

Democratic Services

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Date: 17 November 2014
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To: All Members of the Corporate Audit Committee

Councillors: Will Sandry (Chair), Andrew Furse, Gerry Curran, Dave Laming, Brian Simmons and Brian Webber

Independent Member:

Chief Executive and other appropriate officers

Press and Public

Dear Member

Corporate Audit Committee: Tuesday, 2nd December, 2014

You are invited to attend a meeting of the **Corporate Audit Committee**, to be held on **Tuesday, 2nd December, 2014 at 5.30 pm** in the. **Kaposvar Room - Guildhall, Bath.**

The agenda is set out overleaf.

Yours sincerely



Sean O'Neill
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

NOTES:

- 1. Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Sean O'Neill who is available by telephoning Bath 01225 395090 or by calling at the Guildhall Bath (during normal office hours).
- 2. Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Sean O'Neill as above.

- 3. Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Sean O'Neill as above.

Appendices to reports are available for inspection as follows:-

Public Access points - Reception: Civic Centre - Keynsham, Guildhall - Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

For Councillors and Officers papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

- 4. Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

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The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast An archived recording of the proceedings will also be

available for viewing after the meeting. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

5. Attendance Register: Members should sign the Register which will be circulated at the meeting.

6. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.

7. Emergency Evacuation Procedure

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

Arrangements are in place for the safe evacuation of disabled people.

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Protocol for Decision-making

Guidance for Members when making decisions

When making decisions, the Cabinet/Committee must ensure it has regard only to relevant considerations and disregards those that are not material.

The Cabinet/Committee must ensure that it bears in mind the following legal duties when making its decisions:

- Equalities considerations
- Risk Management considerations
- Crime and Disorder considerations
- Sustainability considerations
- Natural Environment considerations
- Planning Act 2008 considerations
- Human Rights Act 1998 considerations
- Children Act 2004 considerations
- Public Health & Inequalities considerations

Whilst it is the responsibility of the report author and the Council's Monitoring Officer and Chief Financial Officer to assess the applicability of the legal requirements, decision makers should ensure they are satisfied that the information presented to them is consistent with and takes due regard of them.

Corporate Audit Committee - Tuesday, 2nd December, 2014

at 5.30 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 8.

2. ELECTION OF VICE-CHAIR

To elect a Vice-Chair (if required) for this meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is a **disclosable pecuniary interest** *or* an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

6. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

7. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

8. MINUTES: 25 SEPTEMBER 2014 (Pages 7 - 12)

9. TREASURY MANAGEMENT UPDATE REPORT (Pages 13 - 28)

10. INTERNAL AUDIT UPDATE REPORT (Pages 29 - 38)

11. EXTERNAL AUDIT UPDATE REPORT (Pages 39 - 70)
12. FINANCIAL REGULATIONS (Pages 71 - 188)
13. CONTRACT STANDING ORDERS (PRESENTATION)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 25th September, 2014, 5.30 pm

Councillors: Andrew Furse (Chair), Gerry Curran, Dave Laming and Brian Webber

Independent Member: John Barker

Officers in attendance: Tim Richens (Divisional Director- Business Support), Jeff Wring (Divisional Director, Risk and Assurance) and Jamie Whittard (Financial Accounting and Planning Team Leader)

Guests in attendance: Barrie Morris (Grant Thornton) and Kevin Henderson (Grant Thornton)

14 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

15 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Will Sandry.

17 DECLARATIONS OF INTEREST

There were none.

18 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

19 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

20 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

21 MINUTES: 13 MAY 2014

The minutes of 13 May 2014 were approved as a correct record and signed by the Chair.

The Divisional Director – Risk and Assurance gave an update on progress towards an audit partnership with North Somerset Council (Minute 9 of the meeting of 13 May

2014). He had been heading up the audit and information governance teams at both Councils for a year as part of developing joint working arrangements. Several joint workshops had taken place and a number of improvements had been made during this period. This included a single audit management system, new audit templates and a new audit manual. He considered that maximum efficiencies would only be achieved when the two internal audit services were fully integrated, and that it was now the right time to recommend a formal internal audit partnership, which had been supported by the S151 Officers of both Councils. He envisaged that a new partnership could be created with Bath & North East Somerset acting as the host authority and partner staff transferring under TUPE. There were many advantages in this approach: there were opportunities for savings in addition to those arising from reduced overheads, there would be a larger pool of skills, and it would be possible for the partnership to sell its services to other public sector bodies. He would give a further update at the December meeting of the Committee. Members indicated their unanimous support for the continuation of progress towards a joint audit partnership.

A Member raised the issue of fatalities in the River Avon, which had been touched on at the previous meeting (Minute 11 of the meeting of 13th May 2014). He was concerned to note that another fatality had occurred nine days previously, and wondered whether the Committee should take a closer look at the issue. The Divisional Director – Audit and Risk reminded Members that the issue had been discussed in relation to the Council's Annual Governance Statement, and the fundamental question had been whether or not failings by the Council had contributed to the fatalities. This was not considered to be the case, and he did not think that there was a specific role for the Committee in the details of the issue. The risk of the Council not carrying out its duties in relation to river safety appeared at service level. However a commitment was made to raise this as a potential corporate risk. Additionally, the Strategic River Group was reporting to a PDS Panel, so there was a channel for Members' concerns. Another Member suggested that the Strategic River Group would be even more effective if it had a representative of Finance as a member. The Divisional Director – Business Support pointed out that the relevant Director had full delegated financial authority for spending on river safety.

22 EXTERNAL AUDIT FINDINGS REPORTS AND ANNUAL ACCOUNTS 2013/14

The Financial Accounting and Planning Team Leader presented and commented on the Council's Statement of Accounts 2013/14. He tabled a document summarising the key elements of the accounts, which is attached as Appendix 1 to these minutes.

The Divisional Director – Business Support drew attention to the use of capital receipts to fund the capital programme to keep borrowing low, explaining the decrease in the Capital Receipts Reserve of £6.4m on the previous year.

Mr Henderson explained that the Unusable Reserves comprised many technical accounting adjustments and were not "real money".

In response to a question from the Chair about the transfer of Community Centres to external parties, the Divisional Director – Business Support explained that they would be reflected in the accounts for the Property Service and in the Balance Sheet. The Financial Accounting and Planning Team Leader explained that value recorded for these transfers included the building and the land.

The Financial Accounting and Planning Team Leader then presented and commented on the Avon Pension Fund Accounts.

The Divisional Director – Business Support thanked the Finance Team for their excellent work and the Grant Thornton team for their constructive working relationship with Council staff.

A Member asked what the financial outlook for the Council was over the next six months. The Divisional Director – Business Support said that things were going reasonably well. At present a small overspend was projected, which had been reported to Cabinet. Directors were reasonably confident that a balanced budget could be delivered over the year.

The Grant Thornton team presented the External Audit Findings Reports for the Council and for the Avon Pension Fund. Mr Morris said that the Council's accounts would be given an unqualified opinion. There had been one objection to the accounts, which he believed would be resolved in the next couple of days. He drew attention to the list of significant risks.

The Chair asked about the valuation of investment assets as mentioned on page 13 of the audit findings for the Council (agenda page 29). Mr Morris explained that the external auditors were satisfied with the values and the accounting for assets, but that there needed to be enhanced reporting arrangements.

Mr Henderson commented on the Value-for-Money report. He said that the Council's financial plan had been delivered, but a balanced budget would be difficult to deliver from 2014/15, though the Council's track record gave some grounds for optimism. The Chair noted that the Council had achieved green for every category in the Red, Amber, Green rating scheme. Mr Henderson responded that the Council had focussed on the right areas and taken the right actions.

Mr Morris said that an additional audit fee of £1,070 would be charged because work on NDR3 claims as explained on page 27 of the Findings Report (agenda page 43). He also said that an additional sentence would have to be added to the certificate, though this was not a reason to delay issuing an opinion on the accounts.

The Grant Thornton team commented on the Findings Report for the Avon Pension Fund. The Chair asked about the £2.2m overpayment of contributions by Bristol City Council referred to on page 10 of the Findings Report (agenda page 62). Mr Morris explained that BCC had not yet decided on whether to seek a repayment or to use the overpayment to pay future contributions.

It was suggested that the issue of payroll system password controls (agenda page 67) should appear in the Findings Report for the Council, not the Avon Pension Fund, as the issue related to former employees of the Council and not to pensioners leaving the Pension Fund. Mr Morris said he would look into this.

The Chair asked about the hot review of the Council undertaken by Grant Thornton. Mr Morris said this was carried out by the Grant Thornton technical team and was another layer of audit aimed at identifying any issues that might have been overlooked. In fact most of the issues thrown up by the hot review had already been identified. Mr Henderson said that the hot review provided no extra assurance about

the validity of the figures in the accounts, but confirmed whether or not there was compliance with the CIPFA Code.

Members asked for further information about the revaluation of assets (agenda page 28). Mr Morris explained that accounting valuation rules change frequently. The latest CIPFA code had provided some new guidance. The Divisional Director – Business Support explained that property assets appeared both in the Council's property register and in the register of fixed assets. There was a need to ensure these records were mutually consistent. The Code now required all assets of the same class should be valued at the same time, for example that all car parks should be valued in the same financial year taking into account all known factors, like the closure of the Police Station next to a Council car park to which a Member had referred. Any subsequent significant impairment of an asset would have to be reflected in the accounts. When an asset was disposed of the full current market rate was considered, without reference to the values recorded on the registers, though the market rate might be discounted by any community benefits to be realised by the transfer of the asset. Any subsequent significant impairment of an asset would have to be reflected in the accounts.

Turning to the Annual Governance Statement, Mr Morris said this had to be signed off on the same day as the accounts. As the Statement had been signed by the Leader of the Council and the Chief Executive on 12 September, he asked the Committee to confirm that no events had occurred since that date requiring the amendment of the Statement. The Divisional Director – Business Support said that officers were able to advise the Committee that no such events had occurred. Mr Morris also invited the Committee to authorise the Chair to send the Letter of Representation.

RESOLVED:

1. To note the issues contained within the Audit Findings Reports for the Council and the Avon Pension Fund.
2. To approve the audited Statement of Accounts for Bath and North East for 2013/14 (including the Annual Governance Statement).
3. To authorise the Chair to sign the Letter of Representation.

23 TREASURY MANAGEMENT OUTTURN 2013/14

The Divisional Director – Business Support presented the report. He said that the Council had continued not to invest in the Eurozone. Cash holdings were low, as cash was being used to finance the capital programme to keep borrowing down. In response to a question from a Member, he said that £10m was available in the Council budget for investment in property. Letting property to long-term tenants made commercial sense in the current environment.

Responding to a Member's question about the valuation of assets, he said that assets were valued on their current use, so that a car park would be valued as a car park, taking into account the future income stream from parking charges. If there was a change of use of an asset, it would be valued on a different basis. The Property

and Finance team liaised on accounting procedures and on acquisitions and disposals. If it was proposed to acquire or dispose of an asset, a joint report from Property and Finance would go to Council or Cabinet. The Member wondered whether reports on individual acquisitions and income earned from them should come to the Committee. The Divisional Director Business – Support advised that these details were included in the Council’s corporate budget and in reports to Cabinet. The Divisional Director – Audit and Risk advised that these details fell within the responsibility of a Cabinet Member, and not the Committee’s.

RESOLVED

1. To note the Treasury Management Annual Report to 31st March 2014 prepared in accordance with the CIPFA Treasury Code of Practice.
2. To note the 2013/14 actual Treasury Management Indicators.
3. To note the debt rescheduling actions highlighted in paragraphs 5.8 to 5.10 of the report.

24 PROPOSED AUDIT COMMITTEE BRIEFING SESSION - VERBAL UPDATE BY THE INDEPENDENT MEMBER

The Independent Member proposed that a briefing on anti-fraud be held in mid-November or December and that Rachael Tiffin, the head of the new CIPFA Counter Fraud Centre, be invited to present to the workshop. He suggested that representatives from other local authorities in the South West should be invited to attend the workshop.

The Divisional Director – Audit and Risk said that the workshop would allow Members to consider how national best practice on anti-fraud could be used to improve procedures in the Council. He also suggested that the workshop could address the key risks facing local authorities, though he was not sure that a speaker could be found on that topic.

The Independent Member suggested that financial resilience, on which Grant Thornton had done a great deal of work, would also make a suitable for a similar event. The issue was becoming more prominent because of increased joint working between local authorities and the NHS.

RESOLVED to request officers and the Independent Member to organise a workshop for the Committee on anti-fraud and local authority risks to which representatives of other Councils in the South West will be invited.

The meeting ended at 7.15 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	2nd December 2014	
TITLE:	Treasury Management Monitoring Report to 30th September 2014	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – Performance Against Prudential Indicators Appendix 2 – The Council’s Investment Position at 30th September 2014 Appendix 3 – Average monthly rate of return for 1st 6 months of 2014/15 Appendix 4 – The Council’s External Borrowing Position at 30th September 2014 Appendix 5 – Arlingclose’s Economic & Market Review Q2 of 2014/15 Appendix 6 – Interest & Capital Financing Budget Monitoring 2014/15 Appendix 7 – Summary Guide to Credit Ratings Appendix 8 – Proposed amendments to the 2014/15 Treasury Management Strategy</p>		

THE ISSUE

1.1 In February 2012 the Council adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.

1.2 This report gives details of performance against the Council’s Treasury Management Strategy and Annual Investment Plan 2014/15 for the first six months of 2014/15.

RECOMMENDATION

The Corporate Audit Committee notes:

1.3 the Treasury Management Report to 30th September 2014 has been prepared in accordance with the CIPFA Treasury Code of Practice;

1.4 the Treasury Management Indicators to 30th September 2014;

1.5 The amendments to the 2014/15 Treasury Management Strategy set out in paragraphs 5.19-23 and Appendix 8.

2 RESOURCE IMPLICATIONS

3.1 The financial implications are contained within the body of the report.

STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

2.1 This report is for information only.

THE REPORT

Summary

2.2 The average rate of investment return for the first six months of 2014/15 is 0.43%, which is 0.04% above the benchmark rate.

2.3 The Council's Prudential Indicators for 2014/15 were agreed by Council in February 2014 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels, with the exception of one voluntary indicator, measuring the liquidity of the council's investments, as detailed in 5.13 and Appendix 1(8).

Summary of Returns

2.4 The Council's investment position as at 30th September 2014 is given in **Appendix 2**. The balance of deposits as at 30th June 2014 and 30th September 2014 are also set out in the pie charts in this appendix.

2.5 The Council is the accountable body for the West of England Revolving Investment Fund (RIF) and received grant funding of £57 million at the end of the 2011/12 financial year. The Council acts as an agent and holds these funds on behalf of the West of England Local Enterprise Partnership until they are allocated in the form of repayable grants to the constituent Local Authorities to meet approved infrastructure costs. Since these funds are invested separately from the Council's cash balances and have been placed short term with the Debt Management Office and other Local Authorities, they are excluded from all figures given in this report. The current value of the fund is £44.8 million.

2.6 Gross interest earned on investments for the first six months totalled £81k. Net interest, after deduction of amounts due to Schools, the West of England Growth Points, CHC and other internal balances, is £43k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 0.43%, which was 0.04% above the benchmark rate of average 7 day LIBID +0.05% (0.39%).

Summary of Borrowings

2.7 No new borrowing has taken place in the first half of 2014/15. The Council's total borrowing was £70 million as at the 30th September 2014. The Council's Capital Financing Requirement (CFR) as at 31st March 2014 was £153 million with a projected total of £215 million by the end of 2014/15 based on the capital programme approved at February 2014 Council. This represents the Council's underlying need to borrow to finance capital expenditure, and demonstrates that the borrowing taken to date relates to funding historical capital spend.

- 2.8 Subsequent to the end of the reporting period, £8 million of borrowing was arranged on 2nd October with two Local authorities for a two year period. The borrowing was undertaken to replenish cash-flow used to fund a specific commercial estate investment opportunity.
- 2.9 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2014 apportioned to Bath & North East Somerset Council is £14.54m. Since this borrowing is managed by Bristol City Council and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 5.6.
- 2.10 The borrowing portfolio as at 30th September 2014 is shown in **Appendix 4**.

Strategic & Tactical Decisions

- 2.11 As shown in the charts at **Appendix 2**, investments continue to be focussed on UK banks and building societies that have either already or are likely to receive support from the UK Government should they experience financial difficulties. To increase diversification, the Council invests in AAA rated Money Market funds, with a balance of £3.7m invested in these as at 30th September 2014.
- 2.12 The Council continues to not hold any direct investments with banks in countries within the Eurozone reflecting both on the underlying debt issues in some Eurozone countries and the low levels of interest rates. The Council's investment counterparty list does not currently include any banks from Portugal, Ireland, Greece, Spain and Italy.
- 2.13 The Council's average investment return is running slightly above the budgeted level of 0.35%.
- 2.14 The Council has adopted a voluntary indicator of its exposure to liquidity risk, which is that the amount of cash available from maturing investments, to meet unexpected payments within a rolling three month period without additional borrowing, should not fall below £15m. The liquidity balance figure on 30th September 2014 was below the indicator (£9.85m). This was due to delaying the planned borrowing by a week in order to take advantage of short term inter-authority rates dropping at the beginning of each month. This borrowing of £8m was arranged on 2nd October at a lower cost than the market was offering during the previous weeks.

Future Strategic & Tactical Issues

- 2.15 Our treasury management advisors economic and market review for the second quarter 2014/15 is included in **Appendix 5**.
- 2.16 The Bank of England base rate has remained constant at 0.50% since March 2009. The stronger economic growth seen in the UK over the past six months is likely to use up spare capacity more quickly than previously assumed and the Council's treasury advisors, Arlingclose, have brought forward their estimate of the timing for the first rise in Bank Rate to Q3 2015.

- 2.17 In their opinion, in addition to two MPC members having voted for a rate rise in August and September, the rhetoric from MPC members has certainly become more hawkish, but the lack of inflationary signals is expected to allow policymakers to hold off monetary tightening for longer than the market currently expects. However, the near-term risk is that the Bank Rate could rise sooner than anticipated.
- 2.18 The benefits of the Council's current policy of internal borrowing are monitored regularly against the likelihood that long term borrowing rates are forecast to rise in future years. The focus is now on the rate of increase and the medium-term peak and, in this respect, the current forecast is that rates will rise slowly and to a lower level than in the past.
- 2.19 Future borrowing is therefore likely to be driven by a need to maintain an appropriate working cash balance rather than any immediate changes to interest rates.
- 2.20 The UK is implementing the final bail-in provisions of the EU Bank Recovery and Resolution Directive to commence in January 2015, a year ahead of most other countries. Credit rating agencies have stated they plan to review EU banks' ratings in line with each country's implementation of the directive. Many UK banks have standalone ratings in the "BBB" category, with uplifts for potential government support taking them into the "A" category. Arlingclose advise there is therefore a realistic risk that some major UK banks' credit ratings will fall below A- this financial year if this uplift is removed.
- 2.21 The Council has two broad options to respond to this risk:
- a) amend the Treasury Management Strategy to allow investment in lower rated UK banks, or
 - b) prepare to invest without using any of the major UK banks.
- 2.22 Although it may be possible to operate without these banks, by investing more money in Money Market Funds, for example, Arlingclose have stated that they may continue to advise on investments in the major UK banks if they become rated BBB+.
- 2.23 It is therefore recommended that the Council is asked to respond by preparing to amend the 2014/15 Treasury Management Strategy in line with the changes shown at **Appendix 8** in order to be able to respond to the changes that may occur in January 2015.
- 2.24 The s.151 Officer will consider the investment advice provided by Arlingclose at the time of any ratings change, should it occur, before any investments are made with potentially affected UK counterparties.

Budget Implications

- 2.25 A breakdown of the revenue budget for interest and capital financing and the forecast year end position based on the period April to September is included in **Appendix 6**. This is currently forecast to remain on target for 2014/15.

2.26 This position will be kept under review during the remainder of the year, taking into account the Council's cash-flow position and the timing of any new borrowing required.

RATIONALE

2.27 The Prudential Code and CIPFA's Code of Practice on Treasury Management requires regular monitoring and reporting of Treasury Management activities.

OTHER OPTIONS CONSIDERED

2.28 None.

CONSULTATION

2.29 Consultation has been carried out with the Cabinet Member for Community Resources, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

2.30 Consultation was carried out via e-mail.

RISK MANAGEMENT

2.31 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment and Borrowing advice is provided by our Treasury Management consultants Arlingclose.

2.32 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.

2.33 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

Contact person	<i>Tim Richens - 01225 477468 ; Mark Angus - 01225 477180</i> Tim.Richens@bathnes.gov.uk Mark.Angus@bathnes.gov.uk
Background papers	<i>2014/15 Treasury Management & Investment Strategy</i> <i>1st Quarter Treasury Performance Report (Cabinet)</i>
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Authorised limit for external debt

These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Sep. 2014
	£'000	£'000
Borrowing	215,000	70,000
Other long term liabilities	2,000	0
Cumulative Total	217,000	70,000

2. Operational limit for external debt

The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Sep. 2014
	£'000	£'000
Borrowing	177,000	70,000
Other long term liabilities	2,000	0
Cumulative Total	179,000	70,000

3. Upper limit for fixed interest rate exposure

This is the maximum amount of total borrowing which can be at fixed interest rate, less any investments for a period greater than 12 months which has a fixed interest rate.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Sep. 2014
	£'000	£'000
Fixed interest rate exposure	177,000	50,000*

* The £20m of LOBO's are quoted as variable rate in this analysis as the Lender has the option to change the rate at 6 monthly intervals (the Council has the option to repay the loan should the rate increase).

4. Upper limit for variable interest rate exposure

While fixed rate borrowing contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping flexibility through the use of variable interest rates. This is the maximum amount of total borrowing which can be at variable interest rates.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Sep. 2014
	£'000	£'000
Variable interest rate exposure	127,000	20,000

5. Upper limit for total principal sums invested for over 364 days

This is the maximum amount of total investments which can be over 364 days. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Sep. 2014
	£'000	£'000
Investments over 364 days	50,000	0

6. Maturity Structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	2014/15 Actual as at 30th Sep. 2015
	%	%	%
Under 12 months	50	Nil	29*
12 months and within 24 months	50	Nil	0
24 months and within 5 years	75	Nil	0
5 years and within 10 years	100	Nil	0
10 years and above	100	Nil	71

* The CIPFA Treasury management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (which are at 6 monthly intervals for the £20m of LOBO's). However, the Council would only consider repaying these loans if the Lenders exercised their options to alter the interest rate.

7. Average Credit Rating

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Sep. 2014
	Rating	Rating
Minimum Portfolio Average Credit Rating	A	AA

8. Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Sep. 2014
Total cash available within 3 months	£15m	£9.85m

The above indicator is a voluntary indicator the Council has chosen to maintain. The liquidity balance figure on 30th September 2014 was below the indicator (£9.85m). This was due to delaying the planned borrowing by a week in order to take advantage of short term inter-authority rates dropping at the beginning of each month. This borrowing of £8m was arranged on 2nd October at a lower cost than the market was offering during the previous weeks.

APPENDIX 2

The Council's Investment position at 30th September 2014

The term of investments, from the original date of the deal, are as follows:

	Balance at 30th Sep. 2014
	£'000's
Notice (instant access funds)	4,850
Up to 1 month	0
1 month to 3 months	0
Over 3 months	5,000
Total	9,850

The investment figure of £9.850 million is made up as follows:

	Balance at 30th Sep. 2014
	£'000's
B&NES Council	-8,401
B&NES CHC	9,572
West Of England Growth Points	688
Schools	7,991
Total	9,850

The Council had an average net positive balance of £37.7m (including Growth Points & B&NES CHC Funding) during the period April 2014 to September 2014.

Chart 1: Council Investments (£9.85m) as at 30th Sept 2014

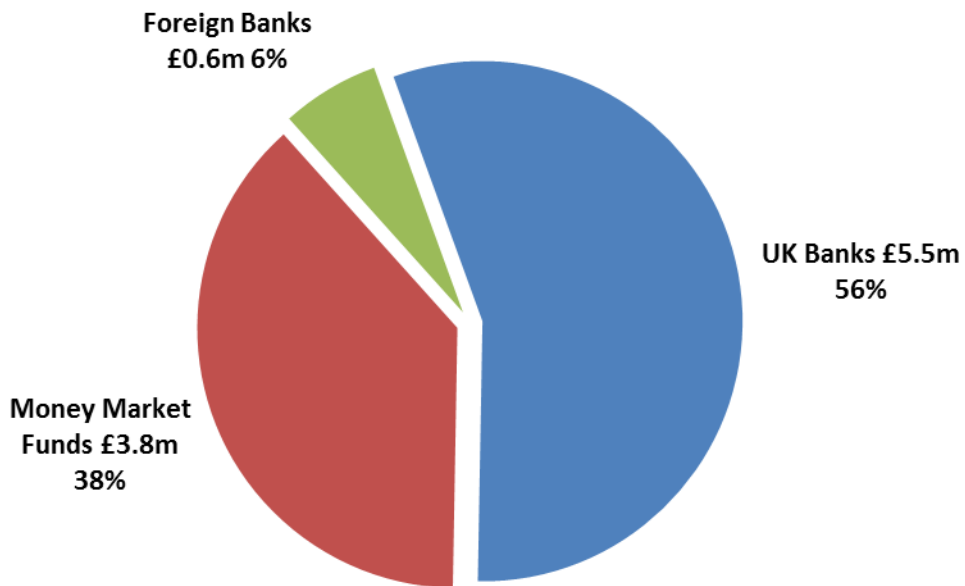


Chart 2: Council Investments (£37.0m) as at 30th June 2014

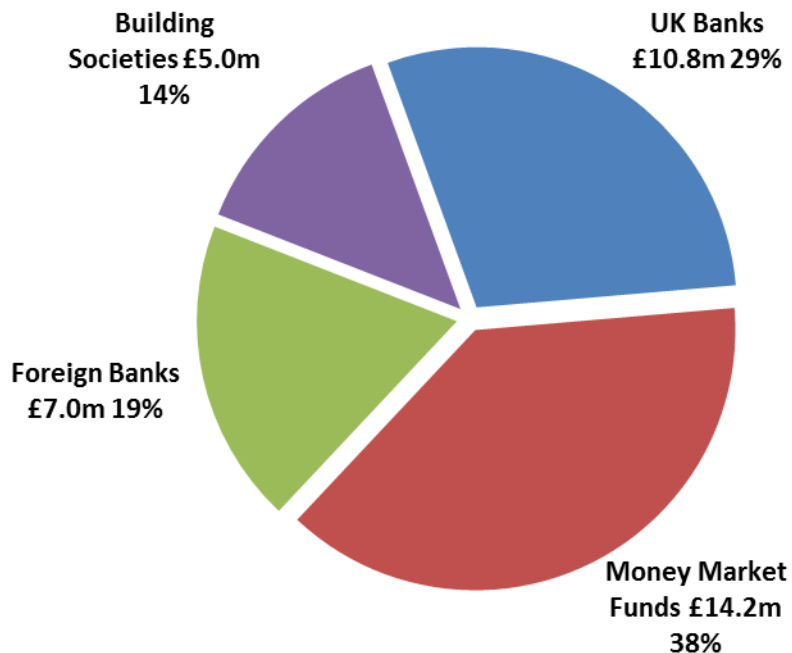


Chart 3: Council Investments per Lowest Equivalent Long-term Credit Ratings (£9.85m) 30th Sept 2014

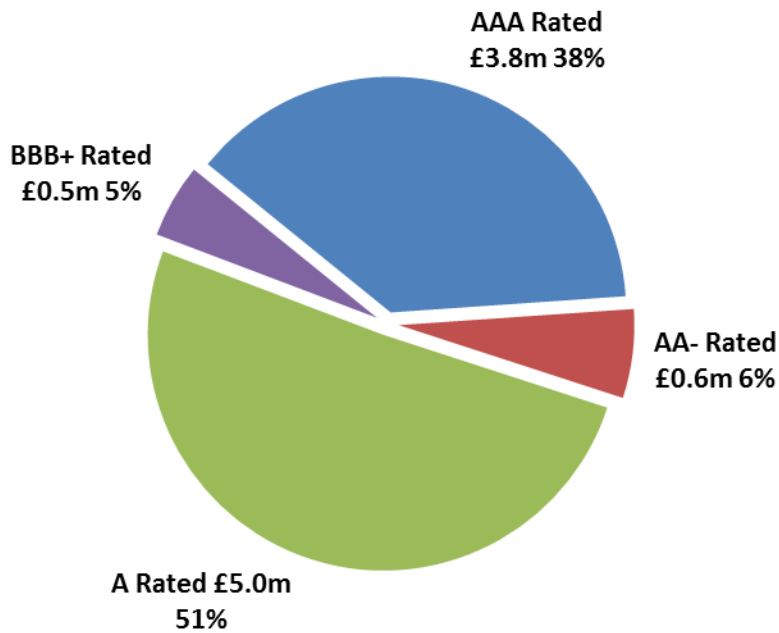
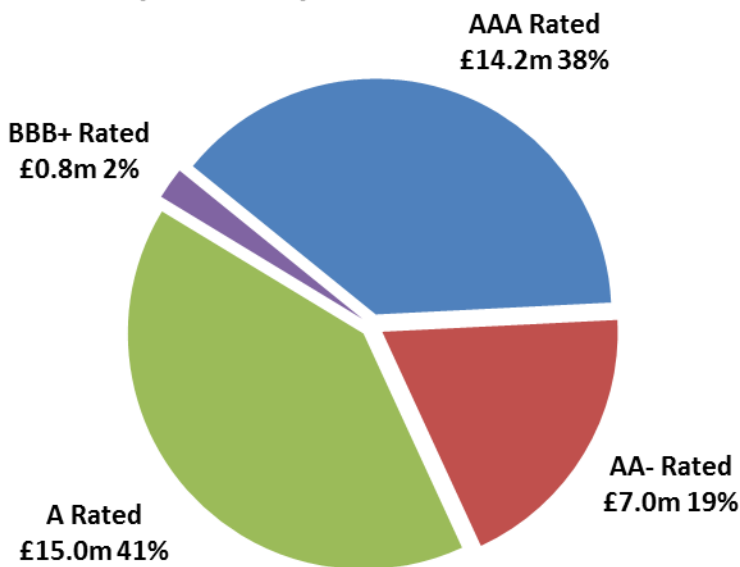


Chart 4: Council Investments per Lowest Equivalent Long-term Credit Ratings (£37.0m) 30th June 2014



APPENDIX 3

Average rate of return on investments for 2014/15

	April %	May %	June %	July %	Aug %	Sep %	Average for Period
Average rate of interest earned	0.40	0.43	0.44	0.47	0.42	0.42	0.43%
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.39	0.39	0.40	0.39	0.40	0.40	0.39%
Performance against Benchmark %	+0.01	+0.04	+0.04	+0.08	+0.02	+0.02	+0.04%

APPENDIX 4

Councils External Borrowing at 30th September 2014

LONG TERM	Amount	Start Date	Maturity Date	Interest Rate
PWLB	10,000,000	15/10/04	15/10/35	4.75%
PWLB	5,000,000	12/05/10	15/08/35	4.55%
PWLB	5,000,000	12/05/10	15/08/60	4.53%
PWLB	5,000,000	05/08/11	15/02/31	4.86%
PWLB	10,000,000	05/08/11	15/08/29	4.80%
PWLB	15,000,000	05/08/11	15/02/61	4.96%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
Eurohypo Bank*	10,000,000	27/04/05	27/04/55	4.50%
TOTAL	70,000,000			
TEMPORARY	NIL			
TOTAL	70,000,000			4.71%

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals, however at this point the borrower also has the option to repay the loan without penalty.

APPENDIX 5

Economic and market review for July to September 2014 (provided by Arlingclose)

Growth and Inflation: The recent strong performance of the UK economy continued with output growing at 0.8% in Q1 2014 and at 0.9% in Q2. The services sector once again grew strongly. On the back of strong consumption growth, business investment appeared to be recovering quickly, albeit from a low base. The annual CPI inflation rate fell to 1.5% year-on-year in August.

Revisions to the GDP methodology, now compliant with the European System of Accounting 2010, mean that growth is now estimated to be 2.7% above its pre-recession peak in Q1 2008 rather than just 0.2% higher, the general theme being that the recession was not as deep and the recovery was earlier than initially estimated. In anticipation of these revisions, the MPC has forecast growth at 3.4% in 2014.

Unemployment: The labour market continued to improve, with strong employment gains and the headline unemployment rate falling to 6.2%. However, earnings growth remained very weak, rising just 0.6% for the three months May-July 2014 when compared to the same period a year earlier. The growth in employment was masked by a large number of zero-hour contracts and involuntary part-time working.

UK Monetary Policy: The MPC made no change to the Bank Rate of 0.5% and maintained asset purchases at £375bn. However, there was a marked shift in tone from the Bank of England's Governor and other MPC members. In his Mansion House speech in June Governor Mark Carney warned that interest rates might rise sooner than financial markets were expecting. Following some mixed messages from Governor Carney later in the summer, the minutes of the August and September MPC meetings revealed a split vote with regards to the Bank Rate. Ian McCafferty and Martin Weale voted to increase Bank Rate by 0.25%, arguing economic circumstances were sufficient to justify an immediate rise. The MPC emphasised that when Bank Rate did begin to rise, it was expected to do so only gradually and would likely remain below average historical levels for some time to come.

In the Bank of England's August Inflation Report the Bank forecast growth to be around 3½% in 2014, easing back thereafter to around its pre-crisis historical average rate. Inflation was forecast to remain at, or slightly below, 2% before reaching the target at the end of the 2-year forecast period.

The Bank's Financial Policy Committee also announced a range of measures to cool the UK's housing market to avert the potential of spiralling house prices derailing a sustainable economic recovery. Key recommendations included lenders stress-testing mortgage applicants can cope with a 3% rise in interest rates; putting a 15% cap on the number of mortgages at more than 4.5 times the borrower's income; and a separate Treasury pledge banning anyone applying for a loan through the Help to Buy scheme borrowing more than 4.5 times their income. The Prudential Regulation Authority also announced that it intends to consult on capital requirements for mortgages.

The result of the Scottish referendum in the end was close, but not as close as many believed it might be. However, the political upheaval set in motion (the Prime Minister's linking of a more devolved Scotland to giving greater powers to English MPs over English-only legislation, the prospect of Scotland's potential freedom to raise taxes not being replicated elsewhere in the UK) is arguably likely to be just as problematic in the run-up to and beyond next year's general election.

Eurozone inflation continued to fall towards zero (HICP inflation registered just 0.3% in September), and there was mounting evidence that the already feeble recovery was losing pace. The unemployment rate remained stubbornly high at 11.5%. The European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05%. The rate it pays on commercial bank balances held with it was also cut further into negative territory from -0.1% to -0.2% and the Marginal Lending Facility rate cut further to 0.3%. The ECB also announced a programme of acquiring Asset Backed Securities (ABS) from banks in an effort to encourage lending which was viewed as being one step away from full blown

Quantitative Easing (QE) adopted by the US, UK and Japanese central banks. The minutes of the Bank of England's MPC meeting in September noted that "*weakness in the euro area had been the most significant development during the month*" and that, if it led once again to uncertainty about the sustainability of euro-area public and external debt, it could damage confidence and disrupt financial markets

There was no change from the US Federal Reserve as the central bank kept policy on its current track with a reduction in asset purchases by \$10 billion per month. Asset purchases are expected to end by October 2014, expectations therefore turned towards the timing of rate increases. The US economy rebounded strongly in Q2 with annualised growth of 4.6%.

Market reaction: Gilt yields have continued to decline and hit a financial year low at the end of August, before ticking upwards in the run up to the Scottish referendum. What has driven yields lower is a combination of factors but the primary drivers have been the escalation of geo-political risk within the Middle East and Ukraine alongside the slide towards deflation within the Eurozone (EZ).

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2014/15 (April to September)

April to September 2014	YEAR END FORECAST			ADV/FAV
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	3,862	3,862	0	
- Internal Repayment of Loan Charges	(8,182)	(8,182)	0	
- Ex Avon Debt Costs	1,388	1,388	0	
- Minimum Revenue Provision (MRP)	6,120	6,120	0	
- Interest on Balances	(110)	(110)	0	
Sub Total - Capital Financing	3,078	3,078	0	

APPENDIX 7

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.

A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

APPENDIX 8

Proposed amendments to the 2014/15 Treasury Management Strategy

Approved Investment Counterparties

The Council may invest its surplus funds with any of the counterparties in the following table, subject to the cash and time limits shown:

Counterparty		Cash limit	Time limit
UK Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	£15m each	10 years
	AA+		
	AA		5 years
	AA-		
	A+	£10m each	2 years
	A		
	A-	£5m each	18 months
	BBB+	£5m each	100 days

Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign

currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown below.

	£m
Total long-term investments	50
Total investments without credit ratings or rated below A-	15
Total investments in foreign countries rated below AA+	0
TOTAL	60

Security: average credit rating

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio.

	2014/15
Minimum Portfolio average credit rating	A-

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	2nd December 2014	AGENDA ITEM NUMBER
TITLE:	Internal Audit 2014/15 Plan – Six Month Performance Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1- Audit & Risk Dashboard (Quarters 1 & 2 2014/15)		
Appendix 2 - Audit Reviews Position Statement (Quarters 1 & 2 2014/15)		

1 THE ISSUE

1.1 The Annual Internal Audit Plan for 2014/15 was presented to the Corporate Audit Committee on the 13th May 2014. This report has been compiled to provide an update to the Committee on progress against the Plan and the results of Internal Audit work completed.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to note progress made against the Internal Audit Plan for 2014/15.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

Current Performance

4.1 Robust performance measurement and reporting is vital to ensure that timely and effective decisions can be made. To aid and inform the Committee Appendices 1 & 2 provides detail on current key performance information related to the Audit and Risk function.

4.2 As at the end of Quarter 2, the Audit & Risk Team had completed or had work in progress amounting to 39% of the planned work. There are a number of reasons for not achieving 50% of the plan at the financial year half way point.

4.3 - Level of unplanned work – Although the amount of time investigating financial irregularities is much reduced on previous years (reduction from 17% to 9% of total available time) the Audit Team has had to allocate resources to this and other types of unplanned work. We have had to allocate additional time to School Financial Value Standards and had three grant claims which required ‘independent’ review prior to Chief Executive ‘sign-off’.

- Exceeding Audit Days allocated – The Dashboard records that 70% of audits had been completed within the number of days assigned (i.e. planned audit days). Therefore 30% of audits completed (Final Report stage) had exceeded planned days.

- Resources – The Audit Plan included 200 days to be sourced from the South West Audit Partnership (SWAP). Up to the end of September only 3 audits totalling 50 days had been completed by SWAP. We are currently arranging another 6 audits to be carried out by SWAP during the final 2 quarters of 2014/15.

- Completion of 2013/14 reviews – A number of audit reviews from 2013/14 which were still work in progress at the end of March 2014 required additional work to be carried out increasing the audit days allocated.

4.4 Appendix 2, the second part of the Dashboard, records the 2014/15 Audit Plan and those reviews finalised, drafted or ‘Work-In-Progress’ as at the end of September 2014. This records that 27 Audit Reports have been finalised in the 2014/15 Financial Year up to the 30th September. Another 12 were in ‘draft’ form and another 9 audits were ‘Work-In-Progress’. It is pleasing to note that all but 3 of the ‘finalised’ Audit Reviews were assessed at an Assurance Level of 3 or above (Adequate to Good Framework of Internal Control).

4.5 The 3 ‘finalised’ audits assessed at Level 2 ‘Weak Control Framework’ were:

1) IT Software Licensing - This audit considered the arrangements to acquire, manage and maintain software assets and that ensure that software was appropriate and legal to use. It also considered licensing, maintenance and support arrangements for software assets. Weaknesses included:

a) an IT procurement policy and related written procedures had not been adopted / disseminated covering - who has responsibility for acquisition; interpretation of government and EU requirements for IT Procurement; business case submission (review and approval).

b) a single inventory of software licences was not being maintained.

c) Software media and licence keys for locally installed software could not be located.

Senior management have agreed to all the recommendations and these will be followed up by May 2015 when they should have all been implemented.

2) Parks & Green Spaces – The audit reviewed the parks operations including the management of trees; income from internal sales and external trading; safeguarding of assets and consumables; staffing costs; and management of allotment waiting lists. Weaknesses included:

- a) Service Level Agreements or budgets are not in place to enable the service to effectively inspect / maintain Council tree stock.
- b) Council's tree stock was not being inspected in line with the timescales adopted by the Service.
- c) Assets were not safeguarded - an inventory of hand / small power tools was not maintained.
- d) Failure of management to verify accuracy of payroll claims prior to submission for payment.

Senior management have agreed to all the recommendations and these will be followed up by March 2015 when they should have all been implemented.

- 3) Safer Recruitment (Disclosure & Barring Service) – The work of the Criminal Records Bureau and the Independent Safeguarding Authority merged into a single, new Non Departmental Public Body called the Disclosure & Barring Service (DBS) from December 2012. Based on this there have been many changes to the disclosure process including a new definition of regulated activity. A significant change is that the employer relies on the individual to present their disclosure certificate.

The 'Weak' Assurance Level rating was awarded based on non-compliance by Recruiting Officers to efficiently process timely DBS applications and manage responses. In addition, the Resourcelink system does not 'flag' those posts requiring Disclosure Certificates to be provided.

Human Resources have responded positively to the audit findings and the agreed actions in respect of improving management practices and the related monitoring and chasing of managers should now have been completed. The audit findings and recommendations will be followed-up.

- 4.6 The dashboard records the implementation of critical / high risk rated recommendations at the time the audit was 'Followed-Up' at 67%. Of the 14 audits 'Followed-Up' during the first half of the financial year only 4 had critical / high risk rated weaknesses/recommendations. For 3 of the 4 audits all critical / high recommendations were implemented. The 'Follow-Up' of the Council Tax (Collections, Recovery, Enforcement & Write-offs) identified that the 2 high risk recommendations had not been fully implemented. The introduction of a Data Processing Agreement and Service level Agreement for DG Collections Ltd, (one of the Councils preferred bailiffs), had not been formally agreed. At the time of the 'Follow-Up' the relevant documents had been compiled by Legal Services but the Service was still waiting for the signed documents to be returned.
- 4.7 The fourth speed dial recording customer satisfaction continues to record that rating are very good. A 'Satisfactory' rating was received for a single audit carried out by our South West Audit Partnership (SWAP) colleagues. The Audit Group Manager has liaised with both the Audit Client and SWAP to investigate the reasons for the lower score received.
- 4.8 The Audit & Risk Team continue to provide support to the School's assigned "Responsible Officer" (School Governor) for a number of Academy Schools. At the beginning of the year we had annual renewable agreements with 11 Schools

requiring an annual allocation of 44 audit days. For the 2014/15 Academic Year starting September 2014 this increased to 14 Schools. High Littleton Primary, Aspire and Bath Studio will have their first visits after Christmas.

Resources & Partnership Development

4.9 The Committee has been kept informed of the development of joint working with North Somerset Council and the South West Audit Partnership during the last 12 months. As detailed at the last committee meeting progress has been positive in moving these arrangements into a more formal setting for the future and it is anticipated approval will be given to create a partnership between the two Councils during December.

4.10 In summary a significant amount of work has been ongoing between the two teams to work together over the last year. Central to this has been a series of workshops, each with a different theme to build trust and confidence between the two teams. Both teams engaged positively in these sessions and all the work surrounding them, leading to a series of very positive outcomes as follows –

- Single Vision & Values for future working;
- Single Audit Management System (MKI) for both Councils;
- Single Audit Manual;
- Single Audit Report Template;
- Single Audit Brief Template;
- Single Quality Assurance Questionnaire;
- Single bids for Government transformation funding
- Sharing of Audit Programmes;
- Sharing of staff in trial areas including Business Continuity, Data Protection, Information Security and Business Rates.

4.11 Different models of service delivery have been assessed as a result of this work and recommendations made to move into a formal partnership under contract. The key benefits of the local authority partnership model are –

- Improves opportunity for Cost Savings
- Improves Capacity & Resilience
- Improves Productivity & Skills Mix
- Improves Flexibility of Resource Allocation
- Improves Independence & Profile
- Improves opportunities for Growth & Income Generation
- Improves opportunities for Innovation
- Improves career progression and personal development

- Retains local authority and organisational knowledge
- Retains an 'in-house' presence and jobs within the public sector
- Ensures Professional Standards are complied with
- Saves on procurement and related client/contract management costs
- Groups related services whilst allowing future flexibility and choice

4.12 As detailed above to assist in the development of the shared service, officer time has had to be spent to develop shared audit methodologies and systems. North Somerset are now using the same audit software and audit documentation (e.g. Audit Brief & Audit Report templates). Time spent on this work has exceeded that originally planned but the long-term benefits will significantly outweigh the short-term impacts on audit coverage.

4.13 The contractual arrangement with the South West Audit Partnership continues and this will be reviewed in light of the formation of the new partnership. To be able to source internal audit resources through such an agreement provides flexibility and also enables us to source specialist skills at a reasonable cost, i.e. IT Auditors, where it is difficult to recruit and retain.

4.14 It is proposed that at the next meeting a fuller briefing of how the arrangements will work will be given once all the approvals are in place.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for Consultation.

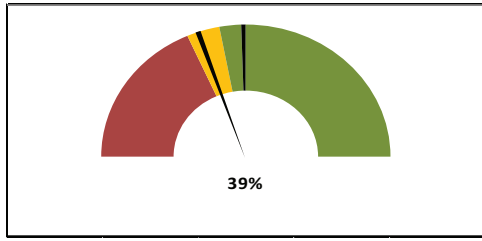
Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Report to Corporate Audit Committee – 13th May 2014 – Internal Audit - Annual Report</i>
Please contact the report author if you need to access this report in an alternative format	

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New Audit & Risk Dashboard Quarter 2 2014/15

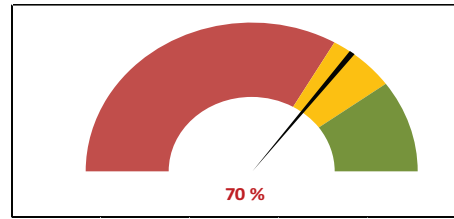
Internal Audit

Annual Audit Plan Completed



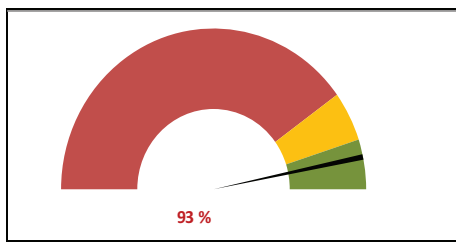
Green Target = >45% (>90% whole Year)
Amber Target = >37.50% (>75% Whole Year)

Audit Reviews Completed in Assigned Days



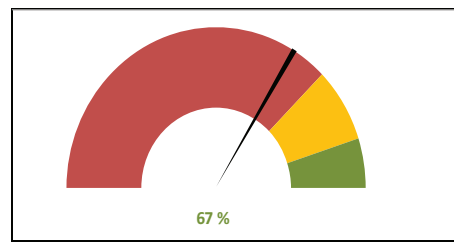
Green Target = >80%
Amber Target = >66.6%

Customer Satisfaction - Good or Excellent



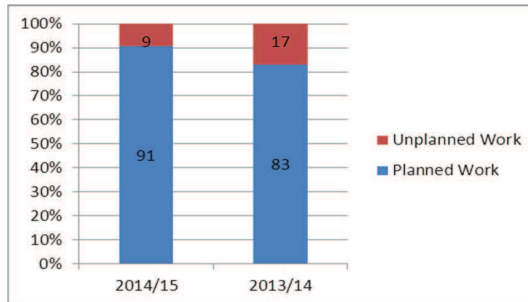
Green Target = >90%
Amber Target = >80%

Recommendations (Critical / High) Implemented by Follow Up

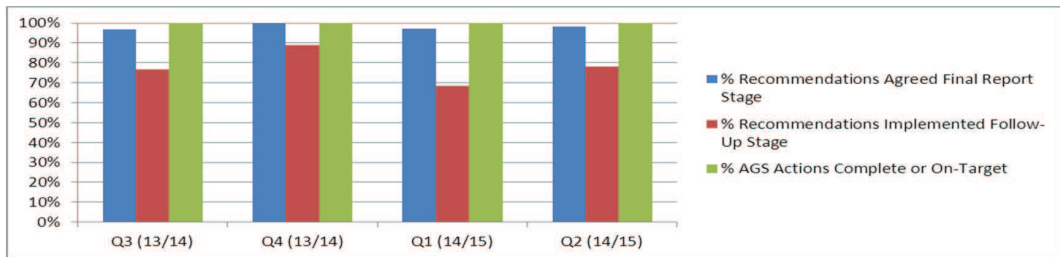


Green Target = >90%
Amber Target = >80%

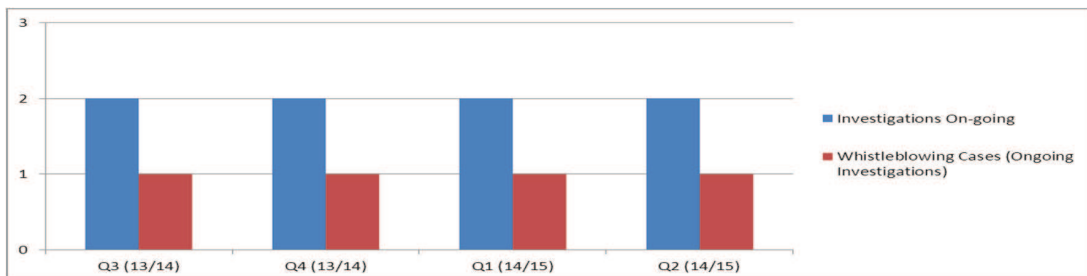
Planned V Unplanned Work 2014/15 (6 months) & 2013/14 (full year position)



Overall Audit Recommendations



Investigations/Whistleblowing



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Audit Reviews (Position As At End of Q2 2014/15)				
Audit Review Title	Status	Assurance Level	Recommendations	
			Made	Agreed
Anti-Fraud & Corruption - Bribery & Corruption	Draft			
Parking Permits	Final	3	13	12
Accounts Payable	Final	3	3	3
I.T. Business Continuity and Disaster Recovery	Draft			
Public Health & Clinical Commissioning Group - Statutory Responsibilities and Financial Governance	Final	4	5	5
Accounts Receivable - Write Offs	Final	4	1	1
Capital Expenditure	Draft			
Welfare Support	Final	3	9	9
Themed School Review - Procurement	Final	4	4	4
Anti-Fraud Income (Refunds)	Draft			
PAYE & NICS (Incl new HMRC Monthly Info provision & ResourceLink Application)	Final	3	5	5
IT (Software Licensing)	Final	2	9	8
Themed School Review - Unofficial Funds	Final	4	5	5
Parking Income Collection	Final	3	5	5
IT Physical & Environmental Controls	Final	3	25	24
Parks & Green Spaces	Final	2	13	13
Highway Electrical & Intelligent Transport Systems, UTMC - Traffic Signal System, Mayrise Buchanan Traffic Accident Street Lighting Software	Final	3	11	11
Community Rights (Statutory Obligations)	Final	4	9	9
Info Gov - Data Protection	Final	3	7	7
IT Procurement & Disposals (Hardware / Software)	Final	3	8	7
Safer Recruitment (Disclosure & Barring Service)	Final	2	6	6
Payroll - Processing, Payruns & Reconciliations	Final	3	17	11
Contract Management - Registered Residential Care	Final	4	7	7
Fostering Allowances	Final	5	1	1
Safeguarding (Communication & Information Sharing including complaints)	WIP			
Virtual School Governance Arrangements	Final	3	6	6
Art Development	Final	5	1	1
Festivals (As above)	Final	N/A	N/A	N/a
New Homes Bonus	Draft			
Homelessness & Temp Accom	Draft			
Tourism Company - Contract Management (Bath Tourism Plus)	Draft			
Enforcement (Cleansing, Waste)				
Car Parking Governance	WIP			
Spring Water Monitoring (Avon Act / Shale Gas Extraction)	Final	4	7	6
Pensions - Iconnect system	Final	4	1	1
Scan Coin Payment Kiosks	Draft			
Council Tax -Liability, Billing & Refunds (Inc. Northgate Revs & Bens Application)	WIP			
Cash - Library Services	WIP			
Property Officer Decision Making	Draft			
Catering				
Children Missing Education	Final	4	1	1
Commissioning - Safeguarding	C/F 15/16			
Adults - Single Panel Process	WIP			
Capital & Schools Organisation - Childrens Services Property Estate				
City Deal	WIP			
Spring Water Supply	Draft			
Leisure Provision (Aquaterra)	WIP			
Highway Maintenance & Improvement Works Contract	WIP			
Food Safety & Health Promotion	Draft			
Taxis & Private Hire Vehicles	Draft			
Adult Care - Debt Management				
Finance Monitoring / Risk management	Draft			
IT Provision - Firewalls		SWAP		
IT Provision - Malware Protection		SWAP		
NNDR - Database & Valuation		SWAP		
Incident Management				
Electrical & Mechanical Repairs & Maintenance				
Out of County Placements				
Joint Safeguarding - Effectiveness of joint case reviews				

Audit Reviews (Position As At End of Q2 2014/15)				
Audit Review Title	Status	Assurance Level	Recommendations	
			Made	Agreed
Better Care Fund				
The Hub - Governance Arrangements				
Theme Schools Review - Energy Management				
Economic Enterprise & Business Development				
Retail Shops (Incl. Warehouse)				
Waste Treatment and Disposal (Incl. Contract Management)				
Land Drainage (LLFA - Flood & Drainage Programme Management)				
Traffic & Safety (Traffic Signals & Intelligent Transport Systems)				
Adult Finance - Receivership				
Introduction of new HR & Payroll System	WIP			
Payroll - Mileage & Business Expenses	WIP			
School Pensions / Payroll Responsibilities				
Council Tax - Database & Valuation	WIP			
Project Delivery				
Extended Services				
Theme Schools Review - Information Governance				
LEP				
World Heritage	Final	4	4	4
Roman Baths & Assembly Rooms (Incl. Income, Premises & Contracts)				
Tenancy Fraud				
Design & Projects				
Direct Payments system				
Purchase Cards				
Council Website - Business Continuity & Trading		SWAP		
IT - Procurement & Disposal		SWAP		
Pro-Contract				
Welfare Reform (Universal Credit)				
Sustainability		SWAP		
Anti-Fraud & Corruption - Expenditure				
Anti-Fraud & Corruption - Income				

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	2nd December 2014	AGENDA ITEM NUMBER
TITLE:	External Audit Update	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – External Audit Update Report</p> <p>Appendix 2 – Fraud Briefing</p>		

1 THE ISSUE

1.1 The External Auditor will provide a general update to the Committee on their work along with a fraud briefing.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to note the various updates from the External Auditor.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications as a result of this report.

4 THE REPORT

4.1 Appendix 1 details an update of External Audit’s progress against their planned work whilst Appendix 2 provides a fraud briefing based on the results of ‘Protecting the Public Purse’.

4.2 The External Auditor will provide a fuller verbal briefing on all these areas at the meeting.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer and Strategic Director for Resources

Contact person	Jeff Wring (01225 47323)
Background papers	Report to Corporate Audit Committee – 3 rd December 2013 – Fraud & Corruption Update
Please contact the report author if you need to access this report in an alternative format	

Audit Committee Update for Bath and North East Somerset Council

Year ended 31 March 2015

December 2014

Page 41

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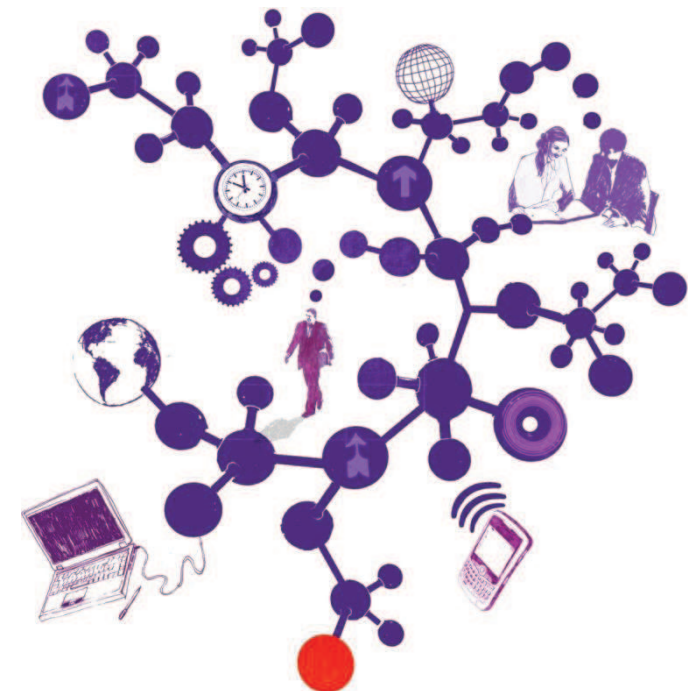
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
Introduction	4
Progress at 24 November 2014	5
Emerging issues and developments	
• Accounting and audit issues	7
• Grant Thornton	15
• Local government guidance ant Thornton	17

Introduction

This paper provides the Corporate Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a unitary council
- includes a number of questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Corporate Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2014 – Working in Tandem', '2016 tipping point – Challenging the current?', 'Pulling Together the Better Care Fund', 'Where Growth Happens' and '2020 Vision?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 24 November 2014

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	May 2015	Not yet due	
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • early work for the Value for Money conclusion. 	January to February 2015	Not yet due	
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council 's accounts • proposed Value for Money conclusion. 	July to September 2015	Not yet due	

Progress at 24 November 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014-15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • Key indicators of financial performance • Strategic financial planning • Financial governance • Financial control • Prioritising resources • Improving efficiency and productivity • Management of natural resources 	February 2015 – July 2015	Not yet due	
<p>Other areas of work</p> <p>If requested, we will certify your Regional Growth Fund returns in accordance with the Government department timetable.</p>	January 2015 & February 2015	Not yet due	
<p>Other activity undertaken</p> <ul style="list-style-type: none"> • Met with the Divisional Director: Business Support and the finance team to discuss the action taken in response to our audit findings report. • Certification work in progress on housing benefits, transport and teachers' pensions. • Workshop arranged covering the changes in accounting for schools and infrastructure assets. • Shared Grant Thornton national reports with the Divisional Director: Business Support. These included <i>Pulling Together the Better Care Fund, Where Growth Happens and 2020 Vision</i>. 		Not applicable	<ul style="list-style-type: none"> • Our report on the certification of claims and returns for 2013-14 will be presented at the February 2015 meeting. • Copies of Grant Thornton national reports have also been made available to members.

Accounting and audit issues

Accounting for schools

The debate about which school land and buildings should be recognised on a local authority balance sheet (which most commentators had thought settled) has been reignited. Grant Thornton is taking a leading role in trying to resolve this unexpected development.

In March, CIPFA/LASAAC Code concluded that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities that need to be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the CIPFA/LASAAC Code requires local authorities to account for maintained schools within their single entity accounts. This includes school income and expenditure as well as assets and liabilities. The general expectation in the sector was that:

- the vast majority of voluntary aided, voluntary controlled and foundation schools would be recognised on local authority balance sheets
- a small number of school buildings that are provided at no charge by a religious body and where there was a realistic possibility that they could be taken back by their owners would be treated as assets of the religious body and so not recognised on the local authority balance sheet.

However, at the CIPFA conference in November, CIPFA clarified that it considers that most voluntary aided and voluntary controlled school buildings would **not** be recognised on the balance sheet. This is because the religious bodies have a legal right to take back these assets. Nor does CIPFA consider the position for foundation school building to be clear cut and local judgement would need to be applied. We have not seen evidence that would support the view taken by CIPFA and have concerns about:

- whether the treatment proposed by CIPFA complies with the Code
- the significant practical implications for the sector
- the potential for inconsistent accounting treatments depending on local judgement.

We are taking a leading role in discussions with the Audit Commission, CIPFA and the other audit firms suppliers to try to seek a practical way forward as soon as possible.

Accounting and audit issues

We will continue to share the latest developments with officers. In the mean time we would recommend that you continue your preparations for recognising school land and building including:

- identifying those schools where school buildings are owned by third parties (such as church dioceses) and determining under what circumstances the buildings could be taken back by the third party
- obtaining valuations for school land and buildings for each of the three balance sheet dates (1 April 2013, 31 March 2014, 31 March 2015)
- obtaining sufficient information to enable the authority to restate its revaluation reserve and capital adjustment account.

Issue for consideration

- Has the Divisional Director: Business Support put a plan in place to address the changes in accounting for schools?

Accounting and audit issues

Group accounting standards

The Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners.

The key changes for 2014/15 are to:

- the definition of control over other entities. This is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements. This now follow IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

Changes to the definition of control over other entities

Control was previously defined in terms of power to govern the financial and operating policies of an entity. IFRS 10 sets out three elements for an investor to be considered as controlling an investee (all of which must be met):

- the investor has the rights to direct the relevant activities of the investee (relevant activities being the ones that determine the return for the investors – the return could be in the form of a service rather than money)
- the investor has exposure, or rights, to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the commercial sector, this is generally thought to have resulted in more entities being treated as subsidiaries. However, the change is in both directions: some subsidiaries have been redefined as associates. Local authorities with investments in other entities will need to consider whether:

- they control any entities using the new definition. Local authorities will need to pay particular attention to special purpose vehicles and any other entities where there was a close judgement call under the old IAS 27
- there is a need for a prior period adjustment.

Accounting and audit issues

Changes to accounting for joint arrangements

Joint arrangements are contractual arrangements between two or more parties where there is joint control. IFRS 11 makes three key changes from IAS 31:

- there are now only two types of joint arrangements: joint operations and joint ventures
- under IAS 31 joint ventures were legal entities. IFRS 11 bases its definition of joint ventures on the substance of the arrangement rather than legal status. In a joint operation the investing parties have rights and obligations in relation to the arrangement's assets and liabilities, whereas in a joint venture the parties have rights to the arrangement's net assets
- local authorities are still required to consolidate joint ventures in their group accounts but must now do so using the equity (single line) method. The option for proportionate (line-by-line) consolidation has been removed.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. The difference should be clear from the contract but in some cases judgement may be required. Local authorities that have previously used the proportionate consolidation method will need to account for the move to equity accounting as a prior period adjustment.

Disclosure of interests in other entities

IFRS 12 makes consistent the requirements for disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. It includes the need for transparency about the risks to which the reporting entity is exposed as a consequence of its investment in such arrangements.

Issue for consideration

- Has the Divisional Director: Business Support assessed the potential impact of these standards for the authority's financial statements?

Accounting and audit issues

Early close

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Issue for consideration

- Has the Divisional Director: Business Support put a plan in place to address the earlier close date?

Grant Thornton

2020 Vision

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Our national report '2020 Vision', produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Further hard copies of our report are available from your Engagement Lead or Audit Manager.

Grant Thornton

Pulling together the Better Care Fund

Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?

Our report 'Pulling together the Better Care Fund' draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

Further copies of our report are available from your Engagement Lead or Audit Manager.

Grant Thornton

Where Growth Happens

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEPs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

Our report 'Where Growth Happens' provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assess the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Further copies of our report are available from your Engagement Lead or Audit Manager.

Grant Thornton

New Routes to Housing Development

We have issued the first in a series of good practice papers on topical issues for local government.

This paper considers good practice in councils' approaches to delivering affordable housing. Until recently, local authorities have acted as an enabler of new affordable housing; increasingly they are now undertaking a direct delivery role. Delivery routes vary and must be structured with the council's objectives and capacity in mind as there is no 'one size fits all' approach. The paper considers the benefits and challenges of council owned housing companies, including:

- Setting and delivering objectives
- Identifying optimal funding routes
- Assessing viability and working with others

The paper stresses the importance of a properly developed business case and business plan to support the setting up of a housing company.

Copies of our good practice paper are available from your Engagement Lead or Audit Manager.

Grant Thornton

Anti-fraud and corruption update

Key current issues include:

Single Fraud Investigation Service (SFIS) - The SFIS will bring together all investigative capacity in relation to benefits and tax credits under the control of the Department of Work and Pensions. However a number of local authorities have expressed concern that such a transfer will cause them to lose the capacity to readily investigate other issues such as employee fraud and corruption allegations.

Corruption risk - In 2013 Transparency International (TI), the world's leading non-governmental anti-corruption organisation, published a report on corruption in UK Local Government. It identified twelve key risk areas covering public procurement, control over outsourced services, personnel transferring between local authorities and companies bidding to provide services, planning issues, collusion in housing fraud and manipulation of electoral registration. TI expressed concern that audit committees were unable to fulfil the function of reducing risks in many authorities.

Non-benefits fraud - There are striking differences between the identification of benefit and non-benefit fraud within local government. The Audit Commission has reported that 79 district councils did not detect a single non-benefit fraud whereas only 9 councils among all London boroughs, metropolitan districts and unitary authorities reported non-benefit frauds. Procurement fraud in particular is consistently estimated as accounting for the largest losses to fraud within local government. In its most recent Protecting the Public Purse publication the Audit Commission estimated annual losses at £876 million, representing 1% of total procurement spend.

Our Forensic Investigation Services provide a range of services to local authorities including fraud prevention and detection. If you are interested in a further discussion on these areas please contact your Audit Manager.

Local government guidance

Managing Council Property Assets

The Audit Commission has issued a briefing paper entitled *Managing Council Property Assets: Using Data from the VFM Profiles*.

In the paper the Audit Commission:

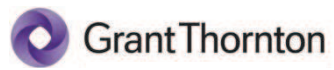
- advocates that councils should be active and strategic managers of their estates – understanding property markets and asking questions about the properties they own or lease,
- prompts councils to consider whether assets are in the right place, whether they should keep, sell, or transfer them, and how much they should invest in building, buying and maintaining property,
- invites local authorities to balance the value realised through sales of surplus assets, against the cost of maintaining them.

The background to the briefing is the collation of information from the government's capital outturn return which identifies that the local government estate has a net book value of £169.8 billion of which £2.5 billion have been classified as 'surplus' assets. In this context the Audit Commission is calling on councils to ensure they have a strategic approach to managing these assets, in order to get the best value for money they can from this portion of the local government estate. The Audit Commission Chair, Jeremy Newman said:

"we are neither advocating that local government starts a wholesale sell-off of their land and property nor are we suggesting councils shouldn't spend money on buying assets or on investment to improve their existing property. What we are highlighting is a group of assets that do not provide immediate benefit to local communities, but still require councils to spend money on maintaining them. These assets have potential value for councils. While not all such land or buildings may be sellable, councils should consider how much value they gain from surplus assets and how this could be increased. I urge councils to use the data held in the Commission's 'Value for Money (VFM) Profiles Tool', such as spending on and value of land and property assets and 'surplus' assets, alongside their unique and detailed local knowledge, to regularly review if their estate is fit-for-purpose."

Issue for consideration

- Are members satisfied that the Council has adequate management arrangements in place to ensure its property assets are being efficiently and effectively managed?



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Protecting the Public Purse Fraud Briefing 2014

Bath and North East Somerset Council



Purpose of Fraud Briefing



Provide an information source to support councillors in considering their council's fraud detection activities



Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities



Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed



Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

Understanding the bar charts

Outcomes for the first measure for your council are highlighted in yellow in the bar charts. The results of your comparator authorities are shown in the green bars.



Outcomes for the second measure for your council are highlighted as a green symbols above each bar. The results of your comparator authorities are shown in the white triangles.



A '*' symbol has been used on the horizontal axis to indicate your council.

All data are drawn from council submissions on the Audit Commission's annual fraud and corruption survey for the financial year 2013/14.

In some cases, council report they have detected fraud and do not report the number of cases and/or the value. For the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil.

Interpreting fraud detection results



Contextual and comparative information needed to interpret results



Detected fraud is indicative, not definitive, of counter fraud performance (*Prevention and deterrence should not be overlooked*)



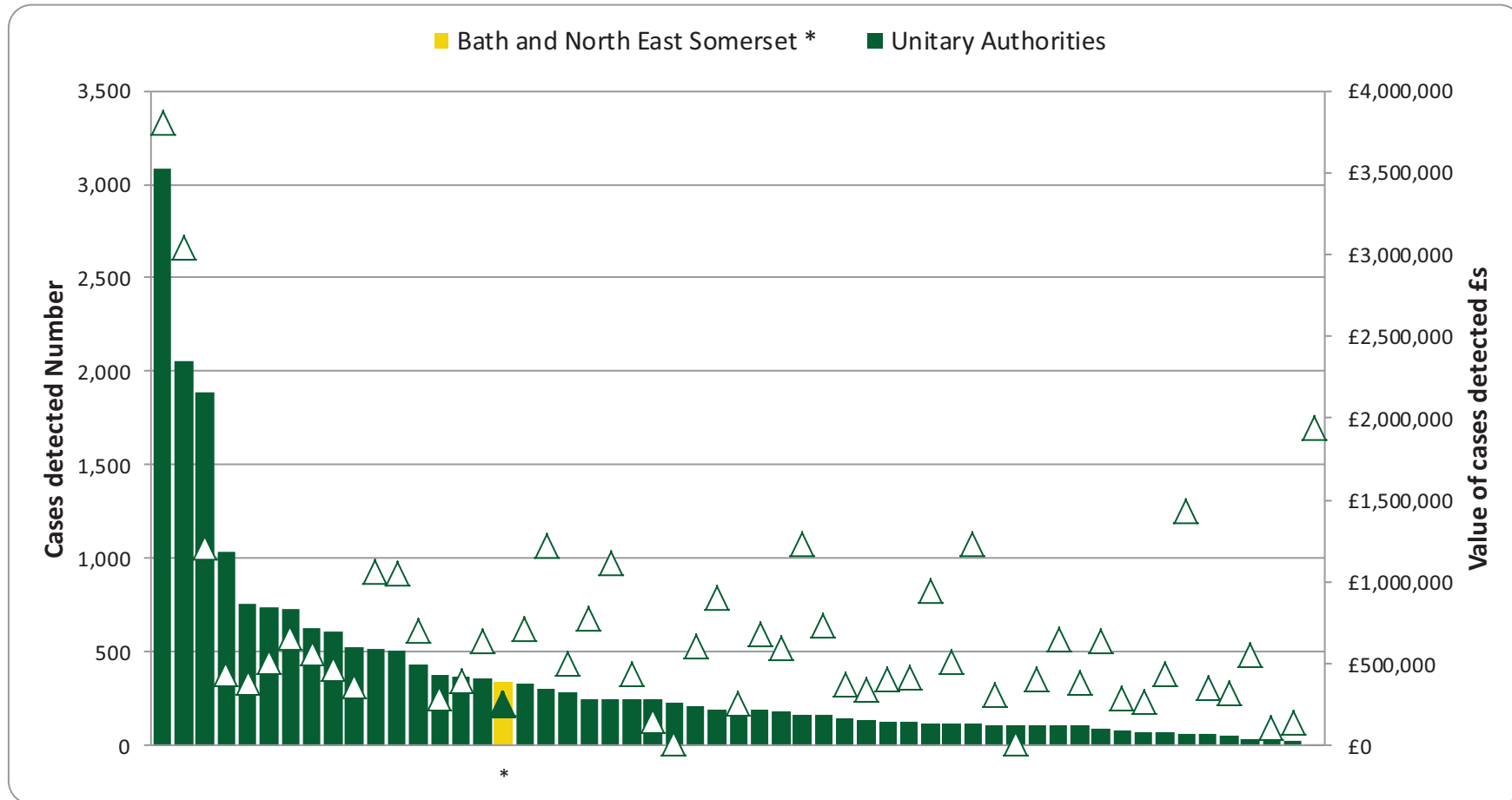
No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)



Councils who look for fraud, and look in the right way, will find fraud (*There is no such thing as a small fraud, just a fraud that has been detected early*)

Total detected cases and value 2013/14 (Excludes Housing tenancy fraud)

Bath and North East Somerset



Bath and North East Somerset detected 341 cases of fraud. The value of detected fraud was £243,521.

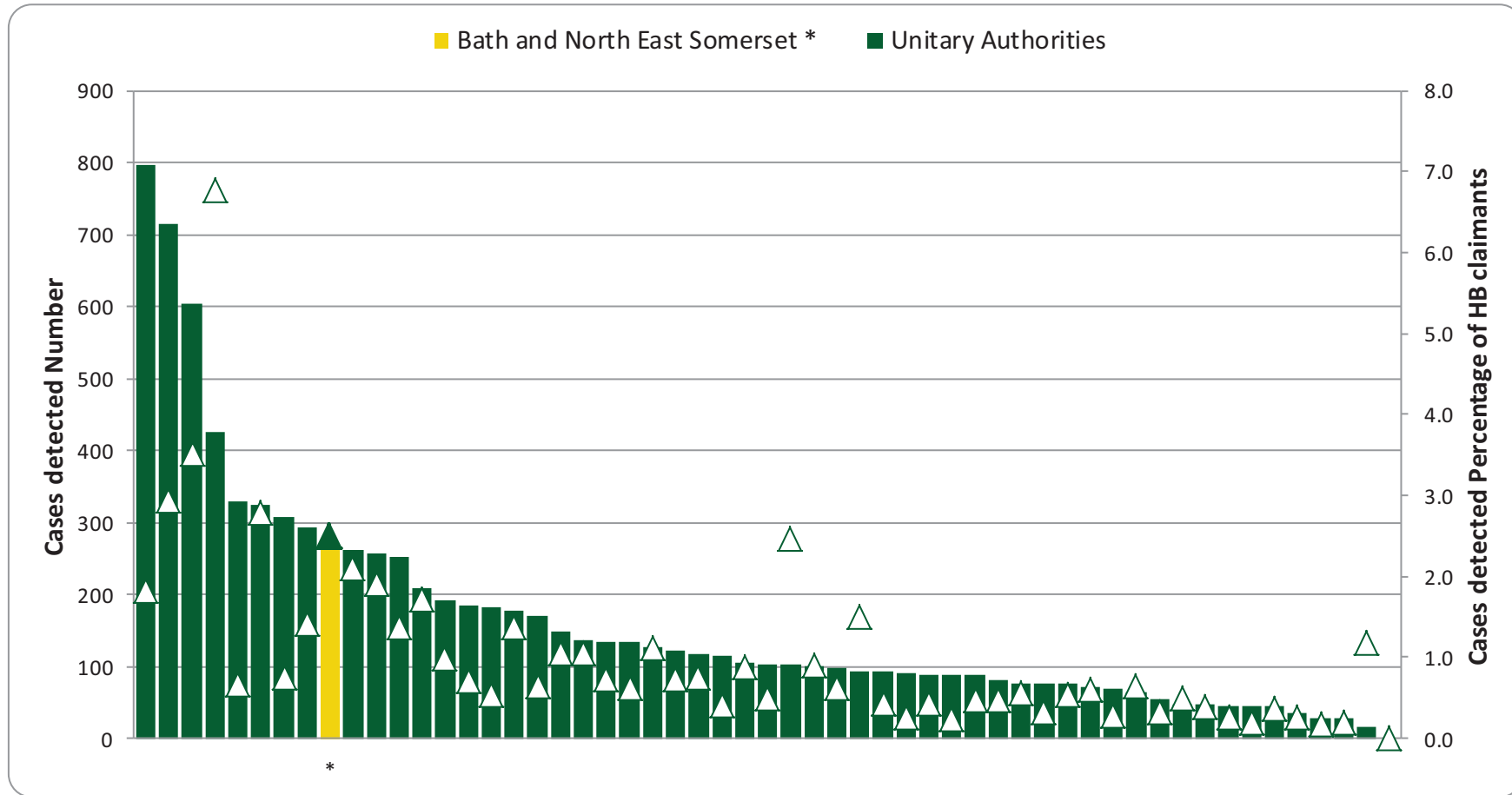
Average for other Unitary Authorities: 370 cases, valued at £702,289



Housing Benefit (HB) and Council Tax Benefit (CTB) 2013/14

Total detected cases, and as a proportion of housing benefit caseload

Bath and North East Somerset



Bath and North East Somerset detected 268 cases of this type of fraud. The value of detected fraud was £211,000.

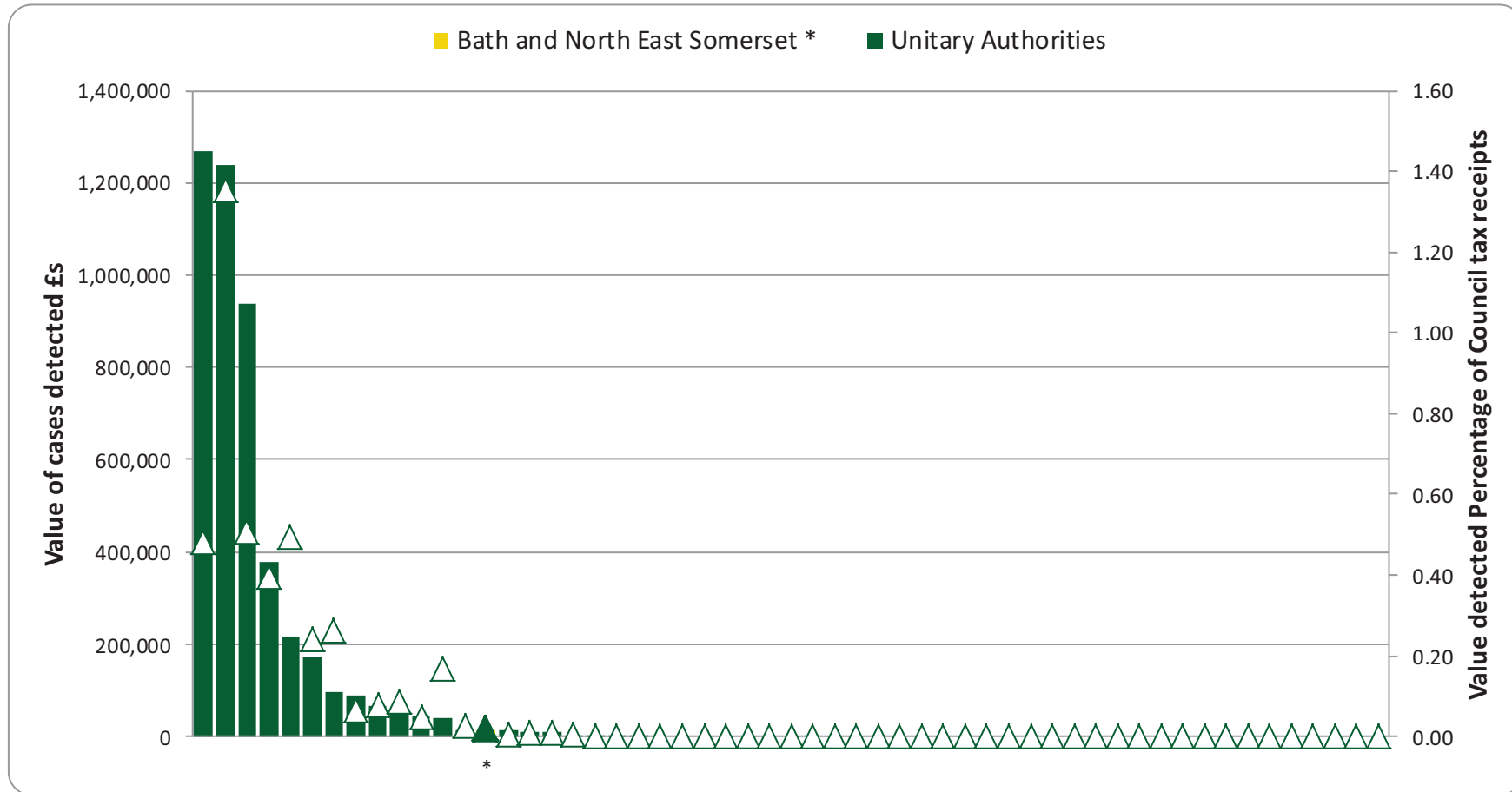
Average for other Unitary Authorities: 160 cases, valued at £551,457



Council tax discount fraud 2013/14

Total detected value, and value as a proportion of council tax income

Bath and North East Somerset



Bath and North East Somerset detected 50 cases of this type of fraud. The value of detected fraud was £15,000.
Average for other Unitary Authorities: 172 cases, valued at £86,147



Councils without housing stock 2013/14

Housing tenancy fraud

4 per cent of social housing stock in London and 2 per cent outside London is subject to tenancy fraud

Second largest fraud loss to local government, £845 million

The Prevention of Social Housing Fraud Act 2013: criminalises tenancy fraud

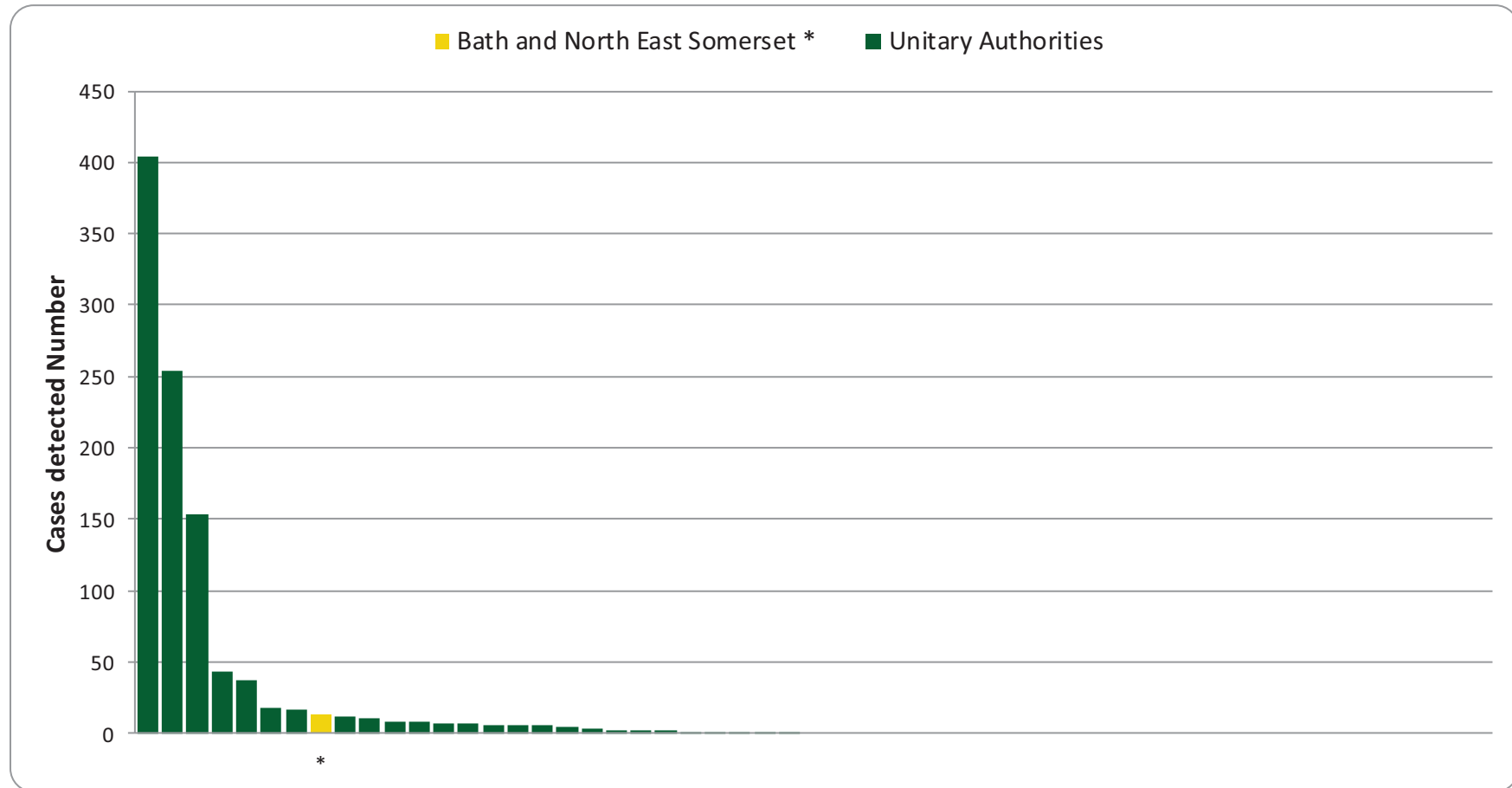
Combined with housing associations the total loss in England, £1.8 billion

Councils have powers to investigate and prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation and powers to work in partnership with local housing associations?

Disabled parking (Blue Badge) fraud 2013/14

Bath and North East Somerset



Bath and North East Somerset detected 13 cases of this type of fraud.
Average for other Unitary Authorities: 19 cases



Other frauds 2013/14

Bath and North East Somerset

Procurement: Bath and North East Somerset did not detect any cases of this type of fraud.

Total for other Unitary Authorities: 25 cases, valued at £832,190

Insurance: Bath and North East Somerset did not detect any cases of this type of fraud.

Total for other Unitary Authorities: 34 cases, valued at £988,636

Social care: Bath and North East Somerset detected 1 case of this type of fraud. The value of detected fraud was £0.

Total for other Unitary Authorities: 46 cases, valued at £731,379

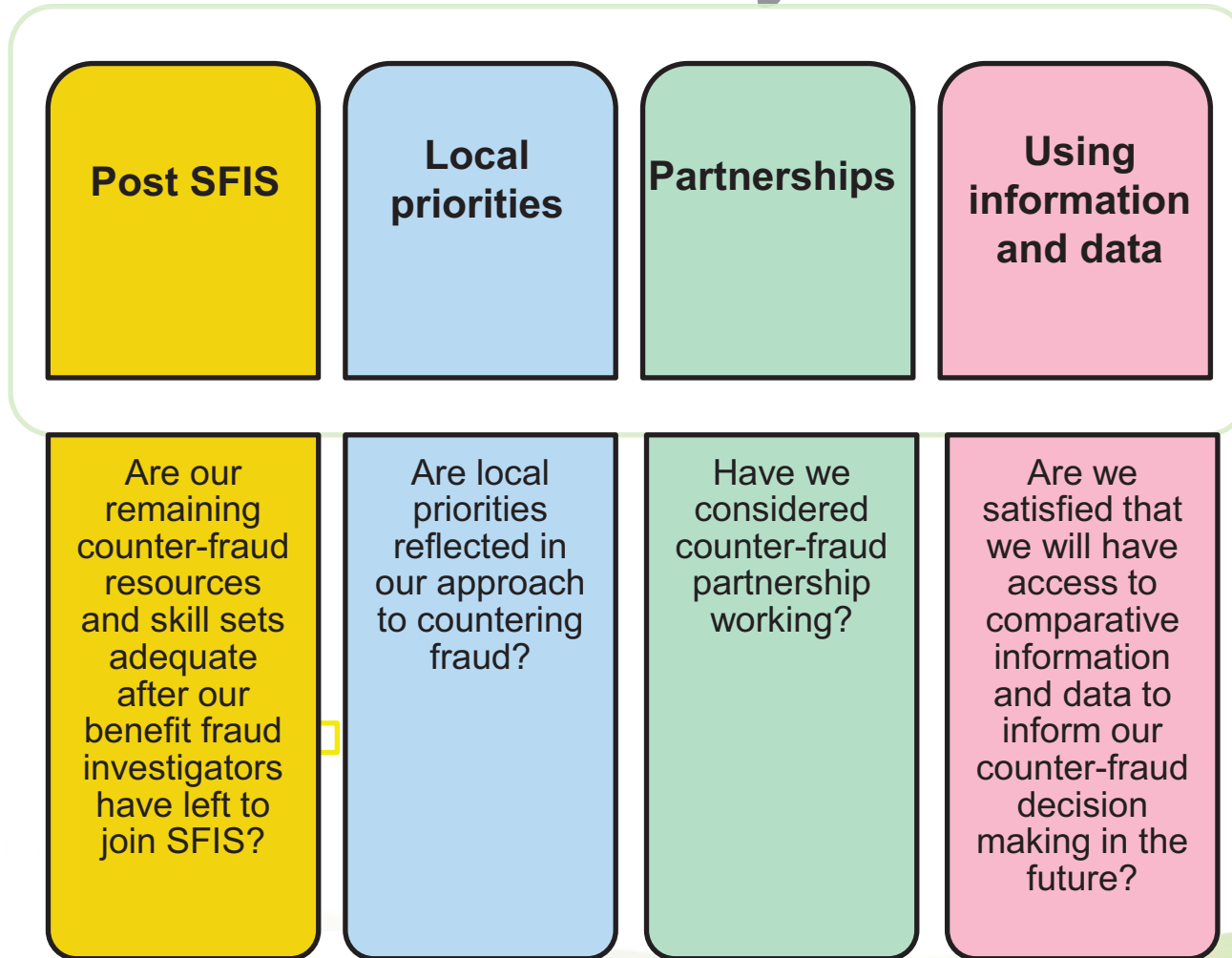
Internal: Bath and North East Somerset detected 15 cases of this type of fraud. The value of detected fraud was £31,021.

Total for other Unitary Authorities: 305 cases, valued at £999,477

Correctly recording fraud levels is a central element in assessing fraud risk.

It is best practice to record the financial value of each detected case

Questions elected members and decision makers may wish to ask



Any questions?



Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	2nd December 2014	AGENDA ITEM NUMBER
TITLE:	Financial Regulations Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Council Financial Regulations.		
Appendix 2 – School’s Financial Regulations (School’s Finance Manual)		

1 THE ISSUE

1.1 The Council’s Financial Regulations and School Financial Regulations are in need of updating based on changes in the Council’s and School’s systems and processes. This report has been compiled to explain the purpose of Financial Regulations and to explain / consult on the contents of the revised Financial Regulations and School Finance Manual prior to Council approval.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to:

- 1) Comment on the revised Financial Regulations (Council & Schools).
- 2) Recommend formal adoption by the Council.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

4.1 Why do we have Financial Regulations?

4.1.1 This Council is responsible for many millions of pounds of public money and has a number of statutory responsibilities in relation to its financial affairs.

- 4.1.2 The Local Government Act 1972 directs that Authorities shall make arrangements for the proper administration of their financial affairs and that one of their officers be responsible for the administration of those affairs. The Divisional Director – Finance is the Council's designated Chief Finance Officer and hence the Section 151 Officer.
- 4.1.3 Under powers contained in the Local Government Finance Act 1982 (s23 and 35) the Secretary of State also makes regulations as to the accounts themselves and requires them to be audited. The "Accounts and Audit Regulations" 2011 require that the "Responsible Financial Officer" must determine and be responsible for the accounting systems and the form of both the accounts and all supporting records of the authority.
- 4.1.4 Further to maintain independence from the responsible financial officer 'a relevant body' must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 4.1.5 The relevant body must therefore ensure (by maintaining an effective and adequate internal audit) that rules so made are observed and that all records are maintained in a satisfactory manner.
- 4.1.6 To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Authority.

4.2 Status of Financial Regulations

- 4.2.1 Financial regulations provide the framework for managing the authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf.
- 4.2.2 The regulations identify the financial responsibilities of Council Members, Corporate Audit Committee, Head of Paid Service, Monitoring Officer, Chief Finance Officer, Chief Internal Auditor, Strategic Directors, Divisional Directors and employees.
- 4.2.3 All elected Members and officers have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
- 4.2.4 The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the full Council for approval. He is also responsible for reporting, where appropriate, breaches of these Financial Regulations to the Council and / or to the members of the Cabinet.
- 4.2.5 Further detail of the authority's financial procedures, setting out how these Regulations will be implemented, are contained in the Codes of Practice.
- 4.2.6 Strategic & Divisional Directors are responsible for ensuring that all staff in their Directorate / Service area are aware of the existence and content of the Authority's Financial Regulations.

4.2.7 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations, such as the Budget Management Scheme.

4.3 The Principles

4.3.1 The Council is responsible for the stewardship of public money and will make arrangements to safeguard the interests of taxpayers and other stakeholders.

4.3.2 The Council expects its elected Members and officers to exercise high standards in financial management and administration and aims to stimulate openness and a climate of frankness that it will support through policies and regulations, such as the “whistleblowing” policy.

4.3.3 The importance of planning, monitoring and controlling the use of resources is of vital importance to the Council and it will make arrangements for these activities to be undertaken effectively.

4.3.4 Issues of probity will be dealt with effectively and the Council will work to meet its duty to maintain proper accounts and related records.

4.3.5 Value for money is at the core of the Council’s financial activity and the way in which it administers its financial affairs.

4.3.6 Compliance with statutory requirements, accounting standards and appropriate codes of practice will be inherent in the Council’s arrangements for financial matters.

4.3.7 Allocation of responsibility and authority in relation to financial matters will be clearly identified.

4.3.8 The Council is a large organisation and is mindful of the need for consistent standards in financial administration and management across all its operations and will set in place guidance to be adhered to by all its directorates. In particular, it expects staff to consult with and use all of the expertise in financial matters that it has available and act on advice from such sources.

4.3.9 The assets and resources of the Council must be protected from loss, damage and theft.

4.3.10 Identifying and quantifying risks to the Council is of key importance and arrangements must be made to reduce, eliminate or insure against them as appropriate.

4.3.11 The accurate, appropriate and timely payment and collection of monies forms much of the routine financial business of the Council and arrangements will be made for its proper administration.

4.4 Revision of Financial Regulations

4.4.1 The Council’s Audit & Risk Team have reviewed the May 2002 version of the Council’s Financial Regulations and School Financial Regulations on behalf of the Chief Finance Officer.

- 4.4.2 All financial systems and processes in the Council have been considered in relation to maintaining comprehensive Council Financial Regulations.
- 4.4.3 The revised Council Financial Regulations has 28 Sections (See Appendix 1) which is supported by 13 Codes of Practice.
- 4.4.4 School Financial Regulations have been incorporated into a new School Finance Manual.
- 4.4.5 Both documents will be made accessible through the Council's Intranet and publicised through a number of Council Wide staff communication processes e.g. Staff Matters.

5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

- 6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

- 7.1 The report was distributed to the S151 Officer and Monitoring Officer for Consultation.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Financial Regulations

(Excluding all Schools)

Revised December 2014

**A component of good financial
management**



**Officers' & Members' roles &
responsibilities explained**

Table of Contents

Section	Details	Page No.
1	<u>Introduction</u>	3
2	<u>Financial Management – Roles and Responsibilities explained</u>	4
3	<u>Internal Audit</u>	8
4	<u>Risk Management</u>	10
5	<u>Fraud Prevention</u>	12
6	<u>Budget Management and Control</u>	15
7	<u>Revenue Budget Preparation</u>	17
8	<u>Capital Expenditure</u>	19
9	<u>Treasury Management (Investments and Borrowing)</u>	21
10	<u>Accounting Systems and Processes</u>	22
11	<u>Payroll</u>	24
12	<u>Ordering & Paying for Works, Goods & Services</u>	26
13	<u>Income Collection</u>	30
14	<u>Bank Accounts, Banking & Cash Handling</u>	32
15	<u>Asset Management</u>	34
16	<u>Asset Leasing</u>	36
17	<u>Insurance</u>	37
18	<u>VAT</u>	39
19	<u>Information Systems Management</u>	41
20	<u>'Employee' Interests, Gifts and Hospitality</u>	46
21	<u>Corporate Purchasing Cards</u>	49
22	<u>International Travel</u>	51
23	<u>Commissioning & Procurement</u>	53
24	<u>Member's Allowances & Expenses</u>	55
25	<u>External Arrangements Partnerships</u>	56
26	<u>External Funding</u>	59
27	<u>Work for Third Parties</u>	60
28	<u>Avon Pension Fund</u>	61

Section 1 - Introduction

Why do we need Financial Regulations?

Bath and North East Somerset is a unique place in the heart of the West of England and delivers a high standard of local services with excellent value for money.

The challenges faced by the Council to provide and maintain high quality services will continually change. In order to respond effectively to these challenges there is a need to effectively manage the resources used by the Council on behalf of the local taxpayer. Stewardship of Council finances requires high standards of financial integrity and accountability.

The Financial Regulations define the boundaries within which we operate to effectively manage risk. They clarify roles and responsibilities and provide a framework for decision making.

All large organisations have a set of rules to regulate their finances and to protect the interests of their stakeholders and staff. However, the rules themselves are not of any use unless they are known and understood.

Who should read and understand Financial Regulations?

These regulations apply Council wide * and compliance is required by Members, Officers and other individuals carrying out work on behalf of the Council. This includes Council employees working for the Avon Pension Fund.

Strategic Directors and Divisional Directors are responsible for bringing the regulations to the attention of every member of staff, providing the necessary training and monitoring compliance.

Any known breaches of Financial Regulations must be reported via the relevant Divisional Director / Strategic Director to the Chief Finance Officer (Section 151 Officer- Local Government Act 1972). Failure to comply with Financial Regulations and Codes of Practice will be subject to investigation and may result in disciplinary action.

Codes of Practice

The Financial Regulations must be read in conjunction with the various Council Policies, Financial Standards and Codes of Practice, which provide details of the processes, procedures and controls, and which must be adhered to.

The Financial Regulations will be found on the Council's Internal Web site along with copies of all related Council Codes of Practice, Policies, Procedures and Financial Standards.

*** LEA Schools are required to comply with specific School Financial Regulations which have been incorporated into the Schools Financial Manual.**

Section 2 - Financial Management **Roles & Responsibilities explained**

The Council's Financial Regulations, Budget Management Scheme and the Codes of Practice on Matters of Financial Administration (including Officers' Code of Conduct) are bound separately but form part of the formal Constitution of the Council. The Council's Constitution is accessible through the [Council Website](#).

Sound financial management is critical to the Council in successfully achieving its plans, objectives and quality standards. Financial management is essential in order to:

- plan and maintain effective use of resources to achieve agreed service delivery standards;
- comply with legislation, related professional Codes of Practice and accounting standards;
- provide accurate, complete and valid accounts and information which demonstrate accountability to the public;
- ensure the appropriate use and security of financial and physical assets;
- help the Council conduct its affairs in an efficient, effective and economic manner.

Financial management is, therefore, concerned with the policies, processes, procedures and standards of the Council. Within this context the key areas of responsibility, and associated specific financial regulations, are as follows:

Council Members	<p>Approve Financial Regulations and Contract Standing Orders.</p> <p>Set the overall budget framework and monitor performance against agreed targets.</p> <p>Provide the reporting framework to monitor the achievement of Service objectives within the resources allocated.</p> <p>Determine the level of responsibility for financial management given to Services, Chief Officers and Local Managers.</p> <p>Administer the Avon Pension Fund on behalf of all four Unitary Authorities and other Fund employers.</p>
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<p>Corporate Audit Committee</p>	<p>The Council has delegated to the Corporate Audit Committee its powers and duties relating to the following matters:</p> <p>A) To consider and approve for publication on behalf of the Council, the Annual Accounts in accordance with the Accounts and Audit Regulations and any other relevant legislation or statutory guidance.</p> <p>B) To consider the Annual Governance Statement and Action Plan in accordance with the Accounts and Audit Regulations and any other relevant legislation or statutory guidance and make recommendations on this to the Executive or other appropriate body.</p> <p>C) To promote good governance arrangements within the Council and in its dealings with partner bodies and contractors, including compliance with legal and professional standards, in accordance with the Code of Corporate Governance.</p> <p>D) To agree the Council's External Audit Plan and proposed fees, within the budget agreed by the Council, and to monitor the delivery of that Plan.</p> <p>E) To agree the Internal Audit Plan, within the budget agreed by the Council, to monitor its delivery and effectiveness and to consider and make recommendations on any significant matters arising from Internal Audit work.</p> <p>F) To approve the Council's statutory accounting statements and policies.</p>
<p>Chief Executive</p>	<p>Provides strategic management and establishes a framework for management direction, style and standards.</p> <p>Secures a process for resource allocation that ensures due consideration of policy.</p> <p>Monitors the performance of the Council.</p>
<p>Chief Finance Officer</p>	<p>The Divisional Director (Business Support) carries out the statutory role of Chief Finance Officer (Section 151 Officer-Local Government Act 1972) including the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.</p>

	<p>Ensures that the Council's financial arrangements secure the proper stewardship and control of public funds.</p> <p>Provides financial advice and support so that resources are managed effectively in delivering the Council's services.</p> <p>Sets corporate financial management standards and agrees with Services detailed procedures to meet these standards within the framework set by Members.</p> <p>Advises the Pension Committee on all matters of policy concerned with the administration of the Avon Pension Fund, including the investment management arrangements</p>
Strategic Directors	<p>Establish clear accountabilities for all managers that include objectives of and responsibility for systems and information.</p> <p>Implement processes for considering the financial effects of policy and relating policy to resources.</p> <p>Monitor the delivery of policy and the use of resources, ensuring that appropriate action is taken where there is a mismatch.</p> <p>Clearly understand the consequences of a lack of control and ensure that Local Managers have effective procedures for safeguarding the Council's resources.</p> <p>Operate processes to check that established controls are in place and evaluate their effectiveness</p>
Monitoring Officer	<p>The Divisional Director (Legal & Democratic) carries out the statutory role of Monitoring Officer. The Monitoring Officer reports to the Council if a contravention of law, Code of Practice or any maladministration has arisen through any decision or omission by the Council, by any Member, Committee or Officer of the Council.</p>
Divisional Directors	<p>Determine the appropriate level of control within their areas of responsibility in accordance with advice and guidance provided by the Chief Finance Officer, their Strategic Director and the Council's auditors.</p> <p>Ensure all their staff understand and comply with Financial Regulations, Contract Standing Orders, Council policies and procedures and Service specific instructions.</p>

	<p>Monitor compliance with these regulations, policies and instructions.</p>
<p>Chief Internal Auditor (Chief Audit Executive)</p>	<p>Provide an independent Internal Audit Service which has unfettered access to the Chief Executive and Senior Management and is able to access all relevant records and information within the Authority to carry out its role.</p> <p>Provide independent, objective assurance / advice to management on the operation of internal controls (including financial) to improve an organisation's operations.</p> <p>Provide an annual opinion on the framework of internal control and risk management.</p> <p>Investigate on behalf of the organisation any suspected financial irregularities or misuse of resources and ensure that there is a system in place to allow staff, contractors or the public at large to report serious concerns confidentially.</p>
<p>External Audit</p>	<p>Report on whether the Council's accounts and statements present fairly the Council's financial position.</p> <p>Grant Claim certification.</p>
<p>All Employees</p>	<p>Have a responsibility for following Financial Regulations and other Council policies & adopted regulations (including Contract Standing Orders, Code of Conduct) and Service specific instructions.</p> <p>Help the Council achieve open and honest administration by supporting approved fraud prevention strategies and avoiding potential conflicts of interest.</p> <p>Assist the Council's audit processes.</p> <p>Keep accurate and comprehensive records to support the transactions undertaken on the Council's behalf.</p>

In addition, please refer to:

[The Council's Constitution](#)

Section 3 – Internal Audit

The purpose of this section of the regulations is to highlight the authority delegated to the Council's Chief Audit Executive (term used by the Public Sector Internal Audit Standards), when reviewing the accounting and financial arrangements within the Council.

Statutory Requirements:

The Accounts and Audit Regulations 2011, Part 2 (6), 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 in accordance with the proper practices in relation to internal control". These Regulations cover the requirements of Section 151 of the Local Government Act 1972, which states that authorities must "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for administration of those affairs."

Objectives & Role of Internal Audit:

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.

1. The organisation is responsible for maintaining an adequate and effective internal audit of the accounting and financial transactions, including any operations that affect the financial arrangements of the Council.
2. Internal Audit is independent in its planning and operation.
3. Internal Audit complies with the United Kingdom Public Sector Internal Audit Standards.
4. The Chief Audit Executive or their authorised representative, shall have authority to:
 - a) Enter at any reasonable times, any operational or administrative Council premises or land and have access to all Council property.
 - b) Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer systems relating to any transaction of the Council, or non-official funds operated by Council staff,
 - c) Require and receive such explanations as are necessary concerning any matter under examination,
 - d) Require any employee of the council to produce or account for cash, stores or any other property under their custody or control,
 - e) Examine any work or services carried out for the council by an employee or contractor, and any goods purchased on behalf of the Council,
 - f) Review appraise and report on the soundness, adequacy and application of financial and other management controls, and on the

protection of the Councils resources, property and assets against loss due to fraud and other offences and/or waste, extravagance and inefficient administration, poor value for money or other wasteful practices.

5. The Council's Chief Audit Executive shall have direct access and the right of report to the Chief Executive, Strategic Directors, the External Auditor, Leader of the Council, Chair of the Corporate Audit Committee and Chair of the Council's Policy Development & Scrutiny Panels, where appropriate.

In addition, please refer to:

[Internal Audit Service Charter](#)

Section 4 – Risk Management

Why is this important?

Risk management is an integral part of the corporate governance framework for Local Government. This is detailed in the Council's Local Code of Corporate Governance which is reviewed annually and reported in the Council's Annual Governance Statement.

The Council's Risk Management Strategy will help support and underpin the delivery of its Vision & Values.

Objectives of risk management processes:

- Protecting and adding value by supporting the achievement of the Sustainable Community Strategy.
- Improved strategic, operational and financial management.
- Contributing to more efficient use/allocation of resources.
- Mitigation of key threats and taking advantage of key opportunities.
- Protecting and enhancing assets and image.
- Improving decision-making (making the right decisions).
- Safeguarding of tangible and intangible assets.
- Promotion of innovation and change.
- Optimising operational efficiency and therefore delivering efficiency gains and value for money.
- Allocating time and management effort based on formal assessment of threats and opportunities.
- Avoid nasty surprises, shocks, crises and the time taken to 'fire fight' these.
- Improved customer service delivery.

Key Responsibilities for Staff & Members:

1. Council Members gain an understanding and promote risk management and its benefits throughout the Council & its partners, ensuring Members take risk management into consideration when making decisions.
2. Both the Cabinet and Elected Members oversee the effective management of risk throughout the Council and its partnerships, and gain an understanding of its benefits, ensuring officers develop and implement a comprehensive approach to risk management.
3. The Corporate Audit Committee provides independent assurance of the risk management framework and associated control environment, independent scrutiny of the Council and partners financial and non-financial performance, and oversee the financial reporting process.
4. The Directorate Management Teams gain an understanding and promote the risk management process and its benefits, oversee the implementation of the

risk management strategy and agree any inputs and resources required supporting the work corporately.

5. Strategic and Divisional Directors ensure that the risk management process is promoted, managed and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk. Disseminating relevant information to service managers and employees.
6. Service Managers raise awareness, manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.
7. All employees of the Council manage risk effectively in their jobs, liaising with their line manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.
8. The Audit & Risk Team challenge the risk management process, including the identification and evaluation of risk and provide assurance to Officers and Members on the effectiveness of controls.
9. The Divisional Director Finance supports the Council and its services in the effective development, implementation and review of the Council's risk management processes. Identify and communicate risk management issues to services, and assist in undertaking risk management activity through training or direct support.

In addition, please refer to:

[The Council's Risk Management Strategy](#)

Section 5 – Fraud Prevention

“Keeping our House in Order” Bath and North East Somerset’s Fraud Prevention Statement

Why we need a Fraud Prevention Statement:

We all have a special responsibility for dealing with public funds and assets. The Council controls millions of pounds of public money and we must take very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.

Bath and North East Somerset acknowledges the responsibility it has for the administration of public funds and wishes to emphasise to the public and its staff the importance it places upon probity, financial control and transparency in its administration.

The Council is committed to prevention, deterrence, detection and investigation of all forms of fraud and corruption.

The Council recognises that fraud and corruption undermine the high standards of public service, which it promotes, and reduces the resources available for the good of the whole community.

The statement applies to all Members and employees of the Council and demonstrates to the community of Bath and North East Somerset Council our commitment to combating fraud and corruption wherever it is found.

The Fraud Prevention Statement – Key Principles:

Leading by example, our Council will ensure that:

- Everyone within the organisation takes responsibility for the prevention and detection of fraud and corruption.
- There is compliance with key policies and procedures.
- Fraud is not tolerated and that all such cases are thoroughly investigated.
- All officers and Members have proper training and guidance regarding anti-fraud and corruption issues.
- High standards of internal control are promoted.
- There is a safe environment to report suspected cases of fraud and corruption.
- Rigorous action is taken against anyone found guilty of fraud or corruption. This will be through the Council’s disciplinary process and by taking legal action as appropriate.

Key Responsibilities for Members and Staff:

1. Strategic & Divisional Directors are responsible for the prevention and detection of fraud, error and wasteful practices within their Service environment.
2. They must inform the Chief Finance Officer and / or the 'Chief Audit Executive', immediately of any suspected financial irregularity.
3. The Council's Divisional Director (Business Support) and / or the 'Chief Audit Executive', shall report to the Chief Executive and relevant Strategic Directors any circumstances which could involve the Council in unlawful expenditure or action which could result in a potential loss or deficiency to the Council or unlawful entries in the accounts.
4. All employees have an important part to play in reporting concerns about wrong doing at work by other employees, Councillors, suppliers, contractors or others acting on behalf of the Council.
5. In this respect, employees are under a duty to assist with the discharge of these responsibilities by reporting to their managers, or through the Council's Whistleblowing Policy, any instance where financial irregularity is suspected.
6. Abuse of the Whistleblowing Policy by raising malicious, unfounded allegations will be treated as a serious disciplinary matter.
7. In addition, the Council has a legal duty to implement a procedure to enable the reporting of suspicions of money laundering. Accordingly, any Member or employee, who in the course of Council business becomes aware that criminal property or funds could be involved, should report their suspicion promptly, in accordance with the Anti-Money Laundering Policy. Failure to do this may result in a criminal offence being committed.
8. The UK Bribery Act, 2010 which came into force on the 1st July 2011 introduces a corporate offence of failure to prevent bribery.

The three key offences under the Act which may have an impact on the authority are:

- Bribery of another person
- Accepting a bribe
- Failing to prevent bribery

The offences carry criminal penalties for individuals and organisations. Individuals can be imprisoned for up to a maximum of ten years. Both individuals and organisations can be subject to an unlimited fine.

The Act states that organisations will be responsible for their employees' corrupt acts unless they can show they had adequate policies and procedures in place to combat bribery.

Staff are responsible for the prevention, detection and reporting of bribery and other forms of corruption. If any member of staff or Council Member has concerns regarding a suspected instance of bribery they must refer to the Council's Whistleblowing Policy and report the matter.

In addition, please refer to:

[The Council's Anti-fraud and Corruption Policy](#)
[Whistleblowing Policy](#)
[Fraud Response Plan](#)
[Anti-Money Laundering Policy](#)
[Council's Employee's Code of Conduct](#)
[Council's General Employment Standards and Rules](#)

Section 6 - Budget Management and Control

Why is this important?

Budgets (spending plans) are needed so that the Council can plan, monitor and control the way resources are allocated and spent. Budgets reflect Council, Portfolio, Service and local priorities and give authority to Local Managers to incur expenditure to meet targets.

Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, which reviews and manages spending against budget during the financial year. In addition, it provides the mechanism that calls to account managers responsible for defined elements of the budget.

The purpose of the Budget Management Scheme rules:

- a) To ensure that income and expenditure are in line with the agreed Council budgets and service plans (consistency of purpose),
- b) Overall Financial control of Council income and expenditure.

The implications of poor budget management:

1. the Council will not be operating within the law;
2. policies and objectives will not be achieved;
3. resources not being used in accordance with agreed authority;
4. failure to secure value for money (efficient & effective use of resources);
5. decisions made without the benefit of full or appropriate information;
6. inability to take appropriate action at the right time.

The key requirements for budget management and control are summarised as follows:

Section A: Revenue Budgets:

- Budget approval is required for all expenditure.
- The Chief Executive and Strategic Directors have overall responsibility for the delivery of the strategic objectives for their areas of responsibility and thus have a responsibility for effective performance monitoring of Divisional Directors on matters of budget management.
- Divisional Directors are responsible for Budget Management.
- Each Divisional Director will develop and maintain effective arrangements for financial management within his/her Service area.
- Each Divisional Director will nominate a Budget Manager for each cost centre heading, as appropriate.
- Budget Managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- Budget Managers follow an approved certification process for all expenditure.
- Income and expenditure must be properly recorded and accounted for by all Budget Managers. This is achieved by ensuring the accurate use of accounting codes and timely monitoring of financial information.

- Services are to be managed within their budgets using virement and carry forward, as appropriate.
- Expenditure is committed only against an approved budget head.
- Any virement which has the effect of changing a policy contained in the Policy Framework must be approved by the Council.
- All virements must be reported to the Cabinet on a quarterly basis.
- Any proposed use of general balances, in excess of limits set by the Budget Management Scheme, must be recommended by the Cabinet and/or approved by the Council.
- Any Council earmarked reserve set aside by Council for a specific purpose may not be spent on any other purpose without the permission of the Council.
- With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered.
- Informal Cabinet and Senior Management Team will receive monthly finance dashboard reports starting with actual v budgets for May to be reported in July.
- The Cabinet will receive budget monitoring reports (including capital monitoring) at its public meetings four times a year (normally in September, November, February and July).
- The Cabinet is required to approve the outturn position in July following the financial year end.

Section B: Capital Budgets:

- Divisional Directors are generally responsible for budget management of all capital schemes (including major and other projects) within their service area, but all capital schemes must have a designated responsible Budget Manager who may or may not be a Divisional Director.
- Before any scheme is included in any programme, budget management responsibility must be assigned.
- The Capital Programme is agreed by Council following the process set out in Capital Review 2 (July 2006).
- With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered. The Divisional Director is responsible for making proposals for the avoidance or recovery of any overspending to their Strategic Director in the first instance.
- Capital Project Boards will receive regular (at least quarterly) reports of progress on capital schemes in order to focus on the key issues and to identify project spend in both the current financial year and over the lifetime of each project, and associated funding and revenue implications.
- Divisional Directors should identify assets which are surplus to requirements or which are no longer suitable or sufficient for service delivery.
- Council will approve a sum that is to be set aside to reflect the overall risk from capital projects it has approved
- Strategic Directors will be responsible for ensuring the principles of this scheme are understood and enforced within their Service areas.

In addition, please refer to:
[The Budget Management Scheme](#)

Section 7 – Revenue Budget Preparation

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 weighted priorities. The annual Revenue and Capital budgets are the financial expression of the Council's plans and policies.

Why is this important?

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the 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 the Council to budget for a deficit. All key decisions on revenue expenditure must be made by Cabinet Members.

The format of the budget determines the level of detail to 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.

A report on new proposals should explain the full financial implications, following consultation with the Chief Finance Officer. Strategic Directors must present a balanced budget and plan to contain the financial implications of such proposals within their cash limit.

Key Responsibilities for Members and Staff:

1. Specific budget approval is required for all expenditure.
2. Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Strategic Director for their budgets and the level of service to be delivered. This is included in service delivery plans and individual employee's performance management and development scheme.
3. Preparation of the budget complies with all legal requirements.
4. The format complies with the requirements of the Chief Finance Officer and, where necessary, has regard to relevant accounting standards.
5. The format reflects the accountabilities of service delivery
6. The Chief Finance Officer will:
 - (a) Advise the Cabinet and Council on the format and timing of the budget to be approved by the full Council.
 - (b) Prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
 - (c) To determine the detailed form of revenue budgets and the guidelines for their preparation, after consultation with the Cabinet and Strategic Directors.

- (d) To prepare and submit reports to the Cabinet on the aggregate spending plans of directorates and on the resources available to fund them, identifying, the implications for the level of Council Tax to be levied.
- (e) To advise on the medium-term implications of spending decisions.
- (f) To encourage the best use of resources and value for money by working with Strategic 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.

7. Strategic Directors will:

- (a) Prepare draft budgets of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet.
- (b) Prepare draft budgets that are timely, balanced and consistent with any relevant cash limits, and with guidelines issued by the Cabinet. The format should be prescribed by the Chief Finance Officer, in consultation with the Cabinet.
- (c) Integrate financial and budget plans into service planning, so that budget plans are reflected, where appropriate, by financial and non-financial performance measures.
- (d) In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate Cabinet Member.
- (e) When drawing up draft budget requirements, Strategic Directors will have regard to:
 - spending patterns and pressures revealed through the budget monitoring process
 - targets for growth/reduction set out in the medium term financial plan
 - fall out of external funding
 - legal requirements
 - other policy requirements as defined by the full Council in the approved policy framework
 - initiatives already under way.

In addition, please refer to:

[The Budget Management Scheme](#)
[Medium Term Financial Plan](#)
 Service Plans

Section 8 – Capital Expenditure

Why is this important?

1. Capital expenditure involves acquisition or enhancement of fixed assets which have a long-term value to the Council, 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. Capital expenditure must comply with the Council's Procurement Regulations.
2. The Local Government Act 2000, as amended in March 2002, requires local authorities to determine expenditure limits above which such expenditure would be a key decision. All key decisions on capital expenditure must be taken by Cabinet Members.
3. The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources. Initiatives such as PFI (Private Finance Initiative) still have to comply fully with Financial Regulations.

Key Responsibilities for Members and Staff:

1. The Chief Finance Officer will bring together Directorate estimates for capital schemes and to report them to the Cabinet for approval or prioritisation within existing resources. Council approval is required where a Strategic Director proposes to bid for or exercise additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
2. The Chief Finance Officer will submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
3. The Chief Finance Officer will issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Chief Finance Officer having regard to government regulations and accounting requirements.
4. The Chief Finance Officer will obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the specified amount.
5. Divisional Directors must comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer, including ensuring that all capital proposals have undergone a full project appraisal.
6. Divisional Directors must prepare regular reports reviewing the capital programme provisions for their Services. They must prepare a quarterly return of estimated final costs of schemes in the approved capital programme for submission to the Cabinet and to the Chief Finance Officer.
7. Divisional Directors must ensure that full records are maintained for all capital contracts.
8. Divisional Directors must proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer.

9. Divisional Directors must consult with the Chief Finance Officer, and to obtain authorisation from the relevant Cabinet Member, prior to the implementation of key decisions as part of the capital programme.
10. Divisional Directors must prepare and submit reports to the Cabinet Member, of any variation in contract costs greater than the approved limits. The Cabinet Member must meet cost increases by virement from savings elsewhere within their overall capital programme.
11. Divisional Directors must prepare and submit reports to the Cabinet Member, on completion of all projects where the final expenditure exceeds the approved budget by more than the specified amount.
12. Divisional Directors must ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.
13. Divisional Directors must consult with the Chief Finance Officer and to seek appropriate approval (Council / Cabinet) where the Strategic Director proposes to bid for capital financing to support expenditure that has not been included in the current year's capital programme.

In addition, please refer to:

[The Budget Management Scheme](#)
[Medium Term Financial Plan](#)
Service Plans

Section 9 - Treasury Management (Investments and Borrowing)

Why is this important?

Significant sums pass through the Council's accounts each year which need to be securely managed and controlled to maximise the Council's income. This is done in accordance with codes of practice that have been established with the aim of providing assurance that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's funds.

Key Objective:

The Council's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management in Local Authorities and with the Council's Treasury Management Policy statement.

Key Responsibilities of Staff & Members:

1. The Chief Finance Officer will:
 - Prepare the Council's Treasury Management Policy Statement and Strategy in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities and to arrange for all Council borrowing and investment in such a manner as to comply with this Statement/Strategy.
 - 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.
 - Ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate Strategic Director.
 - Effect all borrowings in the name of the Council.
 - Act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.
 - Report to the Council, as requested, on Treasury Management activities.
2. Strategic Directors will:
 - Ensure that loans are not made to, and that interests are not acquired in, companies, joint ventures or other enterprises without the approval of the full Council, following consultation with the Chief Finance Officer.

In addition, please refer to:

[Code of Practice No.1 – Investments & Borrowing](#)
Treasury Management Strategy

Section 10 – Accounting Systems and Processes

Why is this important?

It is important to ensure that sound systems of accounting and financial control are in place throughout the Council in order that its assets and interests are effectively safeguarded against loss, and a high level of public confidence in the integrity of its financial administration is maintained.

Objectives of Accounting Systems and processes:

- To ensure that a true and complete record of all Council transactions is maintained.

Implications if above objectives are not achieved:

1. The Council may not operate within the law;
2. Incorrect management information, leading to poor decision making;
3. Financial loss;
4. Adverse report from the Council's External Auditors;

Key Responsibilities for Staff & Members:

1. The Chief Finance Officer will be responsible for maintaining the accounts of the Council and for the approval of all accounting records and financial systems.
2. All Divisional Directors must ensure that responsibility for coding income and expenditure is assigned to Officers through adopted authorisation / approval processes.
3. Capital expenditure must be accounted for separately from revenue expenditure and must, therefore, be coded to the appropriate capital expenditure code.
4. The Chief Finance Officer will be responsible for producing the timetable and standards for the production of final accounts each year.
5. The Chief Finance Officer shall agree all borrowing and lending arrangements and these shall operate in accordance with the Council's Treasury Management Policy Statement and the appropriate accounting bodies' Codes of Practice. All investments, borrowing, leasing and other capital financing arrangements shall be effected in the name of the Council.

6. The Divisional Director – Property, shall hold all securities that are the property of or are in the name of the Council or its nominees and the title deeds of all properties in its ownership, in safe custody.
7. The Chief Finance Officer will:
 - Ensure that the Council does not enter into leasing contracts which compromise the Council's spending limits set with regard to its Prudential Indicators.
 - Provide financial expertise and advice on leasing arrangements and contracts.
 - Ensure that best value is achieved in leasing contracts, including aggregation of the Council's leasing requirement where appropriate.

All Strategic and Divisional Directors must refer all proposed leasing arrangements, within their Services, to the Chief Finance Officer.

9. All Trust Funds shall, wherever possible, be in the name of the Council and all officers acting as trustees by virtue of their official position shall deposit all securities and other documentation relating to the Trust Fund with the Divisional Director – Property.
11. The Chief Finance Officer will ensure that all Finance Managers and their teams work to recognised Financial Standards and will ensure that clear instructions are issued to all relevant members of staff on key processes, including:
 - Control Accounts
 - Coding Protocols
 - Cash Flow Management
 - Capital Grants
 - Capital Expenditure
 - Capital Charges
 - Balance Sheet Balances
 - BACS Payments
 - Accounting statements
 - Monthly Accruals
 - Year End Accruals
 - Interfaces with the Financial Management System
 - Suspense Accounts

In addition, please refer to:

[Code of Practice No.2 – Petty Cash Accounts / Client Cash Floats](#)

Section 11 - Payroll

Why is this important?

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only to the right people and that payments accord with individuals' conditions of employment.

It is important that all payments are accurately and completely recorded and accounted for, as this ensures accurate information for budget holders.

Income Tax and National Insurance contributions to HMRC must be complete and accurate. Individuals defined as employees must be paid through the Council's Payroll System.

Objectives of payroll processing:

- Payments are only made to those entitled to payments, (i.e. employees or pensioners) at the correct rate and time.
- All payments and associated deductions are properly accounted for.
- Processes are in place to meet Corporate and Service needs for accurate and timely management information regarding payroll costs.

Implications if above objectives are not achieved:

1. Payments are made:
 - for work not undertaken,
 - to a person not entitled,
 - at the wrong rate,
 - that contravene employment legislation,
 - leading to potential financial loss;
2. Adverse publicity because of failure to pay efficiently and effectively;
3. Untimely and inaccurate information to budget holders;
4. The Council being penalised by the HMRC for failure to account for statutory deductions.

Key Responsibilities for Staff & Members:

1. The payment of salaries, wages, allowances, pensions and other emoluments must be made under arrangements approved and controlled by the Chief Finance Officer.
2. Divisional Directors are responsible for providing the Payroll Service with the details of those Officers (4th tier Officers and above), in that Service area, that can authorise payroll documents / transactions.
3. All salary and wages notifications must be properly authorised and in accordance with the employment contract.

4. All travelling, subsistence and other allowances (including staff Professional Subscriptions), for both staff and Members, must be paid through the Council's Payroll system.
5. The use of Petty Cash Account or other non-PAYE payment systems are not permitted under any circumstances, for the payment of salaries, wages, travelling and subsistence expenses.
6. No payments should be made to Self Employed Individuals without an assessment of that individual's employment status first being made in line with the HMRC criteria.
7. Each Divisional Director is responsible for ensuring that the person engaging someone to perform a task determines their employment status and whether they should be paid via payroll.
8. All Payroll documents / forms submitted must be the latest approved version.
9. Appropriate budget provision must be available.
10. Salary payments are made in accordance with employment law.
11. Statutory deductions are made in accordance with regulations and properly paid over to appropriate bodies.
12. Other non-statutory deductions are made in accordance with authorised requests.
13. Pension enhancements are awarded in accordance with approved policies.
14. All payments made are properly recorded and correctly charged to the appropriate expenditure codes and management information issued in a timely manner.
15. Members of staff who owe debts to the Council will have these debts deducted promptly from salary.
16. It is the responsibility of all Council Members and members of staff to immediately contact both their Manager and the Payroll administrators when they discover that any overpayment of salary, wage or allowance has occurred.

Failure to do this knowingly will be regarded as theft, under the law, and will be the subject of disciplinary action by the Council against the Member or officer concerned

In addition, please refer to:
[Code of Practice No.3 – Payroll](#)
[Code of Practice No.4 – Employment Status](#)
[HR Policies & Procedures – Pay & Benefits](#)

Section 12 – Ordering and Paying for Works, Goods & Services

Why is this important?

The Council must be able to demonstrate probity and value for money in spending public money, in accordance with its Procurement Strategy and the Council's Smarter Commissioning & Procurement Framework. Local Authorities have a statutory duty to achieve best value in part through economy and efficiency.

All Council Members and employees of the Council have a responsibility for spending public funds wisely and ensuring that all payments are valid, legal and represent the best use of resources.

Objectives of order and payment processes:

- To secure value for money by obtaining the best price for the quality of works, goods and services required.
- The Council only pays bona-fide organisations or individuals the correct amount at the appropriate time in line with appropriate contractual terms and conditions
- The Council properly accounts for works goods & services ordered and payments due or made.
- The Council complies with legislation covering VAT, payments to Sub-Contractors and other taxable payments
- The Council undertakes appropriate employment status checks on organisations or individuals in line with HMRC requirements

Implications if above objectives are not achieved:

1. Council pays more than necessary for works goods or services.
2. Payments are made for goods / services not required or not received.
3. Duplicate payments are made.
4. Council fails to pay for works goods or services in a timely basis resulting in adverse publicity, loss of goodwill.
5. Incorrect recovery of VAT leading to assessments and penalties from HMRC or loss of recoverable VAT
6. HMRC penalties for failing to assess employment status appropriately
7. Inaccurate and untimely information provided to budget holders.

Placing Official Orders:

1. Officers **must** only use Council monies for the purchase of works, goods & services which are for the express use of the Council. **Under no circumstances** may elected Members or individual employees use the Council's ordering or payments systems for personal use or benefit.

2. Members and Officer **must** 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 authority, in accordance with these Financial Regulations (Section 20) and the relevant Council's Code of Conduct.
3. Officers **must** issue Official Orders for all works, goods and services unless there is a specific exemption or alternative as outlined in the Procurement Strategy.
4. Divisional Directors **must** designate specific employees who are authorised to place orders on their behalf and operate procedures which secure value for money. The procedures **must** be properly recorded, communicated to staff and continuously monitored.
5. All Official Orders **must** be raised through the Council's Financial Management System.
6. **Under no circumstances** may individual employees use the Council's ordering or payments systems for personal use or benefit.
7. There may be occasions, in cases of emergency only, when a verbal order is placed. These must be the exception rather than the rule and **must** always be confirmed by the issue of an authorised order.
8. Before placing orders for goods and services the budget holder responsible **must** ensure that there is sufficient budget available.
9. All orders placed **must** comply with the Council's Standing Orders relating to Contracts, which provides guidance on obtaining alternative prices, seeking value for money and complying with National and European requirements.

Receiving Goods & Services:

10. When receiving works, goods or services, the budget holder is responsible for ensuring that timely checks are made to ensure that:
 - The works goods or services are in accordance with the order placed,
 - Any faults or deficiencies are reported to the contractor/supplier and remedial action taken,
 - Where necessary, inventories or stock records have been updated,
 - Goods delivered are placed in the safe custody of their authorised recipient.

Making Payments:

11. All payments on behalf of the Council will be made with the authority of the Chief Finance Officer.
12. Payments **must not** be made unless the works, goods and/or services have been received by the Council to the correct price, quantity and quality

standards, and that an invoice for the same works, goods and/or services has not been previously passed for payment.

13. Divisional Directors **must** designate specific employees who are authorised to approve invoices for payment on their behalf.
14. There must be a separation of duties between the Officer raising the Purchase Order and the Officer enabling the payment to be processed by the Financial System by confirming receipt of the goods / service.
15. All Divisional Directors **must** ensure adherence to all instructions issued by the Chief Finance Officer in respect of year-end accounting arrangements.
16. Payments to employees of salaries, wages, and travel & subsistence expenses **must** be made through the Payroll system and not via any other payment system.
17. Where appropriate Corporate Purchasing Cards can be used to make payments (see Section 21).
18. Offices must ensure that appropriate VAT documentation is obtained from the contractor/supplier to ensure that VAT is correctly accounted for and that the Council can maximise recovery of recoverable VAT.
19. The Council must comply with the requirements of the Construction Industry Scheme when paying construction industry subcontractors, as described in Code of Practice No.7.

Making Payments through Petty Cash Accounts / Client Cash Floats:

20. All payments through Petty Cash Accounts / Client Cash Floats must be made in accordance with guidelines set down in the Code of Practice No.2.
21. The Chief Finance Officer will authorise the use of a Petty Cash / Client Cash Floats or change float.
22. The Service operating the Petty Cash Account / Client Cash Float must arrange for a nominated Responsible Officer to keep and maintain the account. The name of the Responsible Officer and the purpose of the account must be notified to the Chief Finance Officer.
23. Responsible officers must maintain records and operate the account in accordance with the Petty Cash Accounts / Client Cash Floats Code of Practice.
24. Receipts, vouchers and invoices must be retained to substantiate every transaction.
25. Personal loans must never be given or personal cheques cashed from the Petty Cash Account / Client Cash Float.

26. Wherever possible VAT should be identified on payments made, so that the Council can recover the VAT. VAT may only be claimed where the Council has a valid VAT invoice bearing the VAT registration number of the supplier. For further details on whether VAT should be claimed please refer to the VAT guidelines.

In addition, please refer to:

[Code of Practice No.2 – Petty Cash Accounts / Client Cash Floats](#)

[Code of Practice No.5 – Ordering of Goods & Services](#)

[Code of Practice No.6 – Payment of Accounts](#)

[Code of Practice No.7 – Construction Industry Scheme](#)

[Council Contract Standing Orders](#)

[VAT Guidance](#)

Section 13 – Income Collection

Why is this important?

Income can be vulnerable to loss. Effective income collection systems are necessary to ensure that all income due is properly identified, collected, receipted, banked, and brought to account.

Objectives of income processes:

- To ensure that all sources of income that may be due to the Council are identified, claimed and collected at the right time.
- All payments received are accepted, recorded, reconciled and banked promptly and correctly.
- Local Managers and employees have a clear understanding of their responsibilities regarding the identification, collection, banking and reconciliation of income due to the Council.

Implications if above objectives are not achieved:

1. Income being lost to the Council;
2. Resources may be wasted by the failure to collect income quickly and economically;
3. Adverse publicity caused by the failure to collect income efficiently and effectively;
4. Theft, misappropriation or loss of income;
5. High levels of bad debt leading to a large number of write-offs.
6. Failure to deal with VAT correctly results in assessments and penalties from HM Revenue & Customs or a loss of income to the Council

Key Responsibilities for Staff & Members:

1. All arrangements for the collection, accounting and banking of income due to the Council must be subject to the approval of the Chief Finance Officer.
2. The appropriate Divisional Director will be directly responsible for the safe custody, recording, control, issue and use of official receipting systems, receipt books, tickets, account books and other income documentation in their specific Service area.
3. Responsibility for income collection must be separated from the person responsible for raising the debt.
4. Only payment or write-off shall discharge all sums due to the Council.
5. All refunds of overpayments must be made through the Council's Creditors system and NOT out of income. To help prevent money laundering activity refunds must always be paid back to the same bank account as the original payment. Any large cash payments to be refunded must be considered in

terms of potential money laundering prior to authorisation of the refund amount.

6. Under no circumstances must personal cheques be cashed in, or money borrowed from, income or other Council monies.
7. All amounts written-off will be authorised by the Chief Finance Officer and the Head of Legal Services (or their nominated representatives) and / or the appropriate Cabinet Member, in accordance with the Council's Code of Practice.
8. Sums due to the Council as debts from members of staff shall be deducted promptly from salary. Divisional Directors will ensure that all debts due are recovered promptly and any outstanding balances due, at the time of cessation of employment, are deducted from employee's final salary or any other monies due to that employee.
9. VAT is charged where appropriate, in accordance with the HM Revenue & Customs regulations. Where an individual Service makes a new type of charge for any reason they must consult the Council's VAT Analyst before setting prices.
10. Divisional Directors must ensure that all members of staff, within their Service, responsible for the collection and reconciliation of income, comply with the requirements of the Council's Anti Money Laundering Policy.

In addition, please refer to:

[Code of Practice No.8 – Income Collection](#)
[Council's Anti Money Laundering Policy](#)
[VAT Guidance](#)

Section 14 – Bank Accounts, Banking and Cash Handling

Why is this important?

Local Managers and employees need to have a clear understanding of their responsibilities regarding the setting up and use of Council Bank Accounts, banking processes and cash handling. Most bank accounts are held and managed centrally. However, there will be Local Managers who are responsible for voluntary funds, petty cash accounts and other bank accounts.

Objectives of Banking & Cash Handling processes:

- To ensure that all income and expenditure is transacted through authorised bank accounts.
- To ensure that all money is held securely.
- To ensure monies are banked in an authorised bank account in a timely manner and accurately recorded.
- To ensure all transactions are bone fide, accurate and within predetermined limits.

Implications if above objectives are not achieved:

1. Theft or loss;
2. Staff and premises vulnerable to attack;
3. Resources wasted due to poor cash flow management;
4. Inability to prove that deposits have been made into the bank account or that payments have been made by debtors;
5. Damage to the Council's reputation through adverse publicity;
6. Failure to deal with VAT correctly results in assessments and penalties from HM Revenues & Customs or a loss of income to the Council.

Key Responsibilities for Staff & Members:

1. The Chief Finance Officer will be responsible for making such arrangements as are appropriate and necessary with the Council's Bankers relating to all financial transactions.
2. The Chief Finance Officer will ensure that proper arrangements are made for the secure printing, secure retention and issue of cheques.
3. All bank accounts must be opened and closed by the Chief Finance Officer. Any subsidiary Bank Accounts can only be opened with the express authority of the Chief Finance Officer, who will provide specific instructions on the control and use of such accounts.

4. Any overdraft on the aggregated Council's main bank accounts is permitted only to the extent authorised by the Chief Finance Officer. Overdrafts are not permitted on any other bank accounts.
5. The Chief Finance Officer will make available written guidance on the processes to be followed to transfer monies electronically (CHAPS / BACS).
6. The Chief Finance Officer will specify arrangements for the collection and banking of all income due to the Council, and to approve the procedures, systems and documentation for its collection, security and banking.
7. All money received by an employee, on behalf of the Council, must be properly recorded and paid without delay into the Council's bank account.
8. Where third parties are contracted to bank income on behalf of the Council, the Chief Finance Officer will specify and agree the contract arrangements, prior to entering into any such contract.
9. The Chief Finance Officer shall ensure that the reconciliation of all bank accounts held by the Council is undertaken at regular intervals to ensure the prompt investigation of discrepancies.
10. All keys to safes and similar receptacles must be carried by the person responsible at all times; loss of such keys must be reported, without delay, to the Chief Finance Officer.
11. The Chief Finance Officer will authorise the use of a petty cash account or change float.

In addition, please refer to:

[Code of Practice No.2 – Petty Cash Accounts / Client Cash Floats](#)
[Code of Practice No.9– Bank Accounts, Banking & Cash Handling](#)

Section 15 – Asset Management

Why is this important?

The Council holds fixed and moveable assets in the form of land, buildings, plant and machinery, vehicles, equipment, software, and other items with significant value. It is important that all 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. Inventories of moveable items are particularly important in connection with potential insurance claims.

Objective of asset management:

- To ensure that assets are used to achieve the approved policies and objectives of the Council with the minimum level of waste, inefficiency or loss for other reasons.

Implications if above objective is not achieved:

1. Money may be wasted by acquiring inappropriate assets;
2. Assets may be used inefficiently;
3. Loss or damage;
4. Money may be wasted by maintaining obsolete or unnecessary assets;
5. Income may be lost by not achieving best terms for disposal of assets.

Key Responsibilities for Staff & Members:

1. Every Divisional Director shall be responsible for the custody of all buildings, equipment, stocks, stores, vehicles, furniture and cash used within their Service environment and for their general security.
2. Official inventories and stores records shall be kept under arrangements approved by the Chief Finance Officer, and all desirable and portable property shall be securely marked "Property of Bath & North East Somerset Council".
3. Items recorded in official inventories must subject to a regular independent physical check (at least annually). All discrepancies should be investigated and pursued to a satisfactory conclusion. Any discrepancies not resolved must be reported to the appropriate Divisional Director and Internal Audit.
4. The Chief Finance Officer (or their authorised representative) has the right of access to all Council establishments, to verify stores, records or accounts.

5. Divisional Directors should ensure that stocks and stores are not carried in excess of economic requirements.
6. All 'moveable' property will only be disposed of in accordance with the Council's Stocks and Stores and Inventories Codes of Practice.
7. The Divisional Director (Property) shall maintain, in a form approved by the Chief Finance Officer, a register of all properties owned by the Council.
8. The Divisional Director (Property) shall inform the Chief Finance Officer of all relevant details, including financial implications, relating to the purchase, lease, holding or sale of property held on the Council's behalf.
9. All Divisional Directors responsible for the private property of a person under their guardianship or supervision shall arrange for an inventory of all items and ensure the safe custody of the items in accordance with the Clients' Private Property Code of Practice.
10. All Council assets must be used solely for official Council business. Council assets must not be used for personal use.
11. Where any irregularity is suspected in the custody or use of a Council asset, the matter must be treated as a financial irregularity and reported immediately to the appropriate Divisional Director and Internal Audit.

In addition, please refer to:

[Code of Practice No.10 – Stocks and Stores](#)

[Code of Practice No.11 – Inventories](#)

Asset Management Strategy

Section 16 – Asset Leasing

Why is this important?

Why is this important?

The implementation of the Prudential Code in April 2004 has introduced new freedoms for Local Authorities to pursue various capital and revenue options for the funding of asset acquisitions. It is therefore important to ensure the most cost effective form of funding is sourced for each acquisition.

Objectives of controlling Asset Leases:

- To ensure compliance with the Prudential Code
- To ensure terms and conditions of leases are appropriate.
- To ensure the lease is correctly recorded in the Council's accounts.
- To ensure compliance with Procurement Regulations.

Implications if above objectives are not achieved:

1. Non-compliance with the Prudential Code value for money requirements.
2. The cost of leasing the asset is greater than alternative finance options.
3. The council's accounts are incorrectly stated.
4. Legal challenge as a result of a breach in Procurement Regulations.

Key Responsibilities for Staff & Members:

1. Every Strategic and Divisional Director must refer all proposed leasing arrangements, within their Services, to the Chief Finance Officer.
2. Approval must be obtained from the Chief Finance Officer for all asset leases.

Section 17 – Insurance

Why is this important?

All organisations, whether private or public sector, face risks to people, property and continued operations. Insurance, either through external providers or through the Council's own fund, form a vital part of the management of these risks.

Objectives of Insurance:

- To ensure that risks exceeding acceptable levels are determined and adequately insured against where appropriate.
- Material risks are monitored on an ongoing basis, and the level of insurance cover (external or internal) adjusted accordingly.

Implications if above objectives are not achieved:

1. The Council maintains insufficient risk reserves or insurance policies to cover the potential financial costs of replacement.
2. Claims are not processed efficiently or effectively.
3. Adverse publicity for the Council.

Key Responsibilities for Staff & Members:

1. The Chief Finance Officer shall be responsible for:
 - 1) Effecting appropriate insurance cover and maintaining the relevant administrative systems.
 - 2) To manage the Council's internal funding, including prescribing how claims on the Council's Insurance Fund should be made.
 - 3) To negotiate all claims in consultation with the Insurers, Legal Services and other officers, as necessary.
 - 4) To include all appropriate employees of the authority in a suitable fidelity guarantee insurance, and provide adequate public liability, and employer's liability cover.
 - 5) To offer insurance cover to schools in accordance with the Scheme of Delegation.
 - 6) To periodically undertake a general revaluation of Council buildings and effect appropriate changes to the corresponding insurance cover following revaluation.
 - 7) To identify claims trends and implement appropriate risk management measures.
2. Divisional Directors shall notify the Chief Finance Officer (or their Insurance representative) promptly on any matters affecting insurance cover, including all new risks and amendments to existing risks.
3. Divisional Directors shall notify the Chief Finance Officer (or their Insurance representative) immediately, in writing, of any accident, loss, liability or

damage or any event likely to lead to a claim on or by the Council whether covered by insurance or not. An admission of liability or blame should not be made either verbally or in writing.

4. Divisional Directors shall take all reasonable measures to reduce risk and liability within their Service areas. In addition, they shall ensure that work for external organisations is appropriately covered by professional indemnity insurance.
4. Members and Officers of the Council who intend to travel abroad on official business must ensure that the necessary insurance cover has been arranged.

In addition, please refer to:

[Code of Practice No.12 – Insurance](#)
[Code of Practice No.13 – International Travel](#)

Section 18 – Value Added Tax (VAT)

Why is this important?

The purpose of this section of the regulations is to ensure that service managers and employees have a clear understanding of their responsibilities regarding VAT.

Like all organisations, the Council is responsible for ensuring that its VAT affairs are managed efficiently and in accordance with legislation. Tax issues are often very complex and the penalties for incorrect accounting for VAT can be severe. It is therefore very important that all officers are aware of their role so that the Council adheres to current VAT law and best practice.

In particular the Council can only recover VAT incurred on 'VAT-exempt' business activities if the total falls below its 'partial exemption' limit. Detailed planning is required to ensure that the Council can continue to recover this VAT, on both new schemes and existing expenditure.

Objectives of taxation control processes:

To ensure that the Council only pays the correct amount of VAT and accounts for it in accordance with statutory requirements:

- budget managers are provided with relevant information and kept up to date on VAT issues
- budget managers are instructed on required record keeping
- all taxable charges and payments are identified, properly carried out and accounted for within stipulated timescales
- records are maintained in accordance with Council instructions and subject to internal checks
- accurate returns are made to the appropriate authorities within the stipulated timescale.

Implications if above objectives are not achieved:

1. Unnecessary payment of taxes or under-recovery of tax due, leading to wasted resources;
2. Failure to identify taxable income and pay over the tax due, leading to possible assessments, interest and penalties, as well as considerable extra work;
3. Incorrect or duplicate recovery of VAT paid to suppliers, again leading to additional costs and work;
4. Inadequate planning or lack of consultation leads to poor decisions, resulting in errors or a loss of income;

5. Failure to consult early on expenditure related to VAT-exempt income adding to the risk of the Council breaching its 'partial exemption' limit at a cost of over £1m

Key Responsibilities:

1. The Chief Finance Officer will:

- Maintain up to date guidance about VAT for Council employees on the intranet, and provide updates and advice to staff.
- Respond to all queries from Services, seeking external advice if necessary.
- Make checks of VAT charged to customers and to be reclaimed, then ensure completion of a monthly return of VAT inputs and outputs to Her Majesty's Revenue & Customs (HMRC).
- Deal with all visits and correspondence from HMRC.
- Ensure that the VAT incurred in relation to 'exempt' business income is not at risk of exceeding the partial exemption limit in any financial year, and undertake the annual calculation after the year end.

2. Divisional Directors will have responsibility:

- To ensure that staff are trained to deal with VAT correctly
- To ensure that the correct VAT is paid from income due to the Council, and that VAT on purchases is recovered in line with HMRC regulations.
- To follow the instructions on taxation issued by the Chief Finance Officer on the Council's VAT intranet site and in other documents.
- To check the VAT status of any new type of income with the VAT Analyst
- To ensure that all new schemes, or changes to current arrangements, that involve VAT-exempt income, are notified to the Council's VAT Analyst at the earliest opportunity.
- To liaise with the Council's VAT Analyst if there is any type of query concerning VAT or if it is believed that an error may have occurred.

In addition, please refer to:

[VAT Guidance](#)

Section 19 - Information Systems Management

Why is this important?

Information is a key business enabler and Services are heavily reliant on information and information systems (electronic or manual) to deliver services and manage business processes. As such, reliable and well managed information systems are an essential element of service provision.

The purpose of this section of Financial Regulations is to ensure that users of the Council's information and information systems are aware of their role and responsibilities relating to the processing, handling and storage of information.

Objectives and Risks

The principle objectives of good information systems management are to ensure that:

- All information systems conform to Council policies and standards;
- Systems are reliable and well managed, information is secured and protected and that confidentiality, integrity and availability are maintained;
- Systems are procured, developed, implemented and maintained to ensure that maximum benefit is obtained by using them to their full potential; and
- Contingency plans are developed and maintained so that loss and service delivery disruption is minimised in the event of disaster occurring.

The Council's information and information systems are important business assets and as such need to be appropriately managed to ensure that customer satisfaction, competitive edge, financial viability, legal compliance and reputation are maintained.

Information and information systems are faced with risks and threats from a wide range of sources, including technology-assisted fraud, espionage, sabotage, vandalism and environmental disasters such as fire and flood.

In order to mitigate these risks the Council has identified the following factors as critical to the successful implementation of good information systems management.

1. Information Management Policies

The Chief Audit Executive (acting as the Senior Information Risk Owner) shall ensure that appropriate policies and procedures are in place to set clear direction in line with business objectives and demonstrate support for, and commitment to, information management standards throughout the Council.

The Council's principle objectives in good information management are outlined in the [Information Security Policy](#) and [Electronic Communications - Acceptable Use Policy & Guidelines](#).

NB Details of the essential supporting policies are provided in the appropriate sections below.

2. Organisational Security

The Senior Information Risk owner shall ensure that a management framework is established to initiate and control the implementation of good information management throughout the Council.

Information management is a business responsibility shared by all information users, therefore all managers and users have a role and responsibility for adopting good practice, processing information in a secure and efficient manner and complying with Council Policies and standards.

3. Asset Control

Owners should be identified for all assets, hardware, software and information, and the responsibility for the maintenance of appropriate controls should be assigned. The implementation of specific controls may be delegated by the owner as appropriate but the owner remains responsible for the proper protection of these assets.

Information, (including: databases & data files, contracts & agreements, system documentation, user manuals, training material, operational or support procedures), is an asset and to ensure that information receives an appropriate level of protection it should be classified to indicate the need, priorities, and expected degree of protection. The Council's information classification scheme should be used to define an appropriate set of protection levels and communicate the need for special handling measures.

Further guidance is to be found at Appendix B of the [Information Security Policy](#).

4. Records Management

Records Retention - System owners are responsible for disseminating responsibility to their staff, to ensure that all records are kept for the minimum amount of time as detailed in the Council's [Records Retention Schedules](#).

The [Retention of Records Policy](#) provides further detail.

Records Disposal - All hardware, software and records, both electronic and hardcopy, that are obsolete or have reached the end of their lifecycle should be securely destroyed in accordance with the Council's disposal policies.

Initial guidance is available in the [Confidential Waste Guidelines](#) and the [Records Management & Data Quality, and Disposal of Removable Media Policies](#) provide further detail.

5. Personnel Security

The Head of Human Resources shall ensure that information management responsibilities are addressed prior to engagement and that the terms and conditions of employment provide assurance that employees, contractors and third party users understand their responsibilities.

All employees of the Council and, where relevant, contractors and third party users should receive appropriate awareness training and regular updates in Council policies and procedures. Third party users are required under the Application Hosting Policy to sign an agreement in relation to their roles and responsibilities.

6. Physical and Environmental Security

To prevent unauthorised access, damage, or interference to Council premises, equipment and information processing facilities the Chief Finance Officer is to ensure that procedures are implemented that ensure:

- all critical and/or sensitive information processing facilities and equipment are housed in secure areas;
- buildings are protected by defined security perimeters, with appropriate security barriers and entry controls; and
- precautions are taken to ensure that access to all PCs, laptops and any other communications devices is restricted at all times to authorised personnel. (Refer to the System Access & Password Management Policy)

7. Information Processing

The Chief Finance Officer is to ensure that responsibilities and procedures for the management and operation of all information processing facilities are established. Segregation of duties should be implemented, where appropriate, to reduce the risk of negligent or deliberate system misuse.

8. Access Control

Access to information, information processing facilities, and business processes should be controlled on the basis of business and security requirements. Access control rules should take account of the Council's policies for information dissemination and authorisation.

The [System Access and Password Management Policy](#) provides further detail.

9. System Procurement, Development and Maintenance

Information management requirements should be identified and agreed prior to the any procurement, development and/or implementation of information systems. All information management requirements should be identified at the requirements phase of a project, justified, agreed, and documented as part of the overall business case for an information system.

Major procurement of hardware and software systems is in the first instance to be referred to the Council's IT Client Services Delivery and Corporate Procurement Managers for advice and approval. The Information Governance Team must also be consulted to ensure that security, legal compliance and information management issues are managed.

10. Information Security Incident Management

The Chief Information Officer shall ensure that formal security incident reporting and escalation procedures are in place.

All employees, contractors and third party users should be made aware of the procedures for reporting the different types of incidents, events and weaknesses that might have an impact on the management of the Council's information and information systems.

The [Security Incident Management Policy](#) provides further detail.

11. Business Continuity Management

The Council shall ensure that a business continuity management process is implemented to minimise the impact on the Council and recover from loss of information assets (which may be the result of, for example, natural disasters, accidents, equipment failures, and deliberate actions) to an acceptable level through a combination of preventive and recovery controls.

This process should identify the critical business processes and integrate the information security management requirements of business continuity with other continuity requirements relating to such aspects as operations, staffing, materials, transport and facilities.

12. Compliance

The Senior Information Risk Owner shall ensure that adequate policies and procedures are in place to ensure compliance with all relevant legislation in respect of information held, both electronic and hard copy, including, but not limited to:

- Data Protection Act 1998
- Freedom of Information Act 2000
- Environmental Information Regulations 2004
- Computer Misuse Act 1990
- Copyright, Designs and Patents Act 1988

Divisional Directors shall ensure that the processing of person-identifiable information within their service areas is carried out in accordance with the 8 Data Protection Principles.

Divisional Directors are to ensure that adequate processes and procedures are in place within their service areas to liaise with the Information Compliance Manager to ensure that information requests are satisfied within the statutory timescales contained within the appropriate legislation.

Divisional Directors shall inform the Council's Information Compliance Manager of all issues concerning data protection identified within their service areas.

The [Data Protection Act Policy](#), [Freedom of Information Act Policy](#) and [Environmental Information Regulations Policy](#) provide further details.

Information Management Contact Details

If users are in any doubt as to the appropriateness of their information processing they can obtain further advice and support from Information_Governance@bathnes.gov.uk

In addition, please refer to:

[Data Protection Act Policy](#)
[Freedom of Information Act Policy](#)
[Environmental Information Regulations Policy](#)
[Security Incident Management Policy](#)
[System Access and Password Management Policy](#)
[Confidential Waste Guidelines](#)
[Disposal of Removable Media Policy](#)
[Records Management and Data Quality Policy](#)
[Records Retention Schedules](#)
[Retention of Records Policy](#)
[Information Security Policy](#)
[Electronic Communications – Acceptable Use Policy](#)
[Clear Workspace Guidelines](#)

Section 20 – ‘Employee’ Interests, Gifts and Hospitality

Why is this important?

The public is entitled to expect conduct of the highest standard from Local Government employees. Public confidence in the integrity of such persons will be shaken by the least suspicion, however ill-founded, of influence being exerted on Council business, through financial (or other) inducements or conflicts of interests.

The purpose of this section of the regulations is to ensure that all employees (and other individuals engaged in official Council business) have a clear understanding of their responsibilities when they have an interest or receive / give gifts and hospitality related to their Council position.

Failure to declare interests, gifts and hospitality could be a breach of legislation. Section 117 of the 1972 Local Government Act requires individuals to declare any financial interest, whether direct or indirect, in any existing or proposed contract. The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It is also be an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. A corporate offence is created under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place "adequate procedures" designed to prevent bribery by or of persons associated with the organisation.

Objectives of guidance and rules governing possible conflicts of interest:

The key objectives are:

- Ensure that the interests of the public remain paramount;
- Officers are impartial and honest in the conduct of their official business;
- Public monies is used to the best advantage of the Council, always ensuring value for money.

It is important that all potential conflicts of interests are properly identified and recorded and that a record of appropriate action taken is made. This will assist in maintaining public confidence and assist in achieving the Council's commitment to tackle fraud and corruption within or external to the organisation.

Key Responsibilities for Employees and other individuals engaged on Council business:

1. All employees must be aware of the Employees Code of Conduct.
2. On starting employment / engagement (consultant or agency worker) on Council work or at any time during the period of employment / engagement individuals must declare interests using the electronic Register. An electronic

'Interests' Register will be maintained to enable employees to submit on-line declarations. Interests will include:

- Organisation Membership (not open to the public without formal membership and commitment of allegiance and which has secrecy about rules or membership or conduct)
- Other employment / business
- Land Interest
- Financial Interest
- Family / Friends

3. During the course of their duties, employees may receive offers of gifts and hospitality of one form or another and it is important that employees are able to recognise what is, and what is not, acceptable. The following guidelines should be adhered to:

- Acceptance or refusal of gifts and hospitality must be recorded in Gifts & Hospitality Electronic Register. Each register entry will be subject to management approval and periodic Audit inspection.
- Gifts which may be sent / offered to employees by outside contractors or organisations should be returned politely with a suitable official letter, and details recorded in the Register.
- Gifts can only be accepted when they are of nominal value, functional, items suitable for business use, e.g. diaries, calendars, and pens.
- On no account should an employee accept either secondary employment or a financial payment from any person, body or organisation, with which the Council is involved, e.g. contractors, developers, consultants.
- Normally, visits by employees to exhibitions, demonstrations, conferences, business meals, social functions, in connection with their official duties shall be at the Council's expense.
- Where hospitality, in the form of meals and drinks, is offered by a third party, this is normally only acceptable where it forms part of, or immediately follows on from, normal business meetings/discussions held during the normal working day.
- Where offers of hospitality are made, i.e. invitations to dinners, these should only be accepted if there is a clear and demonstrable benefit to the Council, and the hospitality would not expose the Council to criticism that the provider of the hospitality was achieving undue influence. Attendance must have the relevant Divisional Director's approval in advance, and must be recorded in the Register of Gifts and Hospitality.
- Offers of hospitality in the form of purely social events and sporting occasions should on **no account** be accepted when these are from organisations with which the Council has commercial links. However, invitations to social events from non-commercial organisations with which the Council has a partnership arrangement will be acceptable, but must have the Divisional Director's advance approval, and must be recorded in the Electronic Register. Offers of hospitality refused must, in addition, be recorded in the Register.
- Regular social contact, i.e. drinks in a public house, with representatives of organisations which supply, or hope to supply, goods or services to the Council must be avoided. Where such instances do occasionally take place, i.e. after late working, officers should ensure that they "pay their

way” and that the costs of such contact are not met in full by the other party.

- For their own protection, officers may wish to consider recording such events in the Electronic Register.
 - Apart from participating in concessionary schemes arranged by the Council, trade unions or other groups for their members, employees shall not avail themselves of the services of contractors employed by the Council for acquiring services, materials, labour or plant at cost, trade or discount prices.
4. Suspected irregularities concerning conflicts of interest, giving and acceptance of gifts & hospitality must be reported without delay to the Chief Audit Executive, and where appropriate, to the Chief Executive and the appropriate Cabinet Member.
 5. Employees responsible for the purchase of goods and supplies on behalf of the Council should note that any promotional offers given by suppliers are the property of the Council.
 6. These promotional offers normally take the form of a free gift, a holiday offer or vouchers towards goods. Promotional offers should **ONLY** be used for the benefit of the Council, and the Divisional Director concerned will decide how such offers are to be used.
 7. All promotional offers accepted and declined and the course of action determined by the Divisional Director must be recorded in the Electronic Register.

Section 21 – Corporate Purchasing Cards (Credit Cards)

Why is this important?

The purpose of this section of the regulations is to ensure that all employees have a clear understanding of their responsibilities when using the Council's Corporate Purchasing Card.

Objectives of the Corporate Purchasing Card:

Purchasing Cards streamline the purchasing process, eliminating the need for unnecessary paperwork. They offer the following benefits, namely:

- ❑ Reduction in the number of orders raised,
- ❑ Eliminating the payment of invoices,
- ❑ Improved payment performance,
- ❑ Electronic update of accounts,
- ❑ The modern way of trading,
- ❑ Reduced costs of doing business,
- ❑ Simplified administration and reduction in paperwork.

Implications if above objectives are not achieved:

1. Failure to secure value for money;
2. Payments made for unauthorised items or to unauthorised creditors;
3. Duplicate payments;
4. Loss of recoverable VAT;
5. Fraud & theft.

Key Responsibilities for Staff:

1. The only Purchasing Cards issued on behalf of the Council will be those authorised by the Chief Finance Officer and/or Chief Audit Executive.
2. Divisional Directors must authorise the issue of all new Purchasing Cards to members of staff within their Service.
3. Divisional Directors will be responsible for agreeing the transaction and monthly credit limits for all Corporate Purchasing Cards issued within their Service and the category of expenditure they will be used for.
4. The Chief Finance Officer or Chief Audit Executive, will be responsible for authorising all Purchasing Card application forms.
5. All Cardholders must abide by the requirements of the Corporate Purchasing Card Procedure Guide whenever using the Card in their possession.
6. The cardholder must ensure that the Purchasing Card issued to them is kept in a safe place at all times.
7. The Purchasing Card must only be used to purchase goods or services on behalf of the Council and must only be used by the named cardholder.

8. Unless a supplier is known to be “VAT-enabled” (i.e. they show VAT on the statement issued by the bank) the card holder must obtain a VAT receipt or “retailer’s receipt” and use this to claim a refund of the VAT paid.
9. Divisional Directors must ensure that the detailed procedures and key controls, as specified in the Purchasing Cards Procedures Guide, are strictly followed.
10. Any misuse of the Purchasing Card will be treated as gross misconduct and subject to normal disciplinary procedures.

In addition, please refer to:

[Corporate Purchasing Card Procedures](#)

Section 22 – International Travel

Why is this important?

If International travel, by Council Officers and Members, is not administered efficiently and robustly, the Council is very open to criticism and loss of reputation.

It is critical that the decision making process and rationale is clearly documented to include all aspects of the trip, such as expected outcomes/benefits, lead officer, number of council officers, external parties/delegates, rationale for numbers etc, overall budget required and reporting requirements both before and after the trip.

The Council's Financial Regulations and Standing Orders will continue to apply when arranging and making payments for international visits.

Objectives of International Travel Guidelines:

- To ensure that Council Members and Officers obtain value for money and that the Council only incurs expenditure on activities relating to officially approved international visits.

Implications if above objectives are not achieved:

1. Failure to secure value for money.
2. Travel not officially authorised
3. Resources may be used inappropriately
4. Loss of reputation to the Council and adverse publicity
5. Loss of recoverable VAT

Key Responsibilities for Staff & Members:

1. The Council's Financial Regulations and Standing Orders will continue to apply when arranging and making payments for international visits.
2. All Council Members and Officers must have formal, official approval before taking part in an international visit and entering into any commitments concerning that visit. An 'International Visits Approval Form' must be completed in each case.
3. This Code of Practice will apply to all parts of international journeys, including the initial and final part of the journey in the U.K.
4. All staff taking part in international visits are under an obligation to minimise official expenditure, e.g. economy class air fares. However, staff should not expect to be out of pocket on official visits (unless they undertake optional or private extensions or modifications to essential itineraries).
5. The maintenance of detailed and precise records of expenditure, together with obtaining receipts for all expenditure incurred, are essential. All financial records, associated with the visit, must be retained, as specified in

the attached Code of Practice. Reimbursement of expenses claimed will only be made against receipts.

6. Travel Insurance must be obtained from the Council's Insurance Officer immediately on booking any travel arrangements.
7. If free accommodation is offered in a host country, either in the homes of colleagues or elsewhere then staff are expected to accept it.
8. Council Purchasing Cards (Credit Cards) must only be used for Official Council expenditure incurred on approved visits.
9. A report detailing the benefits of the visit must be submitted to the relevant Strategic Director, Member or Cabinet, upon the completion of the visit. This report should detail the objective/purpose of the visit (as detailed on the 'International Visits Approval Form').

In addition, please refer to:

[Code of Practice No.13 - International Travel](#)

Section 23 – Commissioning & Procurement

Why is this important?

1. The Council spends a large sum of money each year on contracts, for works, supplies or services. These Financial Regulations apply to all contracts and must be read in conjunction with the Council's Procurement Strategy and Smarter Commissioning & Procurement Framework which includes the Council's Contract Standing Orders.

These Financial Regulations are intended to support the Council's Procurement Strategy in order to:

- Secure the best value for the Council,
- Prevent corruption or the suspicion of it; and
- Subject to the above, be fair and transparent to those seeking to contract with the Council.

Objectives of our Procurement Strategy:

- To prioritise Social Value for our community. This means targeting opportunities for the local economy, providing for a sustainable future and supporting the vulnerable.
- To always aim to think innovatively and work across organisational and service boundaries. This means identifying opportunities with partners and a one-council approach to our sourcing needs.
- To always aim to deliver value for money to the taxpayer. We will provide clarity on expectations, be commercial in our approach and drive efficiency and benefits out of our systems'
- To use intelligent information and analysis to understand our market place and create a workforce with the right capacity and skills to exploit this knowledge for our community.
- To provide a fair, consistent and proportionate framework of governance, rules and guidance to enable us to be transparent and accountable for our decisions

Objectives of the Smarter Commissioning & Procurement Framework

- To ensure that works, goods and/or services meet the needs of the Council
- To secure value for money by obtaining the best price and quality for works goods and/or services ordered.
- To establish contractual arrangements that clearly defines the responsibilities of each party to the contract.
- To ensure the Council complies with EU legislation.
- To ensure that appropriate contract management arrangements are put in place.

Implications if above objectives are not achieved:

1. Failure to support local economy and our communities;
2. Failure to secure value for money;
3. Failure to be transparent around our systems, objectives and processes;
4. Delays to delivery of contracts whilst legal challenges are dealt with and increased costs incurred in order to defend the Council's position.

Key Responsibilities for Staff & Members:

1. Divisional Directors **must** establish a commissioning intentions schedule that at minimum covers a rolling long term programme (3 to 5 years) of future commissioning and procurement activity.
2. Every contract made by the Council **must** be awarded in line with the Council's Procurement Strategy (Smarter Commission & Procurement Framework) including complying with the Council's Contract Standing Orders,
3. Divisional Directors **must** ensure that all Officers in their Service that have been nominated as 'Responsible Officers' (RO) for contract management purposes have been appropriately trained in the use of the Smarter Commissioning & Procurement Framework (including use of the Council's e-procurement systems)
4. Divisional Directors **must** ensure that all contracts are appropriately recorded on the Council's Contracts Register.
5. Divisional Directors **must** ensure that requests for quotations and invitations to contract with the Council comply with Council's E Procurement Policy.
6. Where corporate contracts are in place Divisional Directors **must** ensure they are used.
7. The RO for each contract shall ensure that all instructions have been appropriately authorised and issued before the goods are ordered, services requested or works are undertaken.
8. The RO must obtain appropriate VAT advice in relation to all contracts to provide services to the public to ensure the appropriate VAT treatment is applied.
9. The RO **must** ensure that all contract documentation is correct (obtaining appropriate technical advice) before agreeing on the Council's behalf. This will include any clearance required through the Council's Democratic processes.

10. Any changes to the nature, value, term or any other changes **must** be agreed by the Divisional Director in line with the contract variation process identified in the original contract (subject to appropriate technical advice and clearance through the Council's Democratic processes. Any change **must** be reflected and updated on the Contract Register
11. All instructions to suppliers and payment arrangements **must** be in a form agreed by the Chief Finance Officer or his/her delegated Officer.
12. The Chief Finance Officer **must** agree arrangements for the financial vetting of prospective contractors.
13. The Divisional Director **must** establish appropriate contract management arrangement for the regular review of contractual performance of the contractor that allows performance issues to be identified and addressed in line with the terms of the contract.

In addition, please refer to:

[Council Contract Standing Orders](#)
Council Corporate Procurement Strategy

Section 24 – Members’ Allowances and Expenses

Why is this important?

It is important that payments of Members’ allowances and expenses are accurate, timely, and authorised in accordance with the scheme adopted by the Council. Expenses must be incurred on Council business and properly payable.

Objectives of the Members’ Allowances and Expenses processes:

- To ensure that proper authorisation procedures are in place.
- To ensure payments are made on the basis of correctly submitted claims, supported by receipts for payments made wherever possible.
- To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention guidelines.
- To ensure compliance with HMRC regulations.

Implications if above objectives are not achieved:

1. Failure to comply with HMRC regulations
2. Unauthorised payments are made
3. Inaccurate payments are made
4. Loss of reputation

Key Responsibilities for Members and Staff:

1. All Members must adhere to the “Bath & North East Somerset Members’ Allowances Scheme”, approved by Full Council.
2. Any amendments to the scheme will be solely determined by the Council following receipt of recommendations from the Independent Remuneration Panel.
3. The Chief Finance Officer is authorised, on receipt of verification from the Solicitor to the Council of a claim from a Member, to pay the appropriate allowances in accordance with the payment arrangements described in the scheme.
4. Travel and subsistence allowances may be claimed by Councillors. The arrangements for these allowances are included in Part 2 of the scheme.
5. Subsistence allowances may be claimed by Councillors, in respect of each occasion on which a Councillor carries out a duty as specified in Schedule 2 to the Scheme.
6. In order to claim subsistence allowance a claimant must have personally incurred expenditure on subsistence.

In addition, please refer to:

[Councillors’ Allowances Guidance](#)

Section 25 – External Arrangements Partnerships

Partnerships bring together key public agencies, the business community and the independent sector (voluntary and community sector organisations, further and higher education, neighbourhoods) to address the shared priorities for the area and to tackle the issues that no single agency can do on their own.

A Partnership is a joint working arrangement where the partners:

- are otherwise independent bodies;
- agree to jointly deliver common goals and outcomes for the community;
- share accountability, risks and resources, and
- create an organisational structure with agreed processes and programmes.

The term 'partnership working' is also used to describe a more co-operative way of running construction contracts. This also is quite different from what this section of the financial regulations is intended to cover.

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) be open about any conflict of interests that might arise, including those where Council staff have been seconded to work on the project;
- (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.

Why is this important?

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 can play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local Authorities co-operate with others – public agencies, private companies, community groups and voluntary organisations, and their distinctive leadership role is to bring together the contributions of the various stakeholders.

Local Authorities can mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local Authorities will be measured by what they achieve in co-operation with others.

Key controls

The key controls for partnership arrangements are:

- (a) ensuring that partnership arrangements are underpinned by clear and well documented internal controls.
- (b) risk management processes are in place to identify, assess and allocate all known risks.
- (c) appraisal processes are in place to assess the viability of the partnership in terms of resources, staffing and expertise.
- (d) the roles and responsibilities of each partner involved in the project are agreed and formally accepted before the project commences.
- (e) adequate arrangements are in place to ensure the accountability of other organisations for Council money, and that such money is only released against proper controls.
- (f) regular communication is maintained with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- (g) documentation is in place setting out and limiting the commitments of parties to each other and the project.

Responsibilities of the Chief Finance Officer

- 1) To advise on effective controls that will ensure that resources are not wasted.
- 2) To advise on the key elements of funding a project. They include:
 - (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.
- 3) To ensure that the accounting and reporting arrangements are satisfactory.
- 4) Advising on the governance and performance management of partnership arrangements.
- 5) Ensuring that when the Council is the "Accountable Body" there are adequate controls and governance arrangements in place.

Responsibilities of Strategic Directors

- 1) To ensure that the key components of a Partnership Governance Framework are in place. This includes:
 - (a) Ensuring that, before entering into agreements with external bodies, a business case and risk management appraisal has been prepared and considered.
 - (b) Ensuring that all agreements and arrangements are properly documented.
 - (c) Ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Council.

Detailed Requirements

- 1. The Cabinet is responsible for approving significant partnership arrangements. The Cabinet is the focus for forming partnership arrangements with other public, voluntary and community sector organisations to address local needs.
- 2. The Cabinet can delegate functions, including those related to partnership, to officers. This is set out in the scheme of delegation that forms part of the Council's

constitution. When functions are delegated, the Cabinet remains accountable for them to the whole Council.

3. A Business Case for partnership must be submitted for approval to the Cabinet for significant partnerships. A thorough risk assessment of the partnership must be made as part of the Business Case.

4. For each approved partnership, a Link Officer must be appointed. The Link Officer is responsible for reviewing governance arrangement and effectiveness and reporting to the relevant Strategic Director.

5. A Partnership Agreement must be completed and signed by all members of the Partnership.

This agreement must follow an approved format as agreed with Council Solicitor.

6. The Link Officer must perform a review of the partnerships governance, performance and effectiveness at least annually for review by the Cabinet or relevant Strategic Director. The review must demonstrate a continuing business case for the partnership or if not exiting the partnership must be considered.

7. The partnership must perform regular risk assessments and maintain a risk register.

8. It shall be clear that officers put forward to represent the Council on partnerships and external bodies are there on the Council's behalf and to ensure that the Council's interests, position and aspirations are protected. If the achievement of the objectives of the partnership becomes inconsistent with this, there is a conflict of interest. If there is a conflict of interest, an officer's first duty is always to the interests of the Council. Where an officer is appointed to a legally constituted company (not a partnership) the officer will be bound by the company's memorandum and articles. In this appointment the officer must represent the interests of the Company.

Section 26 – External Funding

Why is this important?

External funding is potentially a very important source of finance, 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 sources such as the National Lottery and European Union provide additional resources to assist 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

The key controls for external funding are that:

- funds are accepted only if they meet the priorities approved in the policy framework by the full Council.
- the requirements of the Funding Body are clearly understood to ensure that key conditions of funding and any statutory requirements are complied with.
- any match-funding requirements are given due consideration prior to entering into long-term agreements and that revenue budgets reflect these requirements.

Responsibilities of the Chief Finance Officer

- 1) To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 2) To ensure that audit requirements are met.

Responsibilities of Strategic Directors

- 1) To ensure that all claims for funds are made by the due date.
- 2) To ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.
- 3) To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenues are able to meet these requirements.

Section 27 – Work for Third Parties

Why is this important?

Local authorities can enter into a wide range of agreements to do work with each other and with some (but not all) public bodies. It is usually illegal for them to enter into agreements to do work for the private sector.

Such an agreement may enable the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires (i.e. within the Council's legal powers).

Key controls

The key controls for working with third parties are that:

- proposals are costed and reviewed for accuracy and completeness prior to submission;
- no process is started that might lead to the Council agreeing to do work for an outside body whether public sector or otherwise, without first seeking the advice of the Council Solicitor as to whether this is within the Council's legal powers;
- no process is started that might lead to the Council agreeing to do work for an outside body, whether public sector or otherwise without first establishing and recording that there is a clear economic case why doing the work is in the Council's best interests;
- contracts are drawn up using with the advice / guidance of the Council Solicitor;
- guidance is issued with regard to the financial aspects of third party contracts and the maintenance of the contract register;
- the Council has insurance cover for any potential liabilities that could arise to the recipient of the service and any third party, and that the cost of this has been included with the overheads when calculating the fees to be charged.

Responsibilities of Chief Finance Officer

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

Responsibilities of Strategic Directors

1) To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.

2) To ensure that the Council does not enter into any agreement that is beyond its power.

3) To ensure that no contract is subsidised by the Council.

4) To ensure that, wherever possible, payment is received in advance of the delivery of the service.

5) To ensure that the Service / Team has the appropriate expertise to undertake the contract, and that such contracts do not impact adversely upon the services provided for the Council.

6) To ensure that all contracts are properly documented.

Section 28 – Avon Pension Fund

1. In its role as 'administering authority', Bath & North East Somerset Council has executive responsibility for the Avon Pension Fund. The Council is legally responsible for the Fund as set out in the LGPS Regulations.
2. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee.
3. The Pensions Committee shall be responsible for the strategic policy of the Avon Pension Fund and the Fund's investment management arrangements. The Pensions Committee shall also make whatever arrangements it considers appropriate for the custody of the Fund's investments.
4. The Divisional Director of Property shall maintain a terrier of all investment properties owned by the Fund.
5. The Council shall manage on an agency basis any cash balances belonging to the Avon Pension Fund which are held with the Council's bankers. A Service Level Agreement with the Council's Treasury Services Section shall regulate the way in which these balances are managed.
6. The Chief Finance Officer shall report quarterly to the Pensions Committee on the performance of the Fund's investment managers and all other matters affecting the administration of the Fund's investments. The mandates of the investment managers shall be subject to periodic review.
7. The Pensions Committee shall appoint an actuary to the Fund and shall review the appointment periodically.
8. The Pensions Committee shall appoint a "local referee" to the Fund in compliance with the Internal Dispute Resolution Procedure set out in the Local Government Pension Scheme Regulations and shall review the appointment periodically.
9. The Pensions Committee shall approve an annual budget for the Fund's administrative expenses and all disbursements shall be met from within this budget. Reports monitoring expenditure against budget shall be submitted to the Pensions Committee quarterly.
10. Except where otherwise provided, the Pensions Committee shall approve all discretionary policies falling to be exercised by the Administering Authority under the Local Government Pension Scheme Regulations.

11. The Chief Finance Officer shall approve a list of authorised signatories, which shall apply to all disbursements made by the Fund.
 12. The Chief Finance Officer shall be responsible for preparing an Annual Report and Accounts for the Fund.
 13. The Chief Finance Officer shall make arrangements for the collection of all employer and employee contributions due to the Fund.
 14. The Chief Finance Officer shall make arrangements for the payment of transfer values owed by the Fund and the collection of transfer values owed to the Fund.
 15. The payment of all benefits will be made under arrangements approved and controlled by the Chief Finance Officer.
 16. The following action shall be taken in the event of an overpayment of pension arising from the death of a pensioner:-
 - i. in any month where the death occurs after the pension payment has been made, the overpayment shall not be recovered;
 - ii. in any month where the death occurs before the pension payment is due to be made and the Fund is not advised of the death until after the pension has been paid, the overpayment shall be recovered from the estate of the deceased.
- Save that, in the case of 16 (ii), where an overpayment is £40 or less, the amount shall not be recovered.

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SCHOOLS FINANCE MANUAL

(incorporating Financial Regulations for Schools)



**For Governors, Headteachers,
Management Teams, School Business Managers,
Bursars, Finance Managers, Finance Officers and
Administrative Staff in Schools.**

***Issued by Internal Audit
Audit & Risk Service***

SUMMARY

1. Financial Regulations for Schools	4
2. Introduction to Finance Manual	5
3. Summary of Principles	6
4. Organisation of Responsibility and Accountability	7
5. Strategic and Financial Planning - Budgets	9
6. Internal Financial Control	11
7. Financial Monitoring & Returns	12
8. Cheque Book Management	14
9. Income	19
10. Purchasing	23
11. Payroll Procedures	30
12. Purchasing Cards	33
13. Petty Cash	38
14. Unofficial and Voluntary Funds - "The School Fund"	40
15. School Inventory and Equipment	44
16. School Meals (Primary Schools only)	46
17. ICT and Security Information	47
18. Pupil Number Returns	49

List of Appendices

- 1 [Scheme for Financing Schools \('The Scheme of Delegation'\)](#)
- 2 [Terms of Reference – for financial responsibilities.](#)
- 3 [Responsible Officer – Guidance and Activities Checklist](#)
- 4 [Register of Business Interests – a Pro-forma](#)
- 5 [Schools Retention of Documents - Guidance](#)
- 6 [Departmental Budgetary Control – a Pro-forma](#)
- 7 [Example of a School's Finance Policy](#)
- 8 [Cash Flow Monitoring – a Pro-forma](#)
- 9 [Example Policy Statement on Lettings of School Facilities](#)
- 10 [Purchasing Policy – a suggested approach](#)
- 11 [Cheque Payment Requisition Form](#)
- 12 [Invoice Certification Stamp – a suggested example](#)
- 13 [Purchasing Cards – Guidance notes and Transaction log.](#)
- 14 [School Fund Cash Book – a recommended approach](#)
- 15 [Accounting Sheet for School Visits – a Pro-forma](#)
- 16 [Unofficial School Fund: Auditor's Guidelines](#)
- 17 [School Fund Audit Certificate – a Pro-forma](#)
- 18 [Inventory – Headteacher's Certificate](#)
- 19 [School Meals Arrears Income Policy](#)
- 20 [Termly School Meals Return](#)
- 21 [Computer Legislation Guidance Notes](#)
- 22 [E – mail and Internet Policy](#)
- 23 [E – mail and Internet Access User Guidelines](#)

1. Financial Regulations for Schools

1.1 Why do Schools need Financial Regulations?

They establish the standards that Headteachers, Governing Bodies and all employees must adhere to in order:

1. to ensure that every Schools' resources are used wisely,
2. to ensure the best practice for dealing with financial matters,
3. to improve service delivery and user satisfaction.

Bath & North East Somerset Schools are responsible for the control of many millions of pounds of public money. Financial Regulations aim to ensure that every School manages its affairs with high standards of financial integrity and accountability as befits a public organisation and as expected by taxpayers who fund the services.

These regulations define the boundaries within which Schools operate financially, in order to maintain an appropriate balance between sensible caution, creativity and innovation, as well as meeting their statutory duties. They help to make lives easier by clarifying responsibilities and providing a framework for decision making. This serves to protect all employees, Governors and taxpayers when the day to day transactions of the School are carried out.

All large organisations have a set of rules to regulate their finances and to protect the interests of their stakeholders and staff. However, the rules themselves are not of any use unless everyone understands them and adheres to them in everyday work.

1.2 Schools Financial Manual

For the assistance of Bath and North East Somerset Schools, the Financial Regulations have been incorporated in the Schools Finance Manual which provide details of the processes, procedures and controls for all financial systems in operation at our Schools, and which need to be adhered to.

1.3 Who should read these regulations?

These regulations apply to everyone in every School i.e. all employees and Governors of every School. Headteachers are responsible for bringing the regulations to the attention of every member of staff, providing the necessary training and monitoring compliance.

2. Introduction to Finance Manual

1. The main purpose of this Manual is to provide Schools with the components of a sound approach to financial control and to outline the general standards of good practice on which auditors and inspectors base their evaluation of financial management in schools.
2. The Manual should be used in conjunction with the Bath and North East Somerset Council's 'Scheme for Financing Schools' which has been issued to all schools (the latest copy is attached as [Appendix 1](#)).
3. The Manual also provides schools with a framework to evaluate the strengths of their financial management and identify any shortcomings in support of Standards regarding financial governance issued by the Department for Education (separate guidance will be provided for these as and when necessary).
4. The principles of sound financial management, summarised here, are the same for all schools, although it is recognised that due to varying sizes of establishments these may be carried out in different ways. The way in which these principles are implemented depends on:-

The size and organisation of each school.

- ◆ A small primary school would find it impractical to apply some controls, which will be standard procedures in a large secondary school.

The specific financial regulations and guidance which a school must comply with.

- ◆ All schools are required to ensure that their financial management arrangements comply with the "Scheme for Financing Schools", the Schools Finance Manual (incorporating Financial Regulations for Schools), Schools' Contract Standing Orders and other arrangements for the local management of schools issued by Bath and North East Somerset.
5. Governors have a statutory responsibility for the oversight of financial management in all maintained schools with delegated budgets. Throughout this document the use of the terms 'Governor', 'Headteacher' and 'School' is not intended to imply a particular division of responsibility.
 6. Further guidance on the role of Governors is available in the publication '[School Governors: A Guide to the Law](#)'.

3. Principles of Sound Financial Management in Schools.

- 3.1. The responsibilities of the Governing Body, its committees, the Headteacher and staff are clearly defined and limits of delegated authority established.
- 3.2. The budget reflects the school's prioritised educational objectives, seeks to achieve value for money and is subject to regular, effective monitoring by the Governors and Headteacher.
- 3.3. The school has established sound internal financial controls to ensure the reliability and accuracy of its financial transactions.
- 3.4. The school is adequately insured against exposure to all risks.
- 3.5. The school is registered under the Data Protection Act 1998 and will have its own policy on "Freedom of Information".
- 3.6. All computer data is protected against loss. Accordingly, regular back-ups will be made by the school and these will be held securely "off site" or a safe distance from the IT hardware.
- 3.7. Purchasing arrangements by the school always achieve the best value.
- 3.8. The school has efficient and effective procedures for the administration of personnel matters including the monitoring of references and Disclosure and Barring Service (DSB) checks.
- 3.9. Stocks, stores and other assets are recorded and adequately safeguarded against loss or theft.
- 3.10. All income due to the school is properly identified and all collections are receipted, recorded and banked promptly.
- 3.11. The school is properly controlling the operation of bank accounts and is regularly reconciling bank balances with the accounting records.
- 3.12. The school controls the use of petty cash - with an agreed maximum amount that can be claimed.
- 3.13. Unofficial and voluntary funds held by the school are managed and administered as rigorously as the school's public funds.
- 3.14. The school has ensured that there are procedures in place for sound budgetary control. Regular up to date financial reports are circulated to the Governing Body, the Headteacher and the school's management team.
- 3.15. The statutory requirements of H.M. Revenue and Customs are fully considered by the school, in respect to deduction of Tax and National Insurance Contributions, when making payments to staff.

4. Organisation of Responsibility and Accountability

- 4.1 The roles of the Governing Body, its Committees, the Headteacher and other staff are defined in a “Terms of Reference”, giving details of the respective responsibilities of the Governing Body, Committees and Staff.

Examples of financial responsibilities to be included within a Terms of Reference document are recorded in [Appendix 2](#).

- 4.2 The School will have a clearly defined organisational structure with established limits of delegated authority and channels of reporting to the Governing Body and Finance Committee. It is considered best practice for the Governing Body to delegate the majority of its financial responsibilities to a Finance Committee.

- 4.3 The Finance Committee would then become responsible for ensuring that the School sets financial objectives, prepares a financial plan and initiates and maintains the necessary systems of internal controls.

- 4.4 The Full Governing Body is required to hold at least three meetings a year, although most governing bodies meet more often. It is recommended that the Finance Committee should meet at least termly (i.e. up to 6 times per annum). Minutes of all meetings will be taken and all committee minutes will then be presented to the next full Governing Body meeting.

Responsible Officer

- 4.5 The Governing Body **may** appoint a Responsible Officer who will carry out an important role in the financial management and monitoring of the school finances.

Each school, as an autonomous entity, is accountable and responsible for all aspects of its financial management and control and must demonstrate public accountability and value for money.

Such responsibility rests with the Governing Body, and school staff should fully support the Governing Body in this regard. To help discharge their responsibilities, the Governing Body of each school may if they so wish appoint a Responsible Officer.

An outline of the job function for this position is included in [Appendix 3](#), together with a check listing of areas to be covered.

- 4.6 The Responsible Officer must not be involved with the day-to-day design, implementation and operation of the financial systems, but should have a clear understanding of these financial systems. The importance of the role should be fully recognised.

- 4.7 The Headteacher is responsible to the Governing Body for ensuring that sound systems of internal control are in place that enables the proper processing of the school’s transactions and activities.

- 4.8 In addition, the Headteacher is responsible to the Governing Body for ensuring that the school complies with the Council's Financial Regulations and Contract Standing Orders for schools, the main features of which are included in this Manual.

Register of Business Interests

- 4.9 The Governing Body must establish a register of business interests of Governors, the Headteacher and any other staff who influence financial decisions. This will record their own business interests or business interests of relatives or other associates where it may be possible that the school may wish to purchase goods or services from them now or in the future. The register must be completed annually and new business interest relationships are to be recorded in the register as soon as possible. Governors, Headteachers and other staff who can influence financial decisions must complete a 'Nil' return if appropriate. The register should be open to examination by Governors, staff, parents and the Council. (An example is attached in [Appendix 4](#)).

It is important for anyone involved in spending public money to demonstrate and be seen to demonstrate that they do not benefit personally from decisions that they may make.

It is also a requirement at the beginning of every meeting of Governors (Governing Body and all Committees) that those in attendance must declare an interest against any issue on the meeting's Agenda. At the appropriate time the Governor must leave the meeting room when the item is due to be presented and discussed and must not take part in the decision making process.

5. Strategic and Financial Planning – Budgets

5.1 School Development Plan (SDP)

The SDP (sometimes referred to as the School Improvement Plan) is a medium term education and budget plan (covering at least 3 years) indicating the intended use of resources by the school in achieving its goals. The SDP should outline which areas are the priorities for spending and why.

The SDP should be a working document of aims and objectives for staff and Governors stating, 'Where do we want to be – How do we get there'?

There should be a clear and identifiable link between the school's annual budget and its SDP.

5.2 Setting the Budget

- The budget has a controlling influence over the whole cycle of school affairs. Budgetary control is a continuous process, which reviews and adjusts budgetary targets during the financial year. It also provides a mechanism to call budget holders to account.
- The school should have a written statement of its aims and objectives for Governors and staff and in sufficient detail to provide the basis for constructing budget plans.
- The Governing Body should establish formal procedures and timetables for planning the budget to ensure that all relevant factors are considered. Pupil numbers, being one of the main factors when planning the budget, should be taken into account, with highest and lowest scenarios.
- The Headteacher should prepare estimates of expenditure and income sufficiently in advance of each financial year to allow for consideration and approval by the Governing Body.
- When setting the budget, income must be balanced against all expenditure, all contingencies, known and otherwise should be allowed for. Special attention should be given to the following budget areas:-
 - ◆ Staff Costs
 - ◆ Maintenance
 - ◆ Occupancy Costs e.g. Fuel/Water/Insurance
 - ◆ Educational Supplies and Services
 - ◆ Furniture and Equipment
 - ◆ Surplus/Deficit.
- The Governing Body should ensure that planned expenditure for each financial year does not exceed the available budget.
- The Governors must ratify the agreed budget and the Headteacher must promptly forward details of the formal budget plan to the Council by the 31st May each year. All subsequent budget changes must also be notified to the Children's Services Finance Team as soon as they are agreed.
- Details of the agreed budget £figure (normally the net expenditure) must appear in the minute of the Full Governing Body as part of the approval statement.

- Schools are encouraged to profile budgets to take account of likely spending patterns. It should be noted that certain expenses might be greater or less at certain times of the year, e.g. electricity, gas etc.
- Budget plans must be in a format, which contains approved subject codes supported by working papers for explanation.
- The Council may also require the submission of any revised plans where it is deemed necessary.
- The Headteacher must provide regular reports (taken directly from SIMS or appropriate finance system) to the Governing Body on spending, including sums committed but not yet paid against the approved budget.
- The Headteacher and the Governing Body must assess progress against the objectives in the SDP at least once a year.
- To aid the planning process, the Governors are encouraged to start to prepare a draft budget during September each year, for the following year.

5.3 **Central funds and earmarking**

- The Council is authorised to make sums available to schools from central funds, in the form of allocations, which are additional and separate from the schools' budget share. Such allocations shall be subject to conditions setting out the purpose or purposes for which the fund may be used. While these conditions need not preclude virement this should not be carried to the point of assimilating the allocations into the budget share.
- Such earmarked funding from centrally retained funds is to be spent on the purposes for which it is given, or on other budget heads for which earmarked funding is given and is not to be vired into the budget share. Unspent earmarked funds must be returned to the Council.
- The sums so allocated must be shown separately within school budget plans and record of expenditure. Schools will be expected to demonstrate the use made of central funds in the annual record of expenditure submitted to the Council.

6. Internal Financial Control

- 6.1 The Governing Body is responsible for ensuring that the duties of staff concerned with financial transactions are, as far as practicable, distributed so that at least two people are involved with both receipts and payment. The work of one person should act as a check on the work of the other. All such checks should be documented as having been carried out.
- 6.2 The Governing Body must ensure that there are written descriptions of financial systems and procedures (the School Finance Policy), which are kept up to date and subject to periodic review. All appropriate staff must be trained in their use. See [Appendix 7](#) for an example of a School's Finance Policy.
- 6.3 The Headteacher must ensure that financial control is maintained in the absence of key staff by training or by arranging for staff to shadow each other's duties from time to time.
- 6.4 The duty of calculating, checking and recording money due to or from the school should as far as possible be separated from the duty of collecting or paying out money.
- 6.5 Alterations to any original documents such as cheques, invoices and other vouchers must be made clearly in ink. The use of correcting fluid or the erasure of information is not acceptable.
- 6.6 The school must properly maintain accounting records and hold them securely. Vouchers or other documents relating to the financial transactions of the school must not be destroyed except in accordance with arrangements specified by the Council. See [Appendix 5](#) for a Retention of Financial Documents schedule.
- 6.7 All financial transactions must be traceable from the original documentation to the accounting records and vice versa.
- 6.8 Only authorised staff must be permitted access to the accounting records, which must be securely retained when not in use.

7. Financial Monitoring & Returns

7.1 Reports

- Prompt, accurate and up-to-date financial information should be readily available at the appropriate levels within the school. To achieve this, the school should ensure that there are clearly defined channels of reporting to the Finance Committee and Governing Body.
In this respect, reports direct from the school's accounting system (Sims or appropriate) must be obtained on a regular basis and at least monthly and carefully checked by the Headteacher to ensure that all details are correct.
- The Governing Body and Finance Committee must receive reports at each meeting from the school's accounting system and must monitor the amount of each budget allocation in the light of known activity. Where it appears that areas of the budget may be under spent the school may wish to transfer funds from one area of the budget to another. This process is called virement. The Governing Body should ensure that virements assist in achieving the school's overall aims and objectives.
- When the Headteacher provides regular reports to the Governing Body on spending, sums committed but not yet paid against the approved budget must be included.
- A financial recovery plan for Schools with deficit balances must be agreed with the Council. Deficit balances must be cleared within an agreed period of time and will be agreed at an appropriate level with Council officers, Senior Management and Governors, with progress monitored on a regular basis.
- If elements of the budget are delegated to departmental or class level the Headteacher must ensure that responsibility for financial control matches the managerial use of resources. Budget managers must be accountable only for items of expenditure and income that they directly control and must be aware of their financial responsibilities and constraints.
- In this respect, where Headteachers delegate budgets to Departments and Faculties, it is recommended that the individual budget holders maintain their own control records, which can be used to verify the accuracy of the school's consolidated accounts. Ideally, such records should include details of commitments, expenditure, income received and virements (A pro-forma is attached as [Appendix 6](#)).
- Budget managers should receive and review regular financial reports comparing the amount spent or committed to date against their budgets and own supporting records. The results of the reviews should be recorded and communicated to the Headteacher with details of any variations and discrepancies.
- The Headteacher should periodically consult with the Governing Body and staff to ensure that the financial and management information they receive is relevant, timely, reliable and understandable.

7.2 Virements

- Schools are free to vire between budget heads and Governors are advised to establish criteria and financial limits above which their approval is required. Budget allocations given for specific purposes such as Standards Fund allocations must not be transferred into the delegated budget.

- In respect of virements, schools are recommended to include a policy on virements together with details of delegated authority, in the Terms of Reference re financial responsibilities for the Full Governing Body and appropriate Committees. See [Appendix 2](#).

7.3

VAT

- Schools are responsible for correctly accounting for VAT on expenditure and income and a '[VAT Systems for Schools](#)' Guide has been produced to support this. Further information and advice on VAT matters is available from the Council's VAT officer, whose contact details are provided in the Guide.
- These VAT guidelines apply to all schools whether they purchase financial services from the Council or elsewhere.
- H.M. Revenue and Customs have indicated that failure to take account of VAT may result in serious financial consequences for the Council as a whole. Ignorance of the law is no defence in the event of non-compliance.
- VAT returns must be completed by the school each month and forwarded to the Children's Services Finance Team within 5 days of the end of the accounting period. Returns received after the due date will delay reimbursement of the VAT incurred to the school concerned until the following month.

7.4

Cash Flow Monitoring

- As schools now fully operate their own bank accounts and receive the full budget share from the Council, they are encouraged to produce monthly cash flow forecasts.
- Schools should profile the expected flow of cash into and out of its bank account so that it can be sure it will have the cash it requires to pay its likely outgoings in the year (see [Appendix 8](#) for an approved template example).

8. Cheque Book Management

8.1 Choosing a Bank Account

- All schools in Bath and North East Somerset have cheque book management status and so are responsible for making all their own payments, together with staff salaries if they so wish, from a locally managed bank account. The choice of bank to be used is made by the School Governing Body.
- Schools can only pay into the account their budget share and other advances made by the Council, VAT and tax disbursements received from the Council, income from official activities, lettings, sales, contributions from the School Fund or PTA and donations.
- The Council currently banks with the National Westminster Bank and a scheme is in place whereby schools who have a current account with National Westminster can take advantage of specially negotiated interest rates and bank charges. This is due to the aggregation of schools' bank balances with Council balances. Another advantage of this arrangement is that schools can decide which branch of the National Westminster they wish to use.

8.2 Opening a Bank Account

- Schools are allowed to have accounts for budget share purposes, which are in the name of the school rather than the Council. Money paid over by the Council and held in such accounts remains Council property until spent.
- Schools electing to open bank accounts with the Council's bankers will do so through the Council's Director of Resources, who will inform the school of all the necessary information they must provide in order to open the account. The Director of Resources and other finance staff at the Council have direct access to information concerning the account.
- Where the school does not elect to use the Council's bankers, a "Statement of Conditions", issued by the Director of Resources, must be given to the chosen bank in order that the Director of Resources and other authorised finance officers have direct access to information at the bank concerning the account. This "Statement of Conditions" should read as follows:

- **"The money in this account is the property of Bath & North East Somerset Council until dispersed. Accordingly, this mandate gives authority for the Council's Director of Resources, the Chief Financial Officer & Divisional Director (Business Support), the Head of Risk and Assurance or officers nominated by them, to have direct access to the account".**

- Where a school elects to use a bank other than the Council's bankers, it must inform the Director of Resources of the particulars of the account. The information required is:
 - Name of Account
 - Type of bank account/s (i.e.: current, interest bearing)
 - Name and address of bank
 - Name of all signatories to the account and their position in the school
 - Any other arrangements made with the bank
 - A copy of the "Statement of Conditions" given to the Bank (see 8.2 above).
- Details of changes to bank accounts held with other Banks and Building Societies must be notified to the Director of Resources immediately they are agreed and implemented by the Governing Body.
- Any subsequent changes to the bank account arrangements held with the Council's bankers must be made through the Director of Resources (e.g. changes to cheque mandates etc).
- New bank account arrangements may only be made with effect from the beginning of each financial year. The Council must be notified in writing by the previous 31st January at the latest if the school wishes to change its bank account with effect from the forthcoming 1st April.
- Schools should be aware that banks may be offering special bank rates for Schools and care should be taken to ensure that the best rates of interest are obtained from interest bearing and current accounts.
- On opening new accounts schools must always advise banks in writing that the account must not become overdrawn. Schools are prohibited from borrowing to finance a revenue deficit under the 'Scheme for Financing Schools'.
- Any school closing an account used to receive its budget share and opening another must obtain approval for the chosen bank or building society from the Director of Resources.

8.3 Operating a Bank Account

- Opening of the Bank Account can only be authorised by the Governing Body, who should set out formal procedures and arrangements covering the operation of the accounts and the cheque signing arrangements.
- In particular, the Governing Body must implement the following controls, ensuring that:
 - There is a segregation of duties between the preparation, authorisation and issue of cheques so that no one person who may sign a cheque may also prepare and issue it.
 - Suitably authorised documents exist, such as cheque requisitions and invoices, initiated or approved by non cheque signatories, in respect of every cheque signed,
 - A maximum of six people are authorised to sign cheques. All cheque signatories must be paid members of staff at the School and must be kept up to date with current procedures.

- Restrictions are in place on the signing of cheques so that, as a minimum requirement, there is a mandatory limit on a cheque signed by one person and that over that value, dual signatures must be used. There is a maximum limit of £250 for cheques with one signature.
 - Mandates are held by the school's bankers detailing the above arrangements, together with clear instructions that the school's bank accounts must not become overdrawn.
- Appropriate controls and authorised documentation exist in respect of electronic transactions and transfers, which will include Direct Debits, Standing Orders and BACS.
- Cheques must not be pre-signed and manuscript signatures must not be used.
- All unused cheques are held securely in a locked cabinet or safe with access only available to authorised officers.

8.4 Types of Cheques

- Two types of cheque book can be used in conjunction with SIMS FMS as follows:
 - The first option is to use the traditional cheque book and manually write the cheques. This will require the school to raise Remittance Advice notes and ensure that the cheques are posted to the correct supplier at the correct address. Schools would also need to manually update supplier account details within SIMS FMS.
 - The second option is to use pre-printed computerised cheques. The school can purchase these cheques from an approved supplier, details of which can be obtained from the Children's Services Finance Manager. The school's name and address and logo, if required, will be printed onto A4 size paper along with the school's bank account details. There is also a section for the supplier's name and address and for Remittance Advice details.
 - This method uses the cheque print run facility within the school's accounting system whereby selected cheques are printed in a batch. The suppliers' account details within the system will be automatically updated, as will the bank account details. The computerised cheque 'schools section' will be printed for the school's own records and should be filed in cheque number order either with the invoices or separately.
- Payments that cannot be made from the school's bank account will include payments to suppliers in Liquidation or Bankruptcy, unofficial School Fund expenditure and payments that relate to contracts of employment outside of the payroll system. In particular, payments to Clerks to Governors must be made through the payroll system.
- Bank charges for schools using the Council's bankers will be charged directly to the school's bank account and will appear on bank statements. Where schools use another bank of their choice, charges will be made according to the terms negotiated by the school with the bank concerned.

8.5 Bank Reconciliations

- The school must obtain bank statements at least monthly. A monthly reconciliation must be carried out between the computerised accounting system and each bank statement. After this has been successfully completed, an accounting system reconciliation print out must be obtained and filed with the bank statement. In addition, signed copies of the reconciliation print out and bank statement must be sent to Children's Services Finance.
- The person carrying out the reconciliation must sign and date the bank reconciliation statements as correct. In addition, they must be reviewed and countersigned by the Headteacher or a member of the school's senior management (or someone nominated by the Governing Body) to confirm that the reconciliation process has been carried out correctly and that the account has been reconciled.
- Any credits that are paid into the bank account directly, (e.g. instalments by the Council of the school's delegated budgets, or electronic payments made, namely Direct Debts, Standing Orders etc), should be entered into the school's accounts by means of a journal. This should be carried out as soon as the credits are identified on the bank statement, prior to the reconciliation.
- Any items of income and expenditure listed on the bank statement that the school does not recognise, or considers being an error, should be investigated immediately and resolved prior to completion of the reconciliation.
- If on completion of the reconciliation process, a discrepancy between the school's accounting system and the bank statement occurs, this matter should be investigated and resolved immediately.
- All cheques are now legally valid for up to 6 years, however, schools are advised to review any still outstanding and not presented after six months and consider them for cancellation and write back into the accounts. Depending on the nature of the payment, the creditor may need to be contacted and another cheque issued. Banks have indicated that they will normally query any cheques still outstanding after 6 months.

8.6 What can be administered through the Bank Account

- Schools **can only** administer the following through the account:
 - a) Budget shares and other advances made by the Council,
 - b) Income from official activities, lettings, sales and donations,
 - c) Contributions from the School Fund or from the PTA etc,
 - d) VAT and Tax disbursements received from the Council,
 - e) Expenditure directly related to the running of the school, in accordance with the "Scheme for Financing Schools", ([Appendix 1](#)). This can include both staff and non-staffing costs.
 - f) Capital expenditure on the school premises, again, as outlined in the "Scheme for Financing Schools".

8.7 What cannot be administered through the Bank Account

- Schools **must not** administer the following through their bank account:

- a) Payments and transfers relating to the unofficial School Funds where this is administered through a separate bank account ,
- b) Payments to suppliers in Liquidation or Bankruptcy.

8.8 Cash Flow Monitoring

Schools should be aware of the need to closely monitor cash flow. Schools are not allowed overdraft facilities on their Bank account and therefore close monitoring of the school's Bank balances will be necessary in order to prevent the account from becoming overdrawn. This may to a degree determine when purchasing can take place. (See also section 7.4)

8.9 Investment of Funds

- Investment of funds is subject to the following conditions. Schools can only place funds from their delegated budget in accounts at approved Banks and Building Societies and must carry no risk to the capital element.
- Investments cannot be made through intermediaries. Schools must not offer security to the Bank.
- Schools using the Council's contracted bank will not be able to invest elsewhere as the Bank balance will be aggregated with the Council's balances to accrue interest. This will be to the benefit of individual schools because the interest rates applied to the Council's aggregated bank balance will be higher than the rates on offer to individual schools.

8.10 Borrowing by Schools

Schools will not be permitted to arrange loans with external organisations. The only exception to this is when the Governing Body has received written permission from the Secretary of State.

8.11 Cheque Book Security

- All cheques must be kept in a locked cabinet or safe when not in use. The key to these receptacles must be held by the Headteacher, Bursar, Finance Manager or named authorised individual.
- New cheque books must be recorded immediately upon receipt along with the sequential numbering. They must be checked for printing, accuracy, continuity and completeness of numbering. When new cheques are brought in to use they must be recorded and signed for in the record book.
- Pre-printed cheques are ordered by the school directly from the authorised supplier.
- All cheques must be crossed "Account Payee".
- Cheques must not be pre-signed or post dated.
- Cheque stubs for manual cheques and the 'schools section' of printed cheques must be kept for a minimum of six years.
- The Bank must be informed of lost cheques as soon as they are known and the cheque(s) must be cancelled.
- Used cheques are not normally returned to the school but are held by the Bank.
- Any cheque requiring cancellation must be clearly marked "CANCELLED" over both the cheque and the stub and retained with the counterfoil by the School. Each cheque must be capable of being traced from receipt at the school to the issue to a creditor.

9. Income

9.1 Overall Policy

- The Governors must establish clearly defined and documented procedures for determining its income on an annual basis by identifying all sources for inclusion in the annual budget.
- The school should check that the information used in the calculation of delegated budgets is correct and that income has been quantified as accurately as possible for inclusion in the financial plan.
- Procedures should be developed to ensure income is received on the due dates.
- The Governors should establish clearly defined procedures for the collecting of income due to the school and the Council.
- All cheques and postal orders must be made payable to the school.
- The school must separate as far as is practicable, the responsibility for identifying sums due to the school from the responsibility for collecting and banking such sums.
- Income received by the school whether received by way of fees and charges, fund raising activities, or the sale of assets, should be separately recorded in the school's accounts under the appropriate income codes and not coded to expenditure codes.

9.2 Banking of Income

- Income received must be deposited at the Bank (or Post office where appropriate) at least weekly and when amounts held total £100 or more.
- All income collected must be banked intact. Monies in excess of the collection records must be banked and may not be retained by the school. Collecting officers will not be required to make good deficiencies in collections; however, discrepancies must be reported to the Headteacher. Abnormal trends or single large discrepancies must be reported to Internal Audit.
- Monies received may be used to give change, but not for any other purpose, e.g. purchase of items.
- Members of staff collecting income must not accept post-dated cheques.
- Personal cheques, from members of staff must not be cashed out of the income received or any other cash balances held by the School.
- When completing Bank paying-in slips, details of cheques to be banked must be recorded on the slip, as follows:-
 - ◆ the amount of the cheque and
 - ◆ the receipt number issued or
 - ◆ the name of the drawer.
- Every paying-in book must have a carbon copy, which will remain in the book. If an error is made the slip must be endorsed, cancelled and both copies left in the book and a new paying-in slip completed.
- Income details must be entered onto the School's own accounting system using the correct income code. Income must not be allocated to an expenditure code. VAT must be correctly identified in the accounts.
- The school must reconcile the sums collected to the sums deposited at the bank. Bank paying-in slips must show clearly the split of cash and cheques.

9.3 Income Security

- Monies received and held on school premises must be locked in a safe or other secure lockable place. Headteachers must ensure that the keys to these secure receptacles are not left on the premise at night but are held by themselves or nominated members of staff.
- Whilst at work, key holders must carry keys on their person and keys must not be left in the vicinity of the secure area.
- The loss of any keys must be reported immediately to the Headteacher and action taken to trace their whereabouts. Where appropriate, locks must be changed when lost keys are not found.
- Under no circumstances must official monies be taken home.
- It must be emphasised that the responsibility for income collected rests with the member of staff receiving payment until deposited with the Bank. Any transfer of income to another member of staff must be recorded and a signature obtained.

9.4 Lettings

- The Governors must establish a lettings policy and set appropriate charges for the hire of school premises. The Headteacher is responsible to the Governing Body for accounting for all income due and cash collected as set out in the Governing Body's charging policies.
 - The Headteacher and Governors must ensure that fees for lettings are sufficient to ensure that all costs are covered, including those costs associated with caretaking, heat and light etc. Costs associated with lettings must not be subsidised from the school's delegated budget.
 - An application form must be completed by the lessee and the Headteacher must ensure that they are fully aware of the Terms and Conditions of the letting, details of which must be handed to the lessee. [Appendix 9](#) provides a suggested approach for an application form and terms and conditions.
 - The application form must be authorised by the appropriate person as per the Letting Policy and the school must receive the fee before the letting commences.
 - Where invoices are required they should be issued promptly.
- All income including VAT due to the School should be identified ensuring that the correct VAT code is used as detailed in the [VAT for Schools Guide](#).

9.5 Issuing Receipts

- Official receipts must be issued for all income received and banked into the School's official bank account. Receipts issued must always reconcile to the bank paying-in book to ensure that all monies received are properly and promptly banked.
- Schools will normally issue receipts directly from their own financial accounting system but can also purchase stocks of manual numbered receipt books if required. .

- It should be noted that individual receipts do not need to be issued where large volumes of small amounts are collected on a regular basis, e.g. school trips. In such circumstances, a comprehensive record book should be maintained, showing names of pupils, dates and individual amounts of income received and total amounts banked. This total should be directly cross-referenced to the bank paying-in book.
A class register book is an ideal record to show such income collected. In addition to the above centrally maintained record it is suggested that 'receipting' cards are issued to individual pupils if they are required to pay by instalments for a trip / activity (see 9.6 below).
- The Headteacher should check the receipt books to ensure that all monies have been promptly banked.
- All unused receipts must be kept locked away.
- All completed receipt books must be held for future audit inspections.

9.6 Contributions and Donations

- Adequate permanent records must be maintained for each school activity where contributions or donations are collected from parents.
- These records must show the name of the pupil to which the contribution or donation, relates to, with the date of collection and the amount collected. As stated in 9.5 above, when pupils are required to make instalment payments it is recommended that 'receipting' cards are issued to each pupil. This card should be completed by the member of staff responsible for maintaining the centralised record book of income collected.
- The records must be totalled and the monies paid over intact to the person responsible for banking. A signature must be given and the date recorded by the person receiving the money and shown in the record book.
- The contributions should then be banked to the appropriate income code.

9.7 Income from the sale of assets

- Schools may retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds, (in which case it should be for the Council to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the Council.
The sale of assets will be subject to the guidelines in Section 15 of this manual.
- Any income received should be paid into the school's delegated budget account and in almost all cases the appropriate code will be 'sales subject to VAT'. Income from the sale of assets must not be banked into any school unofficial or private fund.
- However, this income can be used by the school for whichever purpose is determined by the Governing Body, so long as it is spent for the direct purposes of the school, as determined by the "Scheme for Financing Schools".

9.8

Writing off Debts

- Governors must set a policy for the collection of any debts due to the School. The policy should include the collection procedures from the initial invoice to the use of legal proceedings in the event of non-payment.
- Governing bodies will be responsible for the writing off of debts. In this respect, there should be agreed procedures to follow, issued by the Governing Body, in the event of writing off a debt as irrecoverable. Accordingly, Governing bodies will recommend the write off of debts in line with the following procedures:
 - Any sum due to the school shall only be discharged by payment in full or official write-off,
 - All debts due will be identified in the accounts of the school. In particular, all debts over £50 must be recorded in the accounts through the raising of an invoice.
 - All irrecoverable debts must be written off on the direct authority of the governors, through a resolution of the full Governing Body.
 - Debts that are approved for write-off by the Governing Body shall be written back as irrecoverable in the school's accounts
 - The school shall maintain a record of all debts written off, showing clearly what attempted recovery action was taken, including any legal action, and the justification for non-recovery.
 - At the end of each financial year, the school shall inform the Council detailing any debts written off during the year.

10. Purchasing

10.1 Accountability

- As schools award contracts and issue orders for the purchase of goods and services, which will be paid for with public funds, they ***not only need to maintain the integrity of the process, they must also be seen to do so.***

This entails three aspects:

- Probity – to demonstrate that all parties are dealt with on a fair and equitable basis and that there is no private gain, favouritism or corruption involved in the contractual relationships of the school,
 - Accountability – the school is publicly accountable for its expenditure and the conduct of its affairs,
 - Value for money – the school is able to demonstrate economy, efficiency and effectiveness in the use of public funds.
- Any member of the school staff must disclose to the Governing Body and the Headteacher any interest that he or she may have, including that of relatives and friends, in any purchasing decision in which they may be involved. Staff who face such a conflict of interest must not participate in the decision with whom to place the contract. This will include the appointment of staff. (Further guidance on this matter is given in section 4.9 “Register of Business Interests”).

Purchasing Policy - to support the need for accountability and transparency the Governing Body must agree a Purchasing Policy setting out predetermined limits for purchasing, covering contracts and leases. A sample format is attached as [Appendix 10](#).

10.2 Budgeting

- Purchasing is inextricably linked to the budgeting process. Schools must have in place mechanisms to monitor levels of commitment against budgets and consideration must always be given to whether there will be adequate funds available to pay for an order before that order is authorised and placed. This is particularly relevant in relation to the tender process, where the financial sums involved are higher and any difficulties are likely to impact upon the school's financial position more significantly.

10.3 Value for Money

- The Governing Body must ensure that the school obtains best value for money from any purchase by testing the market before the school is committed to any expenditure.
- The school must always have regard to value for money considerations. This may not always result in the cheapest goods and services. Consideration must be given to other factors such as quality, suitability, delivery date, reliability of supplier, after sales service and the financial position of a supplier.

10.4 Competitive Quotations & Tendering

- Tendering is a formal procedure in which suppliers are invited to submit a sealed bid to a purchaser by a specific day. Their bid is then evaluated together with other bids received against specified criteria.
- The Governing Body must establish a tendering process and this can form part of the Purchasing Policy (see 10.1 above). This policy must comply with the Council's 'Contract Standing Orders for Schools'.
- The tendering process must be supported by detailed working practices relating to the following:
 - advertisement
 - compliance with EC regulations
 - the procedures for the submission, receipt, opening and recording of tenders
 - the circumstances when financial or technical evaluation is necessary
 - acceptance of tenders
 - the form of contract documentation
 - cancellation clauses in cases involving corruption and bribery
- EU law requires that certain procedures must be followed with regard to contracts awarded by public bodies that exceed certain thresholds. Advice should be sought from Legal Services on compliance with these EU regulations.
- If a quotation or tender, other than the lowest price, is accepted this must be reported to the Governing Body and the reasons for the decision must be recorded in the minutes of the Full Governing Body meetings.
- Governing bodies must expressly prohibit divisible contracts. These arise where one contract, which would exceed a particular level of authority, is broken down into two or more smaller contracts. This is often done where staff have failed to take account of the longer timescales that may be involved or where the tender process will be invoked by the value of the proposed purchase.
- The school may wish to maintain a list of approved major and regular suppliers, which should be reviewed at least annually.
- The Governing Body should specify a sum above which all quotations should be reviewed by it.
- Existing contracts must be reviewed and renegotiated at regular intervals where appropriate.
- All paperwork and documentation must be retained for all quotation and tendering exercises. This should clearly show the basis upon which a purchasing decision has been made, especially if the chosen option is not the lowest initial cost.

10.5 Administration of Expenditure

- Each school will be allocated an annual budget in accordance with the formula embodied in the LMS Scheme and it is then the responsibility of the Governing Body in consultation with the Headteacher to allocate the appropriate budget amongst the various expenditure headings.

- The Governing Body must establish clear lines of authority within the School which details the staff who will be responsible for particular elements of the budget and who will be authorised to sign orders or to certify accounts for payment.
- In order to maintain a clear division of duties, thereby maximising internal control, it is recommended that these responsibilities are separated between two or more individuals.
- Expenditure must only be incurred where there is an adequate budget provision to cover it.

10.6

Issuing Official Orders

- Bath and North East Somerset official orders must be completed and sent to the supplier for all goods and services ordered by schools. These will be raised directly from the school's own accounting system. The use of the computer generated order will ensure that a commitment is automatically made in the school's financial accounts.
- When an order is raised a contract is immediately entered into with the supplier.
- Only staff authorised by the Governing Body must certify orders. Normally this would be the Headteacher / Deputy Headteacher although it may be the Bursar / Finance Manager of a larger school. The school must maintain a list of all persons authorised to certify orders and invoices.
- Orders must be used only for goods and services provided to the school. Individuals must not use official orders to obtain goods and services for their private use. For example, staff cannot purchase from the school items that have been obtained by the school at a competitive price and they cannot take advantage of the VAT position of the authority and obtain goods via official orders, thus avoiding the payment of VAT.
- Verbal orders must be confirmed by the despatch of an official order, raised on the same day as the verbal order was made.
- In larger schools, particularly secondary, Headteachers are recommended to use requisition forms, where budgets have been delegated to Heads of Faculties and Departments. They enable a budget holder to provide details of their requirements, which they then authorise prior to forwarding to the Finance office, to facilitate the raising of the official order. The use of these requisitions will ensure that budget holders properly authorise all expenditure from their own particular budgets.
- All official orders must be signed by members of staff authorised to do so by the Governing body's terms of reference and policies on delegated responsibilities.

Requests for Payment

- Where a budget holder requires a payment to be made, which will not require an order or invoice, a formal request for payment must be made, using the recommended form ([Appendix 11](#)). This must be authorised by the budget holder and certified for payment by the appropriate member of staff responsible for paying invoices.

10.7 Receipt of Goods and Services

- All goods and services received must be checked off against the appropriate order and delivery note to ensure that:-
 - the correct type of goods have been delivered,
 - the correct quantity has been delivered,
 - the service has been carried out to the required standard.
- The supplier and /or carrier must be notified immediately of any shortages or rejected items and a record must be maintained.
- Any surplus items must be returned to the supplier if not required. Care should be taken to ensure that when the invoice is received only goods ordered and received are paid for.
- All delivery notes must be checked to the original order, held and stored in an appropriate format for future reference.

10.8 Payment of Accounts

- The school must not make payment unless an invoice has been received from the supplier. Every supplier's invoice must be checked, prior to payment, to the appropriate order and delivery note to ensure that:-
 - the goods and/or service has been received,
 - expenditure has been properly incurred and that payment has not already been made (* see note below),
 - prices accord with quotations, tenders, contracts or catalogue prices,
 - the invoice is arithmetically correct,
 - correct accounting treatment of VAT,
 - the correct ledger/cost centre code has been used,
 - appropriate discounts have been taken.
- All the above checks must be recorded on the invoice as having been completed – a rubber stamp grid is recommended for use by schools, enabling all relevant details regarding the invoice to be held in one place. A suggested example for such a stamp is attached at [Appendix 12](#).

***Note** - Internal controls have been designed into the computerised payments system to highlight potential duplicate invoices, i.e. to prevent them being paid twice. The computer system will make it known if a supplier's invoice number has been input previously or an invoice has been paid against a computer order for a second time. These controls should be effective as long as all goods / services are ordered through the computer. If a computer order is not raised or invoices received are not referenced to the computer order then there is a risk that invoices processed may not be subject to the controls to detect and prevent duplication of payment. It is important that orders are despatched for all goods / services where payment will be made on an invoice. If a manual order has to be issued then the invoice details must be written on the copy order prior to the invoice being processed.
- Segregation of duties must be adequately maintained with reference to staff available. Segregation of duties for authorisation between incurring the expenditure and certifying the payment is desirable and must be followed wherever possible.

- The segregation of duties relating to the ordering and receipt of goods and between the receipt of goods and authorisation of payments is highly desirable. In schools where staff numbers are limited, compensating controls can be introduced to supplement the segregation of duties.
- The Governing Body must satisfy itself that the payment arrangements ensure that bills are being paid promptly when they fall due with discounts for prompt payment where appropriate.
- The invoice must be authorised for payment in accordance with the school's policy on delegated authority for authorised signatories.

10.9 Payment by Cheque

- Schools are responsible for making all their own payment of accounts by cheque, adhering to the following guidance:-
 - following the certification of the invoice for payment, a cheque will be printed off from the school's financial accounting system;
 - it is important that prior to initiating a cheque print run, a reconciliation is carried out on cheque numbers, to ensure that the numbers on the actual cheques correspond with those on the accounting system,
 - cheques will be signed in accordance with the Governing Body's policy;
 - when a cheque is presented for signature to a member of staff, all relevant supporting documents should be attached for scrutiny, to include the certified invoice and any quotations received;
 - schools can hand write a cheque from their 'manual cheque book' or one which is normally processed through the computer system if the computerised system is unavailable. However, if a 'computerised cheque' is handwritten care must be taken as the sequence of cheque numbers recorded on the computer system will have to be adjusted;
 - cancelled and spoilt cheques must be retained on file and marked as "Cancelled" across each cheque.

10.10 Payment by BACS

BACS Direct Credit is a secure and reliable service, which enables organisations of all sizes to make payments by electronic transfer directly into a bank or building society account.

Before progressing with this schools are advised to

- contact their bank for further information regarding costs (and potential savings) plus software requirements
- contact the Children's Services Finance Manager regarding integrating payments made into SIMS (if that is your primary accounting system).
- adhere to the following guidance notes

The School must obtain the approval of the Governing Body before introducing payments by BACS.

The agreement with NatWest to introduce access to Bankline and BACS payments must be signed on behalf of the School by the Chair of Governors.

The School must follow the BACS guidance notes produced by the Schools Finance Team (please contact your Schools Finance Officer to obtain a copy).

This will ensure that proper controls are in place including:

- The dual administration function is set as “ON”. This will ensure that 2 administrators are always required to action any payments or approve any changes.
- The School should have at least 3 staff set up as Administrators for continuity purposes.
- The BACS Run process must always be authorised by 2 Administrators one of which must be the Headteacher or the Deputy Headteacher (or member of the SLT as appropriate particularly in the case of secondary schools).
- The Administrators must both sign and date the individual BACS Run Report.
- Individual Administrators are personally responsible for keeping their Smartcard, PIN and Password secure at all times.
- The School must update its Finance Policy to include references to the BACS process.
- It is also important that the School is aware of the need for an anti-fraud strategy if and when a supplier requests a change of bank details. The School must be vigilant and carry out additional validation checks to ensure that the information is bone fide.

10.11 Leasing and Rental of Equipment

- There are two kinds of leases, operating leases and finance leases. Finance leases are a type of borrowing and therefore schools are not allowed to enter into such agreements. Where schools are intending to enter into any contract or lease agreement, appropriate advice must be sought from Children’s Services Finance.

Operating leases are a type of rental agreement and are therefore an option available to schools. Schools should always read the terms and conditions of operating leases and rental agreements very carefully. Particular care should be taken over cancellation clauses that can prove to be extremely expensive e.g. some photocopier contracts.

- The option of renting a piece of equipment can be a worthwhile consideration, particularly if the need is short term or the equipment may become obsolete quickly. Short-term rental may cost a fraction of the purchase price. Other factors to consider are:-
 - The costs of repair and insurance are usually the responsibility of the hiring company. This of course should be checked and be specifically stated in the hire contract.
 - Equipment that does not live up to expectation or is used less frequently than anticipated can be returned. Indeed, equipment can be rented to ascertain whether usage would make purchase or further rental cost effective.
 - Contracts can be terminated in times of financial constraint as a cost saving measure.
 - The full purchase price is not payable and instalments spread the cost thus improving cash flow.
 - Rental can be the most cost effective way of procuring equipment that is used infrequently.
 - Long term rental may ultimately be more expensive than outright purchase.

10.12

Construction Industry Tax Scheme (CIS) – Payments to sub contractors.

- Under the latest CIS scheme (effective from 6 April 2007) payments made by “maintained schools as agents of the local education authority” no longer need to be reported to H.M. Revenue and Customs.
- This means that schools can pay all of their own CIS type (i.e. payments to sub contractors) invoices and no longer need to send any invoices to the Council for payment.

11. Payroll Procedures

- Schools can choose to use the B&NES in-house payroll service (operated by People Services) or employ an external payroll bureau.
- Approval of staffing appointments and changes for all members of staff must be made in accordance with the arrangements for delegated authority approved by the Governing Body.
- A member of staff must not approve a change to their own conditions of employment, e.g. a Headteacher (or other School Manager with payroll authorisation responsibility) must not approve any changes which would have an affect on their own salary payments including claims for expenses and grade enhancements.
- Changes to a Headteacher's pay can only be authorised by an appropriate committee of the Governing Body as per the Terms of Reference of the School and subsequent changes must be checked and evidenced by the Chair of Governors.
- Each Headteacher must ensure that all changes affecting the remuneration of employees are entered on to the proper payroll forms and properly certified by members of staff, with the appropriate delegated authority. In particular, this should apply to:
 - appointments, resignations, dismissals, suspensions, secondments and transfers.
 - absences from duty for sickness or other reason, apart from approved leave.
 - changes in remuneration other than normal increments and pay awards.
 - information necessary to maintain records of service for superannuation, income tax and national insurance.
- The school must ensure, through a monthly review, that only bona fide staff have been included on the payroll and that all payroll charges are correct and appropriately authorised.
- In addition, the school must ensure at least annually, that the gross pay agrees with contracts or other authorised documents for each member of staff and that deductions have been correctly determined and authorised.
- Supply teachers must complete and sign appropriate claim forms to record their teaching duties. These forms will be checked and appropriately completed by administration staff and certified by the Headteacher or authorised representative.
- It will be important that all payroll forms (including Supply Teacher claims) reach the appropriate payroll provider by the nominated date each month, otherwise payment may not be made until the following month.

11.1 Travelling/Subsistence and Governors Expenses

- Claims for payment of car allowances, subsistence allowances travelling and incidental expenses must be submitted on the appropriate forms and forwarded to the appropriate payroll provider, in accordance with approved timescales.

- If the school utilise the B&NES in-house payroll service the school will be provided with the appropriate Declaration / Claim Forms to control the payment of travelling / subsistence expenses. If the services of an external payroll bureau are used then the school must ensure that claimants are aware of the requirements relating to the use of private vehicles for business use and that the expenses claimed are payable in line with the policies of the school. For example, the claim form could require the claimant to certify that :
 - the vehicle was insured for business use and has a valid MOT certificate.
 - expenses were incurred on school business.
 - duplicate expense payments or payments made in error can be deducted from salary payments following receipt of written notification of the error.
 - expenses claimed have not been reimbursed by any other source.
- The certifying officer must ensure that all the journeys were authorised, with expenses properly and necessarily incurred and that the allowances are properly payable by the school and must sign to this effect.
- ***All travelling, subsistence and Governors Expenses, including payments to Clerk to Governors, where there is a tax or benefit in kind implication, are only payable through the Payroll System. School cheques must not be used.***

11.2

External Payroll Providers

- Schools using external payroll providers must adhere to the same basic controls as for schools using the Council's payroll provider.
It is also important that schools using external payroll providers are aware of the following:
 - the need to have a detailed contract in place for a specific time period at an agreed price and with responsibilities (between the school and the provider) fully listed for each part of the process.
 - the school must provide a list of school staff with payroll signing responsibilities together a copy of their signatures. The external payroll provider should only action payroll changes based on an authorised signature. This will include controlled electronic submissions made via secure networks e.g. Globalscape.
 - the need to ensure that payments to HMRC regarding income tax and national insurance are made complete and on time. If these are not made by the school then assurance must be received from the external provider that these will be made in the required manner – with penalty clauses in the contract to cover the school should this not occur (which may incur penalties from HMRC).
 - this will also need to apply to the various pension deductions (and other miscellaneous deductions) made on behalf of the schools staff.
 - the need to provide information to the National Fraud Initiative (NFI). This is a legal requirement on all public sector employers and so the contract with the external provider must take this into account.

11.3 **Recruitment, Pre Employment Checks and other Vetting checks**

Schools are advised that to comply with safeguarding children requirements the following checks will be mandatory.

- Enhanced Disclosure and Barring (DBS) checks***
- Verification of Identity***
- Right to work checks (entitlement to work in the UK)***
- Professional Qualifications***
- Medical clearance (statutory requirement for teachers and teaching assistants)***
- References***

For more details on all the above processes Schools are advised to contact Human Resources or refer to Council Recruitment and Selection policies on the Council's Intranet site.

Schools using external Human Resources agencies are required to adhere to the same mandatory vetting listed above.

12. Purchasing Cards

12.1 Background

The Council has an agreement with Company Barclaycard for the use of Corporate Visa Purchasing Cards. This enables services and schools to procure goods and services through the use of such cards, eliminating the need to receive and process individual invoices. In addition, official orders will no longer be necessary in many instances.

12.2 Benefits of using the Purchasing Card

- Facilitates the streamlining of administrative processes,
- Provides flexibility for procurement and payment of goods and services,
- Empowers individual purchasing officers through delegation,
- Promotes a more “business minded” culture in respect to procurement,
- Potential for a greater controlled and disciplined environment,
- Approved by H.M Revenues & Customs for VAT purposes,
- All aspects of the process are visible and transparent,
- Satisfied suppliers who receive immediate payment,
- Facilitates the achieving of the Government’s 2005 e-government targets,
- The purchasing card is not regarded as a credit card, thereby making it accessible to schools under the Fair Funding requirements,
- The card can be used for “Internet shopping”.

12.3 What are Purchasing Cards?

- It is a plastic card with a number and expiry date like any VISA card.
- They can be used at any VISA capable outlet, over 20 million worldwide.
- They are designed primarily to be used for purchasing high volume, low value items, but not exclusively.
- In addition, their unique facility of identifying VAT when used with VAT capable suppliers, sets this card apart from others:

NOTE – VAT Capable Suppliers

A VAT capable supplier is one who has agreed to the installation of appropriate IT software to enable the gathering of all VAT details by Company Barclaycard. There are some 10,500 suppliers and outlets offering this facility at present.

This will usually be in the form of “Summary Line Item Detail”, showing VAT as well as the gross cost. A few suppliers are capable of providing “Full Line Item Detail”, identifying every individual item purchased with their cost, plus VAT details.

This arrangement meets the requirements of H.M. Revenue & Customs, who do not require the issue of a VAT invoice to the school when "Line Item Detail" is available. In its place, a monthly VAT report is provided to the school, giving details of all those transactions for the month in question, where VAT has been identified. It is important that this VAT report is retained.

- Suppliers will be responsible for paying a merchant fee to Company Barclaycard, based on the volume and value of transactions with the Authority. This fee will range from around 1% to 3.5%.
- Cheque book schools will be treated as separate "billing points", making them responsible for settling their own accounts each month with Company Barclaycard.

However, the school's spend will be aggregated with that of the whole authority in determining the authority's total spend. This is important in ensuring that the authority meets its target set by Barclaycard, thereby ensuring the scheme is operated at NO cost to the Council.

- Each Purchasing Card will be allocated both individual and monthly transaction limits at the time the individual cardholder is authorised. In addition, merchant category restrictions can be placed on the card at this time.

In all there are 33 "Merchant Category Groupings", to cover all possible areas of procurement. These are standard throughout the VISA / Purchasing Card environment. Groupings that would more apply to schools include:

- ◆ Office stationery, equipment and supplies,
- ◆ Books and periodicals,
- ◆ Training and educational.

The appropriate groupings will be agreed with the individual school at the time the cardholder is authorised.

Under the Council's anti- fraud requirements Purchase Cards are not open for ATM Cash, Fuel purchases, vehicle hire or personal services

12.4 How Purchasing Cards work

- It is envisaged that each school will be allocated one Purchasing Card to start with. However, this number can be easily increased, should the Governing Body so wish.

- Schools will nominate a person / persons within the school to be the cardholder. This should be the person/s normally responsible for procurement and raising orders.
 - Each cardholder will be authorised by the Headteacher and one other of the school's nominated cheque signatories. There will need to be a separate application form for each cardholder.
 - Each new card will have restrictions on the merchant categories that can be used, together with monthly and single transaction limits. These restrictions will be set by each individual school at the time the new cardholder is authorised.
 - The Card can be used to purchase goods and services from any VISA capable supplier. However differing requirements will apply as to whether the supplier is VAT capable or not. Most suppliers are currently not VAT capable.
- When using the Purchasing Card, orders can be placed over the internet, or by telephone or fax. Care should be taken when giving card details via the telephone in an open office environment.
- ♦ **VAT Capable Suppliers:** Details of the purchase will be received on the monthly Company Barclaycard statement and the monthly VAT report. This will identify VAT and the gross cost. The information on the VAT report can take the place of a VAT invoice and is sufficient to meet the requirements of H.M. Revenues & Customs;
 - ♦ **Non VAT Capable Suppliers:** The monthly statement from Company Barclaycard will not identify any VAT. In addition, details of these transactions will **not** appear on the VAT report. For these purchases, a VAT invoice will be necessary to support the purchase. This invoice, of course, will **not** be processed for payment.
 - ♦ **Recommended approach:** At the time of purchase, it will not be known whether a supplier is VAT Capable or not. **Accordingly, it is recommended that a supporting VAT invoice / receipt is obtained in every case.**
- A transaction log of all orders raised on the Purchasing Card must be kept. The recommended format is provided with the Council's Notes of Guidance ([Appendix 13](#)).
 - Suppliers are automatically paid within 3 to 4 working days of the purchase being made.
 - Schools will receive a monthly statement from Company Barclaycard providing details of all individual payments made to suppliers. Payment must be made by direct debit to Barclaycard within 7 days of the statement date. There is an expectation that the payment will be made even if any discrepancies are noted. Payments must be checked off against the transaction log, referred to above. Any queries must be taken up with suppliers at that stage. From current experience, errors do not occur very often, if at all.

- Where VAT capable suppliers have been used, a VAT report will be provided monthly. This will negate the need for a separate VAT invoice.
- The school's bank statement will show one D/D payment, which will equate to the total on the monthly statement. This information will need to be transferred into the School's FMS System for bank reconciliation purposes and to update the accounts.
- Details on the transaction log will need to be journalled into the school's accounts each month.

12.5 Accountability & Responsibility

It is important that the School's Governing Body and Senior Management Team are fully aware of both the benefits and controls that are necessary to successfully use the Purchasing Card. Accordingly, all schools are formally asked to adopt the following controls and procedures:

- **The Governing Body and Headteacher will:**
 - Formally agree to the introduction of Purchasing Cards,
 - Nominate the individual cardholders,
 - Specify what the cards will be used for,
 - Specify individual card monthly and single transaction limits (£),
 - Formally agree to follow the Council's best practice guidelines provided,
 - Formally approve the card's use for internet shopping, again with limits,
 - Formally approve to follow the Barclaycard guidelines for shopping over the internet,
- Once the school has been set up with Company Barclaycard and the first card issued, any subsequent requests for new cards, cancellation of existing cards and changes to card mandates (e.g.: monthly expenditure and individual transaction limits), will be arranged directly by the school (advice, of course, can be provided if required).
- To ensure appropriate controls are maintained within the school, two authorised signatories will be required to sign all future requests, associated with cards, sent to Barclaycard. However, it is suggested that one of these is the Headteacher and the 2nd is one of the other signatories authorised to sign cheques.
- At the time the application forms are submitted for authorisation some form of confirmation to the Governors' approval for the introduction of the card must be provided. This will not be required for any future changes, as they will take the same status as with any changes to the school's banking arrangements, which must have Governors' approval.

12.6 Who should be the Cardholder

- The Purchasing Card is designed to be in the name of the person who would regularly use it. Being a Corporate card, it is not deemed to be a credit / debit card, thus credit checks are NOT carried out on the proposed cardholder. The only information of a personal nature, that is requested, is the date of birth of the cardholder, which is used as a password should the cardholder wish to speak with Barclaycard on some matter concerning the card.
- It is recommended, therefore, that the Cardholder is the school's administrator / finance manager / secretary and not the Headteacher.
- Such an arrangement would ensure that best practice controls would automatically be in place. The school administrator / secretary would order the goods and services using the Purchasing Card and would complete the transaction log. At the end of each month, the completed transaction log and supporting documentation would be checked and authorised by the Headteacher (or perhaps the nominated Deputy Headteacher).
- These procedures are necessary, because when using the card, there will probably not be an official order raised, an invoice will not be received and authorised, whilst a cheque will not be produced.

13. Petty Cash

- The school may maintain a Petty Cash account to cover sundry day to day expenses, if it decides it is convenient to do so. In particular, this can be used for making small payments when signatories of the main bank account are not available.
- However, it is important that the Governing Body ensures that the cash is properly controlled and that the cash is held in a locked cash box or a locked safe. The keys must be held securely with only authorised officers having access to them.
- The Governing Body should agree an appropriate level for the amount of petty cash to be held by the school, although a maximum cash balance of £500 is suggested. In smaller schools or schools preferring to restrict petty cash transactions the cash balance should be lower possibly £200.
- This amount should represent a balance between the need for ready access to funds for local payments and the risk of holding cash on the premises and the school should ensure that the likely maximum value of cash held on site is covered by insurance.
- Only authorised staff must have access to petty cash.
- In the interests of security, petty cash payments must be limited in value. The Governors should approve the precise levels, however, a £50 per transaction limit is recommended. It should be noted that petty cash is not to be used for the payment of invoices or employee payments including employees' expenses which must, normally, be processed via the appropriate payroll system.
- The school must not use petty cash for transactions with regular suppliers. Such payments must be made through the school's formal payment system i.e. either by cheque or BACS.
- Each school must have one person who deals with Petty Cash and this person must be responsible for ensuring that:-
 - sales receipts are provided to support all claims for cash reimbursements,
 - a certified voucher accompanies the sales receipt. The voucher should record the date of the Petty Cash transaction, a description of the item(s) purchased, the purchase price of each item, and the name of the person who purchased the goods and who is seeking reimbursement. The person who incurred the expenditure should sign the voucher to record the reimbursement transaction.
 - a receipt or acknowledgement of payments made which identifies any VAT that has been made in the purchase of the item,
 - petty cash funds are held in a locked safe or cabinet,
 - the Petty Cash float is properly documented and reconciled at least monthly,
 - regular claims are submitted for reimbursement.

- It is important that all transactions are supported with appropriate documentation and particularly a VAT receipt/voucher where VAT is to be reclaimed. Full details must be accurately posted to the school's accounting system.
- VAT may be claimed from a less detailed invoice (known as "Retailers' Invoices") provided that the amount including VAT charged for the supply is less than £250. Further details can be found in the **VAT Guide for Schools**.
- With regard to the administration of the petty cash account, schools are able to use the manual cheques for obtaining cash from the main bank account.
- Personal cheques must not be cashed from the Petty Cash.
- The Headteacher must arrange for periodic checks on the completeness of funds held by petty cash holders.

14. Unofficial and Voluntary Funds – “The School Fund”

14.1 Expected Standards

- Unofficial and voluntary funds often provide schools with substantial additional source of finance. Although such funds are not directly public money, the standards outlined elsewhere in this Manual are equally applicable. Indeed, the Audit Commission and Ofsted, in its joint document on standards for financial administration in schools, **Keeping Your Balance**, stress that parents and other benefactors are entitled to the same standards of stewardship for such funds.
- Many schools choose to operate an unofficial fund covering a wide range of activities such as school trips, fund raising events, tuck shops and sale of school uniform. The objectives of these funds are supportive of the broader activities of the schools. The funds are controlled by the Governing Body who are responsible for policy. To support this responsibility it is essential that the Governing Body approves the school’s policy for the use of the School Fund and that this policy is included in the school’s Finance Policy.
- Where it is not clear that pupil/school activities should be deemed as official or unofficial then the choice to use official funds or unofficial funds will rest with the Governing Body.
- The accounting arrangements contained in this section apply to any unofficial or voluntary funds, which the school may have with the exception of funds of Parent Teacher Associations, which are operated completely independently from the school.
- The Headteacher must maintain an up-to-date list of all school unofficial and voluntary funds, including details of the associated bank accounts.
- The Council assumes responsibility as if the funds were Local Authority funds i.e. in respect of ‘loss of money’ and provides the insurance cover in respect of losses resulting from the fraud and dishonesty of employees.
- Schools are therefore required to show that the accounts are maintained correctly and audited on an annual basis.
- To satisfy the insurers that the account has been maintained in an appropriate manner, schools are required to submit to the Governing Body a signed Auditors certificate on an annual basis.

14.2 Accounting Arrangements

- In order to comply with the expectations of Ofsted and the Audit Commission and meet the requirements of the Council’s Insurers, schools are strongly recommended to maintain detailed and accurate financial records, in line with the best practice guidelines below.
- Many schools have traditionally maintained manual cash book records, which they can of course continue to do. Schools could record unofficial school fund transactions on a computer spreadsheet or alternatively, schools can avail themselves of specialist unofficial school fund software packages through which to run their accounts. In particular, “School Fund Manager” is one such package widely used by schools. This should be discussed with the School Finance Support Unit.
- A separate bank account, in the name of the school and not in the name of an individual, must be opened for each individual fund.

- The bank mandates must require two signatories on each cheque, official letter and document concerning the account.
- It is important that there is a proper separation of unofficial and voluntary funds and related records from the official school delegated budgets. In particular, all official income must be paid into the school's delegated budget and **NOT** into the unofficial school funds.
- The following sources of income are regarded as **OFFICIAL FUNDS** and as such must be paid directly into the school's delegated budget account namely:
 - private photocopying,
 - private telephone calls,
 - peripatetic music tuition fees,
 - sale of surplus equipment,
 - lettings income,
 - PTA donations to the school,
 - reimbursement of insurance claims (including staff sickness),
 - income from Colleges and Universities in respect of student placements,
 - curriculum based field trip monies.
- Withdrawals from the bank account must be upon the signature of two authorised persons as per the bank mandate.
- A cash book must be maintained for each unofficial fund operated by the school. For those schools maintaining manual or spreadsheet records, a draft example is attached as [Appendix 14](#). All manual records must be maintained in ink.
- Whenever income is received on a commission basis e.g. photographs, supporting documentation must be maintained to record the gross income and costs deducted.
- The cash book must be balanced and reconciled with the bank statement and cash in hand at least monthly.
- Some form of receipt or acknowledgement must be given when income is received on behalf of the fund. In certain circumstances, where small amounts of income are received on a regular basis from pupils, e.g. school trips, a register type book can be maintained to record transactions, showing pupil name, date and amount paid over. Such a record must be reconciled with the cash held, when the income is prepared for banking. In addition to the above centrally maintained record it is suggested that 'receipting' cards are issued to individual pupils if they are required to pay by instalments for a trip / activity.
- A summary schedule (an example is attached as [Appendix 15](#)) must be drawn up to account for each educational visit and this must record any surplus or deficit. The pricing strategy for school trips should not aim to achieve a planned surplus. Accordingly, any significant surplus (e.g. over £3 per pupil) should be refunded without delay.
- A supplier's invoice, bill or other form of voucher must be obtained to support items of expenditure recorded in the cash book.
- All monies must be promptly banked and the bank account must not be allowed to become overdrawn.
- Monies received must be banked intact. In exceptional circumstances, where it is more convenient to use cash received to pay amounts due and bank a net sum, (for example net profit from a dance) a record of the gross receipts and all payments made should be duly recorded in the accounts, with all supporting vouchers retained.

- Monies received on behalf of the fund must not be paid into personal bank accounts. The encashment of personal cheques and advancement of loans from School Fund is strictly prohibited.
- The cashbook must be balanced at the end of the financial year and a statement of account produced. This statement, together with the cashbook, bank statement and supporting receipts and vouchers, must be held ready in preparation for the fund auditor. (An example is enclosed as **Annex 2 in [Appendix 16](#)**).

14.3 **Audit Arrangements**

- Annual accounts prepared by the school must encompass ALL unofficial and voluntary funds and each of these must be subject to an annual audit by a competent, independent person. These audited accounts must be submitted annually to the school staff and Governors.
- The auditor of the accounts must not be engaged in the day to day running of the fund and must not be the Headteacher. Relatives and friends of such staff would also be unsuitable for appointment as auditor.
- It is acceptable, however, for a teacher who is not involved in the day to day running of the fund to act as auditor or a Governor who is not the Chair of Governors or a member of the Finance Committee.
- Should schools face problems in finding a person to carry out the function of auditor of the unofficial fund, the Headteacher should contact the School's Finance Officer with a view to agreeing a way forward.
- Copies of the audited accounts together with the annual statement of income and expenditure produced must be presented to Governors and displayed on the staff notice board in a prominent position.
- In the event of an irregularity being suspected involving unofficial school funds the Audit & Risk Service (Internal Audit) must be notified immediately. In such an eventuality, the Audit & Risk Service has the right to examine all the documentation associated with the funds and obtain explanations, as necessary, from the staff responsible for maintaining the funds.
- An annual auditor's certificate must be completed each year by the auditor and submitted to the Governing Body of the school. All Bank and Building Society accounts must be included on the certificate, the details of which should be in full agreement with the detailed accounts (an example of a completed certificate, with guidance notes, is attached at **Annex 1 in [Appendix 16](#)** and for a blank certificate template see **[Appendix 17](#)**).
- The certificate must be completed and signed by the fund auditor at the completion of the audit. Following submission of the audited accounts to the Governors and staff at the school, the Headteacher will sign this certificate to confirm that this process has been carried out.
- To assist school fund auditors, notes of guidance have been prepared, explaining the process and the checks and procedures which must be followed. These guidelines can be found at **[Appendix 16](#)**.

14.4 School Funds integrated into SIMS FMS

- Schools can close down their separate School Fund Accounts and integrate the funds into SIMS FMS. The close down must be approved by the Full Governing Body.
- All bank accounts will need to be closed down and any unused cheques cancelled. These must be retained by the School for 3 financial years before being destroyed.
- The annual auditor's certificate will no longer be required. However, the School will need to have the close down audited by the independent auditor. The final auditor's certificate will need to be presented to the Full Governing Body together with evidence that the final balance of funds held have been transferred into the School's Official bank account.
- A separate Fund number must be allocated in SIMS FMS for this purpose so that independent monitoring can be maintained.
- All School Fund income and expenditure will be administered through the normal school processes i.e. official orders, official cheques, official receipts etc. Schools are still required to produce an annual Income and Expenditure Statement for Governors approval. When approved this can be published for parents' information.

15. School Inventory and Equipment

- 15.1 The Headteacher is responsible to the Governing Body for the safe custody and control of all equipment belonging to the school.
- 15.2 All schools must maintain an inventory, which contains details of significant, attractive or portable items e.g. video cameras, televisions and IT equipment. The register must be kept up to date and include the following information:-
- Date of acquisition
 - Name of supplier
 - Description of the asset including serial numbers if applicable
 - Cost
 - Location of the asset
 - Details of disposal or write off
- 15.4 To ensure that the inventory is always up to date, new items of equipment must be entered up immediately they are received. This can be automatic if the SIMS Equipment Register module is used.
- 15.5 Equipment purchased by outside bodies and organisations (e.g.: PTA), and donated to the school, will automatically become the responsibility of the school and so details of this equipment must be entered in the inventory.
- 15.6 The Headteacher must arrange for inventories to be checked at least once per year against the physical items. The person checking must confirm in the inventory that this has been done and the Headteacher must confirm that the check has been completed (see [Appendix 18](#) for an example of the type of certification required). Any discrepancies must be investigated and pursued to a satisfactory conclusion.
- 15.7 The Headteacher must report any significant discrepancies immediately to the Governing Body at the next meeting. If the Headteacher and the Governing Body have concerns that items have been misappropriated then the Audit, Risk and Information Service must be notified. Thefts must be notified to the Police and the Council's Insurance team.
- 15.8 A record must be maintained of all items belonging to the school that have been taken off the school site. The item must be signed for and noted in a register and the record must be up-dated when the item is returned. The position relating to insurance should be clarified and explained to the staff concerned before any assets are taken off the school premises. This will vary from school to school depending on their insurance cover. In addition, if staff members have access to equipment to use at home they should be advised of the H.M. Revenue and Customs Regulations stating that if employees use equipment for private use then a benefit is received by the employee and tax is payable. If there is no intention to use the equipment for private use the Headteacher should obtain a signed declaration from the employee that they will not use the equipment for private use.
- Some employees may be provided with computer equipment or mobile telephones solely for business use. In this situation as long as any private use made of the equipment is not significant there will be no liability to tax. If significant private use is made of a computer provided for business purposes a tax charge will arise on the private use element based on the value of the computer and the extent of the business and private use. Employers will also be liable to Class 1A National Insurance contributions.

15.9 All the items in the register must be permanently and visibly marked as belonging to the school.

15.10 Stores and equipment must be secured by means of physical and other security devices. Authority to access must be clearly documented.

Disposal of Equipment

15.11 The Governing Body is responsible for write-offs and disposals of surplus stocks and equipment. Once assets are identified as surplus, obsolete or beyond economic repair, their sale or disposal will be authorised in accordance with the agreed policy of the Governing Body. The school inventory must be updated accordingly and include the signature of the authorising officer.

15.12 Schools may retain the proceeds of the sale of assets **except** in cases where the asset was purchased with non-delegated funds, (in which case it should be for the Council to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the Council. Indeed, the school is not authorised to dispose of land and buildings owned by the Council.

15.13 **Note** – separate rules are in place for Foundation and Voluntary Aided schools
When considering the disposal of surplus equipment, the following matters should be considered and procedures be adhered to:-

- Ensure that the item has no further use in any part of the school,
- In the first instance, other schools must be given the opportunity to purchase the item(s),
- If no offers are received the item may be offered for sale externally. To ensure that the school obtains value for money, and to protect members of staff from criticism, goods should be advertised to the public and parents as well as the employees,
- Adverts can be placed in school or PTA newsletters and in local newspapers,
- The school must be able to demonstrate that equipment has been offered to other schools and advertised generally. Governors should also be informed of transactions between schools and members of staff,
- Where items are offered to the highest bidder, offers should be requested in sealed envelopes and only opened at a pre-arranged time, in the presence of at least 2 authorised members of staff.
- If an offer is not received the item can then be disposed of.

16. School Meals - Primary Schools

- 16.1 Primary schools (including Junior and Infant Schools) are responsible for the collection, reconciliation and banking of school meals income.
- 16.2 Income from school meals will be collected at the commencement of each week, which will normally be a Monday.
- 16.3 Income collected will be banked promptly and intact, preferably on the school's main collection day. In cases where late meals income is collected during the week it is recommended that all cash in hand is banked at the end of the week.
- 16.4 A school meals register must be maintained for each class within the school identifying free and paying pupils and providing the following:-
- ◆ Name of Pupil
 - ◆ Identifying whether free or paying
 - ◆ Amount of income received from each pupil
 - ◆ Attendance each day (i.e. whether a meal taken or not)
 - ◆ Credit and arrears together with balances c/f and b/f
 - ◆ Total income received daily and weekly for each class
- 16.5 All income received will be identified against each pupil in the register. Schools must be in receipt of a free meal authorisation for all pupils receiving free school meals.
- 16.6 In appropriate cases, families can apply for free school meals via the Free School Meals Team in Children's Services Finance. Where parents / guardians consider children are entitled to receive free school meals, they should apply to the school in the first instance. This only applies to pupils in year 3 and above as from 1st September 2014, all pupils in Reception, year 1 and year 2, in state funded schools in England, will qualify for Universal Infant Free School Meals.
- 16.8 Situations have occurred in the past where debts have arisen, with the failure by parents / guardians to pay for school meals. At the same time, the children have continued to receive a school meal. Such situations need to be dealt with on a timely basis. Accordingly, guidance notes have been prepared for schools, covering school meals arrears, a copy of which is attached ([Appendix 19](#)).
- 16.9 Headteachers must ensure that a 'School Meals Income Summary' is completed each week, which analyses and reconciles the number of meals provided and the amount of income collected and banked.
- 16.10 The Meals Summary must be completed to include the following :
- ◆ The actual number of meals supplied to pupils only, including both free and paying,
 - ◆ The estimated value of the income that should have been collected (the number of paying meals taken x the current price of a school meal),
 - ◆ The total amount of income banked and on which date,
 - ◆ A reconciliation of the income due and received together with arrears and credits.
- 16.11 At the end of each two terms period (or as specified by the Catering Service) the completed 'School Meals Income Summary' must be signed by the Headteacher and submitted to Catering Services as soon as possible. A copy of this form is attached as [Appendix 20](#).

17. ICT and Information Security

- 17.1 Schools are reliant on computers and computer systems to process and record financial and other management information efficiently and effectively. It is therefore essential that appropriate levels of security maintain the confidentiality, integrity and availability of that information and the information systems. All systems within the School are to be properly assessed, to ensure that the information is appropriately secured, protected, backed-up and that access is restricted to authorised users on a need to know basis.
- 17.2 The use of computer systems in schools, particularly for administration purposes, requires the registration of each school under the Data Protection Act 1998.
- 17.3 The Act imposes requirements of good practice and openness on system users dealing with personal information. It requires the establishment of a public register of users who hold personal data and requires them to comply with the code of practice incorporated in the Act, known as the Data Protection Principles.
- 17.4 The Headteacher should also ensure that all members of staff who have access to school computers are made aware of computer related legislation, that includes at least the following:
- Copyright, Designs & Patents Act 1988;
 Computer Misuse Act 1990;
 Data Protection Act 1998;
 Human Rights Act 1998;
 Regulation of Investigatory Powers Act 2000 (RIPA);
 Freedom of Information Act 2000.
- System users are to ensure that adequate measures are taken to ensure compliance, and that these include controls to avoid breaches of any criminal or civil law, statutory, regulatory or contractual obligations and any other security requirements.
- It is to be noted that the Data Protection Act 1998 includes manual as well as automatically processed personal data.
- All printed output should be classified as to the level of sensitivity and confidentiality, and adequate arrangements put into place to ensure that printing and storage is secured and controlled.
- Further guidance notes are attached as [Appendix 21](#).
- 17.5 It is important that the Headteacher should ensure that there are effective procedures in place for the back-up of the computer systems and information contained within them. The systems and information should be backed-up on a daily basis due to the risks associated with information loss or corruption. It is recommended that separate discs or tapes are used for each system, one for each day of the week and rotated on a weekly basis. Additional weekly and monthly back-up copies are also to be taken and retained for an appropriate length of time.

- 17.6 Back-up discs or tapes are to be securely retained in a fireproof receptacle, well away from the location in which the computer hardware is located. Where circumstances allow, it may be that it is best for the discs or tapes to be secured in an off site location.
- 17.7 The Headteacher should ensure that computer hardware is adequately secured to prevent unauthorised access, damage or interference. Security marking of equipment is recommended and the computer hardware should be recorded on the Schools Inventory Record (See Section 15 – School Inventory and Equipment). Environmental controls should also be reviewed to safeguard the equipment. For example, equipment should be located away from water sources and fire detection and fire fighting equipment should be in place.
- 17.8 The school should have a documented disaster recovery plan in the event of loss of computing facilities or information. It is recommended that periodically the back-up discs or tapes are tested to ensure that they continue to operate correctly. The discs or tapes used for the back-up routines should be replaced every few years to minimise the risk of data not being captured due to media failure.
- 17.9 Only authorised staff should have access to computer hardware and software used for school management. All system users are to have individual UserIDs and passwords.
Procedures should ensure that security is built into operational systems to prevent loss, modification or misuse of information and all incidents, or information indicating a suspected or actual security breach, are to be notified to the Headteacher as quickly as possible.
- 17.10 Passwords should only be known to the individual user and should not be disclosed to anyone else. Passwords should be changed on a regular basis and should consist of a mixture of alpha, numeric and non-alpha numeric characters.
- 17.11 Only authorised and licensed software should be loaded on to school computers.
- 17.12 All PCs and servers must have malware protection software installed, to detect and protect from infection by malicious software, including viruses. This must be maintained and kept up to date. All computer downloads or e-mail attachments should be virus checked before they are opened. It is recommended that the transfer of data from academic computers to administrative computers is prohibited.
- 17.13 The Council has prepared an E-mail and Internet policy. This policy covers the essential requirements for all users to follow, regarding the safe and appropriate use of e-mail and internet facilities. The Policy and associated User Guidelines are attached ([Appendix 22](#) & [Appendix 23](#)).
- 17.14 Further guidance on ICT and information security can be found in the Council's [Information Security Policy](#) - or advice may be sought from the Council's Information Security Manager.

18. Pupil Number Returns

- 18.1 The calculation of the school's formula allocation is principally based on the number of pupils attending the School and their age profile as at the January PLASC count date...
- 18.2 Returns of pupil numbers are prepared and submitted to the Council three times a year, namely in January, April and September. The pupil number return completed in January each year (known as the Form 7) is submitted to the DCSF.
- 18.3 **Pupil estimates for future years are used to notify schools of their estimated income for the next 1-2 years depending on where we are in the budget cycle. The Director of Children's Services is anxious that schools should use the forecasting tool available to identify any changes in income they are expecting due to changes to pupil numbers, when the changes become apparent.**
- 18.4 Inaccuracies in the completion of the returns commonly arise when schools do not collect the information directly from the class registers, which are the prime records of pupils attending the School. It is recommended that the return is checked independently (by the Headteacher or Deputy) prior to submission to the Council.
- 18.5 A number of schools make use of their SIMS computer package and experience has shown that this is where the most serious problems arise, as this source of information is not always updated to reflect pupils leaving the School. Whilst SIMS can be used as a means of collecting information on pupil numbers, the Pupil Numbers Returns must be thoroughly checked and reconciled to the class registers, prior to being submitted to the Council.
- 18.6 When completing the return, the fundamental principle is that pupils should only be included if they are on the school's roll on the precise day the return is to be completed. Whether they are absent on that day through illness or on holiday is not an issue.
- 18.7 With regard to other absentees, the following rules apply:-
Eligible for inclusion
- *Suspended pupils who are still on the register*
 - *Pupils taught elsewhere (at home due to illness/pregnancy)*
 - *Absent pupils for which there is documented evidence of authorised absence (sickness/holidays confirmed by parents)*
- Not eligible for inclusion**
- *Those correctly on the register of another School*
 - *Expelled pupils absent since at least the beginning of term*
 - *Pupils not in Full Time Education*
 - *Pupils who it is believed have transferred/left/moved away from the School and have not attended since the beginning of term.*
- 18.8 When pupils transfer between schools around census day, each school should ensure that the pupil is only recorded on the return for the school, which they attended on that day.
- 18.9 Special care should be taken with the April returns to ensure that all Easter leavers have been taken off roll.

- 18.10 Schools are reminded of the need to ensure proper attendance records are maintained and are kept for at least three years, for all classes, including sixth forms.
- 18.11 There is one special difficulty with the April return. Some of the fifth-formers will have left at Easter and since students of that age are often allowed absence for exam revision, it can be difficult to identify who should be included in the return. The advice given by the LMS team is that:-
- if pupils (of whatever age) are sitting a summer exam they can be included;
 - If pupils have their 16th birthday before the Easter holiday they should be excluded if they are not returning to sit an examination.