



Ribble Valley
Borough Council

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Financial Regulations

POLICY ADMINISTRATION

POLICY OWNERSHIP

For any queries about this policy, please contact the plan owner.

Department	Resources		
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Committee	Policy and Finance Committee		

This policy is maintained and published on behalf of Ribble Valley Borough Council. A copy of this policy will be published on the Council Intranet and will be reviewed and updated as stated below.

VERSION CONTROL AND REVIEW DATE

Version	Date	Reason for Publication	Approved by Committee / Date	Next Review Date
V1	14 June 2021	Annual Review of Financial Regulations	Policy and Finance Committee – 22 June 2021	March 2022
V2	18 March 2022	Annual Review of Financial Regulations	Policy and Finance Committee – 29 March 2022	March 2023
V3	16 March 2023	Annual Review of Financial Regulations	Policy and Finance Committee – 28 March 2023	March 2024

This policy will be reviewed, as a minimum, on an annual basis. However, consideration should be given to reviewing the policy should there be any changes in legislation or guidance. The policy/procedure owner will ensure the document is reviewed as stated.

EQUALITY IMPLICATIONS

	Action	Yes / No
An Equality Impact Assessment (EIA) has been completed		No – Not Required having completed EIA Checklist
EIA Hyperlink	Not Applicable	

SUPPORTING DOCUMENTS OR LEGISLATION RELATING TO THIS POLICY

Please include any supporting documents / legislation
1. Section 151 of the Local Government Act 1972
2. The Local Government Finance Act 1988
3. The Local Government and Housing Act 1989
4. The Accounts and Audit Regulations 2015
5. The Local Government Act 2003.

Ribble Valley Borough Council is committed to the delivery of quality services and so needs to be responsive to the changing demands and expectations of its customers.

In support of this aim the Council has a sound financial management framework in place, which is relevant and flexible enough to meet the challenges ahead. For example the changes from the traditional accepted role of local government to one of community leader including the introduction of greater partnership working has a major influence on the delivery of local services. The establishment of Financial Regulations provides the financial controls and procedures necessary to address the modern demands on local government. They also provide clarity about the financial accountabilities of individuals - Members, the Chief Executive (the Head of Paid Service), the Monitoring Officer, the Director of Resources (Section 151 Officer) and other Directors, Heads of Service and staff generally. The Regulations are therefore formally endorsed by the Council as a key part of the Council's Constitution.

The Financial Regulations, as set out here, provide the overall key control framework to enable the organisation to exercise effective financial management and control of its resources and assets. Another key purpose of the Regulations is to support and protect Members and staff in the performance of their duties where financial issues are involved.

These Regulations need to be read in conjunction with the remainder of the Constitution and any other regulatory documents of the Council.

Please address queries or comments regarding the Council's Financial Regulations to the Head of Financial Services.

RIBBLE VALLEY BOROUGH COUNCIL FINANCIAL REGULATIONS

CONTENTS

Section 1: General	2
Section 2: Internal Controls	4
Section 3: Accounting	7
Section 4: Revenue Budget	9
Section 5: Capital Programme	11
Section 6: Budgetary Control	13
Section 7: Procuring and paying for Works, Supplies and Services	18
Section 8: Work carried out for others	21
Section 9: External funding and partnership arrangements	22
Section 10: Income	25
Section 11: Value Added Tax	28
Section 12: Banking and Cheques	30
Section 13: Assets	32
Section 14: Computer Systems	34
Section 15: Insurances	36
Section 16: Risk Management	39
Section 17: Internal Audit	40
Section 18: External Audit and Inspection	41
Section 19: Treasury Management and Leasing	42
Section 20: Pay and Conditions of Employment	44
Section 21: Reports to Members	46
Glossary	49

Section 1: General

WHY ARE THESE REGULATIONS IMPORTANT?

It is important that the Council has a sound and effective financial management framework in place to safeguard the organisation's financial arrangements and activities, to support staff and to minimise risk. The Local Government Act 1972 Section 151 requires the Council to nominate one of its Officers to be responsible for the proper administration of its financial affairs. The Officer so appointed is the Director of Resources. Financial Regulations form part of the Council's approach to corporate governance and provide a control framework through which the Director of Resources carries out their statutory duty on behalf of the Authority.

The Financial Regulations and their application also form part of the Council's performance framework and an assessment of their effectiveness will contribute to the result of any external assessment of the Council.

(1) Application of Financial Regulations

Financial Regulations are the framework for managing the authority's financial affairs. They apply to every Member and Officer of the authority and anyone acting on its behalf:

- (i) These Regulations identify the financial responsibilities of the Council, the Head of Paid Service, the Monitoring Officer, the Section 151 Officer and Directors generally. **References to Directors include the Chief Executive.** References to the Director of Resources refer to their role as Section 151 Officer.
- (ii) **References in these Regulations to Directors, including the Director of Resources, also apply to Heads of Service, and other senior staff and shall in every case be considered as referring to authorised persons acting on their behalf (whether authorised or not).** In certain cases as specified in these Regulations, Directors are required to maintain a written record where decision making has been delegated to members of their staff, including seconded and temporary staff, and to supply up-to-date copies to the Director of Resources.
- (iii) These Regulations apply equally to any service carried out by the Council on behalf of the County Council or any other authority, body or person, and to all external agencies and their employees incurring expenditure or receiving income on behalf of the Council. Accordingly, Directors shall ensure that partnership and other arrangements with external parties are not set up to operate in conflict with these Regulations as far as this Council's involvement is concerned.

- (iv) Any action which is an exception to these Regulations may only be approved in exceptional circumstances by the Director of Resources in consultation with the Chairman of the Policy and Finance Committee and a report setting out the reasons for such action shall be submitted to the next meeting of that Committee.
- (v) These Regulations shall apply until such time as they are rescinded, amended or suspended by the Council.

(2) General Responsibility

- (i) All Members and staff have a general responsibility for taking reasonable action to provide for the security of any assets under their control, and for ensuring that the use of resources is legal, is properly authorised, provides value for money and achieves best value.
- (ii) Directors are responsible for informing the Director of Resources of any matter liable to materially affect the finances of the Council including negotiations with government departments before any commitment is incurred or arrangements reached.

(3) Compliance

Directors are responsible for making all staff in their departments aware of the existence and content of these Financial Regulations and any related Financial Procedure notes and for their compliance with them. They must also make an adequate supply of copies available for reference within their departments.

(4) Review

- (i) The Director of Resources shall maintain a continuous review of the Financial Regulations and, except where provided in (ii) below, submit any necessary additions or changes in law or practice to the Policy and Finance Committee for approval by the Full Council. They shall also report to the Chief Executive and/or Policy and Finance Committee where they consider appropriate any breaches of the Financial Regulations.
- (ii) Any financial amounts referred to in these Regulations may be varied by the Director of Resources in line with general price inflation or otherwise as required by statute
- (iii) The Director of Resources may issue from time to time Financial Procedure Notes to support these Regulations. These will prescribe more-detailed financial controls and procedures consistent with these Regulations and such supplementary controls and procedures shall carry the same status as these Regulations.

Section 2: Internal Controls

WHY ARE THESE REGULATIONS IMPORTANT?

The functions of the Authority are diverse and therefore to ensure delivery of the Council's strategic objectives, a framework of internal controls is required.

The Authority has statutory obligations and therefore requires internal controls to identify, meet and monitor compliance with these obligations. Moreover the Council is required to conduct an annual review of the effectiveness of its system of internal control and present an Annual Governance Statement alongside the Annual Statement of Accounts.

The Authority faces a wide range of financial, administrative and commercial risks, from both internal and external factors, which need to be managed to enable the Council to achieve its objectives. Internal controls are necessary to manage these risks.

A system of internal controls is established in order to provide measurable achievement of: (a) efficient and effective operations, (b) reliable financial information and reporting, (c) compliance with laws and regulations, and (d) risk management.

- (1) The Director of Resources has statutory duties in relation to the financial administration and stewardship of the authority. This responsibility cannot be overridden. The statutory duties arise from:
 - (i) Section 151 of the Local Government Act 1972
 - (ii) The Local Government Finance Act 1988
 - (iii) The Local Government and Housing Act 1989
 - (iv) The Accounts and Audit Regulations 2015
 - (v) The Local Government Act 2003.

- (2) The Director of Resources is responsible for:
 - (i) the proper administration of the authority's financial affairs
 - (ii) setting financial management standards and monitoring compliance with them
 - (iii) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - (iv) providing financial information
 - (v) preparing the revenue budget and capital programme
 - (vi) treasury management
 - (vii) reporting on the robustness of estimates made for the purposes of preparing budgets and the adequacy of the proposed financial reserves.

- (3) The Director of Resources shall report to the Full Council and external auditor in fulfilment of their statutory obligations under Section 114 of the Local Government Finance Act 1988 or otherwise if the authority or any of its Officers:
- (i) has made, or is about to make, a decision which involves incurring unlawful or unauthorised expenditure
 - (ii) has taken, or is about to take, an unlawful or unauthorised action which has resulted or would result in a loss or deficiency to the authority
 - (iii) has made or is about to make an unlawful or unauthorised entry in the authority's accounts.
- (4) Directors are responsible for ensuring that:
- (i) Service Committees are advised of the financial implications of all proposals and that these have been previously agreed by the Director of Resources.
 - (ii) contracts are duly signed on behalf of the authority
 - (iii) the approval of the Director of Resources is sought on any matter liable to affect the authority's finances materially, before any commitments are incurred.
- (5) The Director of Resources shall assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective operations, financial stewardship, probity and compliance with laws and regulations.
- (6) Directors shall ensure that:
- (i) managerial control systems operate effectively throughout their departments. These will include the defining of policies, the setting of objectives and plans, the monitoring of financial and other performance, and the taking of appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities and ensuring staff have a clear understanding of the consequences of any lack of control
 - (ii) financial and operational control systems and procedures operate effectively throughout their departments. These will include physical safeguards for assets, segregation of duties, checking and authorisation procedures and information systems
 - (iii) key controls and control objectives for internal control systems are reviewed regularly in order to be confident as to the proper use of resources, achievement of objectives and management of risk.
 - (iv) processes are managed so as to check that established controls are being adhered to and are effective
 - (v) existing controls are reviewed in the light of changes affecting the authority and new controls are established and implemented in line with guidance from the Director of Resources.

- (vi) controls which are no longer necessary, or no longer cost or risk effective, are removed.
 - (vii) where new services or processes are introduced, then adequate controls are put in to place **immediately** to ensure the proper use of resources, achievement of objectives and management of risk.
- (7) The Director of Resources shall ensure that there is an effective and properly resourced internal audit function.

Section 3: Accounting

WHY ARE THESE REGULATIONS IMPORTANT?

Maintaining proper accounting records is one of the ways in which the authority discharges its responsibility for stewardship of public resources. The authority has a statutory duty to prepare its Annual Statement of Accounts in a way which gives a true and fair view of its operations during the year. The accounts are subject to external audit, which provides assurance that they have been prepared properly, that proper accounting practices and statutory requirements have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources. There is also a statutory right for members of the public to inspect the accounts and relevant supporting documentation.

- (1) The Director of Resources is responsible:
 - (i) for selecting and applying appropriate accounting policies
 - (ii) for determining accounting procedures and records.
- (2) The Director of Resources shall:
 - (i) make arrangements for the proper administration of the authority's financial affairs
 - (ii) apply accounting policies consistently
 - (iii) maintain proper accounting records
 - (iv) make an annual report to the Policy and Finance Committee on the financial outturn for the previous financial year
 - (v) ensure that the Statement of Accounts for that year is completed, approved by the Accounts and Audit Committee and published within the corporate and statutory timetable and in accordance with relevant Codes of Practice.
- (3) Directors shall ensure:
 - (i) that all the authority's transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and promptly.
 - (ii) that in the allocation of accounting duties of any kind:
 - (a) the duty of providing information, calculating, checking and recording sums due to or from the Council shall be separated as completely as possible from the duty of collecting or disbursing such sums.

- (b) Officers charged with the duty of examining and checking the accounts of cash or stores transactions shall not themselves be engaged in any of those transactions.
- (iii) that any Financial Procedure Notes prescribed by the Director of Resources are fully complied with.
- (iv) that the Director of Resources is supplied with such information as may be requested from time to time for the purpose of the proper administration of the Council's affairs.
- (v) that all returns or claims that request financial information shall be completed in consultation with the Director of Resources, who shall be satisfied as to their correctness before they are submitted.
- (vi) that the Director of Resources is provided with copies of all Government or other circulars, orders, sanctions, approvals and regulations which may have a financial implication.

Section 4: Revenue Budget

WHY ARE THESE REGULATIONS IMPORTANT?

The Council is responsible for producing an overall policy framework. The purpose of the framework is to explain overall priorities and objectives, and ensure that resources follow the identified priorities, current performance and proposals for improvement. The revenue budget is important in this context because, together with the capital programme (see Section 5), it expresses the approved policies and service levels of the Council in financial terms.

Once approved, the revenue budget confers authority on managers to incur expenditure to achieve the aims and objectives of the Council. If expenditure plans cannot be met within the approved budget, then they can only proceed with an approval to divert funds (as provided for in Section 6(4)).

- (1) The Director of Resources shall:
 - (i) recommend to the Policy and Finance Committee appropriate guidelines for preparation of the annual budget and the financial forecast for at least the following two financial years
 - (ii) issue appropriate guidance to Directors and Members and prepare a corporate budget timetable
 - (iii) ensure the approved budget guidelines are complied with so that statutory and other deadlines can be met.
- (2) Directors shall:
 - (i) submit to the Director of Resources estimates in accordance with the budget guidelines and within agreed time scales
 - (ii) ensure that the estimates are prepared having regard to the Council's Corporate Strategy and other corporate aims and objectives
 - (iii) provide any other information the Director of Resources may require.
- (3) The Director of Resources shall report to the Policy and Finance Committee:
 - (i) on the detailed draft revenue estimates, ensuring that the content and format comply with legal requirements and relevant codes of practice
 - (ii) on the robustness of the estimates made for the purposes of calculations and the adequacy of the proposed financial reserves
 - (iii) the position on the Collection Fund

- (iv) on the final proposed budget to enable the Policy and Finance Committee to make a recommendation to Full Council on the appropriate levels of contingencies and reserves, and on the levels of Council Tax for the year.
- (4) Subject to (5) below, the approval of a budget for the year by Full Council confers authority to spend in accordance with the budget for that year. Commitments affecting future financial years may only be made where the provisions of Section 6(6) are satisfied. Directors are responsible for coordinating programmes of expenditure and income that will achieve the objectives on which the budget was based.
- (5) Directors shall not enter into any new arrangements or other contractual commitments with long-term revenue consequences without the prior written consent of the Director of Resources. Such arrangements may be defined for this purpose as any lease, contract hire or other contract or series of contracts under which the use of an asset is obtained in exchange for a series of revenue payments which extend beyond the end of the following financial year.
- (6) If a Director wishes to incur expenditure outside the approved budget provision, or anticipates an overspend against an approved budget head, the procedures set out in Section 6(4) and (5) shall apply.
- (7) Directors shall notify the Director of Resources in writing of the names of any Officers in their department authorised to act on their behalf in relation to the specific responsibilities set out in this Section, together with specimen signatures and details of any limitation on the authority delegated to them.

Section 5: Capital Programme

WHY ARE THESE REGULATIONS IMPORTANT?

The revenue budget (Section 4) and the capital programme together express the approved policies and service levels of the Council in financial terms. It is important to ensure that the Council achieves maximum economy, efficiency and effectiveness from the use of its capital resources and directs those resources into the agreed priority areas.

- (1) The Director of Resources shall:
 - (i) prepare current estimates of resources available to finance capital expenditure in the current year and over at least the following two financial years
 - (ii) prepare a capital programme and strategy for approval annually by the Policy and Finance Committee and Full Council based on the current Council's Corporate Strategy, and other relevant corporate plans and strategies.
- (2) Directors shall:
 - (i) submit to the Director of Resources upon request estimates of the cost of capital spending proposals and the estimated amount and timing of any capital receipts, commuted sums and other contributions receivable
 - (ii) ensure that the estimates submitted are prepared having regard to the Council's Corporate Strategy and other corporate aims and objectives.
 - (iii) provide any other information the Director of Resources may require for the review, monitoring or control of the capital programme.
- (3) In working up any capital scheme, Directors shall have regard to the risk of triggering clawback or breaching restrictive covenants or other contractual conditions in relation to land or otherwise.
- (4) The inclusion of a capital scheme within an approved capital programme shall confer authority to spend only on those schemes in year 1 of the capital programme, with any future schemes being subject to the annual review of the capital programme. Authority to spend is subject to:
 - (i) the provisions of the Council's Contract Procedure Rules
 - (ii) the provisions of (5) below

- (iii) the Director of Resources having first confirmed in writing that sufficient resources are available for the purpose.

- (5) If a Director wishes to incur expenditure outside the approved capital programme provision, then following consideration initially at Corporate Management Team, a request must be submitted to the relevant service committee. The service committee must then make recommendation of approval of such in to the capital programme to Policy and Finance Committee

- (6) Directors shall give the Director of Resources early warning of known underspends, overspends and changes to planned resources so that the availability of uncommitted capital resources may be monitored effectively.

- (7) Directors shall notify the Director of Resources in writing of the names of any Officers in their department authorised to act on their behalf in relation to the specific responsibilities set out in this Section, together with specimen signatures and details of any limitation on the authority delegated to them.

Section 6: Budgetary Control

WHY ARE THESE REGULATIONS IMPORTANT?

Budgetary control ensures that once Full Council has approved a revenue budget or a capital programme, the resources allocated are used for their intended purposes, i.e. the agreed priority areas, and are properly accounted for. It is a continuous process, enabling the authority to review and adjust its budget targets during the financial year to make the most effective use of resources in delivering the Council's policies and objectives. The budgetary control framework also sets out the accountabilities of managers for defined elements of the budget.

By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity.

To ensure that the authority as a whole does not over or underspend, each service is required to manage its own expenditure within approved resources and to identify any surplus resources for diversion to other programme areas. A mechanism is provided for switching funds between budget heads, including contingencies and reserves, where required, in order to maintain service levels and achieve policy objectives.

(1) Overall Responsibility for Budgetary Control

The Director of Resources is responsible:

- (i) to the Council for the overall financial control of the revenue budget and capital programme
- (ii) for providing quarterly monitoring reports
- (iii) for subdividing service budgets within the overall budget framework according to Council structure and services, having regard to relevant Codes of Practice
- (iv) for allocating the revenue budget and capital programme wholly among responsible Directors
- (v) for supplying timely information on receipts and payments on each budget head and capital scheme, sufficiently detailed to enable managers to fulfill their budgetary control responsibilities.

(2) Responsibility for Control of Individual Budgets

Directors are responsible:

- (i) for the revenue budgets and capital programmes allocated to them, for delivering the levels of service on which they were based, and for compliance with their financial obligations
- (ii) for monitoring levels of service and performance within services, as measured by expenditure and income incurred against relevant budget heads and capital programme provision
- (iii) for seeking variations, either to increase or to reduce the provision allocated to particular budget heads or capital schemes, in accordance with (4) below in order to maintain budget provisions in line with the service levels required and

Directors:

- (i) may exercise powers delegated to them to enter into new financial commitments, including commitments relating to recruitment and remuneration of staff where such posts have been approved in to the council's establishment list or approval has been given for the appointment of temporary staffing by the Chief Executive, but **only where adequate provision has been made** in the revenue budget or capital programme and where the revenue consequences for future financial years are in accordance with (6) below
- (ii) shall provide any additional information the Director of Resources may require.

(3) **Variances from Budget**

The Director of Resources is responsible

- (i) for reporting significant variances to the Policy and Finance Committee where a Director fails to take action under (4) to (6) below
- (ii) for agreeing annually:
 - (a) a list of expenditure proposals for which revenue budget provision had been made in the previous year and for which the particular goods or services had not been supplied before the financial year end.
 - (b) a list of expenditure proposals on capital schemes for which provision had been made in the capital programme for the previous year but which was under or overspent.

(4) **Virements Between Budgets**

Subject to appropriate consultation with the Director of Resources, budget allocations may be moved between revenue budget heads (including contingency provisions) for the purpose of maintaining approved service levels, in accordance with the following scheme of virements:

(i) Revenue Budgets

All requests must be approved by the Service Director and also the Director of Resources. Further approval from committees must also be given in accordance with the details shown below

Over £10,000 also by the Service Committee

Over £25,000 also by Policy and Finance Committee

(ii) Capital Budgets

Any request for virement between capital schemes must be approved by the service committee and Policy and Finance Committee.

No virement can take place between a revenue and a capital budget.

(iii) Virement Requests

Unless in circumstances seen as exceptional by the Director of Resources:

- approval will only be given to requests for virements made prior to the commitment of any expenditure. Virements should not be used as a retrospective tool
- virements will not normally be approved from budgets in respect of direct employee costs
- virements will only be considered from income budgets once the full year income budget has been achieved, or is certain of being achieved (i.e. through written grant approvals)
- virements will not be approved in respect of monies set aside in earmarked reserves.

In making any virement decision, due regard shall be had to any budget implications for future financial years.

(5) Supplementary Estimates

(i) Revenue expenditure

Where no provision currently exists in the revenue budget, or where the provision made for an existing budget head is insufficient and a virement is not available under (4) above, then new or additional budget provision may only be established with the approval of the Policy and Finance Committee and in making any such decision, shall have due regard to any budget implications for future financial years.

Any request for a supplementary estimate must only be made by the relevant Service Director and with approval of the Director of Resources, and must first be requested from the service committee, with a reference then to be made to Policy and Finance Committee for approval.

Any identified areas of funding in support of a request for a supplementary estimate must be made clear.

(ii) Capital expenditure

Where no provision currently exists in the capital programme, or where an existing provision is insufficient and a virement is not available under (4) above, then, new or additional provision may only be established for the scheme with the approval of the Policy and Finance Committee, who in making any such decision, shall pay due regard to any implications for the capital programme or revenue budget in future financial years.

Any request for an additional approval must only be made by the relevant Service Director and with approval of the Director of Resources, and must first be requested from the service committee, with a reference then to be made to Policy and Finance Committee for approval

(iii) Partnership Expenditure and External Funding

Where no provision currently exists in the revenue budget or capital programme for specific projects or activities which are to be wholly or partly funded by external agencies or partners, then the above criteria for virements and supplementary estimates will apply to the value of the Council's net financial contribution to the revenue or capital cost of the project.

The Director of Resources is empowered to adjust revenue budgets and capital programmes to reflect the gross value of all such arrangements and transactions.

Directors and Heads of Service must liaise with the Director of Resources, and refer to Section 9 of these Regulations, **prior** to undertaking any bidding for external funding or setting up any partnerships.

(6) Commitments of Revenue Expenditure Affecting Future Financial Years.

The following arrangements shall apply in relation to the commitment of expenditure prior to the approval of the revenue budget for the financial year concerned:

- (i) Directors may commit expenditure affecting future financial years provided the estimated cost in real terms does not exceed the current year's budget provision and that the written consent of the Director of Resources is obtained.
- (ii) Directors may only commit expenditure on new or extended services with the approval of the relevant Service Committee and Policy and Finance Committee

(7) Delegation

Directors shall notify the Director of Resources in writing of the names of any Officers in their department authorised to act on their behalf in relation to the specific responsibilities set out in this Section, together with specimen signatures and details of any limitation on the authority delegated to them.

(8) Other Matters Affecting Budgets

Directors are responsible for alerting the Director of Resources of any issues with the potential to affect revenue or capital budgets or resources in the current year or future years, and where significant the Director of Resources shall report such matters to the Policy and Finance Committee.

Section 7: Procuring and Paying for Works, Supplies and Services

WHY ARE THESE REGULATIONS IMPORTANT?

The letting of public contracts should be done with demonstrable transparency and in accordance with Council policies, including the Counter Fraud, Bribery and Corruption Policy Statement and Strategy. It is essential for maintaining public confidence that the Council and its Officers are seen to act with complete fairness and impartiality in the letting of contracts.

The Council has a statutory duty to achieve best value, partly through economy and efficiency. There is also a local performance indicator measuring and reporting on the time taken by the Council to pay its creditors. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

These Regulations must be read in conjunction with the Council's Contract Procedure Rules and its Procurement Strategy.

(1) Placing Orders for Works, Supplies and Services

- (i) Where, **over the anticipated lifetime of supply**, the estimated value of any works, supplies or services to be received by the Council exceeds £100,000 (excluding VAT), Directors shall invite tenders in accordance with the Contract Procedure Rules
- (ii) Where, over the anticipated lifetime of supply, the estimated value of any works, supplies or services to be received by the Council is below £100,000 (excluding VAT), Directors may at their discretion invite tenders in accordance with the Contract Procedure Rules
- (iii) In all other cases, Directors shall place orders, using the corporate purchasing system only, in accordance with arrangements determined by the Director of Resources and set out in the Contract Procedure Rules. In accordance with the thresholds listed in the Contract Procedure Rules, a Contract where the estimated value is:
 - a) £10,000 or less may be made without written competitive quotations as long as the Contract is not part of a larger Contract. However, it must still be ensured that the best price is secured and value for money is maintained and as such it may be desirable to obtain quotes in order to gain that assurance.
 - b) over £10,000 but not exceeding £100,000 may be made after obtaining **at least** three written quotations. It is advised that a greater number of quotes may need to be sought in order to ensure that three as a minimum are returned;

- (iv) All invitations to quote must cover (but not exclusively) the following matters to ensure that the person(s) providing the quote are fully aware of their requirements should they be awarded the work, service or supply
 - a) Detailed specification of works or goods required, including expected timelines
 - b) Details of how the different quotes received will be compared (ie price only, or together with qualitative considerations)
 - c) Reference and link to the Council's Standard Terms and Conditions of Purchase
 - d) Insurance Cover Requirements

(2) Other Contract Terms

Directors shall:

- (i) in consultation with the Director of Resources include in every contract appropriate clauses to cover financial and insurance requirements, and to provide sufficient security for due performance
- (ii) put in place adequate procedures for the effective cost control of all contracts, including regular contract management meetings.
- (iii) ensure the full involvement of the Head of Legal and Democratic Services and Procurement Assistant **prior** to commencement of any tender process.
- (iv) ensure that all officers are aware of the disclosure requirements in respect of conflicts of interests under Section 117 of the Local Government Act 1972.

(3) Receipt of Works, Supplies and Services

Directors shall put in place adequate systems for verifying the performance of work or the receipt of supplies and services. In particular controls shall be established to ensure that:

- (i) work done or supplies and services received are as specified
- (ii) quality or workmanship is of the required standard
- (iii) appropriate entries are made in inventory, stock or other records.

(4) **Payment for Works, Supplies and Services**

- (i) Directors shall make adequate and effective arrangements approved by the Director of Resources for checking and certifying invoices and other requests for payment without undue delay
- (ii) Unless covered by (iii) below or where otherwise approved by the Director of Resources, all payments shall be made by BACS/automated bank transfer or crossed cheque drawn on a bank account of the Council. Payments may only be made by direct debit or corporate credit card with the **prior** approval of the Director of Resources.
- (iii) Minor items of expenditure, up to a limit set by the Director of Resources, may be paid under petty cash procedures.
- (iv) Excluding the petty cash arrangements above no officer must use their own personal monies to procure works, supplies of services on behalf of the council, other than in instances of extreme emergency and with the approval of the relevant Director.

(5) **Delegation**

Directors shall notify the Director of Resources in writing of the names of any Officers in their department authorised to act on their behalf in relation to ordering and paying for works, goods or services, together with specimen signatures and details of any limitation on the authority delegated to them.

(6) **General**

- (i) Every Member and Officer engaged in contractual or purchasing decisions on behalf of the Council shall declare to the Head of Legal and Democratic Services any links or personal interests they may have with purchasers, suppliers and contractors, and shall comply with the provisions of the appropriate codes of conduct.
- (ii) Directors shall ensure that as far as is practicable the duties of ordering works, supplies or services, receiving them and certifying payment are not performed by the same Officer.

Section 8: Work Carried Out for Others

WHY ARE THESE REGULATIONS IMPORTANT?

Legislation enables the Council to provide a range of services to other bodies. Such work may help maintain economies of scale and existing expertise. It may also be helpful to share the Council's facilities, expertise and resources with others under partnership arrangements. Effective controls should be in place to ensure that any risks associated with such work are minimised and that the work falls within the Council's statutory powers

- (1) Financial Regulations apply equally to any service carried out by the Council on behalf of the County Council or any other authority, body or person, and Directors shall not set up partnership or other arrangements with external parties to operate in conflict with these Regulations as far as this Council's involvement is concerned.
- (2) Directors shall:
 - (i) properly assess the financial implications of the proposal **prior** to commitment following consultation with the Director of Resources.
 - (ii) draw up contracts in consultation with the Head of Legal and Democratic Services, having regard to the Council's powers, relevant policies and protocols and in compliance with any insurance or other requirements of the Director of Resources.

Section 9: External Funding and Partnership Arrangements

WHY ARE THESE REGULATIONS IMPORTANT?

Partnerships play a key role in delivering community strategies and in helping to promote and improve the well being of the borough. The Council works in partnership with others - public agencies, private companies, community groups and voluntary organisations - and its distinctive leadership role is to bring together the contributions of the various stakeholders. The Council will mobilise investment, bid for funds, champion the needs and harness the energies of local people and community organisations. It will be measured by what it achieves in partnership with others.

Partnerships can provide ways to access new resources and share risk. They can also lead to innovative and improved ways of delivering services whilst forging new relationships. Whilst external funding is a very important source of income, funding conditions need to be carefully considered to ensure they are compatible with the aims and objectives of the Council. In some instances, tight specifications may not be flexible enough to link to the authority's overall plan. Also, new ways of working can increase the Council's exposure to fraud and to irregularities in the operation of, for example, VAT, insurances, and pay.

(1) Bidding for External Funding

- (i) Directors shall seek external resources only to further the priorities and aims of the Council's Corporate Strategy.
- (ii) Before making a bid for resources which, if successful, would require any financial commitment from the Council, Directors shall ensure that appropriate budgets have been approved or earmarked in accordance with these Regulations
- (iii) In working up bids, Directors shall use appropriate project appraisal processes to assess the viability of the project in terms of resources, staffing and expertise, to identify and assess all potential risks, and to ensure achievement of the required outcomes.
- (iv) Completion of any bidding application must be carried out in consultation with the Director of Resources

(2) Setting up Partnerships

- (i) Directors shall agree and accept formally in writing the roles and responsibilities of each of the partners involved in a partnership project before the project commences. Any initial proposals must first be reported to and considered by the council's Corporate Management Team.

- (ii) Where the Council is to be the lead partner, or the accountable body where other funds are involved, the responsibilities of the Council and the obligations of the various partners are to be clearly defined, understood and documented through the involvement of the Director of Resources and the Head of Legal and Democratic Services prior to commencement of the project. The Council will only enter into such arrangements where the council has a direct interest in the partnership.
- (iii) Directors shall consult the Director of Resources on:
 - (a) any financial control, insurance, VAT implications and audit requirements to be incorporated in the partnership arrangements
 - (b) the overall financial implications for the Council
- (iv) Prior to entering into any commitment, the relevant Director shall ensure that any match funding or other financial obligations of the Council are provided for within revenue or capital programmes and that arrangements are made for future years' financial provisions to reflect these obligations. This should include any audit and other consequential fees as appropriate.
- (v) Unless otherwise approved by the Director of Resources in writing, where the Council is to act as accountable body, banking arrangements will be through the Council's main bank account and all transactions will be processed through the Council's financial systems.

(3) **Working with Partners**

- (i) **These Financial Regulations and the Council's Contract Procedure Rules shall apply equally to any orders for works, goods or services which are the responsibility of the Council under the partnership arrangements**
- (ii) The relevant Director shall comply with any key conditions of funding and any statutory requirements
- (iii) Any variation in resources to be contributed by the Council, or in the overall resources of the partnership where the Council is the accountable body, shall be dealt with in the same way as other budget variations as set out in Section 6 (Budgetary Control)
- (iv) The relevant Director shall ensure that any financial control, insurance and audit requirements of the partnership are met
- (v) The relevant Director shall communicate regularly with the other partners throughout the project so that problems are identified and shared to achieve their successful resolution.

(4) **Delegation**

Directors shall notify the Director of Resources in writing of the names of any Officers in their department authorised to act on their behalf in relation to the specific responsibilities set out in this Section, together with specimen signatures and details of any limitation on the authority delegated to them.

Section 10: Income

WHY ARE THESE REGULATIONS IMPORTANT?

It is essential that **all** income due to the Council is identified, collected, receipted and banked promptly. To achieve this it is necessary to put effective income systems in place. It is preferable to obtain income in advance of supplying goods or services as this improves the authority's cash flow and also avoids the time and cost involved in administering debts.

(1) **General**

Directors shall implement arrangements made by them under this Section only with the approval of the Director of Resources.

(2) **Prompt Identification of Sums Due to the Council**

Directors shall make adequate and effective arrangements for the prompt identification of all sums due to the Council.

(3) **Prompt Recording in the Council's Accounts of all Sums Due**

- (i) Directors shall make adequate and effective arrangements for recording all sums due in the Council's accounts
- (ii) Accounts for sums due may only be raised on the Council's corporate Sundry Debtors system, unless alternative arrangements have been approved in writing by the Director of Resources.

(4) **Collection and Receipting of all Income**

All income received by the Council must be acknowledged by the issue of an official receipt or by another approved method indicating payment has been received. Preference must always be given to collecting sums due through the raising of invoices through the corporate Sundry Debtors system where possible.

All money received by an officer on behalf of the Council, or the Council in its accountable body role, must be paid to the Council's bank account as the Director of Resources may determine and at intervals taking in to account the security of the premises. No deductions are to be made from such monies and personal cheques are not to be cashed out of monies held on behalf of the Council. Any refunds must be made only through the council's official payments system, unless agreed by the Director of Resources.

Arrangements for opening incoming mail must ensure that any money received is immediately recorded and paid in to the cash office.

The council's cash handling procedures shall be followed by all officers.

Directors shall make adequate and effective arrangements for the collection and receipting of all income and for the security of all cash and other valuables having regard to agreed insurance limits for locked safes.

(5) **Control of Tickets and Receipts**

Official receipt books, tickets, tokens, etc., shall be ordered, controlled and issued only under arrangements approved by the Director of Resources.

(6) **Banking of Income**

The Director of Resources shall make arrangements for the prompt and secure transfer of cash from the Council's offices to the Council's bankers.

(7) **Reconciliation of Income**

Directors shall make adequate and effective arrangements for the sums collected and banked to be reconciled with the records of sums due. Such records and ICT systems will also be reconciled to the corporate accounting system.

(8) **Debt Recovery**

In all cases Directors shall take prompt and appropriate actions to recover all sums overdue to the Council and ensure that the corporate debt recovery policy is followed.

(9) **Writing off Sums Due**

(i) Directors are responsible for recommending the write off of irrecoverable debts to the Director of Resources and for ensuring that the corporate debt write-off policy is followed.

(ii) Where an individual debtor owes the Council no more than £5,000, the Director of Resources may approve the write off of that debt where there is satisfactory evidence that it is irrecoverable. In any other case, the debt may be written off only with the approval of the Policy and Finance Committee.

(10) **Reviews of Fees and Charges**

Directors shall, in consultation with the Director of Resources, review all fees and charges at least annually in accordance with guidelines approved by the Policy and Finance Committee. On completion of each review, the relevant schedule of proposed fees and charges shall be presented to the appropriate Service Committee for approval.

(11) **Segregation of Duties**

The duty of providing information, calculating, checking and recording sums due to or from the Council shall be separated as completely as possible from the duty of collecting such sums.

Section 11: Value Added Tax

WHY ARE THESE REGULATIONS IMPORTANT?

Value Added Tax (VAT) is a tax applied to many of the goods and services the Council either buys in or supplies to others. VAT therefore impacts on many of the Council's financial transactions. Whilst generally speaking the Council is able to reclaim the VAT it pays on buying in goods and services, this ability is limited in relation to certain types of services made by the Council. VAT is a very complex tax, particularly where it relates to land and property transactions and partnership arrangements. It is essential that the VAT implications of all major projects, partnership arrangements and land and property transactions be evaluated well in advance of commitments being made. If this is not done the Council could be faced with a substantial irrecoverable VAT bill that is both unplanned and unbudgeted. HM Revenue & Customs also have the power to impose penalties (fines) for late or non-compliance with VAT rules.

- (1) The Director of Resources is responsible for the determination of all arrangements for the collection, recording, payment and recovery of VAT.
- (2) The Director of Resources shall:
 - (i) maintain complete and accurate accounting records of all the Council's VAT transactions
 - (ii) submit the Council's VAT return to HM Revenue and Customs monthly in accordance with statutory deadlines
 - (iii) prepare the Council's partial exemption calculation as at the end of each financial year and monitor the Council's partial exemption position.
 - (iv) conduct all negotiations with HM Revenue and Customs in respect of VAT matters affecting the Council
 - (v) provide guidance, advice and training to Council staff on all aspects of VAT as they affect the Council
 - (vi) publish and regularly update appropriate VAT guidance notes on the Council's intranet.

- (3) Directors shall:
- (i) properly account for VAT on all transactions under arrangements determined by the Director of Resources
 - (ii) consult the Director of Resources in all cases where the VAT treatment of any transaction is unclear so that the matter can be reviewed and appropriate treatment determined
 - (iii) consult the Director of Resources in all cases where new projects, schemes or services are proposed, well in advance of commitments being made, so that any impact on the Council's VAT position can be assessed and any necessary action taken to protect the Council's VAT recovery position
 - (iv) co-operate with any VAT inspector and give access at all reasonable times to premises, personnel, documents and assets which they consider necessary for the purposes of their work.
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Examples of Activity with Potential VAT Implications

Examples of the types of new activity that could have an impact on the Council's VAT position are shown below. However, this list is not exhaustive and consultation should take place when any new or innovative scheme is proposed: -

- a new service
 - a significant extension to an existing service
 - a capital new-build scheme
 - a land or property transaction, including any involving a land exchange
 - a new or extended partnership arrangement
 - a scheme involving third party funding
 - an agency arrangement
 - any scheme where there is consideration in kind
 - a project where the council is to act as accountable body, or project manager
 - a new capital scheme in a service area where a large proportion of income is exempt from VAT (i.e. leisure services)
-

Section 12: Banking and Cheques

WHY ARE THESE REGULATIONS IMPORTANT?

The Council has a duty to ensure that all monies are properly safeguarded and only utilised for authorised purposes. It is therefore necessary to have controls to ensure the proper authorisation and control of all bank accounts, all payments made from them and all income deposited.

(1) Operation of Bank Accounts

- (i) The Director of Resources is responsible for opening, closing and operating all bank accounts and related facilities in the Council's name
- (ii) All communications with the Council's bankers concerning its bank accounts and any changes in banking arrangements shall be made under arrangements approved by the Director of Resources.
- (iii) No bank accounts shall be opened in any name other than the Council's name, unless approved in writing by the Director of Resources. The signatories on any such approved bank accounts must also be approved by the Director of Resources in writing.

(2) Authorisation of Signatories

Only Officers personally mandated by the Director of Resources and approved by the Policy and Finance Committee may sign cheques and other documents transferring funds out of the Council's bank accounts.

(3) Payments from Council Bank Accounts

- (i) All payments from the Council's bank accounts shall be, so far as is practicable, by BACS/automated bank transfer or crossed cheque drawn on a bank account of the Council but the Director of Resources may exclude from this regulation such payments as may be considered appropriate from time to time.
- (ii) No payments shall be made from the Council's bank accounts unless approved personally by a signatory authorised in accordance with (2) above.

(4) Custody of Cheques

- (i) All cheques and related stationery shall be ordered and controlled by the Director of Resources
- (ii) The safe custody and issue of cheques and related stationery shall be carried out under arrangements made by the Director of Resources.

(5) **Banking of Income**

The Director of Resources shall make arrangements for the prompt and secure transfer of cash from the Council's offices and facilities to the Council's bankers.

(6) **Reconciliation**

The Director of Resources shall regularly reconcile the Council's bank accounts with the accounting records.

Section 13: Assets

WHY ARE THESE REGULATIONS IMPORTANT?

The authority holds assets in the form of land and buildings, fixed plant, vehicles and machinery, furniture and equipment, software and data, cash and other items of value such as stocks and stores, tickets and vouchers. It is important that assets are used efficiently in service delivery, that they are adequately insured and that there are arrangements for the security of both assets and information required for service operations. Up to date records are a prerequisite for sound asset management. See also Sections 14 (Computer Systems) and 15 (Insurances).

1) Proper Use of the Council's Resources

Resources are to be used solely for the purposes of the authority unless authorised otherwise by the Council, and are to be properly accounted for.

2) Asset Register

The Chief Executive is responsible, in consultation with other Directors, for the compilation and maintenance of an asset register covering land and property and other fixed assets

3) Inventories

- (i) Each Director is responsible for maintaining an inventory of moveable assets under procedures determined by the Director of Resources
- (ii) Inventories are to be reviewed at least once each year and an updated copy supplied to the Director of Resources.

4) Security

Directors shall make proper arrangements for:

- (i) the security of all buildings and other assets under their control
- (ii) the safe custody of all documents held as security.

5) Disposal of Assets

The Council has a duty to obtain the best price reasonably obtainable when any assets are disposed of.

The Head of Legal and Democratic Services may approve the disposal of any land and property below the value of £50,000. Approval must be sought from the relevant service committee and Policy and Finance Committee for the disposal of any land and property of £50,000 or above.

The Director of Resources must also be consulted on any proposed method of disposal for any assets in order to ensure that such methods meet the best interests of the Council and would maximise any financial return to the Council.

Each Director is responsible for ensuring that asset disposals are in accordance with these procedures.

(6) **Receipt, Control and Custody of Stocks and Stores**

Directors shall make adequate and effective arrangements for the custody, care and physical control of all stocks and stores in their departments.

(7) **Stocks and Stores Records**

- (i) In consultation with the Director of Resources, Directors shall maintain adequate records of all issues and other movements of stocks and stores
- (ii) Directors shall provide to the Director of Resources each year a stock certificate detailing stocks and stores in hand at 31 March.

(8) **Maintenance of Stocks**

- (i) Directors shall maintain stocks at reasonable levels and subject them to a regular independent physical check
- (ii) All discrepancies shall be investigated, pursued to a satisfactory conclusion and removed from the authority's records by making stock adjustments as necessary. Gains and losses resulting from stock adjustments shall only be written off or adjusted in the records under arrangements approved by the Director of Resources.

(9) **Disposal of Surplus, Obsolete or Redundant Stocks**

Directors shall ensure that all stocks and stores no longer required are disposed of economically under arrangements approved by the Director of Resources.

(10) **Delegation**

Directors shall notify the Director of Resources in writing of the names of any Officers in their department authorised to sign stock certificates and other related matters on their behalf, together with specimen signatures and details of any limitation on the authority delegated to them.

Section 14: Computer Systems

WHY ARE THESE REGULATIONS IMPORTANT?

A very high reliance is placed on computer systems for all aspects of the Council's business, including financial and management information. Systems therefore need to be fit for purpose, well managed and secure. The information stored must be accurate, the systems and the supporting infrastructures secure, and procedures sound and well administered.

- (1) New computer systems and changes to existing systems shall only be introduced with the approval of the ICT Manager and, for financial systems or those that interact with such systems, with the additional approval of the Director of Resources.
- (2) The Head of Financial Services, together with the ICT Manager shall:
 - (i) ensure that any new or significantly changed system is in accordance with the Council's ICT strategy.
 - (ii) assist in the selection of all new computer systems, manage effectively the technical process of implementation and where necessary assist Directors in ensuring that all staff are properly trained in their use.
 - (iii) ensure that the Council's infrastructure, systems and data are secure
 - (iv) make proper arrangements to protect central computer equipment against loss or damage through theft or misuse
 - (v) put in place a documented and tested disaster recovery system and review it regularly
 - (vi) issue mandatory standards and guidelines governing the use of all computer systems and monitor their use to ensure that they are adhered to.
 - (vii) make proper arrangements to dispose of redundant ICT equipment securely.
- (3) Directors shall:
 - (i) ensure that computer systems are fit for the purpose of their business function
 - (ii) make staff aware of and ensure that they comply with the Council's ICT standards

- (iii) train all staff in the proper and effective operation of any computer systems they are required to use and ensure that system administrators/system champions are appointed, trained and managed
- (iv) restrict user access to systems and data held on computer systems as appropriate
- (v) ensure that processing is genuine, complete, accurate and timely and that an audit trail exists to original documentation
- (vi) ensure that information generated by computer systems is accurate and complete and that it is communicated to appropriate managers on a timely basis
- (vii) put in place appropriate and effective contingency arrangements to maintain services in the event of any potential computer failure
- (viii) register any personal information in accordance with data protection legislation and make staff aware of their responsibilities under the relevant law
- (ix) make proper arrangements to protect departmental computer equipment against loss or damage through theft or misuse
- (x) comply with data protection and GDPR, computer misuse, software licensing, copyright, design and patent legislation and any other relevant legislation, and in particular ensure that only software that is properly acquired is installed and used on computers.

(4) **Security of Information**

Directors shall maintain proper security, privacy and use of information held in computers and all other recording systems, including manual systems, under their control and ensure all employees are aware of and comply with the Council's Information Governance Framework and associated policies.

Section 15: Insurances

WHY ARE THESE REGULATIONS IMPORTANT?

The provision of insurance cover is one of the major methods of responding to corporate and service risks identified under the Council's risk management arrangements (see Section 16). Cover can be arranged either externally (with major insurance companies) or through an internal insurance pool. Accurate record keeping and timely provision of information are essential if the Council's insurance cover is to be effective. This Section should be read in conjunction with that relating to Risk Management.

- (1) The Director of Resources is responsible for:
 - (i) effecting all insurance cover on a corporate basis, through external insurance or through internal self-insurance arrangements as considered appropriate
 - (ii) negotiating all claims, in consultation with relevant Directors where necessary.
- (2) Directors shall notify the Director of Resources immediately in writing:
 - (i) of all new risks, properties, vehicles or other assets that require insurance;
 - (ii) of any alterations to such risks or assets affecting existing insurances;
 - (iii) should any of the authority's assets be damaged, lost or stolen;
 - (iv) of any loss, liability, damage or personal injury that may lead to a claim against the authority.

and shall provide any related information or explanation required within time scales determined by the Director of Resources.
- (3) Directors shall ensure that no employee or other person covered by the authority's insurances admits liability (orally or in writing) or makes any offer to pay compensation, because this may prejudice a proper assessment of the Council's liability.
- (4) Directors shall maintain proper records relating to insurances effected by the authority, under arrangements approved by the Director of Resources.
- (5) Directors shall consult the Director of Resources and seek legal advice from the Head of Legal and Democratic Services on the terms of any indemnity that the authority is requested to give.

- (6) Directors shall consult the Director of Resources to determine the minimum level of insurance cover required of any person or body (including all Council contractors) to indemnify the Council or to effect insurance cover in accordance with the Council's requirements.
- (7) The following information provides guidance on the insurance requirements that should be considered.
- (8) As a guide, **the minimum levels of insurance that should be sought** are as shown below. However, as outlined in the bullet points below, consideration should be given to the level of risk in respect of the contract (so whether a higher level of cover may need to be requested) and also the additional types of insurance that may need to be requested based on the nature of the contract:

Type of Insurance	Level of Cover
Public Liability Insurance	£5 million
Employers Liability (legal requirement)	£5 million
Professional Indemnity Insurance (where required due to nature of the work):	£2 million

- Public Liability Insurance** (sometimes known as third party liability insurance) – all requests for quotes, tenders and contracts for the provision of services and works, whether above or below the tender threshold, should contain a requirement for the contractor to provide public liability insurance. As a minimum the Council would generally require cover of £10,000,000 for each and every claim.

However, for relatively lower risk activities it may be appropriate to request cover of £5,000,000 for each and every claim. A risk assessment must be undertaken by the service in order to justify to the Director of Resources a limit below the general requirement for £10,000,000 and must not be influenced by the contractors/service providers ability or willingness to pay the premium required for the appropriate level of insurance.
- Employer's Liability Insurance:** a contractor is required by law to have this cover. The legal minimum requirement is for £5,000,000 for each and every claim. If the contractor does not have such insurance, they are in breach of the law. As with Employer's Liability insurance, there is a legal obligation for a contractor to have motor insurance.
- Professional Indemnity Insurance:** a requirement for such insurance will need to be included in a contract where the contractor is providing professional services e.g. architectural services. The amount of cover required of the contractor needs to be assessed in relation to the potential exposure for the Council if the contractor is negligent in providing the services. The cover is provided for an aggregate amount of claims during the year. A risk assessment must be undertaken by the service in order to justify the required level of insurance to the Director of Resources.

Examples of the types of services where you should be asking for this type of insurance to be in place are professional services, including expert advice and consultancy graphic design, architectural services, training in sensitive areas such as first aid, dealing with confidential customer information, freelancer, consultant or someone providing services on a self-employed basis.

- **Product liability Insurance:** you may need to include a requirement for this insurance where the council could be exposed to liability for defective products sold or supplied. A risk assessment must be undertaken by the service in order to justify the required level of insurance to the Director of Resources.
- **Cyber Insurance:** depending on the nature of the work being undertaken you may need to include a requirement for Cyber Insurance. Cyber insurance can help an organisation become operational again should something cyber-related happen. Minimising business disruption and providing financial protection during an incident, cyber insurance may help with any legal and regulatory actions after an incident. Again, A risk assessment must be undertaken by the service in order to justify the required level of insurance to the Director of Resources.

Section 16: Risk Management

WHY ARE THESE REGULATIONS IMPORTANT?

The Council faces numerous risks: to people (including its employees), to property, to its reputation and to continuity of service delivery. Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to successfully execute its strategies. This will include both external and internal risks. Risk Management is the process by which risks are identified, evaluated and controlled. Risk management seeks to protect the Council and enable us to achieve our stated aims and objectives. It also seeks to maximise the rewards that can be gained through effectively managing risk. It is the responsibility of the Accounts and Audit Committee to approve the Council's risk management policy and strategy and to promote a culture of risk management awareness throughout the organisation.

This Section should be read in conjunction with that relating to Insurance (see Section 15), which is just one tool used in the control of organisational risk.

- (1) The Accounts and Audit Committee shall approve and promote the authority's corporate risk management policy and strategy.
- (2) The Director of Resources shall:
 - (i) develop risk management processes and procedures to assist in the identification, assessment, reduction and control of material risks
 - (ii) undertake regular monitoring and review of the corporate and service arrangements for effective risk management.
- (3) Directors are responsible:
 - (i) for risk management within all areas under their control, having regard to appropriate advice from the Director of Resources.
 - (ii) for carrying out regular reviews of risk, risk reduction strategies and the operation of appropriate controls (including business continuity plans) within their departments.
- (4) Directors shall consult the Director of Resources and seek legal advice from the Head of Legal and Democratic Services on the terms of any indemnity that the authority is requested to give.
- (5) Directors shall promptly notify the Director of Resources of all new risks that are material, as they are identified.

Section 17: Internal Audit

WHY ARE THESE REGULATIONS IMPORTANT?

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015 more specifically require that a “relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Accordingly, internal audit provides one aspect of an independent and objective assurance in the review of the system of internal control as a contribution to the proper, economic, efficient and effective use of resources. In fulfilling this responsibility the internal audit service comply with best practice as set out in the Public Sector Internal Audit Standards and the associated CIPFA Local Government Application Note

- (1) The Director of Resources shall ensure that the internal audit service is independent in its planning and operation.
- (2) The Director of Resources or their authorised representative shall have authority to enter at all reasonable times any offices, premises or land under the control of the Council and shall have unrestricted access to all records, documents and correspondence relating to any matter under consideration, without limitation.
- (3) All staff shall provide such information and explanations as the Director of Resources considers necessary and shall produce upon demand cash, stores, documents or other property of the Council under their control.
- (4) Directors, Heads of Service and other staff shall immediately notify the internal audit service on behalf of the Director of Resources upon discovery or suspicion of any financial irregularity, whether affecting cash, stores, property, financial records or otherwise. The Director of Resources shall notify the Chief Executive in all significant cases.
- (5) The Council sets out in policy documents its approach to fraud and corruption and to “whistleblowing”.
- (6) The internal audit service has direct access to the Chief Executive, to all levels of management and to elected Members.

Section 18: External Audit and Inspection

WHY ARE THESE REGULATIONS IMPORTANT?

The basic duties of the external auditor are governed by statute. In fulfilling their responsibilities the external auditor works to a set code of audit practice.

The authority may from time to time also be subject to audit, inspection or investigation by various other external bodies. Government department inspectorates and bodies such as HM Revenue and Customs have statutory rights of access. Rights of access are also sometimes granted under contractual arrangements, including partnerships where the Council is not the lead body. It is important that all Officers of the Council respond to external scrutiny in a timely, professional and helpful manner.

- (1) The Director of Resources shall facilitate the coordination of the work of internal and external audit together with ensuring appropriate consideration of external audit reports by management and/or Members.
- (2) Co-ordination of all other inspection and independent review work shall be the responsibility of the relevant Director.
- (3) Directors shall give external auditors and inspectors access at all reasonable times to premises, personnel, documents and assets which they consider necessary for the purposes of their work.

Section 19: Treasury Management and Leasing

WHY ARE THESE REGULATIONS IMPORTANT?

Treasury Management is in place to provide assurance that the authority's money and overall cash flow are properly managed, in a way that balances risk with return but with overriding consideration being given to the security of investments.

The signing of leases and other forms of credit can have a wider financial impact than just the rental payments. It is therefore necessary that the Director of Resources be given the opportunity to evaluate the costs of any potential agreement before it is legally binding.

(1) General

The Director of Resources is responsible for all investment, borrowing and leasing undertaken in the name of this authority.

(2) Treasury Management

The Director of Resources shall:

- (i) prepare annually a Treasury Management Policies and Practices document covering all aspects of treasury management for consideration by the Policy and Finance Committee and recommendation to Full Council
- (ii) prepare annually a Capital and Treasury Management Strategy (which includes the Investment Strategy) setting out the Council's strategy for consideration and approval by the Policy and Finance Committee and recommendation to Full Council.
- (iii) recommend to Full Council before the commencement of each financial year a range of Prudential Indicators, including borrowing limits, to be set for that financial year in accordance with statute and the CIPFA Prudential Code.
- (iv) provide regular treasury management monitoring reports to Policy and Finance Committee

- (v) arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the authority's Treasury Management Policy Statement and its annual Strategy
- (vi) make all investments, borrowings and other financing transactions only in the name of the authority or in the name of nominees approved by Full Council.

(3) **Leasing and Similar Arrangements**

Leasing and other similar arrangements, including new or extended leases of land and property, may only be entered into with the written consent of the Director of Resources. Such arrangements may be defined for this purpose as any lease, contract hire or other contract or series of contracts under which the use of an asset is obtained in exchange for a series of payments which extend beyond the end of the following financial year.

(4) **Delegation**

The Director of Resources shall maintain in writing a list of the names of any Officers in their department authorised to act on their behalf in relation to the specific responsibilities set out in this Section, together with specimen signatures and details of any limitation on the authority delegated to them.

Section 20: Pay and Conditions of Employment

WHY ARE THESE REGULATIONS IMPORTANT?

Staffing costs are the largest single item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are paid in accordance with the scheme adopted by Full Council.

Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax can be severe. It is therefore important for all Officers to be aware of their role.

(1) General

Terms and conditions of employment are to be determined by the Council and the Personnel Committee. The Director of Resources is responsible for the administration of all arrangements for the payment of salaries, wages, pensions, and car loans to eligible employees, travel and subsistence claims and other emoluments to existing and former employees, and for all related matters.

(2) Deductions from Pay

The Director of Resources shall make proper arrangements for all statutory and other deductions from pay, including tax, national insurance and pension contributions, and payment of such sums to the bodies concerned.

(3) Terms of Employment

Directors, in consultation as necessary with the Head of Human Resources, shall promptly notify the Director of Resources of:

- (i) the terms and conditions applying to new contracts of employment
- (ii) any changes or events affecting the salaries, wages or emoluments of the Council's employees
- (iii) all resignations, retirements and terminations of employment.

(4) **Provision of Information**

Directors shall provide to the Director of Resources:

- (i) all relevant information, including notifications of sickness absence, in an agreed format and within agreed time scales to enable the prompt and accurate payment of all elements of pay
- (ii) notification of the impending departure of any employee involved with the custody of cash or stores.

(5) **Members' Allowances**

Payments to elected Members of the Council shall be made by the Director of Resources in accordance with the Council's approved scheme.

(6) **Delegation**

Directors shall notify the Director of Resources in writing of the names of any Officers in their department authorised to act on their behalf in relation to the specific responsibilities set out in this Section, together with specimen signatures and details of any limitation on the authority delegated to them.

Section 21: Reports to Members

WHY ARE THESE REGULATIONS IMPORTANT?

New and changing policies of the Council result from consideration of reports, either from Members or Officers. Policies could therefore be set on the basis of insufficient or misleading information if both the financial and risk management implications have not been considered, and if commitments are made these could lead to financial difficulties for the Council.

- (1) Reports shall only be put before the Council, Committees, or Working Groups if a risk assessment on Resources, Technical, Environmental, Legal, Political, reputational, Equality and Diversity issues for the Council have been considered and presented fairly in the report. Informal advice to Members shall also have regard to any significant financial or legal implications.
- (2) Consultation shall take place as appropriate between the authors of reports, the Director of Resources and any other Directors affected, in good time for any financial, risk management and legal implications to be properly identified.
- (3) Where there are no financial risk management or legal implications or they are negligible, the report shall say so.

Examples of proposals with potential financial implications

Broadly speaking any actual or proposed action or decision that affects the Council's finances in any way has a financial implication.

Listed below are examples of actions or decisions that are likely to have a financial implication. However this list is not exhaustive and it should be borne in mind that other areas of action or decision will undoubtedly have financial implications too.

- *Anything that affects the current year's budget or capital programme, for example:*
 - *a new service*
 - *an improved service level*
 - *cessation of a service*
 - *a reduction in service level*
 - *a new capital project*

- *Anything that affects the budget or capital programme of future years, for example:*
 - *ongoing net cost of a new or improved service*
 - *ongoing net revenue cost of a new capital project*
 - *reduced ongoing effect of service cessation or reduction*
 - *reduced ongoing effect of the sale or disposal of a capital asset*
- *Anything that affects the Council's level of income, for example:*
 - *an increase or reduction in charges*
 - *introduction of a charge for a service currently provided free*
 - *free provision of a service currently provided at a charge*
- *Anything that affects the Council's ability to recover VAT, for example:*
 - *provision of a new exempt or partly exempt service*
 - *a new capital project or existing capital asset to be used for exempt or partly exempt purposes*
 - *transfer of a service or undertaking to another body*
- *Anything that affects the Council's entitlement to government grant, for example:*
 - *action which may result in an increase or reduction of grant entitlement*
- *Anything that enables the Council to attract outside funding from any source, for example:*
 - *a new partnership*
 - *a new third party funding arrangement*
 - *a new agency arrangement*
- *Anything that could potentially expose the Council to legal action, government surcharge or other financial penalty, for example:*
 - *an action which could be subject to legal challenge*
 - *an action which could lead to fines or penalties being imposed on the Council*
- *Any action that may result in the payment of redundancy or other staff severance costs, for example: -*
 - *cessation of a service leading to a surplus of staff*
 - *reduction in a service level leading to a surplus of staff*
 - *externalisation of a service (including where TUPE applies)*

- *Any action that would affect the market value of a Council asset, for example:*
 - *a reduction in the maintenance level of an asset leading to a lower asset value*

- *Any action likely to increase the Council's insurance costs, for example:*
 - *the use of a Council asset for what is perceived to be a higher risk purpose*
 - *a worsening claims record*

Glossary

Asset Register

A detailed listing of land, buildings, vehicles and major items of plant and equipment (assets). Asset registers are important because they enable an effective assessment of the management of assets to be made through a comprehensive record of attributes. They are also a useful basis for arranging appropriate insurance cover and substantiating insurance claims in the event of fire, theft or other loss.

Budget

A statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them. It does not however include the forward financial forecast, which is for financial planning purposes only.

Budget Book

The publication in which the Council sets out its budget for a particular financial year.

Budgetary Control

The continual review of expenditure and income, both revenue and capital, against planned levels of expenditure and income to help ensure that service objectives are achieved and the overall resources of the Council are not over or underspent. This process is aided by the use of budget profiles.

Budget Provision

The amount approved by the Council for a particular budget head.

Capital Contributions

Sums contributed by external persons and bodies towards the cost of capital schemes to be carried out by the Council. These can derive from planning agreements with developers in the form of S106 agreements but also include sums recovered from or contributed by third parties.

Capital Expenditure

This generally relates to expenditure on the acquisition or enhancement of fixed assets which will be of use or benefit to the authority in providing its services for more than one year. It also includes grants to other persons and bodies for spending by them on similar purposes.

Capital Programme

The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also provides estimates of the capital resources available to finance the programme and a statement of any under- or over-programming.

Capital Receipts

The proceeds from the disposal of land and other assets which are available to finance new capital expenditure. Statute prevents capital receipts being used to finance revenue expenditure.

Capital Resources

The resources earmarked either by statute or by the Council to meet the cost of capital expenditure instead of charging the cost directly to revenue. The definition covers borrowing, capital receipts, and grants and contributions from external persons and bodies given for capital purposes. The Council may also contribute revenue resources to the financing of capital expenditure, and for as long as these are included in the capital programme, they are regarded similarly as capital resources.

Capital and Treasury Management Strategy

The capital and treasury management strategy sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. It also sets out the treasury management activities to be adopted for a particular financial year as approved by the Policy and Finance Committee and Full Council within the parameters set by the Treasury Management Policies and Practices document. The strategy needs to be flexible enough to allow the Director of Resources to respond appropriately to changing circumstances during the course of the year to the best advantage of the Council.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading professional body for accountants employed in the public sector. It issues Codes of Practice and other guidance as appropriate on matters which are addressed by these Regulations.

Codes of Conduct

The protocols within which Members and Officers will work as set out in parts of the Constitution.

Codes of Practice

Guidance issued normally by professional bodies in relation to standards which are not regulated by statute. For example, CIPFA have issued Codes of Practice giving detailed guidance on accounting standards and treasury management.

Collection Fund

The fund into which Council Tax and Business Rates are paid and out of which the precepts of Lancashire County Council, Police and Crime Commissioner for Lancashire, Lancashire Combined Fire Authority, and Ribble Valley Borough and Parish Councils are met. Any surplus or deficit is shared between the various authorities, other than Parish Councils, on the basis of precepted amounts.

Computer Systems

Commercially available software which might be acquired for use on Council computers, whether mainframe, local PC or networks. For the purposes of these Regulations, the definition is not intended to cover applications to which such systems might be put.

Contingency Provisions

Money set aside in the budget to meet the cost of unforeseen items of expenditure or shortfalls in income and to provide for changes in inflation and interest rates compared with the assumptions on which the rest of the budget was set.

Contract Procedure Rules

The Council's rules relating to the procurement of works, supplies and services as set out in the Constitution. These are supported by Section 7 of these Regulations.

Corporate Governance

The system by which local authorities direct and control their functions and relate to their communities.

Corporate Strategy

A statement made by a local authority setting out its long-term aims for the community it serves, the organisational aims of the Council and the main values which underpin its work for the community.

Council Tax

A local tax based on the capital value of residential properties. The level set by an authority for a particular year will be broadly determined by its expenditure on General Fund services less other income, use of Council reserves and government grant.

Council Tax Base

A figure calculated annually to represent the number of dwellings over which the Council Tax for the following financial year may be collected. All dwellings within the District are valued by the Valuation Office Agency and classified into one of eight bands (A to H), each of which is expressed as a proportion of Band D. The Council Tax base is the number of dwellings expressed in terms of a Band D average, after making allowance for discounts, premiums and exemptions. An adjustment is made for the estimated collection rate. When the Council sets the level of Council Tax for that year, it is expressed as an amount due from Band D properties.

Creditors

A person or body to whom the Council owes money.

Debtor

A person or body who owes the Council money. The debt may derive from a number of sources such as Council Tax, Business Rates, sundry debtors or where an account has been rendered for a service provided by the Council.

Earmarked Reserves

See "Reserves"

Estimates

The amounts which are expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets which are being prepared for the following financial year or have been approved for the current year. The “original estimate” for a financial year is that approved as part of the budget prior to the start of that year and the “revised estimate” is an updated revision for that year.

External Audit

An independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Fees and Charges

Charges made to the public for Council services and facilities.

Financial Regulations

That part of the Council’s Constitution which provides an approved framework for the proper financial management of the authority.

Financial Year

The period of twelve months commencing on 1 April.

Forward Financial Forecast

The estimated revenue budget for the two financial years immediately following the budget year, or the totals of such estimates. The forecast conveys no authority to spend, and is made for financial planning purposes only.

General Fund

The revenue fund of the Council covering day-to-day expenditure and income on services. The net cost on this account is met by Council Tax.

Internal Audit

An independent appraisal function for review of the internal control system of an organisation. It objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.

Inventory

A detailed listing of all goods, materials, furniture and equipment in the ownership or use of a particular service, other than those held in stocks and stores records. Inventories are normally maintained in sufficient detail as to description, location, age, value etc. to enable any material loss arising from a fire, theft or other event to be identified and to support any insurance claim.

Investment Strategy

A statement of policies for determining the type, value and length of investments that the Council will use to place its surplus funds and also for determining appropriate third parties with whom these investments will be placed.

Leasing

A method of acquiring the use of capital assets which is similar to renting. Normally this kind of arrangement is only suitable for vehicles, plant and equipment. Ownership of the asset remains with the leasing company and the annual rental is charged directly to the Council's revenue accounts.

Members' Allowances

A scheme of payments to elected Members of the Council in recognition of the duties and responsibilities assumed by them.

Precept

The amount that Councils and certain other public authorities providing services within Ribble Valley require to be paid from the Collection Fund to meet the cost of their services.

Prudential Indicators

The Prudential Indicators are designed to support and record local decision making regarding capital investment. The CIPFA 'Prudential Code for Capital Finance in Local Authorities' requires each local authority to agree and monitor mandatory prudential indicators.

Reserves

A Council's accumulated surplus income in excess of expenditure. Reserves are available at the discretion of the Council to meet items of expenditure in future years, and may be earmarked or held for general purposes. An example of an earmarked reserve is the Capital Reserve Fund.

Revenue

A term used to describe the day-to-day costs of running Council services and income deriving from those services. However, it also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

Risk

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted action, event or occurrence.

Risk Management

Risk management is the adoption of a planned and systematic approach to the identification, evaluation and management of risk.

Risk Management Policy and Strategy

This is approved by the Accounts and Audit Committee endorsing the commitment of the Council to effective risk management and sets out the responsibility of Members, Directors and all staff for the identification, control and reduction of risk and the containment of loss in all aspects of their activities.

Statement of Accounts

The Council's annual report on its financial position for the year ending 31 March. The report is required to be in a prescribed format and is subject to independent review.

Supplementary Estimate

The approval of an increase in the level of a particular budget head, or the establishment of a new budget head, under the procedure laid down in Section 6 of these Regulations. Where an existing budget head is involved, a supplementary estimate would not normally be approved where an appropriate virement was available. Supplementary estimates may only be sanctioned by Members.

Treasury Management

The management of the authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks. It includes the setting of and monitoring compliance with the Prudential Indicators.

Treasury Management Policies and Practices

A statement approved by the Full Council setting out the parameters within which treasury activities are to be managed.

Virement

The transfer of budget provision from one budget head to another, under the procedure laid down in Section 6 of these Regulations. Virement decisions apply to revenue expenditure heads, and may on occasions be between expenditure and income, and may include transfers from contingency provisions. However, Virements may not be approved between capital and revenue budget heads. Virements may be approved by Service Directors and the Director of Resources up to an amount specified in the Regulations, after which approval is required by Members.

Write Off

The action taken to charge to the Council the amount due from some external party which has been found to be irrecoverable from that party. Whilst the sum remains due to the Council in law, it will no longer be shown as outstanding in the Council's accounts.