

## **Section 25 – Financial Regulations**

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## Financial Regulations

- 1.1 The Financial Regulations establish the system of control for financial decisions. They are an integral part of the Council's Constitution. The rules reflect the responsibilities arising from being entrusted with public money.
- 1.2 The Financial Regulations consist of 2 parts:
  - Part One sets the context within which the Financial Regulations operate and defines the roles and responsibilities of Members and Officers;
  - Part Two contains the overarching Financial Regulations, and provides the details on how those regulations are implemented.
- 1.3 Detailed guidance notes and practices generally support the Financial Regulations. Whilst such guidance is regularly updated, where there is any difference between the Financial Regulations and the detailed guidance, the Finance Regulations will have precedence in all cases.

## Status of the Financial Regulations

- 2.1 The Council must conduct its business efficiently and ensure it has sound financial management policies in place, including arrangements to monitor compliance. The Council's Chief Financial Officer, the statutory responsible officer under Section 151 of the Local Government Act 1972, is charged with ensuring that proper financial management processes are in place.
- 2.2 The Chief Financial Officer, in consultation with the Chief Executive and Directors, is responsible for the preparation and maintenance of financial procedures.
- 2.3 The Financial Regulations, together with the Budget and Policy Framework Procedure Rules, provide the basis for managing the Council's financial affairs and are part of the Council's Constitution. They apply to every Member and Officer of the Council and to anyone acting on its behalf. The Council's Scheme of Delegation will be taken account of in all matters relevant to these procedure rules.
- 2.4 In the absence of a Director, the Chief Executive and/or other Directors have authority to deal with matters within the responsibility of the Director.

## Part One – Context, Roles and Responsibilities

### 1 Financial Management

- 1.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the budget and policy framework.
- 1.2 The processes of financial management involve:
- Complying with statutory requirements;
  - Ensuring that the Council receives value for money;
  - Development and approval of protocols, standards and financial plans (including the revenue and capital budgets);
  - Implementing policies, protocols and standards;
  - Monitoring compliance;
  - Maintaining records;
  - Reporting and providing advice;
  - Specific financial techniques and functions e.g. virement, year end balances, statements of account.
- 1.3 All Members and Officers must abide by the highest standards of probity in dealing with financial issues. This is achieved by ensuring everyone is clear about the standards to which they must work and the controls in place to check that the standards are met. The Financial Regulations must be kept up to date and consistently applied by all Members and Officers.

### 2 Financial Advice

- 2.1 Sound financial advice is fundamental to ensuring the maintenance of basic standards of financial management. Only persons qualified to do so should provide such advice.
- 2.2 Persons giving financial advice must have been authorised to do so by the Chief Financial Officer.
- 2.3 The Chief Financial Officer has the right to attend all meetings of the Council, committees and sub-committees, working groups, boards or other forums where decisions or recommendations potentially having financial implications may be taken. This is often discharged through Officers within the Finance function.
- 2.4 All reports include a financial implications section, the contents of which must be agreed with the Chief Financial Officer, prior to submission to the Senior Leadership Team, Cabinet, Council or other forums where decisions will be made.

## **3 Accounting Policies**

- 3.1 The Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS), requires the Council to declare, in the form of accounting policies, how they treat specific items within the annual accounts. These policies take account of current accounting concepts and standards. The Chief Financial Officer is responsible for determining appropriate Accounting Policies which can be found in the Annual Statement of Accounts.
- 3.2 Key elements of accounting policies are that:
- Systems of internal control must be in place to ensure that financial transactions are lawful;
  - Accounting policies must be applied consistently;
  - Proper accounting records must be maintained;
  - Financial statements must present a true and fair view of the financial position of the Council, including assets and liabilities, expenditure and income.

## **4 Internal Control**

- 4.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- 4.2 The Chief Financial Officer is responsible for advising on effective systems of internal control, an essential part of which is the Internal Audit function. These arrangements ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- 4.3 Directors must establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.
- 4.4 Key controls must be reviewed annually and the outcome reported in an Annual Governance Statement commenting on the effectiveness of the systems of internal control and corporate governance.

## **5 Audit Requirements**

- 5.1 The Accounts and Audit Regulations 2015 (Regulation 4) require that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance".

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- 5.2 The Central Government appointed representative appoints external auditors to each local Council. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998. The external auditor reviews and reports upon the Councils governance arrangements, the financial statements and arrangements for securing value for money.
- 5.3 The Council may, from time to time, be subject to audit, inspection or investigation by other external bodies such as HM Revenues and Customs, who have statutory rights of access.
- 5.4 The Chief Financial Officer has overall responsibility for Internal Audit throughout the Council, whilst the Audit Committee oversees the performance and effectiveness of Internal Audit.
- 5.5 Both internal and external audit have the right of access to all records, assets and personnel and premises of the Council.

## **6 Roles and Responsibilities**

### **6.1 Role of the full Council:**

The Council's functions include the following:

- Adopting and changing the Constitution (including the Budget and Policy Framework and the Financial Regulations);
- Approving or adopting the policy framework (including the Council Plan);
- Approving the budget;
- Approving the Capital Strategy;
- Approving the Treasury Management Strategy (including the Borrowing, Investment and MRP Policy, and Prudential Indicators);
- Setting the Council Tax;
- Approving the scheme of budget virement.

### **6.2 Role of Cabinet (The Executive):**

- The Cabinet makes key day to day decisions and recommendations on policy and budgetary matters.

### **6.3 Role of the Overview & Scrutiny Committee:**

- Scrutinise Cabinet decisions before or after they have been implemented, and to hold the Cabinet to account;
- Make recommendations on future policy options;
- Review the general policy and service delivery of the Council.

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## 6.4 Role of the Audit Committee:

- Consider and approve the Council's Statement of Accounts;
- Approve the Council's internal audit strategy;
- Monitor and review the Council's counter fraud and corruption strategy;
- Review internal audit reports and recommend appropriate actions in response to issues raised;
- Consider the reports of external audit and inspections agencies;
- Monitor and review the Council's risk management arrangements;
- Monitor and review the Council's corporate governance arrangements;
- Monitor and review the Council's assurance statements.

## 6.5 Role of the Chief Financial Officer (Section 151 Officer)

The Chief Financial Officer has statutory duties in relation to the financial administration and stewardship of the Council. The statutory duties arise from:

- Local Government Act 1972 (Section 151);
- Local Government Finance Act 1988 (Section 113-114);
- Local Government and Housing Act 1989;
- Local Government Act 2000, 2003;
- Accounts and Audit Regulations.

These statutory responsibilities cannot be overridden or subject to direction by the Council.

The Chief Financial Officer is responsible for:

- Ensuring the proper administration of the Council's financial affairs;
- Setting the financial management standards and monitoring compliance with them;
- Ensuring proper professional practice is adhered to and acting as head of profession in relation to the standards, performance and development of finance Officers throughout the Council;
- Advising on the key strategic controls necessary to secure sound financial management;
- Ensuring that appropriate financial management information is available;
- Maintaining strong financial management underpinned by effective financial controls;



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- Contributing to corporate management and leadership;
- Supporting and advising democratically elected representatives;
- Supporting and advising Officers in their operational roles;
- Leading and managing an effective and responsive financial service.

Section 114 of the Local Government Finance Act 1988 requires the Chief Financial Officer to inform the Cabinet and External Auditor if the Council or one of its Officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure;
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council;
- Is about to make an unlawful entry in the Council's accounts.

Section 114 of the 1988 Act also requires:

- The Chief Financial Officer to nominate a properly qualified Officer to deputise should they be unable to perform the duties under Section 114 personally;
- The Council to provide the Chief Financial Officer with sufficient staff, accommodation and other resources - including legal advice where this is necessary - to carry out the duties under Section 114.

The Chief Financial Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting to the Council any additions or changes. The Chief Financial Officer is responsible for issuing advice and guidance to underpin the Financial Regulations that Members, Officers and others acting on behalf of the Authority are required to follow, and must approve the content of all such guidance and any amendments, prior to their adoption. The Chief Financial Officer must be consulted in respect of all reports to elected members.

## 6.6 The Monitoring Officer

The Monitoring Officer is responsible for promoting and maintaining high standards of conduct, including conduct in relation to financial issues, by both Councillors and Officers. In conjunction with the Chief Financial Officer the Monitoring Officer is responsible for advising the Cabinet or the full Council about whether a decision, or intended decision, is likely to be considered contrary to, or not wholly in accordance with, the Council's budget and policy framework. Such decisions might include:

- Initiating a new policy without specific budget approval;
- Committing expenditure in future years above the approved budget level;
- Incurring expenditure without proper approval of virement;
- Causing total expenditure to increase beyond a specified level.

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The Monitoring Officer must be consulted in respect of all reports to Elected Members.

## 6.7 Head of Internal Audit

The Head of Internal Audit is responsible for managing the internal audit function in the Council in full compliance with the standards laid down by professional bodies and in particular with the UK Public Sector Internal Audit Standards and the CIPFA application note applicable to these standards.

Internal audit is an assurance function that provides an independent and objective opinion to the organisation on risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The Head of Internal Audit also has a role in advising managers in relation to risk and control issues such as appropriate controls in new projects/development.

The function of the Head of Internal Audit can be provided internally via an Internal Audit Manager or externally through a competitive procurement exercise.

## 6.8 Directors

Directors are responsible for ensuring that all Officers in their service areas are aware of the existence of, and have access to, the content of the Financial Regulations and other internal regulatory documents and that they comply with them. In particular they will:

- Ensure that a scheme of delegation has been established in their service area. The scheme of delegation should identify Officers authorised to act on the Director's behalf in respect of payments, income collection and the requisitioning of goods and services.
- Promote the financial management standards set by the Chief Financial Officer in their Directorate or service area and monitor adherence to them, liaising as necessary with him/her;
- Promote sound financial practices in relation to the standards, performance and development of Officers in their Directorate or Service area;
- Ensure, within their Directorate or service area, compliance with the Financial Regulations and associated guidance;
- Ensure that all Service financial procedure guidance, and amendments thereto, are approved by the Chief Financial Officer before adoption;
- Ensure Officers in their Directorate or service area are aware of their responsibilities for devising and implementing systems of internal control;
- Maintain a written record where decisions have been delegated or devolved to other responsible Officers;
- Ensure appropriate training of Officers with financial or budget responsibilities.

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6.9 All Elected Members and Officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and is correctly recorded in line with Council policies.

## 7 Failure to Comply

7.1 Failure to comply with the Financial Regulations:

- May amount a breach of the Code of Conduct for Elected Members and may result in referral to the Standards Committee;
- May amount to a breach of the Code of Conduct for Officers that is covered by the Council's Disciplinary Procedures and Rules in the Employee Handbook.

7.2 Elected Members must report any apparent breach of the Financial Regulations to the Chief Executive.

7.3 Officers must report apparent breaches to an appropriate Director, Head of Service or the Head of Internal Audit. The Director, Head of Service or Head of Internal Audit should report breaches of these Rules to the Chief Financial Officer and the Monitoring Officer.

## Part Two – Financial Regulations

### Regulation 1 - Financial Planning

#### 1.1 Financial Planning Policy Framework

- 1.1.1 The Council is responsible for the adoption of the Council's budget and policy framework.
- 1.1.2 The Council's Budget and Policy Framework includes various service and corporate plans and strategies. All such plans and strategies must be consistent with the Council's Financial Strategy and Medium Term Financial Plan, or indicate their reliance on resources not yet approved or secured by the Council.
- 1.1.3 The key elements of the financial planning process are:
  - a) The Gedling Plan;
  - b) The Financial Strategy and Medium Term Financial Plan;
  - c) The Capital Investment Strategy;
  - d) The Treasury Management Strategy;
  - e) The Revenue Budget and the Capital Programme;

#### 1.2 Preparation of the Budget and Gedling Plan

- 1.2.1 The Executive is responsible for proposing the budget and Gedling Plan to full Council for approval. It will contain a statement of the priorities of the Council.
- 1.2.2 The Council requires that each item of expenditure, whether revenue or capital, is intended to further one or more of the Council's stated priorities or, if that is not the case, is required to discharge a specific statutory obligation on the Council.

#### 1.3 The Financial Strategy and Medium Term Financial Plan

- 1.3.1 The Chief Financial Officer is responsible for recommending the Financial Strategy to the Council and for preparing a Medium Term Financial Plan (MTFP), covering a minimum period of 4 years and updated at least annually for consideration by the Cabinet and approval by the Council. The Financial Strategy and the MTFP will be consistent with, and designed to further the achievement of, the Council's priorities.
- 1.3.2 The Financial Strategy sets out the Council's objectives for, and principles adopted in, the management of its financial position. It includes Council Tax levels, the overall position for the Council's reserves and balances, and funding, investment and risk considerations.
- 1.3.3 The MTFP looks strategically beyond the current budget to give a clear and concise view of future sustainability and decisions that need to be made in order to address any gaps in long-term financing. It:
  - a) Sets out how the Council's performance plans can be resourced in both capital and revenue terms;

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- b) Identifies how resources are to be re-allocated over time and what the Council's priorities are for resource allocation;
- c) Other aspects of financial management will also be included in the MTFP e.g. levels of balances, reserves and provisions.

1.3.4 The MTFP that turns the Financial Strategy into practice must be prepared for at least a four year period plus the current financial year. This is updated throughout the year as events and the budget timetable dictate.

## 1.3.5 Key Controls

The key controls are:

- 1.3.5.1 It covers a number of forward years and is approved annually;
- 1.3.5.2 It is monitored and updates are reported to Cabinet during the year;
- 1.3.5.3 It is clearly linked and aligned to the Gedling Plan;
- 1.3.5.4 It is based on a sustainable financial position and approved policies.

## 1.4 The Capital Investment Strategy

1.4.1 The Chief Financial Officer is responsible for ensuring that a Capital Investment Strategy is prepared and integrated into the Medium Term Financial Plan ensuring an affordable programme of investment that is consistent with Council priorities. It will be updated annually for consideration by the Cabinet and approval by full Council.

1.4.2 The Capital Investment Strategy:

- 1.4.2.1 Define how the capital programme is to be formulated and designed;
- 1.4.2.2 Identify the issues and options that influence capital spending;
- 1.4.2.3 Set out how the resources and capital programme will be managed.

## 1.4.3 Key Controls

The key controls are:

- 1.4.3.1 It is clearly linked and aligned to the Gedling Plan;
- 1.4.3.2 It provides a framework for the review and management of existing and future assets through the development of Property Asset Management Plans;
- 1.4.3.3 It provides, as a minimum, a medium-term investment programme linked to the Medium Term Financial Plan;
- 1.4.3.4 It is reviewed at least annually.

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## 1.5 The Treasury Management Strategy

1.5.1 The Chief Financial Officer is responsible for ensuring that the requirements of the Local Government Act 2003 are met, and that the Council has regard to the Prudential Code. This requires that Prudential Indicators are set for a minimum period, currently 3 years, to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Council will set Prudential Indicators for a period that is consistent with the Medium Term Financial Plan and in compliance with the Prudential Co. It also requires that the Council's policies for managing its investments give due priority to the security of those investments over liquidity and yield. This will be updated annually for consideration by the Cabinet and approval by the Council.

### 1.5.2 Key Controls

The key controls are:

- 1.5.1.1 Annual approval by full Council of the Treasury Management Strategy (including Borrowing and Investment Strategies, Prudential Indicators for the following four years as a minimum, linked to the period of the Medium Term Financial Plan, and the existence of an Authorised Limit and Operational Boundary to ensure affordable borrowing);
- 1.5.1.2 Regular monitoring of Treasury activity and Prudential Indicators;
- 1.5.1.3 The operation of Treasury Management Practices (TMP's) and Treasury Management Practice Schedules.

## Regulation 2 – Financial Management - Capital

### 2.1 The Capital Programme

- 2.1.1 Capital expenditure involves the acquisition or enhancement of fixed assets such as buildings and major items of plant, equipment or vehicles, with a long-term value to the Council. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and running costs.
- 2.1.2 The Government places controls on the Council's capital financing capacity requiring local authorities to have regard to CIPFA's Prudential Code under the Local Government Act 2003. All capital expenditure must be demonstrated to be affordable and sustainable in terms of financing costs and therefore capital expenditure should be carefully prioritised in order to maximise the benefit of scarce resources in accordance with the Capital Investment Strategy.
- 2.1.3 The Senior Leadership Team, on behalf of the Leader, is responsible for preparing a capital programme, in accordance with the Prudential Code, which covers a period consistent with the MTFP, and is fully integrated within the MTFP and reports the

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expenditure and funding implications of the programme to Cabinet for consideration. Cabinet will make recommendations to full Council, which will approve the full Capital Programme.

- 2.1.4 The Chief Financial Officer is responsible for ensuring that adequate records are kept for all capital contracts.

## 2.2 Determining the Capital Programme

- 2.2.1 The Chief Financial Officer, in conjunction with Directors, is responsible for the initial consideration of capital spending proposals and the comparative ranking by priority of these proposals. The Chief Financial Officer will issue guidance regarding capital schemes, and will determine the definition of 'capital' having regard to government regulations and accounting requirements.
- 2.2.2 The Council operates a de-minimus level of £10,000 for the capital spending proposals. All new spending proposals less than £10,000 will be treated as revenue proposals.
- 2.2.3 The ranking process is based on the completion of a Resource Development Bid (Business Case) which, as well as a project definition, includes the background and business case for the project, the strategic objectives and outcomes, and the key risks and project costs including associated revenue expenditure implications. A scoring mechanism specified by the Chief Financial Officer and approved by Council in the Capital Investment Strategy will then be applied ensuring projects meet corporate objectives and providing a ranking of schemes to prioritise resource allocation.
- 2.2.4 Heads of Service are responsible for submitting the Resource Development Bids (Business Case), which have been approved by their Director, and complying with any guidance issued by the Chief Financial Officer.
- 2.2.5 The Senior Leadership Team, on behalf of the Leader, will recommend the full Capital Programme and its funding to Cabinet in accordance with the Prudential Code. Cabinet's recommendation will be referred to Council for approval.

## 2.3 Amendments to the Capital Programme

- 2.3.1 Any in-year amendments to the Capital Programme as approved by Council must be approved:

By Cabinet and referred to Council for approval where:

- additional Council funding is required to add a new scheme or add to the budget of an existing scheme i.e. is not funded by external grants, contributions, or earmarked reserves. The proposed amendment will confirm the affordability of the project in the context of the MTFP and its contribution to the Council priorities detailed in the Gedling Plan.

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By Cabinet where:

- a) It is proposed to add a new scheme to the programme, or add to the budget of an existing scheme, which is funded entirely by external grants, contributions or earmarked reserves;
- b) A scheme is to be deleted from the capital programme;
- c) Re-profiling of an approved scheme to or from a later year is proposed.

2.3.2 The Chief Financial Officer must approve any in-year amendment to the approved Capital Programme before a report is submitted to Cabinet. This also applies to re-profiling requests i.e. where the amendment involves a change in the timing of the spending over the life of the project, but there is no change in the total cost or funding.

2.3.3 The Chief Executive may take decisions in an emergency, subject to the delegation and budget and policy framework provisions of the Constitution, in consultation with the Chief Financial Officer.

2.3.4 With the exception of emergency decisions, expenditure must not be incurred or committed on any capital scheme until Council or Cabinet has given approval, neither should expenditure be incurred until funding is in place. For external funding, this means that a formal approval of funding has been received rather than a conditional offer or a bid that has been given provisional approval.

## 2.4 Capital Monitoring

2.4.1 For each approved scheme the relevant Director will appoint a project manager, who will be responsible for the progress (financial and otherwise) of the scheme.

2.4.2 Quarterly capital budget monitoring will be carried out in accordance with guidance issued by the Chief Financial Officer and will be reported to Cabinet including the reporting of any in-year amendments and request for appropriate approvals as detailed at 2.3.

2.4.3 If there is any anticipated re-profiling of a scheme that will affect the allocation of resources over future financial years the procedures outlined under Regulation 2.3 (amendments to the capital programme) must be followed. Any loss of external funding arising from re-profiling must be reported to Cabinet and approval sought for the alternative funding required, or for other corrective action.

2.4.4 Where in-year spending is likely to exceed the profiled budget and this has an impact on the financial year, the Director must report this to the Chief Financial Officer who will then review the overall capital financing arrangements for that year and make appropriate recommendations to Cabinet for amendments to the capital financing.

2.4.5 Where the total cost of a scheme exceeds, or is expected to exceed the budget approved in the Capital Programme, the Director must report this to the Chief Financial Officer as soon as possible. In the first instance, overspends will fall on the relevant service area's revenue budget, unless alternative funding is identified and approval sought under 2.3 above. In respect of any overspending in excess of



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£10,000 or 20% whichever is lesser these shall be reported to the Executive in accordance with 6.4.26.

2.4.6 Directors must notify the Chief Financial Officer of applications for grants and all receipts or offers of grant awards, or any other offer of financial support for capital expenditure in accordance with the requirements of Regulation 7.3.

2.4.7 Capital receipts will be regarded as corporate resources, and may only be ring-fenced to schemes on the express approval of Cabinet. The Council operates a de-minimus level of £10,000 for the recognition of capital receipts, all receipts below £10,000 will be treated as revenue.

## 2.5 Capital Year-End and Carry Forwards

2.5.1 The Chief Financial Officer will report all overspends and underspends on service estimates to the Executive as soon as practical after the financial year-end.

2.5.2 Underspending on capital estimates may be carried forward to the new financial year to enable the delivery of the approved capital project, subject to consultation with the Chief Financial Officer who will confirm available resourcing and administer the scheme in accordance with the following parameters:

- All contractually committed capital schemes can be approved by the Chief Financial Officer and will be subsequently reported to the Executive for information;
- Non-contractually committed capital schemes up to £50,000 can be approved by the Chief Financial Officer and will be subsequently reported to the Executive for information;
- Non-contractually committed capital schemes above £50,000 require the approval of Cabinet.

## 2.6 Key Controls

The key controls are:

- a) Approval by full Council of the Capital Programme;
- b) Completion of a Resource Development Bid for all schemes to be included in the Capital Programme;
- c) A prioritisation process in accordance with the Capital Investment Strategy and corporate priorities;
- d) A project manager is responsible for each capital project (delivery and budget);
- e) Appropriate project management techniques are used and project managers are trained to carry out their responsibilities;
- f) Contracts and Procurement Rules are adhered to at all times;
- g) The requirements imposed by funding bodies are followed;
- h) Monitoring and reporting requirements on schemes are implemented.
- i) In-year additions and amendments to the budget are appropriately approved.



## Regulation 3 – Financial Management Revenue

### 3.1 The Revenue Budget

- 3.1.1 Revenue resources must be aligned to the corporate objectives of the Council and the Council will agree a Medium Term Financial Plan (MTFP) annually.
- 3.1.2 The MTFP will include the Revenue Budget for the coming year, plus forecasts for the next four subsequent years. The budget will be published on the Council's website and in the internal electronic Budget Book. The approved Revenue Budget may be amended during the year in compliance with the Financial Regulations.

### 3.2 Revenue Resources

- 3.2.1 Funding for revenue will come from government grants, fees and charges, calls on revenue reserves and balances, and local taxation. Capital resources **cannot** be used to fund revenue expenditure.

#### 3.2.2 Key Controls

The key controls are:

- a) Resources are allocated in accordance with legislation using an approved authorisation process (i.e. the budget setting process);
- b) Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
- c) Professional guidance in relation to the adequacy of reserves and minimum level of balances is followed;
- d) The budget, which sets out how the Council is resourced, is approved annually by the Council;
- e) The MTFP ensures that the year on year sustainability of resources is considered in setting spending plans,

### 3.3 Determining the Revenue Budget

- 3.3.1 The Chief Financial Officer is responsible for ensuring that the MTFP and Budget are prepared and submitted for approval by Council (upon the recommendation of Cabinet) on or before the statutory date for such approval. The adoption of the budget by the Council is to be accompanied by a Resolution as to the level of Council Tax required for the coming financial year in order to sustain the budget. The MTFP should set out forward projections of council tax increases for at least the four subsequent years.
- 3.3.2 The Chief Financial Officer will recommend the overall quantum of revenue resources available to the Council, based on potential increases in the Council Tax, affordable calls on reserves, and best estimates of grant income and fees and charges income. The Chief Financial Officer advises what would constitute a prudent and necessary minimum level of uncommitted balances/reserves for the Council to retain, and whether the budget being proposed is consistent with such a requirement. In forming such a judgement, the Chief Financial Officer will have regard to all available statutory and professional guidance.

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- 3.3.3 The Council will approve an overall MTFP and budget that matches the available resources with its corporate priorities, and statutory requirements.
- 3.3.4 The annual revenue budget agreed by Council sets Cabinet's maximum budget for the forthcoming year and, as a minimum, allocates spending to:
- 3.3.4.1 Each Portfolio and service area, showing gross expenditure and income, and net budget;
- 3.3.4.2 Each levy payable;
- 3.3.4.3 The net cost of borrowing.
- 3.3.5 Directors must ensure that all fees and charges are reviewed as part of the annual budget process in line with the Corporate Charging Policy (see Regulation 3.9).
- 3.3.6 The level of reserves is reviewed annually in line with the Financial Strategy and Medium Term Financial Plan, and must be determined before the budget and the Council Tax can be fixed. Reserves are amounts set aside by the Council as a result of surpluses, deferred expenditure, or policy decisions to save towards future expenditure. Reserves can be either earmarked (specific) or general (non-specific).
- 3.3.7 The General Fund Balance will be maintained at a minimum level agreed by Cabinet having regard to the advice of the Chief Financial Officer. The budget report to the Council will include a statement showing the estimated addition to, or withdrawal from, balances, and the estimated year-end balance. Consideration should be given to the extent to which reserves are to be used to finance recurrent expenditure.
- 3.3.8 The Council's approved budget is published in an electronic Budget Book, which breaks down Portfolio budgets into budgets for each service area within the Portfolio.
- 3.3.9 Key Controls
- The key controls are:
- a) Clear and timely guidance from the Chief Financial Officer;
  - b) An effective timetable and project management of the budget setting process;
  - c) A consistent format used across all service areas that reflects the relevant level of accountability for service delivery and enables comparison over time, and with other local authorities;
  - d) Reflection of the content of the Financial Strategy and Medium Term Financial Plan for the appropriate year;
  - e) A balanced budget that is affordable and sustainable;
  - f) Prudent risk assessment of the possible implications in terms of both affordability and service delivery.

## 3.4 Amendments To The Revenue Budget

- 3.4.1 The overall revenue budget is recommended by Cabinet and approved by full Council. Directors are authorised to incur expenditure in accordance with the estimates and service levels that make up the budget. A budget head is considered to be a line in the approved Budget report.
- 3.4.2 Quarterly revenue budget monitoring, as detailed at 3.5, will be carried out in accordance with guidance issued by the Chief Financial Officer and proposed amendments will be reported to Cabinet for approval.
- 3.4.3 Any in-year amendments to the Revenue Budget as last approved by Council must be approved by either:
- (a) Cabinet and referred to Council for approval where:  

It is proposed to add a new ongoing service commitment that cannot be contained within the approved budget and MTFP and does not comply with the Scheme of Virement as detailed at section 3.7. The proposed amendment will confirm the affordability of the proposal in the context of the MTFP and its contribution to the Council priorities detailed in the Gedling Plan; or
  - (b) In accordance with the Scheme of Virement as detailed at section 3.7 enabling use of resources to be optimised within Cabinet's maximum budget as set by Council.

## 3.5 Budget Monitoring

- 3.5.1 Quarterly revenue budget monitoring will be carried out in accordance with guidance issued by the Chief Financial Officer and will be reported to Cabinet including the reporting of any in-year amendments and request for appropriate approvals as detailed at 3.4. More frequent monitoring for use by Officers may also be required by the Chief Financial Officer.
- 3.5.2 Each Director is required to manage their own expenditure within the cash-limited budget allocated to them. The Chief Financial Officer will ensure that appropriate financial information is available to Directors to enable them to monitor their budgets and the financial aspects of their Service Plans effectively.
- 3.5.3 Directors will maintain budgetary control within their service areas and ensure that all income and expenditure is properly recorded and accounted for.
- 3.5.4 Directors will ensure that an accountable budget holder is identified for each cost centre under their control. Budget managers should be responsible only for income and expenditure that they can influence, and will accept accountability for their budgets and the level of service to be delivered.
- 3.5.5 By continuously identifying and explaining variances against budgets the Council can identify changes in trends and resource requirements at the earliest opportunity.

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3.5.6 The approved budget is the financial extent of the Council's commitment to a service each year. Any breach of that limit is therefore an ultra vires act. Depending upon the severity and circumstances of any overspend, it may lead to disciplinary action, as Officers have exceeded their delegated authority.

### 3.6 Revenue Year-End and Carry Forwards

3.6.1 The Carry forward of an underspending on revenue estimates will only be considered for contractually committed expenditure or non-contractually committed one-off revenue budgets, and requests must show the source of the underspend, or additional income, and confirm the intention to continue to use the resource for the purpose initially approved.

3.6.2 There is no automatic right to carry forward revenue budgets and all requests will be considered by the Chief Financial Officer in the context of the overall outturn position for the budget and the impact on the General Fund Balance.

3.6.3 The Chief Financial Officer will report all overspends and underspends to Executive and will administer the scheme of carry forward in accordance with the following parameters:

- All contractually committed revenue schemes can be approved by the Chief Financial Officer and will be subsequently reported to the Executive for information;
- Non-contractually committed one-off revenue schemes up to £10,000 can be approved by the Chief Financial Officer and will be subsequently reported to the Executive for information;
- Non-contractually committed one-off revenue schemes above £10,000 require the approval of Cabinet.

### 3.6.4 Key Controls

The key controls are:

- a) Each Director nominates a responsible budget holder for each cost centre within his/her service area's revenue estimates and ensures that mechanisms are in place to provide early warnings of anticipated under or overspending;
- b) All named budget holders are accountable for their budgets and the level of service to be delivered, and understand their financial responsibilities;
- c) Services are delivered within the net budget allocated in the annual Budget Book and in line with the Service Delivery Plan;
- d) Income and expenditure are properly recorded and accounted for on a timely basis within the Council's general ledger;
- e) The budget and service plans are monitored together and necessary action is taken to align service outputs and budget;
- f) Budget holders are appropriately trained to carry out their budgetary control and financial management responsibilities.
- g) Carry Forward of revenue budget is appropriately approved and reported.

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## 3.7 Amendment to the Revenue Budget - Scheme of Budget Virement

- 3.7.1 The annual capital and revenue budgets are agreed by Cabinet and approved by full Council. Directors are authorised to incur expenditure in accordance with the estimates and service levels that make up the budget. A budget head is considered to be a line in the approved Budget report.
- 3.7.2 The scheme of Virement is intended to enable the Cabinet and Portfolio holders to manage budgets with a degree of flexibility, within the overall budget and performance plan approved by Council i.e. Cabinet's maximum budget, to optimise the use of resources.
- 3.7.3 The switching of resources between approved budget heads is known as "Virement". Virement does not create an additional budget liability but allows resources to be transferred between services within limits. For example, where a potential overspend in one service budget has been identified through monitoring this overspend could be funded by transferring from a service budget where an underspend has been identified subject to the scheme provisions detailed in paragraphs 3.7.4 to 3.7.7 below. Future monitoring will be against these budgets post virement approval.
- 3.7.4 Virement within controllable revenue budgets may be made provided that:
- a) No significant change in policy is involved;
  - b) No continuing future commitment is made;
  - c) Consultation is undertaken with the Chief Financial Officer for all virement.

Virement between revenue and capital budgets is not allowed.

Virement between capital budgets is not allowed

- 3.7.5 Virement is subject to the following:
- Portfolio Holders can authorise virements up to the value of £50,000;
  - Cabinet can authorise all virements and must approve those over £50,000;
- 3.7.6 The establishment, by virement, of expenditure budgets funded by the in-year allocation of lump-sum fund budgets can be authorised by the Chief Financial Officer, and the usage of earmarked reserves can be authorised in accordance with Financial Regulation 3.11.7, for the purpose for which the reserve or fund was initially established and approved by Cabinet.  
Items outside of the above criteria must be determined by Council.
- 3.7.7 The approval of Cabinet is required for any virement, of whatever amount, where it is proposed to:
- a) Vire between the budgets of different Portfolio Holders;
  - b) Vire between budgets managed by different Directors.

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3.7.8 The Chief Financial Officer will determine whether a change to budgets is a virement (e.g. the budget is reallocated to a purpose other than intended) or a re-presentation or restructure where there is no change to the purpose of spending. The virement rules set out above shall not apply to restructure or re-presentational change, instead they will be managed by the Chief Financial Officer.

## 3.7.9 Key Controls

Key controls are:

- Virement of resources between one budget head and another, whether within or between service areas, is subject to approval;
- Virement does not create additional overall budget liability. Directors are expected to manage their budgets responsibly, prudently, and within approved service levels. They should not support recurring revenue expenditure from one-off sources of savings or additional income, or create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Directors must plan to fund such commitments from within their own budgets;
- Virement to provide a fundamentally different service level to that approved in Directorate and Service Plans can only be approved by Cabinet.

## 3.8 Contract and Windfall Savings

3.8.1 Unless the specific agreement of the Chief Financial Officer is obtained, contract savings and windfall savings (i.e. unanticipated income or unanticipated savings on expenditure including any figure relating to previous years) will revert to General Fund Balance.

## 3.9 Fees and Charges

3.9.1 The corporate charging strategy forms the basis of all fees and charges set within the Council. The strategy establishes clear principles for charging, integrates charging into service management linking with corporate objectives, and sets clear objectives and targets. The strategy will be reviewed by the Chief Financial Officer and reported to Cabinet as a minimum every three years.

3.9.2 The total annual income to be generated from discretionary Fees and Charges should be reviewed and reported to Cabinet for approval as part of the MTFP and revenue budget and setting process.

3.9.3 Fees and charges fall into two categories:

- Statutory;
- Discretionary (including both commercial and non-commercial services).

3.9.4 Statutory Charges



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Statutory charges are those determined by organisations external to the Council, and over which the Council has no discretion.

## 3.9.5 Discretionary Charges

- Where charges are not prescribed, the Director or Head of Service is able to propose the charge by reference to a number of factors e.g. cost of service provision, demand trends, local competition, etc.;
- Charges should be set on an appropriate basis, with reference to available legal powers and to reflect the nature of the service and delivery of corporate objectives e.g. full cost recovery, to make a profit or at less than cost recovery i.e. subsidy.
- Directors must have sound systems in place to support the fee-setting process, including the allocation of overheads;
- Where decisions on increases in fees and charges are taken outside the budget process for administrative reasons (e.g. where there is a statutory regulation or a duty of consultation, for example, car parking where notices have to be served) due regard must be given to the financial strategy;
- Concessions and discounts will be considered in accordance with the charging strategy.
- Directors to seek Executive or Committee approval, as appropriate, for individual Fee and Charges in accordance with delegation arrangements and following any statutory requirement to consult.

## 3.9.6 Key Controls

The key controls are:

- Clear and consistent fees and charges strategy;
- Annual review of the strategy and levels of charges;
- All fees should be considered as part of the Service Planning process;
- Approval of all fees and charges by the Executive or relevant Committee.

## 3.10 Internal Charging

3.10.1 Internal charges are made between services within the Council in accordance with the CIPFA Service Reporting Code of Practice or equivalent as updated. Whilst they do not directly generate external income, they do affect the total cost of individual services and ensure accountability and transparency of financial performance.

3.10.2 Internal charges include central support service recharges which are completed as a full reallocation of costs to other services on the basis of demand.

3.10.3 Where internal use is made of the Council's chargeable services they should be set in accordance with the Corporate Charging Policy, for example to recover the full cost of services, and may be set at a unit/volume based amount linked to demand, or on a commercial basis if legal powers allow.

## 3.10.4 Key Controls

The key controls are:

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- Clear and consistent internal charging strategy;
- Annual review of strategy and basis, and level of charges with specific reference to Value for Money;
- All charges should be considered as part of the Service Planning process.

## 3.11 Reserves

3.11.1 Reserves are amounts set aside by the Council as a result of surpluses, deferred expenditure or policy decisions to meet future expenditure plans. Reserves can be either specific (earmarked) or general. For each reserve established, the amount, purpose and origin of funding must be clearly identified.

3.11.2 The levels and requirements for reserves are reviewed annually in setting the budget and in the context of the MTFP.

3.11.3 The establishment of new earmarked reserves is subject to approval on a case by case basis except where such a reserve (e.g. the pension reserve) is specifically required by statute or by CIPFA's Accounting Code of Practice.

3.11.4 New earmarked reserves, or additions to earmarked reserves, may be approved by Cabinet as part of the budget setting or budget monitoring process, or by Cabinet as part of the accounts closure process on the recommendation of the Chief Financial Officer.

3.11.5 Contributions to reserves will be managed as a budgeted call on resources, which could otherwise have been spent on services or taken to the General Fund Balance or used to reduce Council Tax. The timing and size of contributions will be considered in the context of the Council's MTFP and reviewed when each year's accounts are closed.

3.11.6 Earmarked reserves will generally fall into four categories:

- Trading account balances;
- Time limited programmes and projects;
- To meet specific risks of a non-insurable nature or self-insured risks;
- To carry forward under spending as a ring fenced amount.

**Trading account balances** will be allowed where real or quasi trading accounts are used to manage costs. Balances will be maintained to allow flexible response to changes to demand and/or to meet defined future capital expenditure needs.

**Time limited programmes** may be pre-funded by the establishment of reserves. Reserves will be useful where the pace of spending is difficult to predict and where the spending will run over a number of budget years. However, the creation of a reserve results in a call being made on the taxpayer before the benefits of the programme are received by the taxpayer. Pre-funding therefore requires careful consideration of the benefits of the use of a reserve rather than normal annual revenue budgets. In all cases the purpose of a reserve must be clearly established at the outset and the scope and cost of the programme defined to ensure the adequacy of the reserve.

**Reserves to meet specific risks or contingencies** should have regard to a reasonable estimate of the potential costs involved, should be held only while the risk remains, and should be reviewed at least annually. The Insurance Fund falls within this category, representing cover for excess payments and a contingency in respect of any past insurance claims yet to be settled.

**Transfer of a general under-spending to earmarked reserves for use in the subsequent year.**

The Council may determine that a general under-spending may be used to contribute to earmarked reserves if the Council's financial situation does not require the sum to be returned to the General Fund Balance. The sum retained should be identified for a purpose that does not give rise to an ongoing commitment which will be determined by the Chief Financial Officer.

- 3.11.7 Approval to use earmarked reserves will be subject to formal release by the Chief Financial Officer, in consultation with the relevant Director, who will confirm that planned spending is for the purpose the reserve was established by Cabinet and remains affordable when considering any mixed funding including call on reserves, current budgets and/or external funding packages. Monitoring of spending against reserves must be subject to corporate budget monitoring arrangements.
- 3.11.8 Cabinet may approve the closure of an earmarked reserve (except where there is a statutory requirement to maintain it) at any time and appropriate any remaining balance to the General Fund Balance.

3.11.9 Key Controls

The key controls are:

- The establishment of reserves must be authorised by Cabinet;
- The use of reserves must be authorised by the Chief Financial Officer in consultation with the relevant Director, and in accordance with the scheme of virement, ensuring the use of the reserve is for the purpose it was established by Cabinet;
- Reserves will only be established for a defined purpose;
- The level and requirement of each reserve is reviewed annually.

## Regulation 4 – Financial Management - Accounting Records

### 4.1 Accounting Records

- 4.1.1 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for the stewardship of public resources. To enable reliance to be placed on financial management information all the Council's transactions, commitments, contracts and other essential accounting information must be recorded completely, accurately, on a timely basis and in corporately approved systems.
- 4.1.2 The Chief Financial Officer is responsible for determining the accounting procedures and records for the Council. Where these are maintained outside Financial Services the Director should consult the Chief Financial Officer when implementing or making changes to accounting procedures and records.
- 4.1.3 Any financial systems and records used within Directorates and service areas that do not interface with the corporate financial ledger must be in a form agreed by the Chief Financial Officer, and must be regularly reconciled to the corporate financial ledger by the relevant Director. Directors must maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting system.
- 4.1.4 The Chief Financial Officer and Directors will comply with the following principles when allocating accounting duties:
- Segregation of the duty of providing information about sums due to or from the Council and the calculation, checking and recording of these sums, from the duty of collecting or disbursing such sums;
  - Prompt completion of all claims for funds, including grants, by the due date;
  - Retention of financial documents is in accordance with the Council's document retention schedule.

### 4.1.5 Key Controls

The key controls are:

- All Executive Members, finance staff and those authorised to incur expenditure operate within the required accounting standards and timetables;
- All the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
- Procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
- Reconciliation procedures are carried out to ensure that transactions are correctly recorded;

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- Prime documents are retained in accordance with legislative and other requirements.

## 4.2 Annual Statement of Accounts

### General

4.2.1 The Council has a statutory responsibility to prepare accounts that present a true and fair view of its operations during the year. This must be done in accordance with The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

4.2.2 The Accounts will be produced within the statutory timescales.

4.2.3 Each year the Chief Financial Officer will draw up a detailed timetable and issue guidance and instructions for final accounts preparation, approval and audit.

4.2.4 The timetable and guidance will cover all areas relating to the closure of accounts, the deadlines by which each task should be completed, and the format in which key information should be submitted. Directors will ensure compliance with the timetable and guidance.

### 4.2.5 Key Controls

The key controls are:

- The Council's Statement of Accounts is prepared in accordance with proper practices as set out in the relevant codes of practice on local authority accounting in the United Kingdom;
- Clear and consistent advice and instructions are issued for dealing with all year-end processes, such as accruals, prepayments, treatment of year-end balances, and analytical review;
- Accounts are kept up to date during the year, reconciliations are carried out on a regular basis, the revenue and capital budgets are compiled and monitored effectively, and year-end processes are completed in accordance with the timetable issued;
- Year-end variances and balances are reported within the parameters agreed with the external auditor;
- There is a clear policy for the setting up and maintenance of reserves;
- Comprehensive working papers are compiled and maintained.

### Accounting Policies

4.2.6 The Chief Financial Officer is responsible for the selection of suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the Statement of Accounts which cover such matters as:

- The requirement for separate accounts for capital and revenue transactions;
- The basis on which debtors and creditors at year-end are included in the accounts;
- Fixed assets;

- Pensions.

## 4.2.7 Key Controls

The key controls are:

- Systems of internal control are in place to ensure that financial transactions are lawful;
- Suitable accounting policies are selected and applied consistently;
- Proper accounting records are maintained;
- Financial Statements are prepared which present a true and fair view of the financial position of the Council and its expenditure and income.

## 4.3 Retention of Accounting and Financial Documents

4.3.1 The Council's Records Retention and Disposal Policy is available on the Information Governance section of the intranet. Most financial records should be retained for the current year plus six additional years.

4.3.2 Retention in electronic format (e.g. document imaging) will often be acceptable, subject to the agreement of appropriate authorities, such as External Audit, HMRC.

4.3.3 No documents or records should be disposed of until notification has been received from the External Auditor of the completion of the audit of accounts for the year to which the records relate.

4.3.4 If in doubt, Officers should contact the Chief Financial Officer for advice on specific cases.

## Regulation 5 - Risk Management and Resource Control

### 5.1 Risk Management and Insurance

#### Introduction

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. It is essential that robust systems are developed and maintained for identifying, evaluating and controlling all of the operational risks to the Council on an integrated basis in accordance with the Council's Risk Management Strategy.

#### Risk Management

- 5.1.1 The Cabinet is responsible for approving the authority's Risk Management Strategy and Audit Committee is responsible for reviewing the effectiveness of risk management and promoting a culture of risk management awareness throughout the Council.
- 5.1.2 Senior Leadership Team will review the Risk Management Strategy every three years for consideration by Cabinet.
- 5.1.3 Senior Leadership Team will complete and monitor on a quarterly basis the strategic Corporate Risk Register, which records all strategic and high level/impact risks together with an action plan to show how the risks are being addressed. The Chief Financial Officer will develop risk management controls in conjunction with other Directors.
- 5.1.4 Directors will undertake the regular identification, review and management of risk within their Service areas having regard to advice and instructions from the Chief Financial Officer and other specialist officers (health and safety, crime prevention, fire prevention etc.). Each Director must assess risk on an ongoing basis and record them in their Departmental Operational risk registers and monitor then on a quarterly basis. Any risks identified that are corporate in nature should be reported to the Chief Financial Officer.
- 5.1.5 The Council's approach to Risk Management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.

#### Insurance

- 5.1.6 The Chief Financial Officer will ensure that appropriate insurance is in place for all items identified as falling within the framework of insurable risks, will determine insurance policy excesses, and will deal with all claims, in consultation with other Directors where necessary.
- 5.1.7 The Chief Financial Officer will determine which risks must be covered by external insurances or internal insurance provision.

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- 5.1.8 Directors will immediately notify the Chief Financial Officer of all new risks, properties, vehicles and other assets or potential liabilities for which insurance may be required; and of any changes affecting existing risks or insurance cover required.
- 5.1.9 Directors will notify the Chief Financial Officer in writing without delay of any loss, liability or damage or any event likely to lead to a claim, and will provide such information and explanations required by the Chief Financial Officer or the Council's insurers.
- 5.1.10 Directors must ensure that employees, or anyone else covered by the Council's insurances, does not admit liability or make any offer to make compensation that may prejudice the assessment of liability in respect of a future insurance claim.
- 5.1.11 Directors will consult the Chief Financial Officer and the Monitoring Officer concerning the terms of any indemnity which they are requested to give on behalf of the Council.
- 5.1.12 Before entering into any arrangement involving a legal relationship, the Director involved must ensure that the Council has adequate legal powers and where appropriate that there is adequate professional indemnity insurance to cover and minimise any risk to the Council and to those individuals involved (advice should be obtained from the Chief Financial Officer and/or the Monitoring Officer where necessary before proceeding).
- 5.1.13 The Chief Financial Officer will review insurance requirements at each annual renewal date, and as part of the re-tendering process at the end of the insurance contract period.
- 5.1.14 Contact with the Council's insurers must only be completed by officers authorised to do so by the Chief Financial Officer

### **Self-Insurance**

- 5.1.15 For some risks not covered by external insurance policies, the Chief Financial Officer will operate an internal insurance account (the Insurance Fund) and is authorised to charge the various Council service budgets with the cost of contributions to this account. The Insurance Fund covers amounts of settled claims not covered due to an insurance policy excess.
- 5.1.16 Risk Management is the responsibility of every Director, having regard to advice from the Chief Financial Officer and other specialist officers. In general, costs and losses not insured externally and not covered by the Insurance Fund will fall as a charge upon the budget of the Directorate to which the item relates. Also, claims for insured risks could result in increased levels of future premiums, and this emphasises the need for effective preventive measures against all risks.

### 5.1.17 Key Controls

The key controls are:



- Procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority;
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis;
- Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives;
- Provision is made in the accounts for losses that might result from the risks that remain;
- Procedures are in place to investigate claims within the required timescales;
- Acceptable levels of risk are determined and insured against where appropriate.
- The Council has identified business continuity plans for implementation by Directors in the event of disaster that results in significant loss or damage to its resources.

## 5.2 Preventing Fraud and Corruption

5.2.1 The Chief Financial Officer is responsible for the development and maintenance of a Counter-Fraud and Corruption Strategy and the related Whistleblowing policy for approval by Cabinet. These, in conjunction with Member and Officer Codes of Conduct and registers of interest, determine the overall policy of the Council with regard to the prevention of fraud and corruption.

5.2.2 Any suspected irregularities should be reported to internal audit and if necessary, the Chief Financial Officer, the Monitoring Officer, or the Chief Executive. Investigations will be undertaken in accordance with the Counter-Fraud and Corruption Strategy.

### 5.2.3 Key Controls

The key controls are:

- The Council has an effective Counter-Fraud and Corruption Strategy and maintains a culture that will not tolerate fraud or corruption;
- Codes of conduct exist for Members and Officers and these are regularly reviewed;
- A Register of Interests is to be maintained to enable Members and Officers to record any financial or non-financial interests that may bring about conflict with the Council's interests;
- A register of Gifts and Hospitality is maintained to enable Members and Officers to record gifts and hospitality either received, or offered and declined, from the Council's contractors and suppliers;
- Whistle blowing procedures are in place and operate effectively;
- The Counter-Fraud and Corruption Strategy and the Whistleblowing policy can be found on the internet ensuring both members of public and Members and Officers can access the required procedures for reporting allegations.

## 5.3 Gifts and Hospitality

5.3.1 The Constitution sets out the Council's Codes of Conduct for Elected Members including requirements in respect of Gifts and Hospitality. The Employee Handbook sets out the requirements for Officers in respect of Gifts and Hospitality. These must be adhered to at all times.

5.3.2 A Register of Gifts & Hospitality is maintained by the Legal Section to enable Officers to record gifts and hospitality either received, or offered and declined, from the Council's existing or potential contractors and suppliers.

### 5.3.3 Key Controls

The key controls are:

- Relevant Codes of Conduct must be adhered to at all times;
- Registers of gifts and hospitality must be maintained and kept up to date;
- Regular monitoring of the Register of Gifts and Hospitality to be considered by SLT and an annual report presented to Standards Committee.

## 5.4 Fixed Assets

### **Security of Assets**

5.4.1 The Chief Financial Officer maintains an up-to-date asset register, which is a prerequisite for proper fixed asset accounting and sound asset management. The Chief Financial Officer will ensure that assets are valued in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

5.4.2 The Chief Financial Officer will be responsible for ensuring that a rolling revaluation of all Council property, plant and equipment is undertaken, to ensure that all items are valued at least every two years.

5.4.3 Directors will ensure the proper security of all buildings and other assets under their control and that no asset is subject to personal use by an employee without proper authority.

5.4.4 The Chief Financial Officer should be notified in any case where the security of assets is thought to be defective or where it is considered that special security arrangements may be needed.

5.4.5 The Head of Services responsible for Legal Services will have custody of all title deeds and be responsible for ensuring their safety.

5.4.6 The appropriate Director will ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter land until a lease or agreement in a form approved by the Monitoring Officer is executed.

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## 5.4.7 Key Controls

The key controls are:

- Assets and resources are used only for the purposes of the Council and are properly accounted for;
- Assets and resources are available for use when required;
- Assets and resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits;
- An asset register is maintained for the Council's land, property and fleet - assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset. Other equipment is recorded on an inventory list (see below);
- All Officers are aware of their responsibilities with regard to safeguarding the Council's assets including software copyright legislation;
- All Officers are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's information security, internet security and data protection policies;
- Proper security arrangements are in place for all buildings and other assets belonging to the Council;
- Cash holdings on Council premises will be kept to a minimum;
- Keys to safes and similar receptacles are held securely and the loss of any such keys must be reported to the Chief Financial Officer as soon as possible.

## **Inventories**

5.4.8 Each Director will maintain an inventory list, in a form approved by the Chief Financial Officer, to record all assets with life expectancy of more than one year whose single replacement values exceeds £500, to include items of furniture, fittings, equipment, plant and machinery under their control. This list must record descriptions, values, relevant dates, expected life, and location. Inventories must be checked at least annually to verify the details.

5.4.9 The Director with responsibility for Information Communications Technology shall be responsible for maintaining an inventory of all computer hardware and software held by the Council, a copy of which must be provided to the Chief Financial Officer.

5.4.10 All electrical equipment must be recorded on the inventory list to enable suitable Portable Appliance Testing (PAT) testing regimes to be established.

5.4.11 All attractive/portable items must be security marked as belonging to the Council and wherever possible kept securely.

5.4.12 Property is only to be used in the course of the Council's business unless the Director concerned has given permission otherwise.

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5.4.13 Equipment held to enable investigations to be completed under the Regulation of Investigatory Powers (RIPA) must only be used with the authorisation in accordance with the Council's RIPA Policy.

## **Stocks and Stores**

5.4.14 All Directors must make arrangements for the care and custody of stocks and stores, and ensure that they maintain adequate records and controls over stock movements. All receipts and issues of stock must be properly recorded and accounted for in the Council's financial records.

5.4.15 Stocks and stores comprise the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances;
- Finished goods.

5.4.16 Independent stock checks must be undertaken periodically and at least annually at year-end. All discrepancies should be investigated and pursued to a satisfactory conclusion.

5.4.17 Any variations must be reported to the relevant Director for removal from the Council's records (written off) and all variations over £2,000 must be reported to the Chief Financial Officer for investigation and approval prior to write-off. Portfolio Holder approval must be obtained for the write-off of any redundant stock and equipment in excess of £20,000.

5.4.18 A certificate of stock held at 31 March each year must be issued to the Chief Financial Officer.

5.4.19 The Chief Financial Officer is entitled to check stocks, if necessary requiring closure of the store for that purpose, after consultation and agreement with the Director concerned.

## **Intellectual Property**

5.4.20 Intellectual property is a generic term that includes inventions and writing. If these are created by an Officer during the course of employment, then as a general rule they are the property of the Council rather than of the Officer. Examples include software and product development.

5.4.21 Key Controls

The key controls are:

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- In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's approved intellectual property procedures;
- Directors will ensure that controls are in place to ensure that staff do not carry out private work in the Council's time, and that staff are aware of an employer's rights with regard to intellectual property.

## **Disposal of Assets by Sale**

5.4.22 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Surplus, obsolete or non-repairable assets should be disposed of in accordance with the law and the Council's regulations. Assets for disposal will be identified and disposed of at the most appropriate time, and only when it is in the best interests of the Council, and at the best price.

5.4.23 Disposals of Land and property are subject to the relevant Asset Management Plan process and the Council's Standing Orders for Dealings with Land.

5.4.24 The Chief Financial Officer will issue guidance on the best practice for the disposal of surplus or obsolete assets, including the method of sale (e.g. public tender, public auction, Council-wide invitations for personal bids) and the proper banking and coding of disposal proceeds.

5.4.25 For items of significant value, as determined by the Chief Financial Officer, disposal should be by way of competitive tender or public auction

5.4.26 The Director shall prepare and certify a list of items disposed of, showing the amount received. This will be reflected in the inventory, the asset register and/or stock account and be appropriately recorded in accounting statements. All sales over £2,000 must be reported to the Chief Financial Officer, who will decide if a report to Cabinet is necessary.

### 5.4.27 Key Controls

The key controls are:

- Land and property assets are disposed of in accordance with the Asset Management Plan and the Council's Standing Orders for Dealings with Land;
- Disposal of assets is fully documented;
- Annual stock valuation identifies obsolete stock;
- Procedures protect staff involved in the disposal of assets from accusations of personal gain.

## **Disposal of Assets by Write-Off**

5.4.28 Assets will only be written off after all other economic and social solutions have been considered. Prior to the write off of IT assets, the Head of Service responsible for IT must confirm to the Chief Financial Officer that the equipment has no residual value.

5.4.29 Directors may authorise the write-off of income, stocks and equipment in consultation with the Chief Financial Officer up to the value of £2,000. Write-offs in excess of this amount must be agreed with the Chief Financial Officer, and amounts in excess of £20,000 must also be approved by the relevant Portfolio Holder.

#### 5.4.30 Key Controls

The key controls are:

- Specific write-off limits;
- Disposal of assets by write off is fully documented;
- Annual stock valuation identifies obsolete stock.

## 5.5 Treasury Management

5.5.1 Council has adopted the CIPFA Code of Practice on Treasury Management and the Cross Sectoral Guidance Notes. These aim to provide assurance that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum. Borrowing and Investment will be arranged in such a manner as to comply with The Code.

5.5.2 The Chief Financial Officer will create and maintain, as the cornerstone for effective Treasury Management:

- A treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities;
- Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

The Chief Financial Officer will produce reports on the Council's treasury management policies, practices and activities including, as a minimum, a report to Council on an annual strategy and plan in advance of the forthcoming year (The Treasury Management Strategy Statement or TMSS), a mid-year review, and an annual report after its close.

5.5.3 Full Council is responsible for:

- Receiving and reviewing reports on Treasury Management policies, practices and activities;
- Approval of the annual Strategy (the TMSS);
- Annual budget approval.

5.5.4 Cabinet is responsible for:

- Approval of and amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices;
- Budget consideration and virement approval for Treasury Management issues;
- Approval of the division of responsibilities;

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- Receiving and reviewing regular Treasury Management monitoring reports and acting on recommendations.

5.5.5 Audit Committee is responsible for :

- Reviewing the Treasury Management policy and procedures, and for making recommendations to the Cabinet.

5.5.6 The Chief Financial Officer is responsible for:

- Recommending clauses, Treasury Management Policy and Practices for approval, reviewing these regularly, and monitoring compliance;
- Submitting regular Treasury Management policy reports;
- Submitting budgets and budget variations;
- Receiving and reviewing management information reports;
- Reviewing the performance of the Treasury Management function;
- Ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Approving the selection of external service providers and agreeing terms of appointment.

5.5.7 All executive decisions on borrowing, investment or financing (including leasing) are delegated to the Chief Financial Officer who will act in accordance with the Council's agreed Treasury Management Strategy Statement (TMSS).

5.5.8 The Chief Financial Officer must report any decisions on borrowing strategy to Cabinet at the next available opportunity.

5.5.9 The Chief Financial Officer must report any debt rescheduling activity to Cabinet at the next available opportunity.

5.5.10 The Chief Financial Officer is responsible for acting as the Council's registrar of stocks, bonds, mortgages (where applicable), and to maintain records of all borrowing by the Council.

5.5.11 Directors are responsible for ensuring the prior approval of the Chief Financial Officer and the Monitoring Officer before leasing any assets.

5.5.12 Directors are responsible for ensuring that no loans are made to third parties or interests acquired in companies, joint ventures, or other enterprises without consulting the Chief Financial Officer and obtaining approval from Cabinet.

5.5.13 Directors are responsible for ensuring that any potential under-writing of events are consulted with the Chief Financial Officer, seeking Cabinet approval if deemed necessary.



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## 5.5.14 Key Controls

The key controls are:

- Adoption of the CIPFA Code of Practice on Treasury Management and the Cross Sectoral Guidance Notes, CIPFA Prudential Code and Government guidance on Investments and Minimum Revenue Provision
- Creation and maintenance of the Treasury Management Policy Statement (TMPS) and Treasury Management Practices (TMP);
- Agreement of the Treasury Management Strategy Statement for each forthcoming year (the TMSS);
- Quarterly activity and performance monitoring reports;
- The Annual Report;
- An annually agreed Minimum Revenue Provision (MRP) Policy;
- The role of the Audit Committee.
- Appropriate training for Officers and Members of Cabinet and Audit Committee

## 5.6 STAFFING

- 5.6.1 In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre and knowledgeable staff, who are qualified to the appropriate level.
- 5.6.2 The Chief Executive is the Head of the Paid Service and is responsible for providing overall management to Officers. The Head of Paid Service is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- 5.6.3 The Director responsible for Human Resources is responsible for maintaining an approved list of Officer posts (known as the Establishment List) which have been approved by the Council or Head of Paid Service under delegated powers as being required to provide the Council with the services and advice, which it requires from time to time. Additions, amendments and deletions in relation to this list will be kept up to date at all times and be reconciled to payroll and budget records.
- 5.6.4 The Chief Financial Officer will ensure that annual budget provision exists for all approved roles on the Establishment List and will act as advisor to Directors on areas such as National Insurance and pension contributions, as appropriate.
- 5.6.5 No appointments of permanent Officers will be made unless there is a post on the Establishment List for which current budgetary provision has been made.
- 5.6.6 The Establishment List will not preclude the appointment of temporary or agency staff, or direct works employees in respect of which special budgetary provision is available.



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5.6.7 Directors are responsible for:

- Producing annual staffing budgets that reflect an accurate forecast of the required staffing levels within the approved Establishment List and includes all relevant overheads;
- Monitoring staff activity to ensure control over costs such as sickness, overtime, training and temporary staff;
- Ensuring that the staffing budget is not exceeded without due authority and that it is managed to ensure that the agreed level of service is provided;
- Ensuring that Officers are aware of their responsibilities under the Financial Regulations, Contracts and Procurement Rules, Declaration of Interests, Gifts and Hospitality, Whistleblowing Policy etc.

5.6.8 All Officers are responsible for complying with the Council's Human Resources Policies to protect the Council against losses and minimise risk exposure.

5.6.9 Key Controls

The key controls are:

- An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched;
- Procedures are in place for forecasting staffing requirements and cost;
- Controls are implemented that ensure that staff time is used efficiently and to the benefit of the Council, including a process for performance review and identification of development needs;
- Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

## **5.7 UNOFFICIAL NON-COUNCIL FUNDS**

5.7.1 An unofficial fund is one where the income and expenditure does not form part of the Council's accounts, but which is controlled wholly or in part by an Officer employed by the Council, for example the Mayor's Charitable Donations Account and the Returning Officer Account.

5.7.2 Unofficial funds may only be established by the Chief Financial Officer who will approve the use of separate bank accounts if appropriate, and issue and update accounting instructions for them where necessary.

5.7.3 All unofficial funds must be properly accounted for, and be subject to independent audit (Council or other provider) as required.

5.7.4 Key Controls

The key controls are:

- Accounts must be subject to an audit if required;
- Accounts must be identified and recorded centrally.
- Bank accounts must be appropriately authorised

## 5.8 INTERNAL CONTROLS

- 5.8.1 The Council is complex and beyond the direct control of individuals and therefore requires internal controls to manage and monitor progress towards strategic objectives in a manner that secures value for money and safeguards the Council's assets. The Council also has statutory obligations and requires internal controls to identify, meet and monitor compliance with these obligations.
- 5.8.2 The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 5.8.3 The system of internal controls is established in order to provide measurable achievement of:
- Efficient and effective operations;
  - Reliable financial information and reporting;
  - Compliance with laws and regulations
  - Risk management
- 5.8.4 The Chief Financial Officer is responsible for assisting Directors to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 5.8.5 Directors are responsible for managing processes to check that established controls are being adhered to and evaluating their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 5.8.6 Directors are responsible for the review of existing controls in the light of changes affecting the Council, and for establishing and implementing new ones in line with guidance from the Chief Financial Officer. Directors should also remove controls that are unnecessary or not cost or risk effective, e.g. because of duplication.
- 5.8.7 Directors will ensure that staff have a clear understanding of the consequences of lack of control.
- 5.8.8 Key Controls

The key controls are:

- Controls are reviewed on a regular basis and the Council makes an Annual Governance Statement commenting on the effectiveness of the system of internal control.
- Managerial control systems in place include defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.

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- Financial and operational control systems are in place, including physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- An effective internal audit service that is properly resourced and operating in accordance with all relevant audit guidelines and any other statutory obligations and regulations.

## 5.9 INTERNAL AUDIT

- 5.9.1 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit regulations more specifically require that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 5.9.2 Accordingly, Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 5.9.3 The provision of a full Internal Audit service requires total accessibility to records and staff employed either by, or on behalf of, the Council. The Chief Executive will ensure that the internal auditors have the authority to:

Access Council premises at reasonable times;

- Access all assets, records, documents, correspondence and control systems;
  - Receive any information and explanation necessary concerning any matter under investigation;
  - Require any employee of the Council to account for cash, stores or any other asset of the Council under his/her control;
  - Access records belonging to third parties, such as contractors, when required;
  - Directly access the Chief Executive, Cabinet, and the Audit Committee.
- 5.9.4 The Chief Financial Officer is responsible for approving the strategic and annual audit plans prepared by the Head of Internal Audit and ratified by Audit Committee which takes account of the characteristics and relative risks of the activities involved.
- 5.9.5 The Chief Financial Officer will ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- 5.9.6 Directors will ensure that internal auditors are given access at all reasonable times to all premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work, and will ensure that auditors are provided with any information and explanation that they seek in the course of their work.

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- 5.9.7 Directors will consider and respond promptly to recommendations in audit reports and will ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.
- 5.9.8 Directors will notify the Chief Financial Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 5.9.9 Directors will ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Financial Officer prior to implementation.

### 5.9.10 Key Controls

The key controls are:

- It is independent in its planning and operation;
- The Head of Internal Audit has direct access to the Chief Executive, all levels of management, and directly to Elected Members;
- Internal Auditors comply with the Public Sector Internal Audit Standards (PSIAS).
- All officers to cooperate and engage with Internal Audit.

### 5.10 EXTERNAL AUDIT

- 5.10.1 The Council's accounts are scrutinised by external auditors appointed by Central Government's representative body. The external auditors must be satisfied that the Statement of Accounts presents a true and fair view of the Council's financial position and its income and expenditure for the year in question, and that it complies with the legal requirements.
- 5.10.2 Senior Leadership Team will ensure that external auditors are given access at all reasonable times to all premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 5.10.3 The Chief Financial Officer will ensure that there is effective liaison between internal and external audit, and will work with the external auditor and advise full Council, Cabinet and Directors on their responsibilities in relation to external audit.
- 5.10.4 Directors will ensure that all records and systems are up to date and available for inspection.
- 5.10.5 Key Controls

The key controls are:

- External auditors are appointed by Central Government's representative body and follow relevant code of audit practice;

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- The appointing body's objectives include ensuring that public money is properly spent and accounted for.

## Regulation 6 – Accounting Systems and Procedures

### 6.1 Accounting Systems and Procedures

- 6.1.1 The Chief Financial Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. No changes are to be made to existing financial systems, and no new systems are to be established without the prior approval of the Chief Financial Officer.
- 6.1.2 The Chief Financial Officer will establish arrangements for the audit of the Council's accounting systems and a complete audit trail must be maintained, allowing financial transactions to be traced from the accounting records to the original document. Vouchers and documents, including electronic documents, with financial implications must not be destroyed except in accordance with arrangements set out in the Council's Records Retention and Disposal Policy.
- 6.1.3 Directors are responsible for the proper operation of financial processes in their own Directorates and Service areas, and for ensuring that their Officers receive relevant financial training, approved by the Chief Financial Officer.
- 6.1.4 Directors must ensure that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation, and that Officers are aware of their responsibilities under Freedom of Information legislation and the General Data Protection Regulations (GDPR). Accounting records must be properly maintained and held securely.
- 6.1.5 The development, purchase, and implementation of all computer systems must be in accordance with the Council's ICT plans, managed by the Director responsible for ICT and the Head of Service responsible for ICT. Due regard will be given to the issue of intellectual property rights.
- 6.1.6 The Director responsible for ICT and the Head of Service responsible for ICT will be able to identify, and hold copies of, all relevant software licences employed by the Council. No software may be loaded onto the Council's computer equipment without the prior permission of these Officers.
- 6.1.7 All passwords must remain confidential in accordance with the Council's Information Security Policy.
- 6.1.8 All computer equipment and software must be protected from loss through damage, theft, vandalism etc.
- 6.1.9 The Director responsible for ICT will ensure that contingency arrangements, including back-up procedures, are maintained for all computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building or other buildings.
- 6.1.10 Any service specific procedures should be followed by the service in question; any changes made to agreed procedures by Officers to meet specific service needs should be agreed with the Chief Financial Officer. These procedures will incorporate appropriate controls to ensure that, where relevant:

- All input is genuine, complete, accurate, timely and not previously processed;
- All processing is carried out in an accurate, complete and timely manner;
- Output from the system is complete, accurate and timely;
- There is an appropriate segregation of duties providing for adequate internal controls and to minimise the risk of fraud or other malpractice;
- There is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.

## 6.1.11 Key Controls

The key controls are:

- Basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated;
- Performance is communicated to the appropriate managers on an accurate, complete and timely basis;
- Early warning is provided of deviations from target, plans and budgets that require management attention;
- Operating systems and procedures are secure;
- Data is backed up on a regular basis;

## 6.2 **Banking Arrangements**

- 6.2.1 The Council operates a number of bank accounts for the receipt and payment of money. The Chief Financial Officer is responsible for the opening of all bank accounts in the name of, and on behalf of, the Council. No other Officer of the Council may open any bank (or equivalent) account without the explicit agreement of the Chief Financial Officer.
- 6.2.2 The Chief Financial Officer will ensure that adequate arrangements are in place for the safe and efficient operation of all the Council's bank accounts, and will ensure that proper and timely reconciliations are undertaken.
- 6.2.3 All bank accounts will bear the name of the Council and in no circumstances will an account be opened in the name of an individual, with the exception of the Returning Officers Account for election expenses and the Mayors Charitable Donations Account.
- 6.2.4 The Chief Financial Officer will make arrangements concerning overdraft facilities as appropriate.
- 6.2.5 All Creditor payments are made by BACS. In addition to the authorisation system in the Financial Management System, for each Creditor Run a schedule of individual supplier payments exceeding £10,000 will be prepared, and is to be subsequently reviewed and agreed by an authorised officer before the Run is finalised.

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6.2.6 Where used (Mayor's Account, Returning Officer Account), chequebooks must be held securely and cheque stubs retained to identify both issued and spoilt cheques.

6.2.7 Bank accounts will be reconciled with financial records and cashbooks at least once in each month and any discrepancies identified and appropriate action taken.

6.2.8 As far as is reasonably practical, the following tasks will not be undertaken by the same Officer:

- Where used (Mayor's Account, Returning Officer Account) control of chequebooks/preparation of cheques;
- Posting of cash from bank statements/reconciliation of bank balances;
- Processing of creditors/reconciliation of bank balances.

### 6.2.9 Key Controls

The key controls are:

- Where used (Mayor's Account, Returning Officer Account), all cheques must be signed by the Chief Financial Officer;
- Bank accounts can only be opened by the Chief Financial Officer;
- Separation of duties is ensured as far as reasonably practical.

## 6.3 Salaries, Pensions and Other Remuneration

6.3.1 The Chief Financial Officer is responsible for all payments of remuneration and expenses to Officers and for the payment of allowances and expenses to Elected Members. The Chief Financial Officer is also responsible for all payments made under payroll Service Level Agreements or commercial agreements.

6.3.2 Effective controls are needed to ensure that payments are accurate, made only when they are due, and that they comply with all relevant conditions of service. Members' allowances and expenses must be authorised in accordance with the scheme adopted by full Council.

6.3.3 Payments must only be made through the Council's or authorised contractor's payroll system. The Council's payroll system must be reconciled regularly. All appropriate payroll documents are retained and stored for the defined period in accordance with the records retention and disposal policy.

6.3.4 All approved procedures in respect of starters, leavers, variations and enhancements must be rigorously adhered to, including compliance with corporate timetables

6.3.5 The Chief Financial Officer will:

- arrange the secure and reliable payment of salaries and other remuneration and expenses in accordance with procedures prescribed by him/her, on the due date;
- record and make arrangements for the accurate and timely payment and administration of tax, superannuation and other deductions;



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- will ensure that adequate arrangements are made to review individuals to be paid via the Creditors System for the requirements of IR35, whereby it may be necessary for the Council to account for tax and national insurance on behalf of that individual and to pay their invoices net of these amounts.

### 6.3.6 Directors will:

- ensure that appointments are made in accordance with the Council's approved policies, the approved establishment and grades of pay, and that adequate budget provision is available;
- notify the Director responsible for Human Resources of all appointments and terminations which may affect the pay or pension of an employee or former employee, in a form and to the timescale required;
- ensure that they operate adequate and effective systems to ensure that payments are only authorised to bona fide employees for a valid entitlement;
- ensure conditions and contracts of employment are correctly applied;
- employees names listed on the payroll are checked at regular intervals to verify accuracy and completeness;
- ensure that payroll transactions are processed only through the payroll system. HMRC applies a tight definition for employee status and in cases of doubt, advice should be sought from the Chief Financial Officer;
- provide a schedule of Officers authorised, including specimen signature, to approve records, timesheets and other claims to the Chief Financial Officer;
- certify all expense claims on approved forms/systems. Claims must be supported by VAT receipts where applicable and these should be attached to the claim. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and the Chief Financial Officer should be informed where appropriate;
- In the case of mileage claims, officers will be required to confirm that the vehicle used is covered by insurance (business use), a valid MOT certificate and Driving Licence. Members do not have to produce these documents.
- Notify the Chief Financial Officer of the details of any employee benefits-in-kind, to enable full and complete reporting within the income tax self- assessment system.

### 6.3.7 Key Controls

The key controls are:

- Conditions and contracts of employment must be correctly applied to ensure accurate and appropriate payments;
- Proper authorisation procedures are in place and that there is adherence to corporate processes and timetables in relation to: starters, leavers, variations and enhancements;
- Payments are made on the basis of appropriately authorised timesheets or claims;

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- Claims for expenses will only be paid in accordance with approved schemes;
- Frequent reconciliation of payroll expenditure against approved budgets and bank accounts;
- All appropriate payroll documents are retained and stored for the defined period, in accordance with guidance issued by the Chief Financial Officer and the record retention and disposal policy;
- HMRC regulations are complied with and required records are maintained for pension, income tax and national insurance.

## 6.4 Creditors (Ordering and Paying for Works, Goods and Services)

- 6.4.1 The Council has a statutory duty to achieve best value in its procurement through economy and efficiency, and public money must be spent with demonstrable probity, and in accordance with the Council's policies. The Council's procedures should ensure that services obtain value for money from their purchasing arrangements, and these procedures should be read in conjunction with the Council's Contracts and Procurement Rules.
- 6.4.2 Every Officer and Elected Member of the Council has a responsibility to declare any links or personal interests that they may have with purchases, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with the appropriate Codes of Conduct, the Contracts and Procurement Rules and the Procurement Strategy.
- 6.4.3 The Chief Financial Officer is responsible for ensuring the operation and maintenance of effective systems for the ordering of works, goods and service and payment of creditor invoices.

### Ordering

- 6.4.4 All orders must comply with the Council's Contracts and Procurement Rules and Procurement Strategy.
- 6.4.5 Where it would be advantageous for supplies to more than one Service area to be ordered from one source, the Chief Financial Officer via the Procurement Team shall be responsible for co-ordinating the arrangements.
- 6.4.6 The Chief Financial Officer will approve the form of official orders and the associated standard terms and conditions. An order must be generated on the electronic system and issued for all works, goods or services to be supplied to the Council, except for supplies from public utility services, for periodic payments such as rent or rates, petty cash purchases, or such other exceptions specified by the Chief Financial Officer. Standard terms and conditions must not be varied without the prior approval of the Chief Financial Officer. Where non-standard contract terms and conditions are required these should be agreed with Legal Services and the official order number, excluding standard terms and conditions, issued to the supplier upon signature of the contract.
- 6.4.7 Orders can only be authorised by officers delegated by the Director. Directors will periodically review and certify their Directorate list of authorised officers and submit

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this to the Chief Financial Officer for inclusion in the corporate electronic ordering and payment system.

The following monetary limits apply to authorising orders and payments for works, goods and services:

Officers	Authorise Orders/ Payments (Maximum Value)
Chief Executive and Chief Financial Officer	Unlimited
Directors	£1,000,000
Others – as included on authorisation list certified by Director:	£100,000

- 6.4.8 The authoriser of the order must be satisfied that the works, goods or services are appropriate and needed, that there is adequate budgetary provision, and that quotations or tenders have been secured in accordance with values required by the Contracts and Procurement Rules.
- 6.4.9 Official orders must be completed in advance and issued to the supplier and not retrospectively after goods have been received. An exception to this rule may be applied only in exceptional circumstances for minor repairs not exceeding £1,000 in value, which are required in an emergency, and in the event the exception is applied an official order must be completed retrospectively.
- 6.4.10 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.
- 6.4.11 The officer generating the order on the electronic system will be deemed a “requisitioner”. Heads of Service will notify Financial Services of officers who will be requisitioners and provide updates of changes in a timely manner. The order must then be authorised by an Officer delegated by the relevant Director in accordance with 6.4.7. **An Officer may not be a requisitioner and an authoriser.**
- 6.4.12 Goods and services must be checked upon receipt to verify that they are in accordance with the order and the details should be recorded in the ordering system in a timely manner. This check should, where practical, be carried out by a different Officer from the Officer who authorised the order and **must be done prior to payment**. Appropriate entries should be made in inventories or stores records as appropriate.
- 6.4.13 The Chief Financial Officer will ensure that the budgetary control system enables commitments incurred by placing orders are shown against the appropriate budget allocation so that they can be taken into account in the budget monitoring reports.

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## Payment

- 6.4.14 No creditor will be paid other than through systems operated by the Chief Financial Officer or otherwise specifically approved by him/her.
- 6.4.15 No payment will be made to any organisation in advance of goods or services being ordered and receipt rendered to the Council except in instances of subscriptions, memberships, training courses or appropriate use of credit cards in accordance with 6.5.
- 6.4.16 The Chief Financial Officer will provide advice on making payments by the most economical means. The default method of payment from the Council will be by BACS. The use of direct debit is subject to the prior agreement of the Chief Financial Officer.
- 6.4.17 Payment must not be made unless a proper VAT invoice has been received, checked, coded and certified for payment.
- 6.4.18 In most cases where an order has been raised and an appropriate invoice scanned and registered, a matching exercise will ensure seamless payment for goods and services requiring no additional authorisation, provided that any discrepancy is within an agreed tolerance. Invoices received that are outside of tolerance levels will require authorisation by the delegated officer prior to payment.
- 6.4.19 In cases where orders and invoices are not automatically matched, payment will not be made until an authorised officer at 6.4.7 above has ensured that a proper VAT invoice has been received, checked, coded and certified for payment. They must confirm:
- The receipt of goods or services;
- That the invoice has not previously been paid;
  - That expenditure has been properly incurred and is within budget provision;
  - That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
  - The correct accounting treatment of tax;
  - That the invoice is correctly coded;
  - That discounts have been taken where available;
  - That appropriate entries will be made in accounting records.
- 6.4.20 Directors must ensure that payment is not made on a copy invoice (unless the original invoice has been mislaid), a statement or other document other than the formal invoice. Where appropriate a copy should be certified as a bona-fide copy of the original invoice.
- 6.4.21 An internal Payment Voucher in a format approved by the Chief Financial Officer can be used for payments where an invoice would not be expected, for example, refunds.

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- 6.4.22 For payments originating via feeder systems e.g. refunds, a list of approved authorisers including specimen signatures must be provided to the Chief Financial Officer.
- 6.4.23 The Chief Financial Officer will make payment whether or not provision exists within the estimates where the payment is specifically required by statute or is made under a court order.
- 6.4.24 Directors will notify the Chief Financial Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the Accounts Closedown Timetable.
- 6.4.25 The Chief Financial Officer will make payments to contractors on the certificate of the appropriate Officer, which must include details of the value of work, retention money, amounts previously certified, and amounts now certified. The value of work completed should be processed in the electronic system to the level certified and recorded in a register of contracts.
- 6.4.26 With regard to variations and extra work in respect of contracts:
- Subject to the provisions of the contract in each case, every extra or variation will be authorised in writing by the responsible Officer. The reason for any individual extra or variation exceeding £10,000 will be reported to the Portfolio Holder as soon as is practical and if not contained within the overall budget will be subject to securing additional budget approval in accordance with Regulations 2.3 or 3.7 as appropriate;
  - Any addition, omission or substitution which, in the opinion of the responsible Officer, will significantly alter the approved scheme will first be authorised by the appropriate Director following consultation with the Portfolio Holder;
  - If the actual expenditure on any contract at any time exceeds the amount of the accepted tender plus agreed amounts of £10,000 (or more than 20%, whichever is lesser) the responsible Officer will, in conjunction with the Chief Financial Officer, report to the Executive giving salient particulars and an estimate of the amended final cost. Further reports on such contracts will be made at appropriate intervals with regard to further variations, and after final payment has been made;
  - Where the Council acts as agent for another organisation or authority, if that principal so requires, the contractual and tendering procedures of the principal shall be used in substitution, in whole or in part, for this Regulation as required by Contracts and Procurement rules.
- 6.4.27 With regard to final certificates in respect of contracts:
- Before the certificate for final payment is issued on completion of a contract, the Director will examine the contractor's final account together with such other relevant documents as may be necessary;
  - In the context of this Financial Regulation, final payment will be regarded as being the instalment which is due to be paid on completion of the work and not the release of the retention at the completion of the maintenance period.

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## 6.4.28 CIS Register:

- For all contracts, the responsible Director will notify the Chief Financial Officer, who will arrange for the keeping of a CIS Register to show the state of accounts on each contract between the Council and the Contractor.

## 6.4.29 Key Controls

The key controls are:

- Orders for works, goods and services are completed only by authorised persons and are correctly recorded;
- All works, goods and services will be ordered in accordance with the Council's Contracts and Procurement Rules and Procurement Strategy;
- Orders will only be issued where budgetary provision exists to pay for the goods and services to be supplied;
- Goods and services received are checked to ensure they are in accordance with the order. Goods should not be receipted by the person who authorised the order;
- Payments are not made unless works, goods and services have been appropriately ordered and received by the Council, to the correct price, quantity and quality standards;
- All payments are made to the correct person or supplier, for the correct amount and are properly recorded, regardless of the payment method;
- All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the Records Retention and Disposal Policy;
- All expenditure is accurately recorded against the right budget, any exceptions are corrected, and VAT is recorded against the relevant VAT code;
- In addition, the use of e-business, e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically;

## 6.5 Credit Cards

- 6.5.1 The Chief Financial Officer is responsible for the issue of credit cards to Officers of the Council, including setting card limits.
- 6.5.2 All credit cards must be held securely. Card details and PIN numbers must not be disclosed other than for the purposes of using the card for payments. Cardholders will be held personally liable for any expenditure they cannot account for.
- 6.5.3 Credit cards will only be used for authorised purchases i.e. items that are only available online, for emergency purposes and hospitality related items. Under no circumstances are they to be used for personal expenditure, direct debit payments, periodic payments or subscriptions.
- 6.5.4 Each individual cardholder will keep full records of all card purchases and provide these to the Chief Financial Officer promptly, on a monthly basis. All purchases should be authorised by the budget holder via completion of an internal payment

voucher. These records will be used in the reconciliation of the statement provided by the card issuer.

6.5.5 No cash withdrawal is allowed, and each card will block any attempt to do so.

6.5.6 Every purchase subject to VAT will require a VAT receipt. It is the responsibility of each cardholder to ensure that this is obtained and provided to the Chief Financial Officer.

## Key Controls

The key controls are:

- Individual cardholders have a monthly transaction limit;
- Cardholders are required to keep records and receipts for every transaction and provide these promptly to the Chief Financial Officer on a monthly basis;
- The credit card statement is reconciled to the cardholder records by the Chief Financial Officer.

## 6.6 Reimbursement of Minor Expenditure (Formerly Petty Cash)

6.6.1 Minor items of expenditure incurred by an officer to secure goods and services in the course of their duties will be reimbursed via an online minor expenses claim system.

6.6.2 No expenditure is to be incurred without prior approval of a supervisor in accordance with the following limits and should only be used in exceptional circumstances where an official order, as required under 6.4 above, cannot be accepted by the supplier:

Up to £25 by the Officer's line manager;

Up to £100 by a Director or Head of Service;

In excess of £100 by the Chief Financial Officer.

6.6.3 A receipt must be obtained for all items of expense and should be scanned into the minor expenses claim system, or equivalent, as soon as possible.

6.6.4 By submitting a claim the officer is confirming that the expenditure has been approved by a supervisor and subsequently incurred. If upon investigation this is found not to be the case the officer may face disciplinary action.

6.6.5 A summary of claims will be submitted to appropriate managers at the end of each month and will require authorisation before they can be paid.

6.6.6 Payment of appropriately authorised claims will be made via the payroll system.

6.6.7 Key Controls

The key controls are:



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- Minor expenditure to be approved by a supervising officer in advance of the expenditure being incurred.
- Provision of receipts for minor expenses to evidence the expenditure has been incurred.
- Payments are made on the basis of appropriately authorised claims.

### 6.7 Income

- 6.7.1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure all income due is identified, collected, receipted and banked properly.
- 6.7.2 Wherever possible, charges for the use of council services should be collected in advance of service delivery, reducing the need to raise debtor invoices and avoiding the time and cost of administering debts.
- 6.7.3 The Chief Financial Officer will agree the arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection. All income due to the Council must be processed accurately through one of the primary income systems (e.g. Debtors, Council Tax, Income System)
- 6.7.4 The Chief Financial Officer will approve the format of all receipts to be issued for income received by the Council.
- 6.7.5 The Chief Financial Officer will ensure that appropriate accounting adjustments are made following all write-off action. Formal approval for individual debt write-off is to be obtained in line with the following limits:
- Chief Financial Officer up to £10,000;
  - Chief Executive up to £25,000;
  - Executive – all other amounts
- 6.7.6 Directors will establish a charging policy for the supply of goods and services, including the appropriate VAT treatment, and will review it regularly in line with corporate policies.
- 6.7.7 Directors will separate the responsibility for identifying amounts due to the Council and the responsibility for collection, as far as is practical.
- 6.7.8 Directors will ensure that at least two employees are present when post is opened to ensure that money received by post is properly identified and recorded.
- 6.7.9 Directors will hold securely all receipts, tickets and other records of income for the appropriate period.
- 6.7.10 Directors will lock away all income to safeguard against loss or theft, and to ensure the security of cash handling. Only up to approved levels of cash will be held on the premises.
- 6.7.11 Directors will ensure that income is paid fully and promptly into the appropriate bank account of the Council in the form in which it is received. Appropriate details should



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be recorded onto the paying-in slips to provide an audit trail. Money collected must be counted and reconciled by at least two employees and deposited to the bank account on a regular basis.

6.7.12 Directors will ensure that income is not used to cash personal cheques or other payments.

6.7.13 Directors will supply the Chief Financial Officer with details relating to work done, goods supplied, services rendered or other amounts due to enable the correct recording of sums due to the Council, and to ensure that accounts are sent out promptly. To do this, Directors should use established performance management systems to monitor recovery of income, and flag up areas of concern to the Chief Financial Officer. Directors have a responsibility to assist the Chief Financial Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

6.7.14 Directors will keep a record of every transfer of money between employees of the Council. The receiving Officer must sign for the transfer and the transferor must retain a copy.

6.7.15 Directors will recommend to the Chief Financial Officer all debts to be written off. Once raised, no bona-fide debt may be cancelled, except by full payment or by its formal write-off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or an administrative error in the calculation and/or billing of the original debt.

6.7.16 Directors will notify the Chief Financial Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the Closedown Timetable determined by the Chief Financial Officer.

### 6.7.17 Key Controls

The key controls are:

- All income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed;
- All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery or electronic records;
- All money received by an employee on behalf of the Council is paid without delay to the Chief Financial Officer or, as the Chief Financial Officer directs, to the Council's bank and properly recorded;
- Wherever practical, the responsibility for cash collection will be separated from that for identifying the amount due, and for reconciling the amount due to the amount received;
- Effective action is taken to pursue non-payment within defined timescales;
- Formal approval for debt write off is obtained per 6.7.5 above and appropriate write-off action is taken within defined timescales;
- Appropriate accounting adjustments are made following write-off action;

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- All appropriate income documents are retained and stored for the defined period in accordance with Record Retention and Disposal Policy;
- Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.
- Payment in advance, wherever possible.

## 6.8 Taxation

- 6.8.1 The Chief Financial Officer is responsible for ensuring that adequate procedures are in place, and adequate advice is available to Directors, to ensure that the Council is at all times compliant with the specific requirements of the various tax regimes which affect its operations and delivery of services.
- 6.8.2 The Chief Financial Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.
- 6.8.3 The Chief Financial Officer will complete all HMRC returns regarding PAYE, and submit a monthly return of VAT inputs and outputs to HMRC, in such format and to such timetables as may be required.
- 6.8.4 The Chief Financial Officer will provide details to HMRC regarding the Construction Industry Tax Deduction Scheme (CIS) including the Domestic Reverse Charge (DRC) where applicable.
- 6.8.5 The Chief Financial Officer will maintain up-to-date guidance for the Council's employees on taxation issues.
- 6.8.6 Directors will ensure that the correct VAT liability is attached to all income due to the Council (output tax) and that all VAT recoverable on purchases (input tax) complies with HMRC's regulations.
- 6.8.7 Directors will ensure that where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax Deduction requirements.
- 6.8.8 Directors will ensure that all persons employed by the Council are added to the payroll and tax deducted from any payments to them, except where the individuals are bona-fide self-employed or are employed by a recognised staff agency. Due consideration will also be given to the requirements of IR35.
- 6.8.9 Directors will follow all relevant guidance on taxation issued by the Chief Financial Officer.

### 6.8.10 Key Controls

The key controls are:

- Budget managers are provided with relevant information and kept up to date on tax issues;
- Budget managers are instructed on required record keeping;

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- All taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
- Records are maintained in accordance with instructions;
- Returns are made to the appropriate authorities within the stipulated timescale.

## 6.9 Change Floats

- 6.9.1 The Chief Financial Officer will provide such change floats as considered appropriate to Officers of the Council to undertake their official duties.
- 6.9.2 Under no circumstance may payments of any kind be made out of change floats. Any breach of this regulation may result in disciplinary proceedings being taken against the Officer concerned.
- 6.9.3 If circumstances arise where the amount of a change float becomes excessive, the responsible Officer shall make appropriate arrangements to pay the excess amount back to the Chief Financial Officer.
- 6.9.4 Key Controls

The key controls are:

- Change floats can only be established with the approval of the Chief Financial Officer;
- No payments should go either in or out of the change float.

## Regulation 7 - External Arrangements

### 7.1 Introduction

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

### 7.2 Partnerships

- 7.2.1 Partnerships play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. The Council will work in partnership with others – public agencies, private companies, community groups and voluntary organisations to deliver some services, and its distinctive leadership role is to bring together the contributions of the various stakeholders to deliver a shared vision of services based on user wishes.
- 7.2.2 The Council will mobilise investment, bid for funds, champion the needs of the area and harness the energies of local people and community organisations. The Council will be measured by what it achieves in partnership with others.
- 7.2.3 The main reasons for entering into a partnership are:

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- The desire to find new ways to share risk;
- The ability to access new resources;
- To provide new and better ways of delivering services; and
- To forge new relationships.

7.2.4 A partner is defined as either:

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

7.2.5 Partners participate in projects by:

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

7.2.6 Partners have common responsibilities:

- To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- To act in good faith at all times and in the best interests of the partnership's aims and objectives;
- Be open about any conflict of interests that might arise;
- To encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
- To hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
- To act wherever possible as ambassadors for the project.

### **Roles and Responsibilities**

7.2.7 Cabinet is responsible for overseeing an effective partnership approach throughout the Council and is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

7.2.8 Cabinet can delegate functions, including those relating to partnerships, to Officers. Where functions are delegated, Cabinet will remain accountable for them to the full Council.

7.2.9 Senior Leadership Team is responsible for ensuring the effective scrutiny of the Partnership Register.

7.2.10 The Chief Financial Officer will maintain a Partnerships Register of all contracts entered into with external bodies.

7.2.11 The Chief Financial Officer:

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- is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council;
- must ensure that accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory;
- must ensure that risks have been fully appraised before agreements are entered into with external bodies;
- advise on key element of funding a project including financial viability, risk appraisal, effective controls and audit, taxation issues.

### 7.2.12 Directors:

- Are responsible for ensuring appropriate approvals are obtained from the Executive to enter into a partnership agreement before any negotiations are concluded in relation to work with external bodies;
- Must consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies and ensure that all agreements are properly documented;
- Are responsible for preparing an appropriate business case including risk management appraisal before entering into agreements with external bodies.
- Will ensure that such agreements and arrangements do not impact adversely on the services provided by the Council.
- Are responsible for providing appropriate information to the Chief Financial Officer to enable a note to be entered into the Council's Statement of Accounts concerning material items.

### 7.2.13 Key controls

The key controls are:

- To secure the approval of the Executive before entering into partnership agreements;
- Ensure sound governance arrangements in partnerships agreements ensuring consistency with the Council's Financial Regulations and Contracts and Procurement Rules as appropriate;
- To ensure that risk management processes are in place to identify and assess all known risks;
- To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
- To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences;
- To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

## 7.3 External Funding/Grants

- 7.3.1 Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Funds from external agencies, e.g. The National Lottery, may provide additional resources to enable the Council to deliver services to the local community, however in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

### **Bids and Claims for External Funding**

- 7.3.1 Bids for external funding must be comprehensive and comply with the Council's External Funding Strategy. If bids are successful then the grant works and administration must be properly undertaken to ensure no penalties are incurred.
- 7.3.2 Comprehensive business cases must identify associated risks, budget provisions including matched funding, and any resource implications. The Financial Service team must support the preparation of all grant applications.
- 7.3.3 All grant bids, detailing the service and financial implications, must be approved by the Chief Financial officer prior to submission, through the use of a certification process detailed in the External Funding Strategy.
- 7.3.4 All grant claims must be signed by the Chief Financial officer through the use of a certification process detailed in the External Funding Strategy.
- 7.3.5 Records supporting grant claims, including interim and final claims, must be maintained and available, and must be reconciled back to the Council's general ledger.

### **Roles and Responsibilities**

- 7.3.6 The Chief Financial Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 7.3.7 The Chief Financial Officer will ensure that match-funding requirements are considered prior to entering into the agreements, and that future budgets proposals reflect those requirements.
- 7.3.8 Directors will ensure that grant conditions and audit requirements are met.
- 7.3.9 Directors are responsible for providing the Chief Financial Officer with all necessary information to enable the proper recording of external funding to be achieved.
- 7.3.10 Directors are responsible for ensuring that all claims for funds are made by the due date.

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7.3.11 Directors are responsible for ensuring that projects progress in accordance with the agreed timetable and that all expenditure is properly incurred and recorded.

## 7.3.12 Key Controls

The key controls are:

- Applications for external grant funding must be approved by the Chief Financial Officer prior to submission to the funding body;
- To ensure that funds are acquired only to meet the priorities approved in the policy framework approved by the full Council;
- To ensure that any match-funding requirements, both capital and revenue, are given due consideration and that appropriate budget approvals are secured prior to entering into agreements;
- To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.

## 7.4 Work for Third Parties

7.4.1 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a service team to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is within the Council's legal powers.

7.4.2 The Executive is responsible for approving the arrangements for any work for third parties or external bodies.

### **Roles and Responsibilities**

7.4.3 The Chief Officer is responsible for the issue of guidance with regard to the financial aspects of third party contracts and the maintenance of the contracts register.

7.4.4 Directors are responsible for ensuring that the approval of the Executive is obtained before any negotiations are concluded to work for third parties.

7.4.5 Directors are responsible for ensuring that appropriate insurance arrangements are made in consultation with the Chief Financial Officer.

7.4.6 Directors will ensure that a viability assessment of the third party is completed to ensure the Council is not put at risk from any bad debts.

7.4.7 Directors will ensure that no contract is subsidised by the Council developing a business case which ensures that contract pricing considers all financial impacts on whole life basis, for example, inflation on pay and goods and service.

7.4.8 Directors will ensure that wherever possible, payment is received in advance of the delivery of the service.

7.4.9 Directors will ensure that the service team has the appropriate expertise to undertake the contract.

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7.4.10 Directors will ensure that such contracts do not impact adversely on the services provided by the Council

7.4.11 Directors will ensure that all contracts are properly documented.

7.4.12 Directors will provide appropriate information to the Chief Financial Officer to enable a note to be entered into the Council's Statement of Accounts.

7.4.13 Key Controls

The key controls are:

- To ensure that proposals are costed properly in accordance with guidance provided by the Chief Financial Officer;
- To ensure that contracts are drawn up using guidance provided by the Chief Financial Officer and the Monitoring Officer, and that the formal approvals process is adhered to;
- To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.



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## Definitions

**APPOINTED AUDITORS** - external auditors of local authorities appointed by the Government's appointed representative body.

**BUDGET** - a plan that matches spending with available resources. The budget is an authorisation for future expenditure and a base for controlling expenditure and income.

**BUDGET HOLDER** - the Officer responsible for specific cost centres or services.

**BUDGET PAGE** - the page in the Budget Book that sets out the budget for a cost centre or service.

**CAPITAL EXPENDITURE** - Section 40 of the *Local Government and Housing Act 1989* defines expenditure for capital purposes. This includes spending on the acquisition of assets either directly by the local authority or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account. Capital Expenditure includes:

- Acquisition or disposal of land, buildings and major items of plant, apparatus and vehicles;
- Construction of roads and buildings;
- Enhancement of land, roads and buildings.

In addition the Council usually regards any item below £10,000 as revenue, its "de-minimis" level.

**CIPFA** - one of the leading professional accountancy bodies in the UK, having responsibility for setting accounting standards for local government.

**CONTINGENCY** - money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

**COST CENTRE** - any unit to which costs are assigned or allocated.

**ESTIMATES** - the amounts expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following years, or have been approved for the current year.

**FEES AND CHARGES** - income raised by charging users of services for the facilities. For example, local authorities usually make charges for the use of car parks, the collection of trade refuse, etc. The Council levies fees and charges in accordance with the Corporate Charging Policy.

**GENERAL LEDGER** - the core of the Council's financial records. These constitute the central "books" of the system, and every financial transaction flows through the general ledger.

**NET EXPENDITURE** - Total expenditure less specific service income.

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**OFFICER** - an employee of the Council or other person contracted to carry out functions where these Financial Regulations apply.

**PROVISIONS AND RESERVES** - amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses that are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or 'balances'), which every authority must maintain as a matter of prudence.

**SERVICE** - a cost centre or group of cost centres delivering a common function.

**SLIPPAGE** - where actual expenditure on a project is less than the planned spend in a financial year and the remainder is re-profiled to the following year.

**VALUE FOR MONEY (VFM)** - a term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource, use, fitness for purpose, timeliness, and convenience to judge whether or not, together, they constitute good value.

**VIREMENT** - permission to spend more on one budget head when this is matched by a corresponding reduction on another budget head, i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate Members or by Officers under delegated powers.