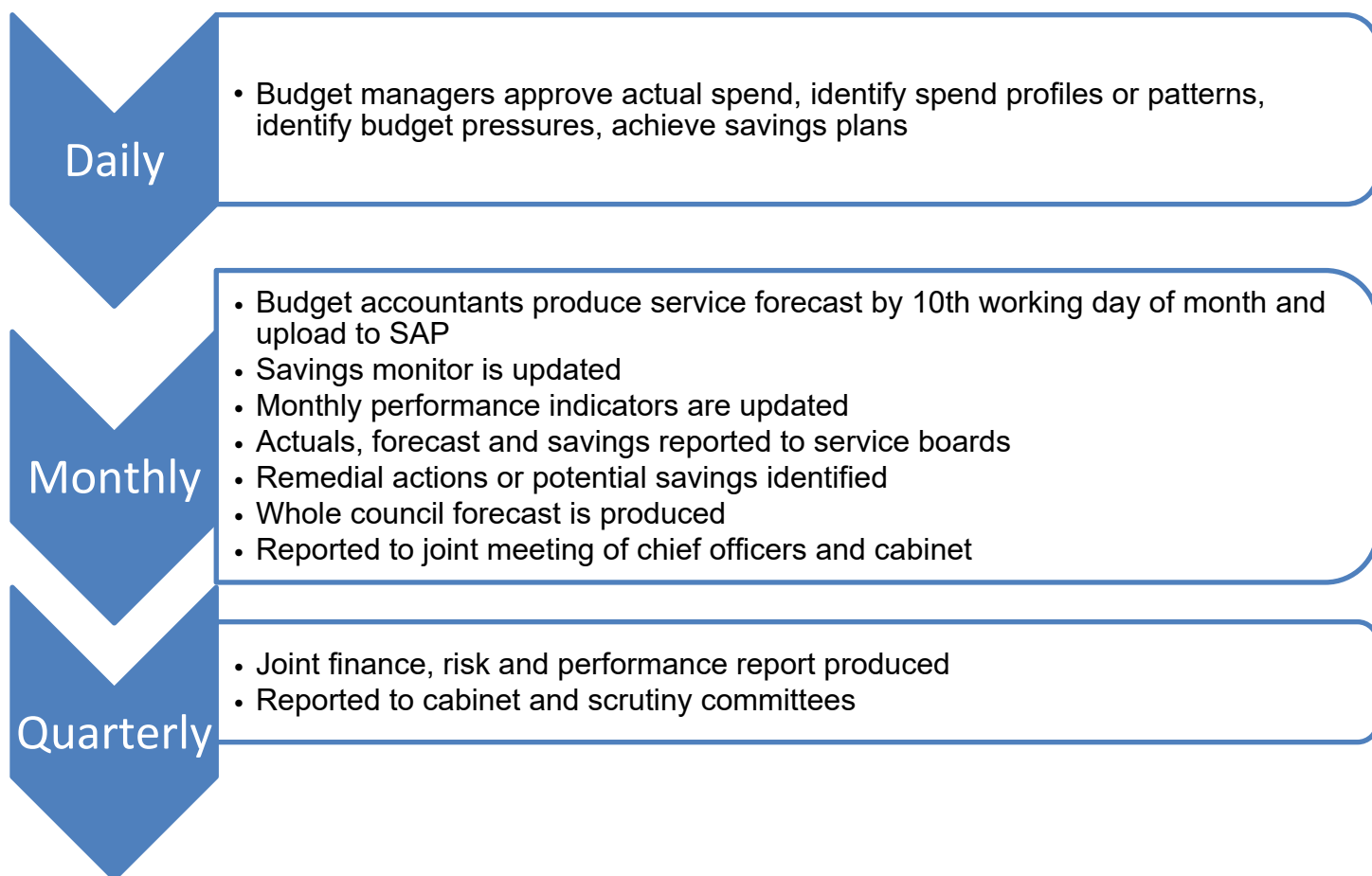
- control income and expenditure within their area and to monitor performance, taking account of financial information and activity data relating to the services they provide.
- have a robust system in place for monitoring activity levels which drive major budget headings or risks.
- report to the S151 officer and to the relevant cabinet member on variances within their own areas.
- ensure that spending remains within the service's overall cash limit, by monitoring the budget headings and taking appropriate corrective action where variations from the approved budget are forecast.
- alert the CMT and Cabinet/to any problems.
- ensure that an accountable budget manager is identified for each item of income and expenditure. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure, and
- ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.

4.1.3 New proposals, which fulfil one or more of the following criteria must be considered by the chief officers for the council as a whole before referral to the cabinet or decision-making committee:

- a. create financial commitments in future years in excess of existing budgets.
- b. change existing policies, initiate new policies, or cease existing policies.
- c. materially extend or reduce the authority's services.
- d. exceed the limit defined by the council as a key financial decision.
- e. exceed any limit set by the cabinet as requiring reference to it.

4.1.4 Any such proposals under this regulation shall not have approval to proceed until necessary financial provision is available within approved budgets.

4.1.5 A framework for budget management, reporting and control has been adopted as shown below:



## 4.2 Virements

4.2.1 A virement is a transfer of budget from one service area to another which represents an adjustment to the budget approved by the council at its budget setting meeting.

4.2.2 Relevant officers, the chief officers for the council and cabinet members have authority to agree virements to the following limits:

Up to £50,000	Officer with formal delegation, agreed in advance with S151 Officer or his authorised officer
Up to £250,000	Officer with formal delegation, agreed in advance with S151 Officer
Up to £500,000	Cabinet member in consultation with S151 Officer and senior service manager
Over £500,000	Cabinet member in consultation with Chief Executive and S151 Officer

- 4.2.3 Transfers of budget from one subjective code to another within a cost centre, or from one cost centre to another within a service budget which do not impact on the overall budgeted approved by the council are not virements, these are budget variations and can be authorised by the senior service manager and his/her officers with delegated authority.
- 4.2.4 The S151 Officer or his authorised officer will also undertake an annual exercise to implement the changes to future years budgets as a result of the approved budget strategy and associated savings strategy for future years. This will not require virement authorisation.
- 4.2.5 The only exception where a budget variation requires agreement with the S151 Officer, or his authorised officer is where there is an adjustment to or from a staffing budget which represents a change in the staffing establishment. This is because there is a need to ensure that the staffing establishment is effectively controlled and that it is not increased or decreased without due regard to the budget or current HR policy.
- 4.2.6 Only staff authorised by the S151 officer may action approved virements on the council's financial management system.

### **4.3 Carryover of over and underspends**

- 4.3.1 The chief officers for the council are responsible for ensuring that service areas remain within their cash limited budget each year.
- 4.3.2 Generally, any overspends will have to be met by offsetting underspends elsewhere within the service budget. This can be achieved by either reducing expenditure or increasing income, the effect on the bottom line is exactly the same. Where overspends are unable to be contained within the cash limit in any given year, the S151 officer may seek to offset the overspend against underspends in other service areas or against general fund balances, provided assurances are available that the overspend will not recur.
- 4.3.3 Similarly, where a service unit has achieved an underspend in a given year, this underspend may be available to be carried forward from one year to another to enhance the following year's budget. This facility may be available where a service and the council as a whole is underspent. It is unlikely that a carryover will be approved for one cost centre within a service if other parts of the service, or the council as a whole, has a net overspend.
- 4.3.4 Carry over of underspends are subject to the approval of the S151 Officer. Any carry over request must be supported by a business case linking it to the achievement of corporate priorities and demonstrating how the budget will provide value for money. However, the general presumption is that carry over of underspends will only be approved in exceptional circumstances. Similarly overspends may be a first call against the following years budget should the council's overall year end position require it.

- 4.3.5 It should be noted that the above procedures apply only where an underspend is due to management action. Where there is a fortuitous benefit to one or more services the available resources will be available to support corporate priorities or the corporate budget savings strategy rather than for reinvestment within a specific service budget.
- 4.3.6 Similarly, where a significant underspend is identified within a service budget as part of the council's regular budget management processes, meaning there is effectively an overprovision of budget for that service area, a reduction to cash limits will be made and the budget will be returned to general fund balances to support corporate priorities or the corporate budget savings strategy.

#### **4.4 Accruals**

- 4.4.1 Income and costs should be included in the accounting period in which they are incurred and not the month in which the cash is received or paid i.e. if the council receives goods or services, or provides a service, on or before 31<sup>st</sup> March each year then we must account for the cost and income in the correct financial year. If this cannot be done by paying an invoice or receiving the income before 31<sup>st</sup> March, then the amount must be accrued into the correct financial year.
- 4.4.2 The integrated financial management system used by the council will automate much of this process where there are items for which invoices have not been received, but the user has confirmed (receipted) the goods/services. These are called goods received not invoiced (GRNI) accruals and the financial management system will automatically account for the cost in the year that the confirmation/receipt has been entered on the financial management system. It is therefore essential that users confirm goods as received on receipt in order to maximise the operational efficiency of the council's financial systems.
- 4.4.3 The chief officers for the council are responsible for identifying accruals not automatically generated, and notifying the appropriate budget accountant in order that a manual adjustment can be made to the accounts.
- 4.4.5 Documentary evidence should be provided to budget accountants to support the accrual and will be retained as evidence.
- 4.4.6 Accountants may need to make a judgement about materiality of accruals taking into account not only the impact on the council's future years budget as a whole but also on the service areas budget provision for future years.

#### **4.5 In year and on going savings**

- 4.5.1 The full council is responsible for approving the budget each year including an indicative savings plan to deliver a robust and sustainable budget as part of the medium-term financial plan. It is the responsibility of the cabinet to implement it and put in place

measures to monitor progress in achieving the budget and savings strategy on a regular basis.

- 4.5.2 The chief officers for the council and their staff are responsible for
- identifying how those savings can be achieved and ensuring that, where the budget strategy has specified a specific spend saving, they are found from appropriate expenditure types e.g. stationery savings should not be made from staffing budgets.
  - ensuring that budget growth allocated to service areas is used for its intended purpose and is not used to offset against savings targets. If not required, growth should be offered back to the overall council budget saving code, and
  - ensuring that savings should not be allocated from service areas where it results in an overspend position.
- 4.5.3 All savings, whether identified by the corporate centre or by services, are deemed to be corporate savings for the purposes of achieving the approved budget strategy and ensuring that resources are directed towards corporate priorities.
- 4.5.4 When transformational business process re-engineering outcomes, as agreed by the chief officers for the council, achieve savings of percentages of full-time equivalents (FTE), then the budget equivalent to that percentage will be transferred to the corporate code. The onus will then be on the service area to reorganise to deliver within the remaining budget.

## **4.6 Publication of financial information**

- 4.6.1 The S151 officer is responsible for the production and publication of the following public documents:
- council tax leaflet – published each spring online and referred to on council tax demands to each household. Includes a summary of the council's approved budget.
  - annual statement of accounts – published each year once approved by external auditors and the council's Audit & Governance Committee, in line with deadlines issued by the Government.
  - budget consultation – usually takes place during the autumn. The results are reported to cabinet and are used to inform the budget setting process in January/February, and
  - transparency data – publication of all council financial transactions. The information is provided on a monthly basis and can be downloaded in excel and CSV formats allowing analysis across expenses type, date, supplier, and service area.

## **4.7 Trading accounts/business units**

- 4.7.1 The S151 officer is responsible for advising on the establishment and operation of trading accounts.

4.7.2 The chief officers for the council are responsible for:

- observing all statutory requirements in relation to trading activity including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs is charged in accordance with the CIPFA Service Reporting Code of Practice (SeRCOP).
- ensuring that the same accounting principles are applied in relation to trading accounts as for other services or business units.

## 4.8 Journals

4.8.1 Journals are used to:

- move transactions within the accounts where there has been a coding error or a structure change to cost centre or general ledger code set up, and
- recharge costs between cost centres.

4.8.2 The chief officers for the council are responsible for identifying the need for journals in the accounts and providing sufficient evidence of the reason for journals to the budget accountants.

4.8.3 In normal circumstances only budget accountants have authority to post journals up to £1m, with the main control, that a balanced journal is being posted. Any queries about such journals should be resolved with the line manager and/or the budget accountant prior to the journal being processed. In each case an audit trail must be maintained

4.8.4 Journals above £1m should be approved by the relevant service lead accountant or the strategic manager - finance.

4.8.5 In addition, any journal entry in excess of £5m needs to be approved by a second service lead accountant or the strategic manager – finance.

4.8.6 If the journal is for over £10,000,000 and related to a significant policy change, it requires additional authorisation by the S151 officer or – Service Director - Finance.

4.8.7 In certain cases, non-accountancy staff will have the ability to process journal entries for less significant amounts. As in point 4.8.5 the main control is that a balanced journal is being posted, however there is a further control that non-accountancy staff are able to 'park' journals within SAP, which are then reviewed by budget accountants prior to the journal being processed. An audit trail must be maintained by the originator of the journal entry.

4.8.8 As part of the annual closedown process there will be occasions where large corporate finance journals are necessary for the effective closure of the council and pension fund accounts; those journal entries must be agreed in advance by the S151 officer, and in their absence, their authorised representatives per the journal procedure note. In each case an

audit trail must be maintained

4.8.9 It is an expectation that all journal entries will be supported by an adequate working paper and/or an email from a person requesting the journal in order to maintain an audit trail.

## **4.9 Treasury Management**

4.9.1 The S151 officer is responsible for:

- reporting to the Audit & Governance Committee in accordance with CIPFA's code of practice, on the creation and maintenance of suitable treasury management practices, as cornerstones for effective treasury management.
- setting out the manner in which the council will seek to achieve those policies and objectives and prescribing how it will manage and control these activities.
- reporting to the Audit & Governance Committee, cabinet and full council on the treasury management policies, practices, activities, and affordability, including as a minimum, an annual strategy and plan in advance of the year.
- implementing and monitoring the treasury management policies and practices.
- establishing procedures to monitor and report on performance in relation to treasury management prudential indicators set by the council.
- Quarterly reporting to the Audit & Governance Committee on the activities of the treasury management operation, including all decisions on borrowing, investment or financing, and
- ensuring that all borrowing and all investments of money are made in the name of the authority or in the name of an approved nominee.

## 5. Financial Control and Compliance

### 5.1 Risk Management

5.1.1 All members and staff need to understand the significant risks that the council faces and be aware of how these risks are managed, support and promote risk management and consider the risks involved in making key decisions. Whilst there will need to be a focus on strategic risks, the council must acknowledge that there will be operational and services risks which will also need to be managed.

5.1.2 The cabinet has responsibility to:

- consider risk as part of key decision making from both negative (threat) and positive (opportunity) perspective, and
- to receive quarterly reports on risk management and performance management in particular risks to strategic objectives where intervention is required at the most senior level.

5.1.3 Audit & Governance Committee will

- receive reports and seek assurance that the arrangements for the management of risk are effective.
- be aware of and challenge significant risks on the strategic or service risk registers, and
- seek assurance that the annual governance statement accurately reflects the council's risk profile.

5.1.4 Scrutiny committee will

- scrutinise the risks involved in making any key decisions.
- identify significant risks to be scrutinised in more detail as part of their annual work programme, as appropriate, and
- recommend any immediate action to be taken to ensure effective management of such risks.

5.1.5 The chief officers for the council are pivotal in the promotion and embedding of risk management by acting as role models for appropriate risk awareness and management and ensuring that others follow suit. They are responsible for managing strategic risks, as well as service (operational) risks in their individual areas of responsibility. The key tasks are to:

- approve the risk management policy and strategy, including the council's 'appetite' for risk.
- ensure that the council manages risk effectively through the development and implementation of the strategy and policy, supporting processes and recommending for approval any subsequent changes.
- support and promote risk management throughout the council.
- consider key risks that need strategic or corporate management.
- actively identify, assess and manage strategic and cross cutting risks.
- determine and prioritise action on strategic and cross cutting risks,



delegating responsibility for control where appropriate.

- assess the wider implications of service (operational) risk assessments and controls.
- monitor progress of risk management activities as part of the performance management framework.
- ensure that, where appropriate 'key decision' reports include consideration of risks either as a threat or arising from opportunities.
- endorse the 'risk appetite' of the council by agreeing the definition of risk for high (red) medium (amber) and low (green) risk.
- champion and oversee the implementation of the risk management strategy and policy.
- champion the risk management processes as good management practice and a valuable management tool.
- ensure that risk management is suitably recognised in the planning process and in the setting and monitoring of budgets, and
- report to members on risk management.

5.1.6 The chief officers for the council will also ensure that the council has arrangements in place to:

- develop and maintain the corporate risk strategy and policy.
- promote, support, and oversee its implementation.
- monitor and review the effectiveness of the policy.
- identify and communicate risk management issues to services.
- arrange for reports on risk management to be available for the chief officers for the council and cabinet.
- assist services in undertaking risk management activity via training, workshops, and direct support.
- provide input into assurance by reports to the Audit & Governance Committee.
- provide expertise, actively support, and be involved in the risk management process.
- provide guidance and advice on risk management and facilitate risk management training where appropriate.
- support risk identification and assessment workshops and assist with coordination of risks across service boundaries.
- provide assurance that risks are effectively assessed and managed by providing appropriate challenge to management, and
- manage and administer the risk register database program.

5.1.7 Service Boards will

- undertake in-year performance management of service-based, operational risks.
- identify where service risks represent cross-cutting issues which need to be managed at a corporate level by reference to the chief officers for the council, and
- ensure that the risk management process is incorporated into the business planning processes, is fed into corporate objectives and is an explicit part of major projects and change management initiatives.

5.1.8 Managers for the council will

- implement the risk management policy and strategy.

- ensure that projects are risk assessed and that a project risk register is maintained.
- identify risks to objectives as part of the business planning process with links to resource allocation.
- maintain, review, and update the service risk register.
- utilise the partnership guidance appropriately so that risks are identified and share relevant information with own staff/managers and colleagues in other service areas.

#### 5.1.9 All Staff will

- manage risk effectively in their job and report opportunities and risks to their service managers.
- participate in risk identification and assessment and action planning where appropriate.
- adhere to council policies and procedures, and
- attend training and development sessions as appropriate.

## 5.2 Insurance

5.2.1 The chief officers for the council have responsibility for all matters of offsetting risk via the procurement of insurance including the nomination of an appropriate manager to manage insurance arrangements.

5.2.2 All the chief officers for the council are responsible for ensuring that any risk or hazard for which the council is potentially liable is notified to the appropriate manager.

5.2.3 All the chief officers for the council are responsible for identifying any policies, procedures, assets, or activities which may affect the council's liability in respect of injury to staff or the public, loss or damage and notifying the appropriate manager.

5.2.4 The appropriate manager must be notified immediately of any incident, complaint, injury, loss, or damage suffered or caused where a claim may arise against the council.

5.2.5 Any such claims must be forwarded directly to the appropriate manager without entering into correspondence with the claimant. Under no circumstances should an admission of liability on behalf of the council be given without reference to the appropriate manager. Similarly, no compensation payments on an ex-gratia basis should be made without prior reference to the appropriate manager.

5.2.6 Where an indemnity is required by an external third party, no person on behalf of the council should sign any such indemnity or agree to indemnify an external third party without the prior approval of the appropriate manager.

5.2.7 The appropriate manager shall arrange for all council employees to be insured by fidelity guarantee insurance.

5.2.8 All council employees are required to provide any and all necessary documentation, information and explanation required by the appropriate manager or external insurers to defend claims efficiently.

### **5.3 Internal Control**

5.3.1 Internal control refers to the systems of control devised by management to help ensure that the council's objectives are achieved in a manner that ensures as far as is practicable the economical, efficient, and effective use of resources, protects the council from error, fraud and misappropriation and ensures that the council's assets and interests are safeguarded.

5.3.2 The S151 officer is responsible for advising on effective systems of control. These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant statements of best practice.

5.3.3 The chief officers for the council are responsible for establishing sound arrangements for planning, appraising, authorising, and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial and performance targets.

5.3.4 The chief officers for the council are responsible for ensuring that key controls, audit trails and segregation of duties are maintained that are adequate.

5.3.5 The chief officers for the council are responsible for completing the annual governance statement (AGS) which outlines how the council has complied with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government for the financial year in question. The AGS is required to be published.

### **5.4 Audit**

5.4.1 The council has a statutory responsibility to maintain an effective and adequate system of internal audit. Regulations in this area are therefore important to provide a formal framework for the activities of the internal audit service. There are also statutory requirements in respect of external audit and other inspection agencies.

5.4.2 As required by law, the S151 officer will maintain an internal audit of the council's financial dealings that will follow professional standards and guidelines issued by the Chartered Institute of Public Finance and Accounting (CIPFA) and the Auditing Practices Board.

5.4.4 The S151 officer or authorised representatives may, for the purposes of audit:

- enter any council premises or land and have access to all council

property.

- have access at all times to all records, documents and correspondence relating to all financial and other transactions of the council or non-official funds operated by council staff or relating to private property belonging to vulnerable clients.
- require and receive any explanations/records etc as are necessary in a timely manner.
- require any employee of the council to produce cash, stores, or any other council property or that of an unofficial fund under his or her control, and
- remove records, documents or assets required for further investigation as necessary.

5.4.5 The Council's external auditors are appointed by the Public Sector Audit Appointments (PSAA). In auditing the accounts of a relevant authority, an external auditor must, by examination of the accounts and otherwise, be satisfied that:

- the council's accounts comply with the requirements of the enactments that apply to them,
- proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and
- the council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

5.4.6 The council may from time to time be subject to audit, inspection, or investigation by external bodies such as Her Majesty's Revenue and Customs (HMRC) who have statutory rights of access.

5.4.7 The council's Audit & Governance Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment including independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment.

5.4.8 The council's Audit & Governance Committee will receive regular reports from the S151 officer concerning the activities and findings of the council's internal audit service and the results of the external auditor's findings.

## **5.5 Preventing Irregularities Caused by Error, Fraud or Corruption**

5.5.1 The council's expectation on propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures, and practices.

- 5.5.2 It is the responsibility of the chief officers for the council to design systems of control that can prevent, detect, and correct irregularities caused by error, fraud or corruption. However, it is often the alertness of employees and the public to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that irregularities caused by error, fraud or corruption may have occurred.
- 5.5.3 The council's employees are therefore an important element in its stance on preventing irregularities caused by error, fraud or corruption and they are positively encouraged and expected to raise any concerns that they may have on these issues where they are associated with the council's activity. This they can do, in the knowledge that such concerns will be treated in confidence and properly investigated and fairly dealt with. The council has a whistle blowing at work policy and a counter fraud and corruption strategy for such situations. When reporting concerns, employees should feel confident that all matters will be treated in confidence and an expressed wish not to reveal the identity of a complainant will be respected wherever possible. (Concerns expressed anonymously are much less powerful but will be considered at the discretion of the council.) If necessary, a route other than a line manager may be used to raise such concerns.
- 5.5.4 The chief officers for the council are responsible for investigating irregularities caused by error, fraud, or corruption, doing so through clearly defined procedures, and will:
- deal promptly with the matter.
  - record all evidence received.
  - ensure that evidence is sound and adequately documented.
  - ensure security of all evidence collected.
  - put in place systems of control to prevent the irregularity from occurring again.
  - report allegations of fraud to appropriate authorities within the council and as a minimum must report them to either the S151 officer, the Monitoring Officer or the person responsible for managing the council's internal audit function.
  - the S151 officer will, where it is appropriate, provide a confidential briefing to the leader of the council or relevant cabinet member, and
  - implement council procedures where appropriate, including disciplinary procedures if necessary.
- 5.5.5 The chief officers for the council are expected to deal swiftly and firmly with those who defraud or attempt to defraud the council or who are corrupt. The council, including members, will be robust in dealing with financial malpractice.
- 5.5.6 Where there is evidence of fraud committed against the council or where there is evidence of corruption or bribery taking place against the council and the wider public interests, the matter will be referred to the Police and the Crown Prosecution Service. The S151 officer will be informed of any such referral.
- 5.5.7 The council is committed to fostering a culture in which fraud and corruption is never acceptable. The council's policies on anti-money laundering, anti-fraud, whistle blowing, and these financial regulations reflect this commitment to ensure that business the council

conducts is legal and properly managed. They also outline the consequence of breaching the policy for employees.

- 5.5.8 The Bribery Act 2010 and the associated statutory guidance must be always adhered to by this authority to ensure that the authority has adequate procedures in place to prevent bribery occurring in any activity the council performs. Any risk assessment carried out will include an assessment of the likelihood of risk of bribery occurring and actions to prevent this will be proportionate to the risk of it occurring. Risk assessments should therefore reflect what has been considered. Further information and advice can be obtained from the S151 officer or Monitoring Officer.
- 5.5.9 Employees of the council are expected to follow any code of conduct issued by their own professional body and also abide by the council's code of conduct for employees which sets out the council's requirements on personal conduct.
- 5.5.10 Employees are reminded that they must operate within Section 117 of the Local Government Act 1972, regarding the disclosure of personal interests in contracts relating to the council or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration. These requirements are set out in the council's code of conduct for employees, and in more specific operational codes governing contracting procedures, gifts and hospitality, and private work, including the need to register potential conflicts of interest.
- 5.5.11 Members are required to operate within:
- the council's members code of conduct.
  - The Local Government Act 2000 (and any later revisions).
  - The Localism Act 2011, and
  - the council's constitution.

## **5.6 Anti-Money Laundering**

- 5.6.1 This council's anti-money laundering policy applies to all employees of the council including agency, casual and interim staff and sets out the procedures which must be always followed to ensure the council complies with its legal obligations in this area.
- 5.6.2 Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action and/or a report to the police to consider criminal prosecution being taken against them. Employees should be aware that serious criminal sanctions could be imposed on them as individuals for breaches of the legislation.
- 5.6.3 The chief officers for the council are responsible for ensuring that all employees are aware of this policy and for ensuring it is complied with in their areas of responsibility.
- 5.6.4 All employees should be aware that they will be in breach of the money laundering legislation if they suspect money laundering and either do nothing about those suspicions

or allow themselves to become involved in it in some way. In short, failure to report a suspicion is an offence and this will include circumstances where the employee either knew, suspected or where there were reasonable grounds to suspect that potential money laundering is taking place.

5.6.5 Disclosures of suspected money laundering should be made to the S151 officer and Monitoring Officer who will ensure that the proper investigations and reporting processes are followed.

## **5.7 Retention of financial records**

5.7.1 The chief officers for the council are responsible for ensuring that the records management policy is observed, and that their staff are fully aware of the policy.

5.7.2 Primary responsibility for the management of records lies with the senior service manager responsible for the function which requires the creation and management of those records. Service planning must take account of the need to:

- identify staff as responsible for the management of records and allocate sufficient resources to comply with this policy.
- undertake an initial, and periodic refresh, audit of existing records.
- adopt and adhere to retention schedules and destruction processes.
- adhere to any corporate standards, and
- adopt and adhere to local standards for indexing and creating metadata.

5.7.3 All members of staff are responsible for ensuring that their work is documented appropriately, and that the records which they create, or use are managed correctly and comply with the council's records management policy.

## **5.8 Assets**

5.8.1 The senior manager responsible for property assets is responsible for maintaining a register of all assets including land and property.

5.8.2 The chief officers for the council must notify the senior manager responsible for property assets of all material acquisition or disposal of assets.

5.8.3 The chief officers for the council must also:

- maintain inventories of items of movable property which is valuable or portable under their control.
- mark movable items as the property of the council and secure them to prevent removal where possible.
- ensure that an annual check of such items is carried out.

- maintain detailed records of all stocks and stores under their control and adopt safeguards and procedures to prevent losses from waste, theft, deterioration, or damage.
- submit a stock or stores certificate at least annually.
- maintain proper security at all times for cash under their control.
- consult the senior strategic manager responsible for property assets where security is thought to be defective or where special arrangements may be required.
- agree maximum limits for cash held with the S151 officer.
- agree method and frequency of banking with the S151 officer.
- ensure security of keys to safes etc at all times and report the loss of such keys to the S151 officer, and
- ensure that the manager responsible for insurance is aware of the council's ownership of all assets

5.8.4 All staff must comply with the requirements of the council's asset disposal policy and procedure which seeks to protect the council's interest in assets, and that when disposed of, the council receives best value for them.



## 6. Incurring Expenditure

### 6.1 Authority to Incur Expenditure

- 6.1.1 With effect from 1<sup>st</sup> April 2009, the council implemented a new integrated financial management and information system called SAP which includes a procurement module called SRM.
- 6.1.2 The business unit/organisational structure within SRM refers to the way the council's financial information system has been set up for procurement. It is where all purchasing information is defined. The business units' control who has access to particular budget codes, who a user can shop on behalf of, which service users are linked to, which approvers can authorise which orders, users' ship to addresses, and the users authorisation limits.
- 6.1.3 All managers and their staff should familiarise themselves with their relevant budget codes and individual authorisation limits.

### 6.2 Procurement

- 6.2.1 The chief officer responsible for procurement is responsible for the procurement code which outlines policy and procedures for the procurement of goods, works and services at the council.
- 6.2.2 All members and officers of the council that are responsible for awarding, managing, and monitoring council contracts must adhere to this code and the following documents and policies:
- contract standing orders.
  - EU procurement directives.
  - contracting policies.
  - guidelines for contract management.
  - value for money strategy.
  - rules and guidance for post tender clarification and negotiation, and
  - transfer of undertakings (protection of employment) regulations 2006.
- 6.2.3 Contractors and partners fulfilling duties on behalf of the council must comply with the procurement and contracts code.
- 6.2.4 When contracting goods, works and services, an estimate of the contract value must be determined. For all contracts the value reported must represent the total potential cost (excluding VAT) over the full term of the agreement. This will determine the methodology by which the procurement must be undertaken, the level of advertising needed, and the number of quotes or tenders required.

6.2.5 Contracts should be awarded in accordance with the Council's Contract Procedure Rules, as follows:

- Most contracts can be let without formal reference to elected members.
- The value of any contract is based on the probable sum payable to the supplier over the term of the contract (exclusive of VAT), calculated by multiplying the annual cost of the contract by the duration in years, or where the duration is uncertain, by multiplying the annual cost by four.
- Where a contract has a whole life value over £1.5m, or is deemed to be of particularly high risk, sensitive or likely to have a substantial impact on the council's corporate priorities or its reputation, consultation with the relevant cabinet member will be required and the cabinet will be required to give its approval prior to the procurement proceeding.
- Any contract to be awarded may be awarded only if there is adequate budget available to allow it to proceed.
- All contracts above £250,000 must be in writing and affixed with the common seal of the council.

6.2.6 Hampshire County Council have been authorised to contract on behalf of the Isle of Wight Council under the terms of strategic partnership arrangements.

### **6.3 Raising an Order**

6.3.1 The S151 officer is responsible for:

- Agreeing the form of official orders and associated terms and conditions

6.3.2 The chief officers of the council are responsible for:

- Ensuring that verbal orders for works, goods or services are only placed exceptionally and are confirmed with a written order via SRM or equivalent system.
- Ensuring that orders are only used for goods and services provided to their service. Individuals must not use official orders to obtain goods or services for their private use.
- Ensuring that orders placed on behalf of the council are in the form agreed by the S151 officer and not in any other format.
- Ensuring that only those staff with approval to do so authorise official orders and to maintain an up-to-date list of such staff, including specimen signatures and identifying in each case the limits of their authority, and
- Ensuring that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, wherever possible, be carried out by a different person from the person who authorised the order.

6.3.3 Orders for works, goods and services must normally be placed on SRM or equivalent system and authorised by someone of at least the seniority set out below:

- Where the order is issued to reflect a procurement decision taken by members then the order may be authorised by the service budget manager.

- Where the above does not apply, and the order will have effect for more than a year and have a whole life value in excess of £50,000 then consultation with the Procurement Board will be required and the Procurement Board will be required to give its approval to the procurement proceeding; all reports to Procurement Board must be authorised by a director or senior service manager.
- In other cases, orders must be authorised in accordance with the table below:

Level	Financial Limit	Minimum Approval Required	Allocated Cost Centres
L7	Over £5m	Chief Executive or S151 Officer and another Director	As defined by Chief Executive via Senior Management Structure
L6	Up to £5m	Directors	As defined by Chief Executive via Senior Management Structure
L5	Up to £1m	Directors and service directors	As defined by Chief Executive via Senior Management Structure
L4	Up to £499,999.99	Strategic Managers	As defined by Director or service director
L3	Up to £249,999.99	Service Budget Managers	As defined by Director or service director
L2	Up to £99,999.99	Officers authorised to act on behalf of Service Budget Managers	As defined by Service Budget Managers
L1	Up to £9,999.99	Other Officers with approval to raise orders	As defined by Service Budget Managers
L0	Up to £200	No approval required	

6.3.4 Purchase orders for more than £5 million cannot be raised in the normal way on SAP as the SRM module is not configured to deal with orders over this value. Also orders above this level will require a higher level of approval than normal as they have a significant impact on the council's accounts and cash flow. The large orders team in the business centre are able to raise large orders in SAP outside the normal SRM process.

6.3.5 In the case of adult social care orders, these are raised and authorised outside of the SAP financial and purchase order system via a specific adult care management and procurement process, but are subject to the same authorisation limits as outlined above. The entry of these orders in the SAP financial and purchase order system is simply an administrative process to enter the information into the council's accounts and facilitate payment to providers and should not require further authorisation.

## **6.4 Procurement cards**

- 6.4.1 Procurement cards have been made available to council staff and members to:
- reduce paperwork and administration time involved in the ordering and invoice process for low value, high volume goods and services, and
  - enable online procurement of goods and services where better value for money can be achieved as a result.
- 6.4.2 They are most commonly used for:
- corporate travel (boat and rail).
  - Accommodation.
  - conference booking.
  - meals and subsistence (where applicable and within the guidelines set down for these claims).
  - internet purchases for ad-hoc items (within procurement card regulations).
  - procuring items in place of the petty cash system, and
  - for multiple low value items (e.g. library books from amazon.co.uk).
- 6.4.3 The chief officers for the council will be responsible for:
- nominating members of staff who should receive a procurement card.
  - ensuring that cards are used in line with the financial procedures and card holder's manual.
  - ensure that VAT receipts are available for transactions and that VAT is claimed where possible, and
  - reviewing and authorising the cardholder's transaction report each month within the agreed time scale as specified in the cardholder's manual.
- The S151 officer retains the right to refuse or withdraw a card.
- 6.4.4 Card holders are responsible for complying with the procedures and requirements of the cardholder's manual specifically, card holders must ensure that:
- transactions are within the transaction limits set for their card.
  - they reconcile the VAT (where a valid receipt is held), gross values and cost codes of all card transactions made against the card for each accounting period and within the required deadlines. Any card holder who repeatedly fails to authorise their transactions within the given timescales may have the use of their card suspended.
  - the card is returned when employment with the council ceases, or during long term sickness or maternity leave, or when a member ceases their role with the council.
  - a receipt is obtained for all purchases and kept by the cardholder's reconciler or their line manager for the required period of time (6 years), and
  - the card provider and the council are notified immediately if the card is lost or stolen.
- 6.4.5 Cards holder must not:
- allow any other person to use the card.
  - use the card to obtain cash (except in exceptional circumstances approved by the senior service manager e.g. obtaining foreign currency whilst abroad);

- use the card to obtain fuel (except in exceptional circumstances approved by the senior service manager).
- use the card for personal purchases, and
- disclose the PIN to anyone.

6.4.6 Misuse of procurement cards will lead to immediate cancellation and will be viewed as a breach of the council's standards of conduct and could result in disciplinary proceedings being taken.

## **6.5 Payment of accounts**

6.5.1 The manager responsible for the payment of accounts is responsible for:

- ensuring that all the council's financial systems and procedures for ordering and paying for works, goods and services are sound and administered properly.
- agreeing, in consultation with the chief officers for the council where appropriate, any changes to existing financial systems and to approve any new systems before they are introduced.
- making payments from the authority's funds on the S151 officer authorisation that the expenditure has been incurred in accordance with financial regulations.
- defining the requirements for the checking and certification of invoices prior to payment to confirm that the goods have been ordered and received, the invoice is in order and in the case of exceptions to the requirement of a purchase order is certified for payment by the nominated budget manager (holder).
- setting and reviewing a value for invoices, currently £200, below which payment will be made upon certification that the goods or services have been received and that the invoice is in order, without the requirement for additional authorisation.
- setting and reviewing a variance level, currently +/-10% of the order value up to a maximum of £50.00, at which invoices will be paid against the 'confirmed' goods receipt without referral to the originating service. Invoices with a variance over this amount will be referred back to the originating service for approval or query with the supplier.
- making payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- making payments to contractors on the certificate of an authorised officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified, and
- agreeing arrangements for exceptions to the standard payment mechanisms to account for self-billing and other invoices such as utilities.

6.5.2 The chief officers for the council are responsible for:

- ensuring that the council's corporate financial systems are used for payment for work, goods, and services except where specialist systems are used in agreement with the S151 officer. Staff should not use personal funds to pay for work, goods or services on behalf of the council, the only exception being out of pocket expenses incurred within the guidelines set down for these claims.

- ensuring that payment is not made unless a proper VAT invoice has been received, which matches the confirmation value on the purchase order, or in the case of expenditure incurred which is deemed an exception from the purchase ordering process, has been coded and certified for payment.
- ensuring that payments are not made in advance of goods being supplied, work done, or services rendered to the council except with the approval of the S151 officer.
- ensuring that payments are approved by staff authorised by the S151 officer and that details of such authorised staff, including specimen signatures and limits of authority, are provided to the service responsible for the payment of accounts.
- ensuring that all undisputed invoices are settled within 20 days from receipt of the invoice; ensuring that the service obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with best value principles as contained in the authority's procurement strategy, and
- utilising the purchasing procedures outlined in the authority's procurement and contracts code.

## 6.6 Petty Cash

- 6.6.1 The S151 officer (or an officer with delegated responsibility) is responsible for authorising advances for imprest accounts.
- 6.6.2 The chief officers for the council should ensure that each imprest account held within the service is uniquely named with reference to the place held or person. They should delegate responsibility for the overall running of the imprest account to a named responsible officer, not necessarily the end-user, who ensures the correct procedures are followed.
- 6.6.3 The responsible officer must ensure that:
- petty cash bank account card holders do not allow any other person to use their card or disclose their PIN to anyone.
  - any cash withdrawn from the petty cash bank account is kept as securely as is reasonably practical.
  - petty cash is only used for council purposes.
  - expenditure on any one item should be limited to £50.00 except where expressly authorised by the manager responsible for the payment of accounts or a person nominated by them.
  - VAT is properly accounted for on the petty cash claim form.
  - VAT receipts must be retained and attached to the office copy of the claim form and retained for 4 years plus current year.
  - petty cash imprest accounts must not be used to reimburse staff travelling and subsistence expenses, and
  - claims are submitted when approximately half the imprest cash has been used.
- 6.6.4 On a change of responsible officer, a final claim should be completed and the entire

imprest account repaid. The successor when known will then be reissued with the total imprest advance.

- 6.6.5 If the imprest account is handed over directly from the current to the new responsible officer, the account need not be repaid provided the new responsible officer is satisfied that the full amount is accounted for. Both officers should sign a change of responsible officer form.

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

- 6.7.1 The Isle of Wight Council must keep VAT records of both invoices received and raised for 4 years plus current. Customs officials will periodically visit the council to inspect their records and check that they have accounted for VAT correctly, issuing penalties where errors are found.
- 6.7.2 The chief officers for the council are responsible for ensuring that suitable VAT documentation is available and submitted to the service responsible for the payment of accounts, for all payments made. Where invoices are raised for services provided by the council, the chief officers for the council are responsible for ensuring that the correct VAT coding is allocated.
- 6.7.3 The chief officers for the council are responsible for ensuring that they comply with the requirements of the councils VAT manual and that all staff are aware of those requirements.
- 6.7.4 Where a service makes VAT errors that are discovered by customs, that service will be responsible for settling any consequent assessment and penalties.

## **6.8 Vacancy Management**

- 6.8.1 A large element of the council's expenditure relates to staff costs. Vacancy management ensures that sound business case principles apply to each and every occasion a manager considers it necessary to recruit to a post, extend an existing fixed term contract of employment or increase the hours of work of an existing post.
- 6.8.2 The chief officers for the council are responsible for compliance with the council's recruitment policy and process.

## **6.9 Salaries and Pensions**

- 6.9.1 The S151 officer and the relevant chief officer (with responsibility for salary payments) will agree on arrangements to pay all salaries, gratuities, compensation, and other emoluments to all employees of the council (and the payment of pensions from the pension fund) unless alternative arrangements have been determined by schools under Department for Education legislation. Where such arrangements have been determined,

they shall be subject to the approval of the S151 officer and relevant chief officer.

- 6.9.2 Managers should notify the S151 officer and the relevant chief officer promptly of all matters relating to the pay and remuneration of employees and in particular:
- appointments, resignations, dismissals, suspensions, secondments, and transfers.
  - absences from duty for sickness or other reason apart from approved leave.
  - changes in remuneration other than normal increments and pay awards and agreements of general applications.
  - information necessary to maintain records relating to pension, income tax, national insurance, etc.
  - time records and other pay documents should be examined for correctness and certified by or on behalf of the appropriate member of the chief officers for the council.
  - no payment will be made unless it has been authorised by an officer on the approved list of authorised officers.
  - all time records or other pay documents shall be in a form prescribed or approved by the S151 officer and strategic manager for human resources.
  - no variation of an individual's rate of remuneration shall be made, except as specifically provided for in the employee's conditions of employment, without prior authorisation by the strategic manager for human resources, and
  - all deductions from remuneration shall be authorised in writing by the employee concerned unless in accordance with their conditions of employment or because of a statutory requirement.

## **6.10 Travelling, Subsistence, Financial Loss and other Allowances**

- 6.10.1 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted in line with the council's expenses policy which is based on a principle of reimbursement of costs incurred and not as a scheme of allowances that automatically apply in given situations.
- 6.10.2 All claims for payment under this policy shall be submitted online using the employee self-service portal, on the council's intranet site, within the schedule of deadlines circulated annually.
- 6.10.3 Claims shall be authorised by managers on-line using the manager self-service portal, in accordance with the organisational structure, only where valid VAT receipts have been retained by the employee and made available to the manager for confirmation.
- 6.10.4 Certifying officers should satisfy themselves that journeys claimed were authorised, expenses properly and necessarily incurred and that the allowances are properly payable by the council in accordance with the conditions of service applicable at the time. Certifying officers should also confirm that valid VAT receipts are available for all claims.
- 6.10.5 The names of officers authorised to sign such records shall be submitted by each member of the chief officers for the council to the manager responsible for the payment of accounts



with specimen signatures. This list should be reviewed annually, and the list shall be continuously updated by senior service manager.

6.10.6 No payment shall be made unless it has been duly authorised.

6.10.7 All claims should be submitted within three months of the date of the event to which the entitlement relates. Any claims received in respect of the previous financial year received after 31 May will be determined in accordance with directions given by the S151 officer.

6.10.8 Officers' claims submitted more than three months after the expenses were incurred will only be paid with the express approval of the manager responsible for the payment of accounts in consultation with the appropriate senior strategic manager for the council.

6.10.9 Payments to members, including co-opted members of the council or its committees, who are entitled to claim travelling or other allowances, will be made by the manager responsible for the payment of accounts upon receipt of the prescribed form duly completed.

6.10.10 To enable the council to submit a claim to recover VAT incurred by its employees on business mileage, currently it is necessary for a sample exercise to take place each quarter to collect a month's worth of fuel receipts to substantiate the amount of VAT being recovered by the council; to this end an email will be sent to all staff who have claimed mileage in a particular month requesting that valid VAT receipts are produced. It is important that these are provided promptly when requested so that the full amount of VAT can be recovered.

## 7. Income

### 7.1 Management of income

- 7.1.1 The management of income, including from fees and charges, should form a key part of the budget and business planning processes of the council. In view of the current financial environment for public services, the proactive management of income as well as expenditure is being integrated into the council's medium-term budget and business planning processes to help deliver specific outcomes and contribute towards local objectives.
- 7.1.2 All fees and charges levied by the council, and concessions available will undergo a robust annual review as part of the budget setting process. As a result, the annual review process must be completed in time to influence the annual budget process and will be led by the relevant chief officer (responsible for the service area) for the council. As a general principle, the annual review of fees and charges will seek to ensure that charges increase at least in line with inflation.
- 7.1.3 In addition to the above, between reviews, the chief officers for the council will have the authority to adjust fees and charges where this is considered necessary to reflect changing circumstances.
- 7.1.4 There are a number of examples of fees and charges that are set nationally by central government e.g. planning applications, registration of births, deaths, and marriages. In such cases, the council's strategy is to levy the fee set by central government, and that such a charge will be made without exceptions. Where the council has control over whether such a charge is levied, and there is no good reason for an exception to be made, it is the council's policy for a charge to be made.

### 7.2 Charging Principles

- 7.2.1 The council's charging policy is built on six key principles that are applicable to all charges levied, in every service. As stated previously, charges should be made in accordance with statutory requirements and for all discretionary services, and when new services are introduced consideration of charging options should be taken into account.
- 7.2.2 The chief officers for the council are responsible for ensuring that the principles as set out below are applied in their service areas:
- all fees and charges should cover the total costs of providing the service including overheads and capital financing costs (where appropriate), except for those charges agreed to be exempt. The provision of a subsidy for an individual or group should be a conscious choice.
  - charging should contribute towards achievement of the council's priorities.

- where charges are not made for a service, or reduced below total cost recovery level, the reasons should be reconsidered as part of the annual review process to ensure opportunities for significant income streams are not being lost.
- people receiving adult social care community-based services will be charged according to the national fairer charging policy which relates an individual's ability to pay to the maximum charge which can be levied under the policy.
- the policy should be simple and easy to apply, avoid generating any additional costs for the council, and allow service services the flexibility to shape delivery of the policy to meet the needs of their customers, and
- charges should be reviewed on an annual basis as part of the budget setting process, using clear and transparent data and information as a basis for setting the level of charges.

### **7.3 Income Collection and Banking**

7.3.1 It is the duty of all staff of the council, and the chief officers for the council in particular, to ensure that all income due to the council is collected in line with the sundry income credit procedure. The function and objectives of this credit procedure are to protect the council's investment in debtors by ensuring that:

- invoices are accurate, clearly stating the date of supply of goods/services.
- VAT is accounted for in accordance with statutory requirements.
- the income is credited to the correct budget as soon as the invoice is raised, and
- the invoice is issued within 14 days of the service being provided or within seven days of the issuing service receiving all necessary information.

The procedure also exists to raise awareness of the debt recovery process and the importance of accurate and timely invoicing on the successful collection of income due to the council.

7.3.2 Sources of income include:

- proceeds from sales of goods and services.
- fees and charges.
- rental income.
- grants from external agencies.
- reimbursement of expenditure incurred on behalf of others, and
- taxation.

7.3.3 Income forms a part of each services controllable budget; therefore, it is in the direct interest of each service that income due should be received in full, regularly reconciled to ensure outstanding amounts are identified and followed up, and accounted for in an accurate and timely manner.

7.3.4 The S151 officer has responsibility for arrangements for the collection of income due to the council as identified by the chief officers for the council and their staff.

7.3.5 The constitution empowers the chief officers for the council to make such decisions and to initiate such actions as they deem necessary in the interests of the efficient delivery and improvement of the services which they deliver. Specifically with regard to income generation it states:

- in accordance with council policies, to authorise any increase, or decrease, in fees and charges subject to consultation with the relevant member of the cabinet and the S151 officer, and
- within policy, to make application for any grants or external funding on behalf of the council.

7.3.6 The chief officers for the council also have responsibility for ensuring that:

- expenditure and income are monitored on at least a monthly basis.
- an 'exit strategy' is in place for projects funded from non-recurring or declining income streams.
- maximisation of income through charging and trading, as well as any other sources of additional funding.
- where possible, income should be obtained in advance or at the point of delivery of goods and services. Such an approach minimises the cost of collection and the risk of non-collection and is particularly relevant for small amounts of income.
- at the point at which income is received by a council officer or agent, the person making the payment must be issued with an official receipt or ticket. This practice is for the protection of both the payer and receiver and applies equally to transfers of funds between officers of the council.
- income must be paid into a bank or cash office promptly using official stationery and must be paid in intact and not used to offset payments in order to ensure that gross income and expenditure are properly recorded.
- fees and charges must be applied consistently to all and be in accordance with council policies. Each service must maintain a full list of approved fees and charges which apply to the services it provides. This list should be reviewed annually to ensure it remains current and takes proper account of inflationary increases, other increases in accordance with the budget strategy and new charges.
- systems established for income collection follow the principles set out above.
- income received is promptly processed, regularly reconciled, accurately coded and that outstanding amounts are followed up.
- levels of fees and charges are in accordance with council policies or in accordance with statutory requirements, and
- taxation, and in particular value added tax, is applied appropriately where required by tax regulations and is accounted for correctly.

## 7.4 Banking Arrangements

- 7.4.1 The following requirements apply to all of the council's bank accounts except in respect of schools delegated budgets in which case the scheme for financing schools will apply:
- bank accounts in respect of council funds shall be opened only by the S151 officer.
  - each account shall include the words 'Isle of Wight Council' in its title.
  - all banking arrangements shall be made by the S151 officer including the ordering, control and issue of cheques and signing thereof.
  - bank account signatories can only be set up/changed with the authorisation of the S151 officer.
  - bank accounts must be operated in accordance with rules or guidance (e.g. year end closedown procedures) issued from time to time by the S151 officer, and
  - council bank accounts must not have overdraft facilities, except in accordance with the council's treasury management strategy and the specific approval of the S151 officer.

## 7.5 Internal recharges

- 7.5.1 Recharges are carried out to fulfil a number of different requirements to reallocate costs across the council including:
- to apportion or allocate the costs of central support services to other service proportional to the benefit received by those services.
  - to apportion or allocate the costs of individual service management and support costs to other services proportional to the benefits received by those services, and
  - to reallocate costs which have initially been charged to one cost centre, to one or more other cost centres.
- 7.5.2 **Central support recharges** - The S151 officer is responsible for ensuring that appropriate arrangements are made to comply with the SerCOP requirements that front line services carry the full cost of providing those services including the cost of support service activities. This requires the costs of support services to be apportioned against front line services.
- 7.5.3 The S151 officer will agree appropriate apportionment methodologies with the chief officers for the council to enable this apportionment to take place having regard to the SerCOP stated principles of recharging:
- complete recharging of overheads – all relevant attributable costs of a service including support service costs, overheads and capital charges (and the cost of any impairment loss and the amortisation of deferred charges.);
  - correct recipients – any system used must correctly identify who should receive overhead charges.
  - transparency – recipients must be clear about what each recharge covers and be

provided with sufficient information to enable them to challenge the approach being followed.

- flexibility – recharging arrangements must be flexible enough to allow recharges to be made regularly enough and to the level of detail appropriate to meeting both users and provider’s needs.
- reality – recharging arrangements should result in the distribution of actual costs based on fact. Even if the link cannot be direct, reality should be the main aim.
- predictability/stability – recharges should be as predictable as possible, although there will be practical limitations to this, and
- materiality – it is unlikely that a simple system will be adequate to meet all other requirements as above. However due regard should be given to materiality to minimise the costs involved in running the system.

7.5.4 The chief officers for the council have responsibility for ensuring that information required to achieve this apportionment is available as and when required.

7.5.5 **Management and support recharges** - Each service is likely to have management and support costs which are collected on one or more cost centres, but which then need to be cleared-down before year-end to divisions of service. Both budgets and actuals are processed by the relevant budget accountant for each service area. These recharges need to be reviewed on a regular basis to ensure that they take account of restructurings and other changes in management responsibilities.

7.5.6 **Direct recharges** - In certain instances, ‘above line’ recharges may be made by a ‘provider’ service to recover costs incurred over and above their budget. In these cases, the budget for the work performed should be part of the commissioning service budget and any additional expenditure incurred by the provider will be offset by the recharge.

7.5.7 The amounts involved should be agreed in advance and properly authorised by the provider service. It is important that the recharged income and expenditure is treated properly in the coding structure to avoid double-counting.

7.5.8 Certain central services such as postage, courier, printing, and telephones are also treated as ‘direct’ recharges. Care needs to be exercised in the use of relevant GL codes to avoid double-counting. The SAP facility for assessment and distribution should be used where possible if there are regular recharges between cost centres codes for similar monthly values. Also falling into this category are recharges made to capital projects. Caution should be exercised to ensure that the expenditure meets the criteria for capital and that there is a working paper to support the value of the recharge. It is important that any on-going assumptions about recharge budgets made by the provider are supported by approved plans. Recharges are also made internally by services or between services for other costs that require reallocating.

7.5.9 VAT would not be charged on supplies of goods or services to other Isle of Wight Council services or establishments.

## 7.6 Debts

7.6.1 Debts to the council can normally only be discharged by being paid. However, there may be instances where debts are not pursued:

- Debts may not be invoiced where the debt is for less than £10.00 and where it would be uneconomical to attempt to collect such a small amount. Where this decision is taken, services must maintain lists of debts not invoiced and obtain authorisation in line with the process below.
- Debts may be written off where the debt is due but is deemed irrecoverable or uneconomic to collect as soon as it is evident that the debt is irrecoverable or uneconomic and wherever possible within a maximum of 9 months from issue of the invoice. Write off authorisation forms will be forwarded to the service for authorisation by the relevant person again in line with the process below.

7.6.2 The authorisation for write offs or non-recovery is as follows:

- a) by the senior manager responsible for the payment of accounts and collection of income,
  - receiverships/liquidation/bankruptcy debts as soon as the debt has been registered with the official receiver.
  - write off/non recovery of debits/credits of up to £200 in the interests of good housekeeping, and
  - where the senior management responsible for legal services advises in writing that a debt is irrecoverable at law and the debt is below £5,000.
- b) In all other circumstances the write offs/non recovery between £200 and £5,000 to be authorised by the relevant senior service manager and the senior manager responsible for the payment of accounts and collection of income.
- c) Write offs/non recovery between £5,000 and £25,000 to be authorised by relevant member of the chief officers for the council and S151 officer.
- d) Write offs/non recovery above £25,000 as in (c) plus service cabinet member and cabinet member for finance.

7.6.3 If an invoice should not have been raised in the first place due to error, incorrect liability or incorrect value, a credit note must be raised by the initiating service. The credit note will then be authorised by the senior manager responsible for the payment of accounts and collection of income.

## 8. External Arrangements

### 8.1 Partnership arrangements

- 8.1.1 Partnerships now play a key role in delivering community strategies and in helping to promote and to improve the well-being of the area. The council will take an increasingly leading role in mobilising investment, bidding for funds, championing the needs for its area and harnessing the energies and efforts of local people and the community organisations. However suitable financial, performance and governance arrangements need to be considered before entering into such a partnership.
- 8.1.2 The chief officers for the council are responsible for authorising the formation or joining of such a partnership by the council on the basis of the above information provided by the senior service manager.
- 8.1.3 Where the proposed partnership presents a high level of risk or where its formation commits the council to spend which is outside of the agreed cash limited budget or corporate priorities, the decision must be referred to the chief officers for the council and cabinet.
- 8.1.4 Chief officers for the council considering the formation of a partnership are responsible for ensuring that:
- where the partnership wants to use the council's financial, contract-making, and other facilities, and elements of the financial regulations are not appropriate, then dispensation must be sought through delegated decision, or the issue of specific operational instructions, in consultation with the S151 officer.
  - adequate risk management processes are in place to identify and assess and manage all known and reasonably foreseeable risks.
  - project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
  - the roles and responsibilities of each partner involved in the project are agreed and formally accepted before the project commences.
  - documentation is in place setting out and limiting the commitments of parties to each other and the project, including an appropriate exit strategy to be followed in the event of a planned or unplanned termination of the arrangement, which must form part of the formal agreement.
  - adequate arrangements are in place to ensure the accountability of other organisations for council moneys, and that such money is only released against proper controls.
  - regular communication is maintained with other partners throughout the project, so that problems can be identified and shared promptly to achieve their successful resolution.
  - the S151 officer has approved the accounting arrangements, and
  - the senior management responsible for legal services has approved the terms of the partnership agreement.



8.1.5 The council has formed strategic partnerships with Hampshire County Council (HCC) for the provision of public health services. Staff continue to be employed by IWC and both they and HCC are required to co-operation in accordance with the IWC constitution, scheme of delegations and policy framework.

## 8.2 Pooled budgets

8.2.1 Pooled budgets under Section 75 of the National Health Service Act 2006, involve NHS bodies and councils putting money into a dedicated budget to fund one of a wide range of care services. A pooled budget is defined as being 'a mechanism by which the partners to the agreement bring money to form a discrete fund'. The purpose and scope of the fund is agreed at the outset and is then used to pay for the services and activities for the relevant client group.

8.2.2 The aims and resources of the partnership should be set out in an agreement, and the level of contribution to be made by each partner agreed in advance before the budget is approved. The pool is not a separate legal entity, hence all partners in the pool nominate one partner to host the pool, the pool accounts being compiled on an income and expenditure basis and included in, and audited as part of, the host body's accounts. The host body is required to produce a memorandum account of the financial activity of the pool, published as part of the statement of accounts and certified by the host's external auditor.

8.2.3 The S151 officer is responsible for establishing appropriate accounting arrangements for any such pooled budget arrangements where the council is nominated as the host body.

## 8.3 External funding

8.3.1 A large proportion of the council's income takes the form of grant from central government, European or other bodies. The S151 officer has responsibility for ensuring that suitable arrangements are in place to account for grant income.

8.3.2 The chief officers for the council are responsible for:

- notifying the S151 officer of any bids made for grant income and providing any supporting information.
- notifying the S151 officer of any awards of grant.
- keeping a record of the grant conditions and any audit requirements.
- ensuring that grant is spent in accordance with any conditions and that claims are made in compliance with any deadlines, and
- monitoring receipt of grant claim amounts and allocation to an appropriate income code.

## 8.4 Work for third parties

8.4.1 The council may under certain circumstances provide services to other local authorities or other external organisations on a commercial basis and subject to a charge. Specific powers to charge for services are contained in a variety of local government statutes as well as more generalised legislation including:

- Local Authorities (Goods and Services) Act 1970 - councils were given powers to enter into agreements with each other and with a long list of other designated public bodies.
- Local Government Act 2003 - enables councils to trade in activities related to their functions on a commercial basis with a view to profit through a company. In addition, the 2003 Act empowers councils to charge for any discretionary services on a cost recovery basis. Originally, trading through a company was confined to certain categories of councils but a Trading Order, in force since October 2009, removed such restrictions.
- General Power of Competence (GPC) contained in the Localism Act 2011 - now sits alongside local government's existing powers to trade and charge. Under the Localism Act 2011 commercial trading through a special purpose trading company is now an option open to many more public bodies including eligible parish councils, fire and rescue authorities, integrated transport authorities, passenger transport executives and economic prosperity boards in England. New powers contained in the Localism Act also provide the ability to charge for discretionary services on a cost recovery basis.

8.4.2 Recognising the council's budgetary pressures this could provide a valuable source of income, but consideration needs to be given to the following issues:

- the need to establish a formal trading arm where appropriate.
- compliance with EU procurement rules if trading with other local authorities
- state aid issues.
- tax implications.
- the capacity to continue to provide statutory functions.
- full cost recovery including central support charges.
- impact on other local island businesses and the economic regeneration role of the council.
- establishing suitable contracts or service level agreements.
- level of risk to which the council will be exposed.
- financial and accounting implications.

8.4.3 The S151 officer is responsible for issuing any more detailed guidance on the financial aspects of contracts with third parties and external bodies.

## **8.5 Collaborative Working Arrangements**

- 8.5.1 The current financial climate will require the council to work increasingly in collaboration with other public sector organisations, parish and town councils and community groups.
- 8.5.2 In achieving greater collaborative working across these sectors, informal or voluntary agreements will no longer suffice, and new explicit formal governance and management arrangements will have to be put in place to provide certainty and direction around:
- structures, governance, and accountability arrangements.
  - redesign of services.
  - information sharing.
  - agreed outcomes.
  - effective use of resources.
  - how the various collaborative organisations will work together, and
  - how the funding should be managed.
- 8.5.3 The chief officers for the council are responsible for
- ensuring that all guidance issued nationally in relation to collaborative working and community budgets is complied with.
  - ensuring that all guidance issued by the S151 officer is complied with and that all agreements and arrangements are properly documented, and
  - the senior management responsible for legal services has approved the terms of the agreements.

## **8.6 Accountable Body Arrangements**

- 8.6.1 The advent of localism, community budgets and pooled budgets, as well as the more traditional partnerships, could result in the council taking on the accountable body role in order to ensure the value for money, scrutiny, and governance of such arrangements. This presents both reputational and financial risks to the authority which need to be considered in agreeing to take on the accountable body role.
- 8.6.2 However, the council is also in a position to be able to support and advance partnership projects to access grant funding which as a local authority we could not, or which smaller non statutory organisations could not. In this capacity, it is important that the council weighs the valuable role it can play in developing partnerships and delivering outcomes to the island against the financial and reputational risks that presents.
- 8.6.3 An accountable body is a legal entity nominated to act on behalf of a partnership to take responsibility for the receipt and use of external funding. It is usual for the partnership member that already has a statutory role, if there is one, to take on the

accountable body function. In many instances this means that the council will take on this role.

- 8.6.4 It is important that all the implications to the council are considered before taking on this role either for a partnership, or for a funding stream. There may be instances where an existing partnership applies for a new grant, and this will expose the council to new or additional commitments or risks which need to be considered before the partnership makes the application. The aim would be to avoid having to refuse a grant offered because the council cannot commit to grant obligations or match funding requirements.
- 8.6.5 Equally, the council has agreed a corporate plan which outlines the key priorities and a medium-term financial strategy which details the way in which financial resources will be applied to deliver those priorities. It is important that where the council agrees to take on accountable body status, it does so in line with our agreed priorities and financial resources, and that partnerships or grants are not developed in isolation.
- 8.6.6 Chief officers for the council are responsible for ensuring that all instances where the council may be required to take on the role of accountable body are notified to the S151 officer for approval.

## **8.7 Grants**

- 8.7.1 The pressure on council budgets and the current financial climate mean that the council is under pressure to maximise income sources and ensure that funding is directed to the key corporate priorities. This may impact on the council's ability, within its restricted resources and capacity, to undertake those one-off projects which in the past have been viewed as adding value or providing additional and possibly non-traditional services to the wider community.
- 8.7.2 The council however can continue to have a role in facilitating those services through partnership and community arrangements, but the obligations placed on the accountable body by grant funding organisations do need to be considered carefully before proceeding to ensure that we understand the longer term implications.
- 8.7.3 In the current financial climate the council needs to both maximise income streams and ensure that all expenditure is focused on key corporate priorities and provides value for money. It may therefore be appropriate to consider the use of 'grant finding' type software to maximise income available, however there needs to be a corporate view of whether the use of any such grant funding contributes to the council's key priorities, or whether it actually creates additional service or one off project commitments which the council would otherwise not have undertaken.
- 8.7.4 Chief officers for the council are responsible for ensuring that all grant applications are approved by the S151 officer prior to applications being submitted.

## 9. Financial Conduct

### 9.1 Need for openness and impartiality

9.1.1 This section deals with transactions between the council and members of staff and the need for openness and impartiality. It covers transactions involving sales and purchases or the provision of services. These are areas that require particular attention as often they give rise to actual abuse or allegations of abuse or impropriety, which although mostly unfounded are particularly damaging to the council's reputation.

### 9.2 Sales and Purchases from staff and members

9.2.1 In order to avoid potential conflicts of interest, sales and purchases of goods and services between members and employees and the council should, as a matter of principle, be avoided except when they occur in the normal course of business and the charge is identical to charges made to the general public.

9.2.2 If there are special reasons for departing from this basic rule in a particular case, then the prior approval of the chief officers for the council must be obtained and the council's contracts procedure rules should be adhered to strictly. In all such cases the chief officers for the council will particularly wish to ensure that the terms of any arrangement are, and are seen to be, established in open competition and represent the best value for the council.

9.2.3 Any proposed transaction between the council and any of its members or any of its staff involving the purchase or sale of goods or the provision of services should be notified in advance to the S151 officer by the initiator unless the payment or charge is in accordance with a scale approved by the council.

### 9.3 Pecuniary interests, Conflicts of Interest

9.3 The council's procedure for declaring pecuniary interests and conflicts of interest must be complied with. It requires that members and employees of the council declare any interest they may have in any contract or a relationship generally which might cause a conflict between their private interests and the council's best interests. The requirement also applies to an employee's or member's close family, partners, or their firm.

9.3.2 The council's procedure also requires that such registrations are reviewed on an annual basis during the development review process. The chief officers for the council and others with line management responsibilities are required to ensure that this process is carried out. As such, a written record (a suggested format is included within the council's procedure) will be maintained on an employee's development review file.

- 9.3.3 Where a decision is to be made concerning a purchase or sale involving an employee's or member's personal interest, it must be seen to be the case that no favour or advantage accrues to the employee or member. The individual concerned must take no part in the discussion or decision on the issue.
- 9.3.4 In situations where there is a direct interest in a transaction, the council's normal competitive process must be followed. This applies for example to goods and services to be supplied to the council by an employee or member and to situations where the employee or member is to receive goods or services from the council. No advantage or favour must accrue to the employee or member simply because of their position within the council.

#### **9.4 Gifts and Hospitality - requirement to declare**

- 9.4.1 The council has a code of practice that deals with the offer and acceptance of gifts and hospitality that must be followed.
- 9.4.2 In the event of uncertainty, employees should consult their senior service manager for advice. Members should consult the council's monitoring officer for advice.
- 9.4.3 The code of practice requires that registers of gifts and hospitality, whether accepted or not, are maintained by each service. Services will register any offers made to them. The chief officers for the council are required to maintain their own registers which will be subject to review by the S151 officer or his authorised representative. Members are required to register offers made to them with the monitoring officer.
- 9.4.4 Registers must be reviewed on a frequent basis. The chief officers for the council will review those of their respective services. The members register will be reviewed by the monitoring officer.

## 10. Related Strategies and Guidance Notes

### 10.1 Strategy Documents

10.1.1 The council's strategic financial framework includes a number of related strategy documents as listed below:

Document	Outline	Date	Status
Strategic asset management plan	Strategic framework to ensure that we unlock the opportunities from our assets, dispose of those we don't need, minimise our running costs, and ensure that the assets we do keep are fit for purpose and used effectively in service delivery.	2017	Under revision
Capital strategy	Documents the principles and framework which underpin the council's approach to capital investments and expenditure	2024	Current
Charging policy	Provides a clear and consistent approach to charging, and develops a council-wide basis for determining concessions to ensure that no individual or group is excluded from accessing services due to their personal circumstances	2015	Under revision
Treasury management strategy	Sets out the council's annual strategy with regard to both borrowing and the repayment of external debt	2024	Current
Non-treasury investment strategy	Sets out the council policy for managing its investments and for giving priority to the security and liquidity of those investments	2024	Current
Risk management strategy	Provides the framework for the management of risk across the Isle of Wight Council and guidance to all employees and Isle of Wight councillors relating to their responsibilities in respect of risk management	2023	Current
VFM strategy	Ensures that the council has in place a framework, the necessary activities and monitoring and review processes that enable value for money to be delivered across all council services; and can answer the following questions about our services and activities.	3.09	Under revision
Project management framework	Ensures that all programme and project work is delivered with governance arrangements that are proportionate to size, visibility, and impact.	2022	Current
Vat manual	Manual for any staff dealing with payments or receipts dealing with all aspects of VAT.	2022	Current
Accountable Body Policy	Issues for consideration when the council is required to take on accountable body role.	2015	Current
Grants Policy	Issues for consideration when the council applies for grant funding.	2015	Current

10.1.2 Copies of full policies and procedures can be viewed at <http://www.iwight.com/documentlibrary>

## 10.2 Accounting Guidance Notes

10.2.1 Financial Management produce a series of accounting guidance notes which are intended for internal use only. These are amended and added to regularly and are currently undergoing a major review alongside a project to consider the future of the councils ERP system. Therefore, the list below is correct only at the time of the approval of these financial regulations:

Note	Subject
Accountancy Guidance Note 1	Virements and variations
Accountancy Guidance Note 2	Journals
Accountancy Guidance Note 3	Recharges
Accountancy Guidance Note 4	Capital Programme
Accountancy Guidance Note 5	Termination Benefits
Accountancy Guidance Note 6	Grants and Contributions year end balances
Accountancy Guidance Note 7	Vacancy Savings Management
Accountancy Guidance Note 8	Pooled Budget Closedown
Accountancy Guidance Note 9	Deferred payments balance sheet
Accountancy Guidance Note 10	Related Party Disclosures
Accountancy Guidance Note 11	Accruals
Accountancy Guidance Note 12	Stocks and Inventories
Accountancy Guidance Note 13	Closedown
Accountancy Guidance Note 14	Treasury Management
Accountancy Guidance Note 15	Income
Accountancy Guidance Note 16	Monthly forecasting process
Accountancy Guidance Note 17	Provision for Doubtful debts
Accountancy Guidance Note 18	Underspends and carry overs
Accountancy Guidance Note 19	Reserves and Provisions
Accountancy Guidance Note 20	Write offs and waived charge credit notes
Accountancy Guidance Note 21	VAT
Accountancy Guidance Note 22	Disposal of buildings and surrender of leases
Accountancy Guidance Note 23	Accounting for Asset Disposals