

Eastbourne Borough Council

Financial Procedure Rules

(Approved 30 July 2003)

Part 4 of the Council's Constitution ***Section G***

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Introduction

The Council's governance structure is laid down in its constitution. This sets out how the Council operates, how decisions are made, and the procedures that are followed.

Eastbourne Borough Council has adopted a Leader and Cabinet form of executive.

Financial procedure rules sit within Part 4 of the Council's constitution. They provide the framework for managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf.

The procedure rules identify the financial responsibilities of the full Council, Cabinet, Scrutiny Committee, the Head of Paid Service, the Monitoring Officer, the Finance Director, and other officers. Throughout this document, references to the Head of Paid Service means the Chief Executive, to the Monitoring Officer means the Lawyer to the Council, to the Finance Director means the Chief Finance Officer, and references to Directors includes the Chief Executive. Cabinet Members and Directors must maintain a written record where key decision making has been delegated to officers, including seconded staff. Where such decisions have been delegated or devolved to other responsible officers, references to the Director in the procedure rules should be read as referring to those other responsible officers.

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

The Finance Director is responsible for maintaining a continuous review of the financial procedure rules and submitting any additions or changes necessary to the full Council for approval. The Finance Director is also responsible for reporting, where appropriate, breaches of the financial procedure rules to the Council and/or to Cabinet Members.

The Council's detailed financial procedures, setting out how the procedure rules will be implemented, are contained within sections 1 to 5. They are summarised in sections A to E of this introduction.

Directors are responsible for ensuring that all staff in their department are aware of the existence and content of the Council's financial procedure rules, contract procedure rules and other internal regulatory documents, and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their departments.

The Finance Director is responsible for issuing advice and guidance to underpin the financial procedure rules that Members, officers and others acting on behalf of the Council are required to follow.

Financial Procedure Rules

Section A: Financial Management
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INTRODUCTION

- A.1** Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

THE FULL COUNCIL

- A.2** The full Council is responsible for adopting the Council's constitution and the Members' code of conduct, and for approving the policy framework and budget within which Cabinet operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Council's constitution. It is also the role of the full Council to monitor compliance with the agreed policy and related Cabinet decisions.

- A.3** The full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council, its committees and officers. These delegations and details of who has responsibility for which decisions are set out in the constitution which incorporates the Council's Scheme of Delegation.

CABINET

- A.4** Cabinet is responsible for proposing the policy framework and budget to the full Council, and for discharging Cabinet functions in accordance with the policy framework and budget.
- A.5** Cabinet decisions can be delegated to a committee of Cabinet, an individual Cabinet Member, an officer or a joint committee.
- A.6** Cabinet is responsible for establishing protocols to ensure that Cabinet, the Leader and individual Cabinet Members consult with relevant officers before taking a decision within delegated authority. In doing so, an individual Cabinet Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

COMMITTEES OF THE COUNCIL

Scrutiny Committee

- A.7** The Scrutiny Committee is responsible for scrutinising Cabinet decisions before or after they have been implemented, and for holding the Cabinet to account.

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In addition, Scrutiny Committee has specific roles relating to the Council's audit functions and is also responsible for making recommendations on future policy options and for reviewing the general policy, performance and service delivery of the Council.

Standards Committee

A.8 The Standards Committee is established by the full Council and is responsible for promoting and maintaining high standards of conduct amongst Members. In particular, it is responsible for advising the full Council on the adoption and revision of the Members' code of conduct, training to secure such standards and for monitoring the operation of the code.

Other Regulatory Committees

A.9 Planning, conservation and licensing are not executive functions but are exercised through the multi-party Planning and Licensing Committees under powers delegated by the full Council. The Planning and Licensing Committees report to the full Council.

THE STATUTORY OFFICERS

Head of Paid Service

A.10 The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole. He/she must report to and provide information for Cabinet, the full Council, the Scrutiny Committee and other Committees. He/she is responsible for establishing a framework for management direction, style and standards, and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the full Council's decisions.

A.11 The Head of Paid Service must ensure that Cabinet decisions and the reasons for them are made public. He/she must also ensure that Council Members are aware of key decisions made by officers who have delegated Cabinet responsibility.

A.12 The Head of Paid Service and the Monitoring Officer have a shared responsibility for advising all Councillors and officers about who has authority to take a particular decision.

A.13 The Head of Paid Service and/or Monitoring Officer is responsible for advising Cabinet or full Council about whether a decision is likely to be considered contrary to, or not wholly in accordance with the policy framework.

A.14 The Head of Paid Service, Monitoring Officer and the Finance Director are responsible for advising Cabinet or the full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- ◆ initiating a new policy
- ◆ committing expenditure in future years to above the budget level
- ◆ incurring transfers above virement limits between services
- ◆ causing the total expenditure financed from council tax, grants and corporately held reserves to increase.

Monitoring Officer

A.15 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the full Council and/or to Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

A.16 The Monitoring Officer is responsible for maintaining an up-to-date constitution in accordance with relevant statutory requirements.

Finance Director

A.17 The Finance Director has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- ◆ Section 151 of the Local Government Act 1972
- ◆ The Local Government Finance Act 1988
- ◆ The Local Government and Housing Act 1989
- ◆ The Accounts and Audit Regulations 2003

and any successor legislation and Regulations.

A.18 The Finance Director is responsible for:

- ◆ the proper administration of the Council's financial affairs
- ◆ setting and monitoring compliance with financial management standards
- ◆ advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- ◆ providing financial information
- ◆ preparing the revenue budget and capital programme
- ◆ treasury management.

A.19 Section 114 of the Local Government Finance Act 1988 requires the Finance Director to report to the full Council, Cabinet and external auditor if the Council or one of its officers:

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- ◆ 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 Finance Director to nominate a properly qualified Member of staff to deputise should he/she be unable to perform the duties under section 114 personally.
- ◆ the Council to provide the Finance Director with sufficient staff, accommodation and other resources - including legal advice where this is necessary - to carry out his/her duties under section 114.

DIRECTORS

A.20 Directors are responsible for ensuring that Cabinet Members are advised of the financial implications of all proposals and that the Finance Director has agreed these.

A.21 It is the responsibility of Directors to consult with the Finance Director and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

GENERAL DUTY ON ALL STAFF & MEMBERS

A.22 Each employee and Member shall observe the Eastbourne Financial Procedure Rules. If an employee fails to do so, this will be dealt with in accordance with the Council's agreed disciplinary procedure. Members shall be dealt with in accordance with the Members' Code of Conduct or any successor document. If appropriate, breaches may also be referred to the police.

OTHER FINANCIAL ACCOUNTABILITIES

Virement

A.23 The full Council is responsible for agreeing procedures for virement of expenditure between budget heads. A budget head is considered to be a line in the approved estimates report.

A.24 Directors are responsible for agreeing in-year virements within delegated limits. They must notify all virements to the Finance Director. Cabinet must approve any proposed virement exceeding £10,000 for revenue and £50,000 for capital. Directors may only exercise virement between £10,000 and £50,000 on capital after consultation with and sign-off by their portfolio holding Cabinet Members.

Exceptionally, the Director of Community, after consultation with and sign-off by his/her portfolio holding Cabinet Member, may authorise an item of capital expenditure which is more than £50,000 above the approved budget provision where the increase can be accommodated from savings in another item of the Housing Investment Programme, and such expenditure would not involve an increase in the approved Housing Revenue Account or General Fund revenue budgets, nor have ongoing effects for future years.

Treatment of Year-end Balances

A.25 The full Council is responsible for agreeing procedures for carrying forward under and over spendings on budget headings.

Accounting Policies

A.26 The Finance Director is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting Records and Returns

A.27 The Finance Director is responsible for determining the accounting procedures and records for the Council.

The Annual Statement of Accounts

A.28 The Finance Director is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC). The full Council is responsible for approving the annual statement of accounts.

Section B: Financial Planning

INTRODUCTION

B.1 The full Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by Cabinet. In terms of financial planning, the key elements are:

- ◆ the Community Strategy
- ◆ the Corporate Plan
- ◆ the budget
- ◆ the capital programme.

POLICY FRAMEWORK

B.2 The full Council is responsible for approving the policy framework and budget. The policy framework includes the following statutory plans and strategies:

- ◆ community strategy
- ◆ corporate plan
- ◆ best value performance plan
- ◆ asset management plan
- ◆ capital strategy
- ◆ treasury management policy statement
- ◆ the housing strategy
- ◆ cultural strategy
- ◆ crime and disorder reduction strategy
- ◆ plans and strategies which together comprise the Borough Plan

B.3 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. The Finance Director should refer decisions to the full Council.

B.4 Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

Preparation of the Corporate Plan

B.5 The Head of Paid Service is responsible for proposing the Corporate Plan to Cabinet for consideration before its submission to the full Council for approval.

Preparation of the Best Value Performance Plan

- B.6** The Head of Paid Service is responsible for proposing the Best Value Performance Plan to Cabinet for consideration before its submission to the full Council for approval.

BUDGETING

Budget Format

- B.7** The format of the budget will be approved by the full Council and proposed by Cabinet on the advice of the Finance Director. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Budget Preparation

- B.8** The Finance Director is responsible for ensuring that a financial strategy budget is prepared on an annual basis and a financial strategy on at least a three-yearly basis for consideration by Cabinet, before submission to the full Council.
The full Council may seek to amend the budget but must ask Cabinet to reconsider it before approving it.
- B.9** The Finance Director is responsible for issuing guidance on the content of the budget following approval by full Council.
- B.10** It is the responsibility of Directors to ensure that budget estimates reflecting agreed service plans are submitted to Cabinet and that these estimates are prepared in line with guidance issued by the Finance Director.

Budget Monitoring and Control

- B.11** The Finance Director is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He/she must monitor and control expenditure against budget allocations and report to Cabinet on the overall position on a regular basis.
- B.12** It is the responsibility of Directors to control income and expenditure within budget within their area and to monitor performance, taking account of financial information provided by the Finance Director. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Finance Director and Cabinet portfolio holder to any problems.

Resource Allocation

- B.13** The Finance Director is responsible for developing and maintaining a resource allocation process that ensures due consideration of the full Council's policy framework.

Preparation of the Capital Programme

B.14 The Finance Director is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by Cabinet before submission to the full Council.

Guidelines

B.15 Guidelines on budget preparation are issued to Directors by the Finance Director. The guidelines will take account of:

- ◆ legal requirements
- ◆ medium-term planning prospects
- ◆ the corporate plan
- ◆ available resources
- ◆ spending pressures
- ◆ best value and other relevant Government guidelines
- ◆ other internal policy documents
- ◆ cross-cutting issues (where relevant).

MAINTENANCE OF RESERVES

B.16 It is the responsibility of the Finance Director to advise Cabinet and/or the full Council on prudent levels of reserves for the Council.

Section C: Risk Management and Control of Resources

INTRODUCTION

- C.1** It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

RISK MANAGEMENT

- C.2** Council is responsible for approving the risk management policy statement and strategy. Cabinet is responsible for reviewing the effectiveness of risk management and for ensuring that proper insurance is provided where appropriate.
- C.3** The Directors are jointly responsible for preparing the Council's risk management policy statement and for promoting it throughout the Council. The Finance Director is also responsible for advising Cabinet on proper insurance cover where appropriate.

INTERNAL CONTROL

- C.4** 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.
- C.5** The Finance Director is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They must ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.6** It is the responsibility of Directors and Assistant Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial and other performance targets.

AUDIT REQUIREMENTS

- C.7** The Accounts and Audit Regulations 2003 require every local authority to maintain an adequate and effective internal audit.
- C.8** The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.

- C.9** The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, some of whom have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

- C.10** The Head of Paid Service is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

ASSETS

- C.11** Directors must ensure that records and assets are properly maintained and securely held. They must also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

TREASURY MANAGEMENT

- C.12** The Council has adopted CIPFA's Code of Practice on Treasury Management in the Public Services.
- C.13** The full Council is responsible for approving the Treasury Management Policy statement stating the policies and objectives of the council's treasury management activities. The policy statement is proposed to the full Council by Cabinet. The Finance Director has delegated responsibility for implementing and monitoring the statement.
- C.14** All money in the hands of the Council is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in these Procedure Rules as the Finance Director.
- C.15** The Finance Director will create and maintain suitable treasury management practices (TMP), setting out the manner in which the Council will strive to achieve the policies and objectives contained within the council's Treasury Management Strategy, and prescribing how the organisation will manage and control these activities.
- C.16** The Finance Director is responsible for reporting to Cabinet a proposed Treasury Management Strategy for the coming financial year at or before the start of each financial year.
- C.17** All decisions on borrowing, investment or financing shall be excluded from key decisions and shall be delegated to the Finance Director, who is required to act in accordance with CIPFA's Code of Practice on Treasury Management in the Public Services.

C.18 The Finance Director is responsible for reporting to Cabinet not less than annually on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. The annual report on treasury management will be presented to Cabinet no later than 30 September of the succeeding financial year. The Finance Director shall also report on any treasury management activity that presents unusual features.

STAFFING

C.19 The Head of Paid Service is responsible for determining how officer support for Cabinet and non-Cabinet roles within the Council will be organised.

C.20 The Head of Paid Service is responsible for providing overall management to staff. He or she is responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

C.21 Directors are responsible for controlling total staff numbers by:

- ◆ advising Cabinet on the budget necessary in any given year to cover approved staffing levels
- ◆ adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs
- ◆ the proper use of appointment procedures.

Section D: Financial Systems and Procedures

INTRODUCTION

- D.1** Sound systems and procedures are essential to an effective framework of accountability and control.

GENERAL

- D.2** The Finance Director is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Directors to the existing financial systems or the establishment of new systems must be approved by the Finance Director. However, Directors are responsible for the proper operation of financial processes in their own departments.
- D.3** Any changes to agreed financial procedures by Directors to meet their own specific service needs must be agreed with the Finance Director.
- D.4** Directors must ensure that their staff receive relevant financial training that has been approved by the Finance Director.
- D.5** Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Directors must ensure that staff are aware of, and comply with, their responsibilities under data protection and freedom of information legislation.

INCOME AND EXPENDITURE

- D.6** It is the responsibility of Directors to ensure that a proper authorisation scheme has been established within their department and is operating effectively. The authorisation scheme must identify staff authorised to act on the Director's behalf, or on behalf of Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority. Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

PAYMENTS TO EMPLOYEES AND MEMBERS

- D.7** The Head of Paid Service is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members.

TAXATION

- D.8** The Head of Paid Service is responsible for advising Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.

- D.9** The Head of Paid Service 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.

TRADING ACCOUNTS/BUSINESS UNITS

- D.10** It is the responsibility of the Finance Director to advise on the establishment and operation of trading accounts and business units.

Section E: External Arrangements

INTRODUCTION

- E.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.

PARTNERSHIPS

- E.2** Cabinet is responsible for approving delegations, including frameworks for partnerships, for the delivery of the functions within its terms of reference. Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3** Cabinet can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the Council’s constitution. Where functions are delegated, Cabinet remains accountable for them to full Council.
- E.4** The Finance Director is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.
- E.5** The Finance Director must ensure that where the Council is the Accountable Body the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He/she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He/she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.6** Directors are responsible for ensuring that appropriate approvals are obtained before a financial commitment is entered into in relation to work with external bodies.

EXTERNAL FUNDING

- E.7** All officers are responsible for notifying the Finance Director of all funding due to the Council from external bodies. The Finance Director is responsible for ensuring that all such funding is properly recorded in the Council’s accounts.
- E.8** The Finance Director is responsible for ensuring that any funding payments to external bodies are authorised in accordance with the Council’s role as an Accountable Body.

WORK FOR THIRD PARTIES

- E.9** Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies.

FINANCIAL MANAGEMENT STANDARDS

Why is this important?

1.01 All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met. The consequences for staff and Members who do not abide by these standards are set out within the Council's agreed disciplinary procedure and within the Members' Code of Conduct. If appropriate, breaches may also be referred to the police.

Key controls

1.02 The key controls and control objectives for financial management standards are:

- (a) their promotion throughout the Council
- (b) a monitoring system to review compliance with financial standards, and regular comparisons and reporting of performance indicators and benchmark standards.

Responsibilities of the Finance Director

1.03 To ensure the proper administration of the financial affairs of the Council.

1.04 To set the financial management standards and to monitor compliance with them.

1.05 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council.

1.06 To advise on the key strategic controls necessary to secure sound financial management.

1.07 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

Responsibilities of Directors

1.08 To promote the financial management standards set by the Finance Director in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Finance Director.

1.09 To promote sound financial practices in relation to the standards, performance and development of staff in their departments

MANAGING EXPENDITURE

Scheme of virement

Why is this important?

1.10 The scheme of virement is intended to enable Cabinet, Directors and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources.

Key controls

1.11 Key controls for the scheme of virement are:

- (a) it is administered by the Finance Director within guidelines set by the full Council. Any variation from this scheme requires the approval of the full Council.
- (b) the overall budget is proposed by Cabinet and approved by the full Council. Directors are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement - that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be a line in the approved estimates report.
- (c) virement does not create additional overall budget liability. Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they may not support recurring expenditure from one-off sources of savings or additional income, nor may they 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 base budgets.

Responsibilities of the Finance Director

1.12 To prepare a report to Cabinet, in consultation with the Head of Paid Service and the appropriate Directors, where virements in excess of £10,000 for revenue and £50,000 for capital are proposed.

Responsibilities of Directors

1.13 A Director may exercise virement on budgets under his or her control for amounts up to £10,000 for revenue and £50,000 for capital on any one budget head, subject to the approval of the Finance Director under arrangements agreed by the full Council, and subject to the conditions in paragraphs 1.15 and 1.16 below. Directors may only exercise virement between £10,000 and £50,000 on capital after consultation with and sign-off by their portfolio holding Cabinet Members.

Exceptionally, the Director of Housing, Health and Community Services, after consultation with and sign-off by his/her portfolio holding Cabinet Member, may authorise an item of capital expenditure which is more than £50,000 above the approved budget provision where the increase can be accommodated from savings in another item of the Housing Investment Programme, and such expenditure would not involve an increase in the approved Housing Revenue Account or General Fund revenue budgets, nor have ongoing effects for future years.

1.14 Amounts greater than £10,000 for revenue and £50,000 for capital require the approval of Cabinet, following a report of the Finance Director, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years.

1.15 Virement that is likely to impact on the level of service activity of another Director should be implemented only after agreement with that Director. In the event of agreement not being reached, the issue will be determined by the Head of Paid Service.

1.16 No virement relating to a specific financial year must be made after 31st March in that year.

1.17 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- (a) the amount is used in accordance with the purposes for which it has been established
- (b) Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits must be approved by Cabinet.

TREATMENT OF YEAR-END BALANCES

Why is this important?

1.18 The treatment of year-end balances is intended to enable full Council to manage annual budgets with a degree of flexibility within an overall policy framework, and therefore to optimise the use of resources.

Key controls

- 1.19** The full Council is responsible for agreeing procedures for carrying forward under and over spendings on budget headings.
- 1.20** Appropriate accounting procedures are in operation to ensure that carried-forward balances are correct.

Responsibilities of the Finance Director

- 1.21** To administer the scheme of carry-forward within the guidelines approved by full Council.
- 1.22** To report all overspends and underspends on service estimates carried forward to Cabinet and full Council.

ACCOUNTING POLICIES

Why is this important?

- 1.23** The Finance Director is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC), for each financial year ending 31st March.

Key controls

- 1.24** The key controls for accounting policies are:
- (a) systems of internal control are in place that ensure that financial transactions are lawful
 - (b) suitable accounting policies are selected and applied consistently
 - (c) proper accounting records are maintained
 - (d) financial statements are prepared which present fairly the financial position of the authority and its expenditure and income.

Responsibilities of the Finance Director

- 1.25** To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31st March each year, and covers such items as:
- (a) separate accounts for capital and revenue transactions
 - (b) the basis on which debtors and creditors at year end are included in the accounts
 - (c) details on substantial provisions and reserves
 - (d) fixed assets
 - (e) depreciation
 - (f) capital charges

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- (g) capital receipts
- (h) stocks and stores
- (i) deferred charges
- (j) accounting for value added tax
- (k) government grants
- (l) leasing
- (m) pensions
- (n) investments

Responsibilities of Directors

1.26 To adhere to the accounting policies and guidelines determined by the Finance Director.

ACCOUNTING RECORDS AND RETURNS

Why is this important?

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

Key controls

1.28 The key controls for accounting records and returns are:

- (a) all Cabinet Members, finance staff and budget managers operate within the required accounting standards and timetables
- (b) all the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- (c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- (d) reconciliation procedures are carried out to ensure transactions are correctly recorded
- (e) prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Finance Director

1.29 To determine the accounting procedures and records for the authority.

1.30 To arrange for the compilation of all accounts and accounting records under his/her direction.

- 1.31** To comply with the following principles (so far as is practical) when allocating accounting duties:
- (a) separating the duties of providing information about sums due to or from the authority and calculating, checking and recording these sums from the duty of collecting or disbursing them
 - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 1.32** To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations.
- 1.33** To ensure that all claims for funds including grants are made by the due date.
- 1.34** To prepare and publish the audited accounts of the authority for each financial year, in accordance with the statutory timetable and with the requirement for the full Council to approve the statement of accounts within the timescale specified in the Accounts and Audit Regulations.
- 1.35** To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention schedule.

Responsibilities of Directors

- 1.36** To consult and obtain the approval of the Finance Director before making any changes to corporate accounting records and procedures.
- 1.37** To comply with the principles outlined in paragraph 1.31 when allocating accounting duties.
- 1.38** To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.39** To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Finance Director.

THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

- 1.40** The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The full Council is responsible for approving the statutory annual statement of accounts.

Key controls

- 1.41** The key controls for the annual statement of accounts are:

- (a) the Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the Finance Director
- (b) the Council's statement of accounts must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP) (CIPFA/LASAAC).

Responsibilities of the Finance Director

- 1.42** To select suitable accounting policies and to apply them consistently.
- 1.43** To make judgements and estimates that are reasonable and prudent.
- 1.44** To comply with the SORP.
- 1.45** To sign and date the statement of accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March each year.
- 1.46** To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

Responsibilities of Directors

- 1.47** To comply with accounting guidance provided by the Finance Director and to supply the Finance Director with relevant information when required.

Section 2 - Financial Planning

PERFORMANCE PLANS

Why is this important?

2.01 Each local authority has a statutory responsibility to publish various plans, including performance plans, crime reduction strategies, etc. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The Council is required to publish annually the Best Value Performance Plan (BVPP), which summarises its performance and position in relation to best value. The BVPP is a key element in the Council's programme of engaging with the public. External audit is required to report on whether the authority has complied with statutory requirements in respect of the preparation and publication of the BVPP.

Key controls

2.02 The key controls for performance plans are:

- (a) to ensure that all relevant plans are produced and that they are consistent
- (b) to produce plans in accordance with statutory requirements
- (c) to meet the timetables set
- (d) to ensure that all performance information is accurate, complete and up to date
- (e) to provide improvement targets which are meaningful, realistic and challenging

Responsibilities of the Finance Director

2.03 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.

2.04 To contribute to the development of corporate and service targets and objectives and performance information.

Responsibilities of Directors

2.05 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

2.06 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

2.07 To contribute to the development of performance plans in line with statutory requirements

2.08 To contribute to the development of corporate and service targets and objectives and performance information.

BUDGETING

Format of the budget

Why is this important?

2.09 The format of the budget determines the level of detail at which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits, and sets the level at which funds may be reallocated within budgets.

Key controls

2.10 The key controls for the budget format are:

- (a) the format complies with all legal requirements
- (b) the format complies with CIPFA's Best Value Accounting – Code of Practice
- (c) the format reflects the accountabilities of service delivery.

Responsibilities of the Finance Director

2.11 To advise Cabinet on the format of the budget that is approved by full Council.

Responsibilities of Directors

2.12 To comply with budgeting guidance provided by the Finance Director.

Revenue Budget Preparation, Monitoring and Control

Why is this important?

2.13 Budget management ensures that once the full Council has approved the budget, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

2.14 By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage expenditure within the cash-limited budget allocated to it.

2.15 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required.

Key controls

2.16 The key controls for managing and controlling the revenue budget are:

- (a) budget managers should be responsible only for income and expenditure that they can influence
- (b) there is a nominated budget manager for each cost centre heading
- (c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- (d) budget managers follow an approved certification process for all expenditure
- (e) income and expenditure are properly recorded and accounted for
- (f) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

Responsibilities of the Finance Director

2.17 To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within annual cash limits unless the full Council agrees otherwise
- (b) each Director has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- (c) expenditure is committed only against an approved budget head
- (d) all officers responsible for committing expenditure comply with relevant guidance, and the Financial Procedure Rules
- (e) each cost centre has a single named manager, determined by the relevant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

2.18 To administer the Council's scheme of virement.

2.19 To submit reports to Cabinet and to the full Council, in consultation with the relevant Director, where a Director is unable to balance expenditure and resources within existing approved budgets under his or her control.

2.20 To prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of Directors

- 2.21** To maintain budgetary control within their departments, in adherence to the principles in 2.17, and to ensure that all income and expenditure are properly recorded and accounted for.
- 2.22** To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 2.23** To ensure that spending remains within the service's overall cash limited budget, and that individual budget heads are not overspent, by developing monthly spending profiles and monitoring against these and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.24** To ensure that the Finance Director is immediately informed if the budget is likely to be materially over or underspent.
- 2.25** To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.26** To assist the Finance Director with the preparation and submission of reports to Cabinet on the service's projected expenditure compared with its budget.
- 2.27** To ensure prior approval by the full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:
- (a) create financial commitments in future years
 - (b) change existing policies, initiate new policies or cease existing policies
 - (c) materially extend or reduce the Council's services.
- (NB Any report on new proposals should explain the full financial implications, following consultation with the Finance Director. Unless the full Council or Cabinet has agreed otherwise, Directors must plan to contain the financial implications of such proposals within their cash limit)
- 2.28** To ensure compliance with the scheme of virement.
- 2.29** To agree with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Director's level of service activity.

Budgets and Medium-Term Planning

Why is this important?

- 2.30** The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.
- 2.31** The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the full Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.
- 2.32** Medium-term planning (a three to five-year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.

Key controls

- 2.33** The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure
 - (b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by Cabinet for their budgets and the level of service to be delivered
 - (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Responsibilities of the Finance Director

- 2.34** To prepare and submit reports on budget prospects for Cabinet, including resource constraints set by the Government. Reports must take account of medium-term prospects, where appropriate.
- 2.35** To determine the detailed form of revenue estimates and the methods for their preparation.
- 2.36** To prepare and submit reports to Cabinet on the aggregate spending plans of services and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council tax to be levied.
- 2.37** To advise on the medium-term implications of spending decisions.

- 2.38** To encourage the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.39** To advise the full Council on Cabinet proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of Directors

- 2.40** To prepare estimates of income and expenditure, in consultation with the Finance Director, to be submitted to Cabinet.
- 2.41** To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle, and with guidelines issued by Cabinet. The format should be as prescribed by the Finance Director.
- 2.42** To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.43** In consultation with the Finance Director and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by Cabinet.
- 2.44** When drawing up draft budget requirements, to have regard to:
- (a) spending patterns and pressures revealed through the budget monitoring process
 - (b) legal requirements
 - (c) policy requirements as defined by the full Council in the approved policy framework
 - (c) initiatives already under way.
- 2.45** The Director of Housing, Health and Community Services may arrange contracts for entertainment which will involve expenditure in future years, provided that a base budget has been agreed for the relevant year.

Resource Allocation

Why is this important?

- 2.46** A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

Key controls

2.47 The key controls for resource allocations are:

- (a) resources are acquired in accordance with the law and using an approved authorisation process
- (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for
- (c) resources are securely held for use when required
- (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities of the Finance Director

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

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

Responsibilities of Directors

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

2.51 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery, for example, through identifying initiatives and opportunities for income generation.

Capital Programmes

Why is this important?

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

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

Key controls

2.54 The key controls for capital programmes are:

- (a) specific approval by the full Council for the programme of capital expenditure

- (b) expenditure on capital schemes to be financed by capital receipts is subject to the approval of the Finance Director
- (c) a scheme and estimate, including any associated revenue expenditure, is prepared for capital projects
- (d) the development and implementation of asset management plans
- (e) accountability for each proposal is assigned to and accepted by a named manager
- (f) monitoring of progress in conjunction with expenditure and comparison with approved budget

2.55 The Head of Paid Service or the Finance Director, in consultation with the Leader of the Council, may authorise the release of resources to fund schemes that are considered to be of an urgent nature, where such expenditure would not involve an increase in the overall approved revenue budget. Such action will be reported to the next ordinary meeting of the Cabinet

Responsibilities of the Finance Director

2.56 To prepare capital estimates jointly with the Head of Paid Service and Directors and to report them to Cabinet for approval. Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the full Council. The approval of Cabinet is required where a Director proposes to bid for or exercise additional capital resources not anticipated in the capital programme.

2.57 To prepare and submit reports to Cabinet on the projected income, expenditure and resources compared with the approved estimates.

2.58 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Finance Director, having regard to Government regulations and accounting requirements.

2.59 To authorise the approval of expenditure on schemes within the capital programme.

2.60 To obtain authorisation from Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than £50,000.

2.61 Credit arrangements, such as leasing agreements, may only be entered into by the Finance Director.

Responsibilities of Directors

2.62 To comply with guidance concerning capital schemes and controls issued by the Finance Director.

2.63 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Finance Director.

- 2.64** To prepare regular progress reports, in accordance with the Council's Capital Strategy, reviewing the capital programme provisions for their services.
- 2.65** To ensure that adequate records are maintained for all capital contracts.
- 2.66** To proceed with projects only when there is adequate provision in the capital programme and with the approval of the Finance Director. The Director of Housing, Health and Community Services, after consultation with and sign-off by his/her portfolio holding Cabinet Member, may authorise an item of capital expenditure which is greater than the approved budget provision where the increase can be accommodated from savings in another item of the Housing Investment Programme, and such expenditure would not involve an increase in the approved Housing Revenue Account or General Fund revenue budgets, nor have ongoing effects for future years.
- 2.67** To prepare and submit reports, jointly with the Finance Director, to Cabinet, on completion of all contracts where the final expenditure exceeds the limits set out in the Contract Procedure Rules.
- 2.68** To consult with the Finance Director and to seek Cabinet approval where the Director proposes to bid for supplementary credit approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme.

MAINTENANCE OF RESERVES

Why is this important?

- 2.69** The Council must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

Key controls

- 2.70** To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed accounting policies.
- 2.71** For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 2.72** Authorisation and expenditure from reserves by the appropriate Director in consultation with the Finance Director.

Responsibilities of the Finance Director

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

Responsibilities of Directors

2.74 To ensure that reserves are used only for the purposes for which they were intended.

Section 3 - Risk Management and Control of Resources

RISK MANAGEMENT

Why is this important?

3.01 All organisations, whether private or public sector, face risks to people, property and continued operations. 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. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

3.02 It is the overall responsibility of Cabinet to approve the Council's risk management strategy, and to promote a culture of risk management awareness throughout the Council.

Key controls

3.03 The key controls for risk management are:

- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority
- (b) 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
- (c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
- (d) provision is made for losses that might result from the risks that remain
- (e) procedures are in place to investigate claims within required timescales
- (f) acceptable levels of risk are determined and insured against where appropriate
- (g) the Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

Responsibilities of the Finance Director

3.04 To prepare and promote the Council's risk management policy statement.

- 3.05** To develop risk management controls in conjunction with other Directors.
- 3.06** To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
- 3.07** To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

Responsibilities of Directors

- 3.08** To notify the Finance Director immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Finance Director or the Council's insurers.
- 3.09** To take responsibility for risk management, having regard to advice from the Finance Director and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 3.10** To ensure that there are regular reviews of risk within their departments.
- 3.11** To notify the Finance Director promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 3.12** To consult the Finance Director and the Monitoring Officer on the terms of any indemnity that the authority is requested to give.
- 3.13** To advise employees, or anyone covered by the Council's insurances, not to admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

INTERNAL CONTROLS

Why is this important?

- 3.14** The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 3.15** The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 3.16** 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.
- 3.17** The system of internal controls is established in order to provide measurable achievement of:

- (a) efficient and effective operations
- (b) reliable financial information and reporting
- (c) compliance with laws and regulations
- (d) risk management.

Key controls

3.18 The key controls and control objectives for internal control systems are:

- (a) internal controls must be reviewed on a regular basis and the Council must make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- (b) managerial control systems, including 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
- (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (d) an effective internal audit function that is properly resourced. It must operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

Responsibilities of the Finance Director

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

Responsibilities of Directors

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

3.21 To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Finance Director. Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

3.22 To ensure staff have a clear understanding of the consequences of lack of internal control.

AUDIT REQUIREMENTS

Internal Audit

Why is this important?

3.23 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 2003 more specifically require that a "relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control".

3.24 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.

Key controls

3.25 The key controls for internal audit are:

- (a) that it is independent in its planning and operation
- (b) the Chief Internal Auditor has direct access to the Head of Paid Service, all levels of management and directly to elected Members
- (c) the internal auditors comply with the Auditing Practices Board's guideline Guidance for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.

Responsibilities of the Head of Paid Service and the Finance Director

3.26 To ensure that internal auditors have the authority to:

- (a) access Council premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems
- (c) receive any information and explanation considered necessary concerning any matter under consideration
- (d) require any employee of the Council to account for cash, stores or any other under his or her control
- (e) access records belonging to third parties, such as contractors, when required
- (f) directly access the Head of Paid Service, Cabinet, Scrutiny Committee, Standards Committee, Regulatory Committees, and the full Council.

- 3.27** To approve the strategic and annual audit plans prepared by the Chief Internal Auditor, which take account of the characteristics and relative risks of the activities involved.
- 3.28** To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of Directors

- 3.29** To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 3.30** To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 3.31** To consider and respond promptly to recommendations in audit reports.
- 3.32** To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 3.33** To notify the Finance Director immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Director must take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.34** To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Internal Auditor prior to implementation.

External Audit

Why is this important?

- 3.35** The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 3.36** The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in March 2000 sets out the auditor's objectives to review and report upon:
- (a) the financial aspects of the audited body's corporate governance arrangements
 - (b) the audited body's financial statements

- (c) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the Best Value Performance Plan.

3.37 The Council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

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

Responsibilities of the Finance Director

3.39 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.

3.40 To ensure there is effective liaison between external and internal audit.

3.41 To work with the external auditor and advise the full Council, Cabinet and Directors on their responsibilities in relation to external audit.

Responsibilities of Directors

3.42 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

3.43 To ensure that all records and systems are up to date and available for inspection.

PREVENTING FRAUD AND CORRUPTION

Why is it this important?

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

3.45 The Council's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

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

Key controls

3.47 The key controls regarding the prevention of financial irregularities are that:

- (a) the Council has an effective anti fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption
- (b) all Members and staff act with integrity and lead by example
- (c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt
- (d) high standards of conduct are promoted amongst Members by the Standards Committee
- (e) the maintenance of a register of interests in which any hospitality or gifts offered or accepted must be recorded
- (f) whistle blowing procedures are in place and operate effectively
- (g) legislation including the Public Interest Disclosure Act 1998 is adhered to.

Responsibilities of the Finance Director

3.48 To develop and maintain an anti fraud and corruption policy.

3.49 To maintain adequate and effective internal control arrangements.

3.50 To ensure that all suspected irregularities are reported to the Chief Internal Auditor, the Head of Paid Service, Cabinet, Scrutiny or Standards Committee.

Responsibilities of Directors

3.51 To ensure that all suspected irregularities are reported to the Chief Internal Auditor.

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

3.53 To ensure that where financial impropriety is discovered, the Finance Director is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.

Responsibility for Registers

3.54 The Head of Paid Service shall be responsible for maintaining the Register of Disclosures and General Notices under ss 94 to 98 of the Local Government Act 1972, and the Register of Interests and any disclosures by officers.

ASSETS

Security

Why is this important?

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

Key controls

3.56 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

- (a) resources are used only for the purposes of the Council and are properly accounted for
- (b) resources are available for use when required
- (c) resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to optimise benefits
- (d) an asset register is maintained for the Council, assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset
- (e) all staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act and software copyright legislation
- (f) all staff are aware of their responsibilities with regard to safeguarding the security of the authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's Computer Guidelines, Internet and Security Policies.

Responsibilities of the Finance Director

3.57 The Finance Director shall maintain an asset register of all land and buildings owned by the Council in such a form to record sufficient details to meet the requirements of the Code of Practice on Local Authority Accounting in respect of capital accounting. For Terrier purposes the register should also show location, extent, plan reference, purchase details, nature of the interest, tenancies granted, rents payable, and purpose for which the property is held. The function of the asset register is to provide the Council with information about fixed assets so that they are:

- (a) safeguarded
- (b) used efficiently and effectively
- (c) adequately maintained.

3.58 To receive the information required for accounting, costing and financial records from each Director.

3.59 To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

3.60 The Finance Director shall ensure the safe custody of the Council's title deeds.

Responsibilities of Directors

3.61 To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Director in consultation with the Finance Director, has been established as appropriate.

3.62 To ensure the proper security of all buildings and other assets under their control.

3.63 To regularly review the land holdings and buildings under their control and identify any that are surplus to requirements to the Finance Director. The Finance Director shall be responsible under instructions from the Cabinet for the proper disposal of any surplus land or buildings.

3.64 To ensure that no Council asset is subject to personal use by an employee without proper authority.

3.65 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.

3.66 To ensure that the department maintains a register of moveable assets in accordance with arrangements defined by the Finance Director.

3.67 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.

- 3.68** To consult the Finance Director in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 3.69** To ensure cash holdings on premises are kept to a minimum.
- 3.70** To maintain key registers and ensure that all keys issued to employees are signed for. To ensure that a procedure is in place for retrieving keys from members of staff prior to their leaving the Council's employment.
- 3.71** To ensure that keys to safes and similar receptacles and other secure accommodation are carried on the person of those responsible at all times. The loss of keys must be reported to the appropriate Director and Finance Director immediately, and arrangements made for locks to be changed.
- 3.72** To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Finance Director, Cabinet agrees otherwise.
- 3.73** To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Finance Director.
- 3.74** To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.
- 3.75** To ensure that the Computer Guidelines laid down by the Finance Director are complied with including passwords, user ID's, signing on and off procedures, and physical security of computer and computer related equipment.
- 3.76** To ensure that system passwords are changed on a regular basis and whenever a member of staff having access to computer systems leaves. He/she shall also notify the Council's Computer Facilities Management contractor of any leavers, for information, and action as necessary.

Inventories

- 3.77** To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £500 in value.
- 3.78** To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- 3.79** To make sure that property is only used in the course of the Council's business, unless the Director concerned has given permission otherwise.

Stocks and Stores

- 3.80** To make arrangements for the care and custody of stocks and stores in the department.
- 3.81** To ensure that issues are not made from stores except against the signature of an authorised employee.
- 3.82** To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies must be investigated and pursued to a satisfactory conclusion.
- 3.83** To investigate and remove from the Council's records (i.e. write off) discrepancies as necessary, or to obtain Cabinet approval if they are in excess of a predetermined limit.
- 3.84** To ensure that any substantial surpluses or deficiencies revealed at any stocktaking are reported to the Finance Director who shall be empowered to approve the write-off of deficiencies or other necessary adjustments to the stores records.
- 3.85** To authorise or write off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Finance Director, Cabinet decides otherwise in a particular case.
- 3.86** To seek Cabinet approval to the write-off of redundant stocks and equipment in excess of a predetermined sum.
- 3.87** To ensure that Director's responsible for the maintenance of stocks and stores maintain stores records and continuous stocktaking in a form agreed with the Finance Director, and shall deliver to the Finance Director a certified statement of stocks/stores in hand as at 31st March in each year by a date agreed with the Finance Director.

Intellectual Property

Why is this important?

- 3.88** Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.
- 3.89** Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Responsibilities of the Finance Director

3.90 To develop and disseminate good practice on intellectual property throughout the Council.

Responsibilities of Directors

3.91 To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

Asset Disposal

Why is this important?

3.92 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Council.

Key controls

3.93 To comply with the requirements set out in the Council's *Procedures for the approval of the sale of Eastbourne Borough Council owned land and property, and for the settlement of rent reviews and lease renewals*.

3.94 In the case of redundant, surplus or obsolete items for sale that are of a specialist nature, an advertisement should be placed in the appropriate trade journal inviting offers. Such items should be sold accepting the most financially advantageous offer. In the case of non-specialised items, or where the Council may incur costs in disposing of such items, the items should be advertised amongst the Divisions within the Council. If no interest is shown within the Council, then an advertisement may be made to employees. In all cases, adequate time should be given for the items to be viewed. Offers for the purchase of such items should be made by way of a sealed bid. All bids must be recorded and opened at the same time in the presence of two Officers. The best price reasonably obtainable should be sought.

3.95 Procedures should protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Finance Director

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

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

Responsibilities of Directors

3.98 To seek advice from the Finance Director on the disposal of surplus or obsolete materials, stores or equipment.

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

TREASURY MANAGEMENT

Why is this important?

3.100 Many millions of pounds pass through the Council's accounts each year. This has led to the establishment of codes of practice. These aim to provide assurances 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.

Key controls

3.101 That the Council's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management in the Public Services and with the Council's Treasury Management Policy Statement.

Responsibilities of Finance Director - treasury management and banking

3.102 To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management in the Public Services and with the Council's Treasury Management Policy Statement and Treasury Management Practices.

3.103 To report at least annually on treasury management activities to Cabinet.

3.104 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Finance Director.

Responsibilities of Directors – treasury management and banking

3.105 To follow the instructions on banking issued by the Finance Director.

Responsibilities of Finance Director - investments and borrowing

3.106 To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the full Council.

3.107To ensure that all securities the property of or in the name of the Council, or its nominees, and the title deeds of all property in the Council's ownership shall be held in the custody of the Finance Director or the Council's bankers as appropriate, or under such other arrangements as are approved by the Finance Director.

3.108To effect all borrowings in the name of the Council.

3.109To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.

Responsibilities of Directors - investments and borrowing

3.110To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the full Council following consultation with the Finance Director.

Responsibilities of Directors – trust funds and funds held for third parties

3.111To arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Finance Director, unless the deed otherwise provides.

3.112To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Finance Director, and to maintain written records of all transactions.

3.113To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Responsibilities of the Finance Director - imprest accounts

3.114To provide employees of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Minor items of expenditure must not exceed the prescribed amount.

3.115To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

3.116To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

Responsibilities of Directors – imprest accounts

3.117To ensure that employees operating an imprest account:

- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
- (b) make adequate arrangements for the safe custody of the account
- (c) produce upon demand by the Finance Director cash and all vouchers to the total value of the imprest amount
- (d) record transactions promptly
- (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
- (f) provide the Finance Director with a certificate of the value of the account held at 31st March each year
- (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
- (h) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Finance Director for the amount advanced to him or her.

STAFFING

Why is this important?

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

Key controls

3.119 The key controls for staffing are:

- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched
- (b) procedures are in place for forecasting staffing requirements and costs
- (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the Council
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Finance Director

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

Responsibilities of Directors

3.121 To produce an annual staffing budget within the constraints of 3.122 below.

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

3.123To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

3.124To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

Section 4 - Financial Systems and Procedures

GENERAL

Why is this important?

4.01 Departments have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Departments are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

4.02 The Finance Director has a professional responsibility to ensure that the Council's financial systems are sound and must therefore be notified of any new developments or changes.

Key controls

4.03 The key controls for systems and procedures are:

- (a) basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated
- (b) performance is communicated to the appropriate managers on an accurate, complete and timely basis
- (c) early warning is provided of deviations from target, plans and budgets that require management attention
- (d) operating systems and procedures are secure.

Responsibilities of the Finance Director

4.04 To make arrangements for the proper administration of the Council's financial affairs, including to:

- (a) issue advice, guidance and procedures for officers and others acting on the Council's behalf
- (b) determine the accounting systems, form of accounts and supporting financial records
- (c) establish arrangements for audit of the Council's financial affairs
- (d) approve any new financial systems to be introduced
- (e) approve any changes to be made to existing financial systems.
- (f) ensure that effective contingency arrangements, including back-up procedures, exist for both corporate and local computer systems

Responsibilities of Directors

4.05 To ensure that accounting records are properly maintained and held securely.

- 4.06** To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Finance Director.
- 4.07** To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 4.08** To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed
 - (b) all processing is carried out in an accurate, complete and timely manner
 - (c) output from the system is complete, accurate and timely.
- 4.09** To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 4.10** To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 4.11** To ensure that systems are documented and staff trained in operations.
- 4.12** To consult with the Finance Director before changing any existing system or introducing new systems.
- 4.13** To establish an authorisation scheme identifying officers authorised to act upon the Director's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 4.14** To supply lists of authorised officers, with specimen signatures and delegation limits, to the Finance Director, together with any subsequent variations.
- 4.15** To ensure that effective contingency arrangements, including back-up procedures, exist for local computer systems. Wherever possible, back-up information must be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 4.16** To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 4.17** To ensure that relevant standards and guidelines for computer systems issued by the Finance Director are observed.

- 4.18** To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.19** To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the Council is used on its computers
 - (b) staff are aware of legislative provisions
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.

INCOME AND EXPENDITURE

Income

Why is this important?

- 4.20** Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and also avoids the time and cost of administering debts.

Key controls

- 4.21** The key controls for income are:
- (a) all income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
 - (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery or electronic systems
 - (c) all money received by an employee on behalf of the Council is paid without delay to the Finance Director or, as he or she directs, to the Council's bank account, and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due
 - for reconciling the amount due to the amount received
 - (d) effective action is taken to pursue non-payment within defined timescales
 - (e) formal approval for debt write-off is obtained
 - (f) appropriate write-off action is taken within defined timescales
 - (g) appropriate accounting adjustments are made following write-off action
 - (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
 - (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

Responsibilities of the Finance Director

- 4.22** To approve the detailed procedures to be followed at Council establishments for the counting, security, banking and accounting for all monies received on behalf of the Council in accordance with the latest Accounts and Audit Regulations
- 4.23** To approve the form of all receipt forms, books, tickets and other similar items. These may be obtained by the Director who shall be responsible for their control and safe custody.
- 4.24** To establish systems so that money collected and deposited is reconciled to the bank account on a regular basis.
- 4.25** To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 4.26** No amounts over £1,000 due to the Council shall be written off without the prior approval of the Finance Director, who shall obtain the approval of the Cabinet where a debt is in excess of £5,000. The Finance Director may write off debts or such part of them as prove to irrecoverable, even if these sums are in excess of £5,000 where the following classes of debts were proved to be owed to the Council: -
- Bankruptcy proceedings
 - Liquidation of companies
 - Voluntary arrangements
 - Receivership
 - Struck off companies
 - Irrecoverable Value Added Tax
 - Debtor is deceased and where no residual estate exists to discharge the debt.
- 4.27** In the case of contracts for the sale of items the Contract Procedure Rules should apply.
- 4.28** To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Directors

- 4.29** To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and unless directed otherwise by the Cabinet, review it at least once in every financial year.
- 4.30** To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 4.31** To issue official receipts or to maintain other documentation for income collection.

- 4.32** To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 4.33** To hold securely receipts, tickets and other records of income for the appropriate period.
- 4.34** To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 4.35** To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details must be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 4.36** To ensure income is not used to cash personal cheques or other payments.
- 4.37** To require a record to be kept by cashiers of discrepancies arising from daily cash balancing. The record must be produced to the Finance Director, or an officer approved to act on his or her behalf, who shall have authority to write off any shortage for a cashier's daily balancing.
- 4.38** To ensure that invoices for goods/services are raised promptly and no later than five working days after their provision. To do this, Directors should use established performance management systems to monitor recovery of income and flag up areas of concern to the Finance Director. Directors have a responsibility to collect debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf. Directors shall ensure that levels of cash held on premises for which they are responsible do not exceed approved levels.
- 4.39** To 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.
- 4.40** To recommend to the Finance Director all debts to be written off and to keep a record of all sums written off up to the approved limit. Directors have delegated authority to write-off debts up to £1,000 if they consider that there is no possibility of the debt being recovered. No other amounts due to the Council shall be written off without the prior approval of the Finance Director, who shall obtain the approval of the Cabinet where a debt is in excess of £5,000. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 4.41** To obtain the approval of the Finance Director when recommending the writing off of debts in excess of the approved limit, and the approval of Cabinet where required.

- 4.42** To notify the Finance Director of outstanding income relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Finance Director and not later than 30th April.

Ordering and Paying for Work, Goods and Services

Why is this important?

- 4.43** Public money must be spent with demonstrable probity and in accordance with the Council's policies. Local Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Contract Procedure Rules.

General

- 4.44** Every officer and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.
- 4.45** Official orders must be in a form approved by the Finance Director. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases, where a formal contract has been entered into or other exceptions specified by the Finance Director.
- 4.46** Orders must be signed and dated by an authorised Officer who shall ensure that sufficient measures are taken to avoid additional items being added to the order after authorisation.
- 4.47** No verbal orders are to be issued unless immediately followed up with a written confirmation by means of an official order.
- 4.48** Standard terms and conditions must not be varied without the prior approval of the Finance Director.
- 4.49** Apart from petty cash, the normal method of payment from the authority shall be by BACS or cheque or other instrument or approved method, drawn on the authority's bank account by the Finance Director. The use of direct debit shall require the prior agreement of the Finance Director.
- 4.50** Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts, unless specifically authorised in writing by the Finance Director.

Key controls

4.51 The key controls for ordering and paying for work, goods and services are:

- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
- (b) all goods and services shall be ordered in accordance with the authority's Contract Procedure Rules for tenders and contracts unless they are purchased from sources within the Council
- (c) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
- (d) payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards
- (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
- (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule
- (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
- (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of the Finance Director

4.52 To ensure that all the Council's financial systems and procedures are sound and properly administered.

4.53 To approve any changes to existing financial systems and to approve any new systems before they are introduced.

4.54 To approve the form of official orders and associated terms and conditions.

4.55 To order cheques that are crossed "A/c payee only" and that bear the facsimile signature of the Finance Director, and to make proper arrangements for safe custody. Cheques with a value exceeding £25,000 shall be signed by two authorised signatories, one of which may be the facsimile signature.

4.56 To make payments from the Council's funds on a Director's authorisation that the expenditure has been duly incurred in accordance with Financial Procedure Rules.

4.57 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.

4.58 To make payments to contractors on the certificate of the appropriate Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

- 4.59** To provide advice and encouragement on making payments by the most economical means.
- 4.60** To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

Responsibilities of Directors

- 4.61** To ensure that uniquely numbered official orders are used for all goods and services, other than the exceptions specified in 4.45.
- 4.62** To be responsible for the safe custody and proper use of official orders issued by their Department's. They shall maintain a list of all Officers authorised to sign orders.
- 4.63** To ensure that orders are only used for goods and services provided to the department. Individuals must not use official orders to obtain goods or services for their private use.
- 4.64** To ensure that only those staff authorised by him or her sign orders, and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. A business case should be documented and retained for inspection where any unusual items are procured - e.g. non-standard IT purchases. Best value principles should underpin the Council's approach to procurement. Value for money should always be achieved.
- 4.65** To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the one who authorised the order. Appropriate entries must then be made in inventories or stores records.
- 4.66** To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- (a) receipt of goods or services
 - (b) that the invoice has not previously been paid
 - (c) that expenditure has been properly incurred and is within budget provision
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
 - (e) correct accounting treatment of tax
 - (f) that the invoice is correctly coded
 - (g) that discounts have been taken where available
 - (h) that appropriate entries will be made in accounting records.

- 4.67** To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- 4.68** To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Finance Director.
- 4.69** To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered must be reported to the Chief Internal Auditor.
- 4.70** To encourage suppliers of goods and services to receive payment by the most economical means for the authority. It is essential, however, that payments made by direct debit have the prior approval of the Finance Director.
- 4.71** To ensure prompt payment of invoices for goods and services in accordance with agreed suppliers terms or within the statutory period determined in the Late Payment of Commercial debts (Interest) Act 1998 or successor legislation.
- 4.72** To ensure that the department obtains the best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines issued by the Finance Director, which are in line with best value principles and contained in the Council's Contract Procedure Rules.
- 4.73** To utilise the purchasing procedures established by the Finance Director in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the Contract Procedure Rules and will cover:
- (a) authorised officers and the extent of their authority
 - (b) advertisement for tenders
 - (c) procedure for creating, maintaining and revising a standard list of contractors
 - (d) selection of tenderers
 - (e) compliance with UK and EC legislation and regulations
 - (f) procedures for the submission, receipt, opening and recording of tenders
 - (g) the circumstances where financial or technical evaluation is necessary
 - (h) procedures for negotiation
 - (i) acceptance of tenders
 - (j) the form of contract documentation
 - (k) cancellation clauses in the event of corruption or bribery
 - (l) contract records.

- 4.74** To ensure that employees are aware of the national code of conduct for local government employees or subsequent document.
- 4.75** To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Finance Director. This is because of the potential impact on the authority's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 4.76** To notify the Finance Director of outstanding expenditure relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Finance Director and, in any case, not later than 30th April.
- 4.77** With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Finance Director the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- 4.78** To notify the Finance Director immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.79** To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

PAYMENTS TO EMPLOYEES AND MEMBERS

Why is this important?

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

Key controls

- 4.81** The key controls for payments to employees and Members are:
- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starters
 - leavers
 - variations
 - enhancements

- (b) and that payments are made on the basis of timesheets or claims frequent reconciliation of payroll expenditure against approved budget and bank account
- (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
- (d) that Inland Revenue regulations are complied with and those of other relevant statutory bodies.

Responsibilities of the Finance Director

4.82 To ensure that adequate arrangements, records and controls exist for:

- (a) the secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- (b) the accurate and timely payment of tax, pensions and other deductions.
- (c) payment of all travel and subsistence claims or financial loss allowance.
- (d) paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- (e) the provision of advice and encouragement to secure payment of salaries and wages by the most economical means.
- (f) adequate arrangements for administering pensions matters on a day-to-day basis.

Within Eastbourne Borough Council the responsible Director for carrying out these processes is the Head of Paid Service.

Responsibilities of Directors

4.83 To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.

4.84 To notify the responsible Director of all appointments, terminations or variations that may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Finance Director.

4.85 To ensure that adequate and effective systems and procedures are operated, so that:

- (a) payments are only authorised to bona fide employees
- (b) payments are only made where there is a valid entitlement
- (c) conditions and contracts of employment are correctly applied

- (d) employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

- 4.86** To maintain a record of authorised Officers, and their signatures, able to certify relevant pay documents and time records on their behalf in a form acceptable to the Finance Director. Copies of the complete record shall be deposited with the Finance Director.
- 4.87** To ensure that payroll transactions are processed only through the payroll system. Directors must give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Finance Director.
- 4.88** To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Finance Director is informed where appropriate.
- 4.89** To ensure that the Finance Director is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.90** To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of Members

- 4.91** To submit claims for Members' travel and subsistence and care allowances on a monthly basis and, in any event, within one month of the year-end.

TAXATION

Why is this important?

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

Key controls

- 4.93** The key controls for taxation are:
 - (a) budget managers are provided with relevant information and kept up to date on tax issues
 - (b) budget managers are instructed on required record keeping

- (c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- (d) records are maintained in accordance with instructions
- (e) returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of the Finance Director

- 4.94** To ensure that adequate arrangements exist for the timely completion of all Inland Revenue returns regarding PAYE. Within Eastbourne Borough Council the responsible Director for carrying out this process is the Head of Paid Service
- 4.95** To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.
- 4.96** To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- 4.97** To ensure that adequate arrangements exist to maintain up-to-date guidance for Council employees on taxation issues.

Responsibilities of Directors

- 4.98** To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- 4.99** To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 4.100** To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 4.101** To follow the guidance on taxation issued by the Finance Director.

TRADING ACCOUNTS AND BUSINESS UNITS

Why is this important?

- 4.102** Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the Best Value Performance Plan.

Responsibilities of the Finance Director

4.103To advise on the establishment and operation of trading accounts and business units.

Responsibilities of Directors

4.104To consult with the Finance Director where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts must not be entered into unless they can be terminated within the main contract period without penalty.

4.105To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.

4.106To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

4.107To ensure that each business unit prepares an annual business plan.

Section 5 - External Arrangements

PARTNERSHIPS

Why is this important?

5.01 Partnerships now play a pivotal role in delivering community strategies and in helping to promote and improve the well being of the area. As such each partnership should seek to reflect the diversity of the community in its membership. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.

5.02 Local authorities now mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities are measured by what they achieve in partnership with others.

General

5.03 A partnership is a voluntary relationship between two or more independent parties which is designed to secure some shared objective. It can take many forms but is generally assumed to exclude the familiar relationships between client and contractor and between employer and staff.

5.04 The main reasons for entering into a partnership are:

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

5.05 A partner is defined as either:

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

5.06 Partnerships can take many forms. Examples include:

- subsidiary or associated companies and trusts
- joint boards
- joint committees
- advisory groups
- joint consultative committees

Eastbourne Borough Council Constitution
Part 4 - Rules of Procedure

- partnerships with suppliers
- accountable body for a partnership (e.g. Single Regeneration Budget)
- giving grants to partner organisations
- joint working

5.07 Partners participate in projects by:

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

5.08 Partners have common responsibilities:

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

5.09 The areas in which controls are needed will apply to all partnerships. The actual controls may be prescribed in some circumstances e.g. subsidiary companies or in the case of joint working subject to local discretion where it is up to the partners to agree a control framework.

5.10 Giving grants to partner organisations may put the onus on partners in terms of service delivery and controls but the Council might wish to specify the conditions under which it is prepared to give a grant.

What are the risks?

5.11 The degree of risk varies between partnerships, ranging from a low risk where the Council gives specific grants, to a high risk where it contributes a more complex range of resources such as physical assets and staff to providing a new service.

5.12 In some partnerships formed with, for example, the County Council and other district councils to receive grants from the Government or the European Community, the County Council usually agrees to be the accountable body and as such is responsible for the performance of the other partners. However, where this Council acts as the accountable body these responsibilities would fall accordingly and there is a potential liability, which needs to be assessed and mitigated by the introduction of controls.

Confused Accountabilities

- 5.13** One of the biggest areas of risk in partnerships is where the obligations of the partners have not been clearly defined. For example, problems occur when one (or more) of the partners decide(s) to withdraw without giving sufficient notice. If the other partner(s) has /have been committed to providing resources that have fixed costs e.g. staffing or accommodation, then they may be liable to bear the costs of winding up the partnership e.g. redundancy pay or lease termination.
- 5.14** Each partner to an arrangement will have different governance arrangements including Financial Procedure Rules. The partnership will therefore need to agree its own set of governance arrangements. Where this Council's arrangements are not followed, it is only acceptable to adopt the framework of the lead partner.
- 5.15** The governance framework will need to be made clear to all the staff working for the partnership. This must be reflected in their terms and conditions of employment and appropriate training should be provided.
- 5.16** There are specific issues relating to Members of staff and councillors who represent the borough council as directors of limited companies and some trusts where, by law, they are personally liable for their decisions. They need to be aware of this before they agree to take on such a role as the Council is unable to indemnify them.

Hidden Costs

- 5.17** The main costs which are often ignored in partnership arrangements are:
- administration and management costs
 - support services of central departments
 - premises costs and use of other assets
 - insurance costs, particularly when they are covered internally
 - sick pay of employees when partners are contributing staff time
 - potential liabilities e.g. cost implications where another partner withdraws altogether from the agreement or reduces their contribution.
- 5.18** The question arises as to whether or not these costs should be left out of a partnership agreement. A judgement needs to be made in each case depending on the circumstances. For example, when partners are meeting a fair share of the hidden costs it will often be best for these costs not to be shared. However, the Council needs to be sure that it is not being asked to shoulder an unfair burden or at least know when it is. So when a partnership is being proposed any hidden costs should be identified and a decision to exclude them formally agreed.

Key controls

- 5.19** It is important that there are controls in place throughout the life of a partnership to ensure that it:

- meets the objectives set for it
- makes the maximum use of the resources at its disposal
- is publicly accountable for all decisions and transactions

5.20 The key controls for the Council's partners are:

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

5.21 There also needs to be an agreed process for planning and monitoring using performance indicators throughout the lifetime of the partnership:

- regularly to review objectives
- to ensure objectives are achieved
- to ensure that the partnership continues to be the most effective approach to service delivery.

This means starting with clear objectives and a framework within which to work. It is therefore essential that all partners sign up to these before the partnership is formed.

5.22 It is important that these controls are considered by management and Members when a partnership agreement is being put together. CIPFA's guidance document Building Effective Partnerships lists a number of issues to be considered when putting together a regulatory framework. This has been used as a basis for compiling a checklist for managers to complete as part of the setting up process.

5.23 The checklist must be completed for all partnership arrangements. Not only does it provide a useful tool for the managers involved but also provides a record that departmental management can use to ensure consistency of accounting arrangements and that potential risk to the Council has been considered.

5.24 The assessment and completion of the form must be carried out before finalising and agreements with partners.

5.25 The checklist shall be completed even if the Council is not the lead partner in the arrangement as management and Members still need to consider where there are any hidden costs or potential risks.

5.26 Once an appropriate manager has completed the checklist it must be forwarded to the Finance Director for his/her approval in consultation with the Monitoring Officer. He/she will be able to provide advice as necessary to ensure that a suitable framework is established.

Responsibilities of the Finance Director

5.27 To advise on effective controls that will ensure that resources are not wasted.

5.28 To advise on the key elements of funding a project. These include:

- (a) a scheme appraisal for financial viability in both the current and future years
- (b) risk appraisal and management
- (c) resourcing, including taxation issues
- (d) audit, security and control requirements
- (e) carry-forward arrangements.

5.29 To ensure that the accounting arrangements are satisfactory.

Accounting Controls

5.30 In principle the accounting controls needed for partnerships are no different for any other activities of the Council. However there will be some additional requirements depending on the terms of the agreement with the other partners.

5.31 The basic requirements for each partnership are:

- to prepare annual budgets
 - in accordance with a timetable agreed with the other partners
 - incorporating costs and income covered by the partnership contract.
 - for reporting to a joint committee / board as appropriate
 - to monitor and take action to stay within the budget.
 - if the Council is the lead partner for reporting to a joint committee board if appropriate or to the partners at agreed times.
 - to report to the lead partner if the Council is not the lead partner
- to account for expenditure and income
 - as part of the relevant service expenditure analysis (SEA)
 - when the Council is the lead partner the total expenditure and income which goes through the Council's accounts must be included in the SEA not just the Council's share.
 - within SEA expenditure and income should be subject to a partnership agreement and must be separately costed
 - to work within agreed rules when a pooled budget is being spent.
 - to prepare a set of final accounts
 - In accordance with accounting standards applicable to the lead partner. [However if the Council is not the lead partner, the

Council's contribution should be included in SEA in accordance with the code of practice applying to local government]

- as required in the partnership agreement
- for certification by the external auditor and the approval of any joint board / committee as appropriate.

Responsibilities of Directors

- 5.32** To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Finance Director.
- 5.33** To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Finance Director.
- 5.34** To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- 5.35** To ensure that all agreements and arrangements are properly documented.
- 5.36** To provide appropriate information to the Finance Director to enable a note to be entered into the Council's statement of accounts concerning material items.
- 5.37** To ensure that partnerships are not entered into or resources committed unless the Council has demonstrated that it has the capacity to deliver its obligations without impacting on service delivery and has taken into account any factors identified by an appropriate risk assessment, particularly where the Council is to act as the Accountable Body.

EXTERNAL FUNDING

Why is this important?

5.38 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. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the Single Regeneration Budget 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.

Key controls

5.39 The key controls for external funding are:

- (a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood
- (b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by the full Council
- (c) to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Finance Director

5.40 To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

5.41 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

5.42 To ensure that audit requirements are met.

Responsibilities of Directors

5.43 To ensure that all claims for funds are made by the due date.

5.44 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

WORK FOR THIRD PARTIES

Why is this important?

5.45 Current legislation enables the Council to provide a range of services to other bodies, for example through "well being" powers. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risk associated with this work is minimised and that such work is intra vires.

Key controls

5.46 The key controls for working with third parties are:

- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Finance Director
- (b) to ensure that contracts are drawn up using guidance provided by the Finance Director and that the formal approvals process is adhered to
- (c) maintenance of the contract register
- (d) consideration of any liability for any potential losses or claims arising from the work

Responsibilities of Finance Director

5.47 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of Directors

5.48 To ensure that the approval of Cabinet is obtained before specific negotiations are initiated to work for third parties.

5.49 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Finance Director.

5.50 To consider whether the Council or its officers could be held liable for damages in the event of losses and ensure that appropriate insurance arrangements are made.

5.51 The Council's Insurers include in the general conditions applying to all the Council's policies the following conditions that shall be observed by all officers.

- (1) "The Insured will comply with all regulations imposed by any competent authority and take all reasonable precautions to prevent or minimise accident, loss, damage or injury";
- (2) "No settlement, admission or repudiation of liability, payment or promise of payment will be made without the written consent of the Insurer"

- 5.52** To ensure that the Council is not put at risk from any bad debts.
- 5.53** To ensure that no contract is subsidised by the Council.
- 5.54** To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 5.55** To ensure that the department has the appropriate expertise to undertake the contract.
- 5.56** To ensure that such contracts do not impact adversely upon the services provided for the Council.
- 5.57** To ensure that all contracts are properly documented.
- 5.58** To provide appropriate information to the Finance Director to enable a note to be entered into the statement of accounts.