



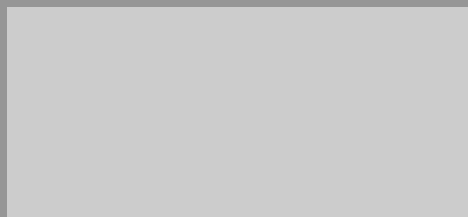
Financial Regulations

(Excluding all Schools)

And Budget Management Scheme

September 2018

Assurance in Financial Management



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

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Section 1 - Introduction

Why do we need Financial Regulations?

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.

Financial Regulations are supported by a detailed set of Codes of Practice as well as supporting strategies, policies and procedures, all of which interlink and must be understood in order for the Council to obtain VFM and act transparently.

Who should read and understand Financial Regulations?

The Council's Section 151 Officer, as the Council's statutory Chief Financial Officer is ultimately responsible for ensuring the proper administration of the Council's financial affairs. These regulations form part of the arrangements that the Council's Section 151 Officer has put in place to discharge his statutory responsibilities 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. LEA Schools are required to comply with specific School Financial Regulations which have been incorporated into the Schools Financial Manual.

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 Director / Corporate Director to the Chief Finance Officer (Section 151 Officer- Local Government Act 1972) or Chief Audit Executive. 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 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, and Procedures.

Compliance

Directors are responsible for ensuring that all staff (including non-permanent staff) in their services are aware of the existence and content of the Council's Financial Regulations, Codes of Practice and other internal regulatory documents and that they comply with them. Directors are responsible for reporting any breaches of the Financial Regulations to the Chief Finance Officer, who is also responsible for reporting, where appropriate, breaches of the financial regulations to Council and Cabinet. The Council's Disciplinary Policies / Procedures will be used if non-compliance is identified.

Maintenance

The Chief Finance Officer supported by the Chief Audit Executive is responsible for maintaining a continuous review of the financial regulations and supporting Codes of Practice and submitting any additions or changes necessary to the full Council for approval. He / she may issue advice, guidance and procedures to underpin the financial regulations that members, officers and others acting on behalf of the Council are required to follow. Directors must advise the Chief Finance Officer on circumstances that may require the development of supplementary advice and guidance on financial procedures or systems of internal control.

Section 2 - Financial Management Roles & Responsibilities

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 which is accessible through the Council Website.

Sound financial management is critical to the Council in successfully achieving its plans, objectives and quality standards and 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.</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>
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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 approve on behalf of Council its Annual Accounts (and those of the Avon Pension Fund), as prepared in accordance with the statutory requirements and guidance and oversee all Accounting Policies and Statements including the Council's Treasury Management arrangements.</p> <p>B) To approve the External Auditors' Plan and to monitor its delivery and effectiveness during the year.</p> <p>C) To approve the Internal Audit Plan within the budget agreed by Council and to monitor its delivery and effectiveness.</p> <p>D) To consider and approve the Annual Governance Statement as prepared in accordance with statutory requirements and to monitor progress on the significant issues and actions identified.</p> <p>E) To review periodically the Council's Risk Management arrangements, make recommendations and monitor progress.</p> <p>F) To review key financial governance procedures, i.e. Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Policy and recommend to Council any necessary amendments.</p> <p>G) To consider the annual Audit & Inspection Letter from the External Auditor and to monitor progress on accepted recommendations.</p> <p>H) To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Code of Corporate Governance.</p> <p>I) To consider and make recommendations of any other matters relating to Corporate Governance which are properly referred to the Committee or which come to its attention.</p> <p>J) To make an annual report to Council on its work.</p>
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Chief Executive	<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>
Chief Finance Officer	<p>The Director - Finance carries out the statutory role of Chief Finance Officer:</p> <p>(a) The proper administration of the Council's financial affairs and advising on effective internal control.</p> <p>(b) Setting and monitoring compliance with financial management standards.</p> <p>(c) Issuing advice, guidance and procedures to underpin the financial regulations.</p> <p>(d) Determining the accounting procedures and financial records for the Council.</p> <p>(e) Selecting accounting policies and ensuring that they are applied consistently.</p> <p>(f) Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.</p> <p>(g) Preparing the revenue budget, supplementary revenue estimates and capital programme.</p> <p>(h) Establishing Treasury management arrangements.</p> <p>(j) Preparation & consolidation of the Accounts</p> <p>(k) Reporting to the Council on the robustness of the annual budget and the adequacy of reserves.</p> <p>(l) Report to the Council, Cabinet and external auditor if the Council or one of its officers :</p> <ul style="list-style-type: none"> • has made, or is about to make, a decision which involves incurring unlawful expenditure. • has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council. • is about to make an unlawful entry in the Council's accounts. <p>(m) Advising the Pension Committee on all matters of policy concerned with the administration of the Avon Pension Fund, including the investment management arrangements.</p>
Corporate Directors	<p>Provide strategic management, guidance and overview of budget setting and budget monitoring ensuring that there is due consideration of the Council's agreed policies and strategies.</p>

	Provide strategic challenge and overview of major projects (capital and revenue).
Monitoring Officer	The 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.
Directors	<p>Ultimately accountable for all budgets with their area of control and can determine the appropriate level of delegation of responsibilities within those areas of control in accordance with advice and guidance provided by the Chief Finance Officer, Corporate Directors and the Council's auditors.</p> <p>Establish clear accountabilities for all managers that include objectives of and responsibility for systems and information.</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>Ensure that Service Managers have effective procedures for:- Accomplishment of their objectives; Compliance with rules and regulations; The reliability and integrity of information; Efficient and effective use of resources; and Safeguarding resources.</p> <p>Operate systems/processes to monitor/verify that internal controls are in place and operating effectively.</p> <p>Monitor compliance with these regulations.</p>
Chief Internal Auditor (Chief Audit Executive)	<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>
External Audit	<p>Report on whether the Council's accounts and statements present fairly the Council's financial position.</p> <p>Report on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.</p> <p>Grant Claim certification, where appropriate.</p>
Data Protection Officer	<p>Responsibility for overseeing all arrangements in connection with the management and protection of information, specifically personal data of employees, members, third party providers, customers and users of council services.</p>
All Employees	<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 Directors and Service Managers in operating effective procedures to:-</p> <ul style="list-style-type: none"> - accomplish objectives; - comply with rules and regulations; - maintain the reliability and integrity of information; - efficiently and effectively use resources: and - safeguard Council resources. <p>Keep accurate and comprehensive records to support the transactions undertaken on the Council's behalf.</p> <p>To provide the necessary assistance to Internal and External Auditors to meet their requirements.</p>

In addition, please refer to:

The Council's Constitution

Section 3 – Internal Audit

Why is this important?

The purpose of this section of 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 2015, 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.”

The Internal Audit Charter:

The Council's Chief Audit Executive (CAE) must periodically review the Internal Audit Charter and present it to senior management and the Corporate Audit Committee for approval.

The Internal Audit Charter sets out the purpose, authority and principal responsibilities of the Internal Audit Service for Bath and North East Somerset Council and includes the following sections:

1. Internal Audit's Purpose and Mission
2. Internal Audit's Statutory Role
3. Standards of Professional Practice of Internal Auditing
4. Managements Responsibilities for Internal Audit
5. Internal Audits Responsibility and Objectives
6. The Scope of Internal Audit
7. Internal Audit Reporting Lines
8. Internal Audit Independence
9. Internal Audit Fraud Related Work
10. Internal Audit's Right of Access
11. Relationship with External Audit and Other Assurance Providers
12. Quality Assurance and Improvement Plan

It is of particular importance that Council Members and staff understand Internal Audit's “Right of Access.”

The Accounts and Audit Regulations 2015 provides that any Officer of the Council must make available such documents of the Council that relate to its' accounts and other records as appear to be necessary for the purpose of the Audit.

The Chief Audit Executive or their authorised representative shall have authority to:-

- Enter at any reasonable time, any operational or administrative Council premises or land and have access to all Council property;
- 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;
- Require and receive such explanations as are necessary concerning any matter under examination
- Require any employee of the Council to produce or account for cash, stores, or any other property under their custody or control;
- Examine any work or services carried out for the Council by an employee or contractor, and any goods purchased on behalf of the Council;
- Review, appraise and report on the soundness, adequacy and application of internal controls. This includes those controls to protect Council resources, property, and assets from loss/waste.

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 Council's Senior Management Team are responsible for overseeing and endorsing to Cabinet the Council's risk management strategy, and promoting a culture of risk management and awareness throughout the Council.

5. Each Director's 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.
6. Each Director ensures 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.
7. 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.
8. 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.
9. The Internal Audit function will challenge the risk management process, including the identification and evaluation of risk and provide assurance to Officers and Members on the effectiveness of controls.
10. The Chief Finance Officer 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 – Counter Fraud

Why is this important?

The Council's Counter Fraud Strategy was approved to direct the Council's counter fraud resources on the key areas of fraud risk and bring together the Anti-Fraud and Corruption Policy, the Anti-Money Laundering Policy and Anti-Bribery Policy.

We all have a 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, 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.

Counter Fraud – 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 access to counter fraud and corruption guidance.
- 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. Directors and Service Managers 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. All Members and Officers must report to the Council's Statutory Officers and the 'Chief Audit Executive' of any circumstances which could involve the Council in a breach of rules and regulations e.g. inappropriate expenditure.
4. All employees have an important part to play in reporting concerns about wrong doing at work by other Officers, Members, 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 in compliance with the Whistleblowing Policy.
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 introduces a corporate offence of failure to prevent bribery.

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

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

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.

If any member of Staff or Member has concerns in this area they must report the matter in compliance with the Council's Whistleblowing Policy.

In addition, please refer to:

The Council's Counter Fraud Strategy
The Council's Anti-fraud and Corruption Policy
Whistleblowing Policy
Anti-Money Laundering Policy
Council's Employee's Code of Conduct
Council's General Employment Standards and Rules
Supplier Code of Conduct

Section 6 - Budget Management and Control

Why is this important?

Budgets are needed so that the Council can plan, monitor and control the way resources are allocated and spent. Budgets reflect Council, 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 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 may not be operating within the law;
2. Policies and objectives may not be achieved;
3. Resources may not be 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.

Key requirements for budget management and control

Section A: Revenue Budgets:

- Budget approval is required for all expenditure.
- The Chief Executive and Corporate Directors have overall responsibility for the delivery of the strategic objectives for the Council and thus have a responsibility for effective performance monitoring of Directors on matters of budget management.
- Directors are fully responsible for Budget Management.
- Each Director will develop and maintain effective arrangements for financial management within his/her Service area.
- Each 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.
- Budget Managers are responsible for maintaining a current forecast of their budget and communicating this to their Finance Team. Where a Variance, the difference between forecast and budget, is recurrent this should be identified for future correction.
- Services are to be managed within their budgets using financial forecasting, 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 Council.
- Informal Cabinet and Senior Management Team will receive monthly finance dashboard reports which monitor key financial risks.
- The Cabinet will receive budget monitoring reports (including capital monitoring) at its public meetings, normally four times a year
- The Cabinet is required to approve the outturn position following the financial year end.

Section B: Capital Budgets:

- Directors are responsible for budget management of all capital schemes (including major and other projects) within their service area, all capital schemes must have a designated responsible Budget Manager who may or may not be a Director.
- Before any scheme is included in any programme, budget management responsibility must be assigned.
- The Capital Programme is agreed by Council (including Full and Provisional Schemes).
- Directors are delegated to approve the movement of Provisional Schemes to Full Approval provided a business case can demonstrate that the scheme is fully funded (both Capital and Revenue) in accordance with the Budget Management Scheme.
- The Project Management Handbook sets out the process for managing a project of any type or value, along with roles and responsibilities of all parties involved and provides the necessary templates and guidance to manage a project through to completion.
- With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered. The Director is responsible for making proposals for the avoidance or recovery of any overspending to the Chief Finance Officer in the first instance.

- Capital schemes must have a review and reporting process. For example, Directors Reviews will receive reports of progress in order to focus on the key issues and project spend, and associated funding and revenue implications.
- Council will approve a sum that is to be set aside to reflect the overall risk from capital projects it has approved
- 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

Why is this important?

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.

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 how virements / journals 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 or designated Finance Manager. 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 their Director for their budgets and the level of service to be delivered. Key savings and developments are included in service delivery plans (for subsequent monitoring) and individual employee's Performance Development Review.
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) Determine the detailed form of revenue budgets and the guidelines for their preparation, after consultation with the Cabinet, Chief Executive, and Corporate Directors.
- (d) 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) Advise on the medium-term implications of spending decisions.
- (f) Encourage the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

7. 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, prepare detailed draft revenue and capital budgets for consideration by the appropriate Cabinet Member.
- (e) When drawing up draft budget requirements, 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
 - the Council's commissioning intentions and contractual commitments on the Council's Contract Register.

In addition, please refer to:

The Budget Management Scheme
 Medium Term Financial Strategy
 B&NES Council Operational Plan
 The Councils' Commissioning Intentions and Contract Register

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 Contract Standing Orders.
2. The Local Government Act 2000, 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.

Key Responsibilities for Members and Staff:

1. The Chief Finance Officer will bring together Portfolio estimates for capital schemes and to report them to the Cabinet for approval or prioritisation within existing resources. Council approval is required where a 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. 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, through the submission and approval of a Project Initiation Document.
6. Directors must prepare regular reports reviewing the capital programme provisions for their Services. They must prepare at least quarterly returns of estimated final costs of those schemes in the approved capital programme for submission to the Cabinet and to the Chief Finance Officer.
7. Directors must ensure that full records are maintained for all capital schemes
8. 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. 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. 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. 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 an agreed amount.
12. 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. Directors must consult with the Chief Finance Officer and to seek appropriate approval (Council / Cabinet) where the Director proposes to bid for capital financing to support expenditure that has not been included in the current year's capital programme.
14. Directors in service areas which generate VAT exempt income must liaise with the Council's Chief Finance Officer at the earliest opportunity, to ensure impact on partial exemption is properly managed.

In addition, please refer to:

The Budget Management Scheme
Medium Term Financial Plan
B&NES Council Operational Plans

Section 9 - Treasury Management - Investments & 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 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 Director.
 - Authorise 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. **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
Treasury Management Policy Statement

Section 10 – Accounting Systems and Processes

Why is this important?

It is important to ensure that the Council maintains effective & efficient systems of accounting and financial control are in place in order that its assets and interests are effectively safeguarded against loss. It is important that all stakeholders have confidence in the integrity of the Council's financial administration.

Objectives of Accounting Systems and processes:

- To ensure that a true and complete record of all Council transactions is maintained.
- To ensure that the Council complies with legislation / regulations.

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. Reputational loss, e.g. through publication of a critical Auditors report;

Key Responsibilities for Staff & Members:

1. The Chief Finance Officer will be responsible for maintaining the Council's accounts and for the approval of all accounting records and financial systems.
2. All Directors must ensure that responsibility for the preparation and processing of accounting information e.g. coding of income and expenditure is assigned to specified officers, transactions are authorised / approved by responsible officers and an audit trail is maintained.
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 Council's Property Services team, 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 Directors must refer all proposed leasing arrangements, within their Services, to the Chief Finance Officer.

8. 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 Chief Finance Officer.
9. The Chief Finance Officer 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:

Budget Management Scheme
All Codes of Practice

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 HM Revenue & Customs 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 HM Revenue & Customs for failure to account for statutory deductions, e.g. Income Tax and National Insurance contributions.

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. 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 HM Revenue & Customs criteria (see section 12).
7. Each 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 (see section 12).
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, e.g. Union subscriptions, 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

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 Contract Standing Orders.

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 IR35 employment status checks in line with HM Revenue & Customs requirements

Implications if above objectives are not achieved:

1. Council pays more than necessary for 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 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 HM Revenue & Customs or loss of recoverable VAT.
6. Incurring HM Revenue & Customs 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. Elected Members, employees or others engaged with the Council **must not** use the Council's ordering or payments systems for personal use or benefit.

2. Members, Officers and individuals engaged to work for the Council **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 goods and services unless there is a specific exemption agreed with the Chief Finance Officer.
4. 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** (unless specifically exempted) be raised through the Council's Financial Management System.
6. 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 Official Order.
7. Before placing orders for goods and services the budget holder responsible **must** ensure that there is sufficient budget available.
8. All orders placed **must** comply with the Council's Contract Standing Orders, which provides guidance on obtaining alternative prices, seeking value for money and complying with National and European requirements.

Receiving Goods & Services:

9. 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:

10. All payments on behalf of the Council will be made with the authority of the Chief Finance Officer.
11. 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.

12. Directors **must** designate specific employees who are authorised to approve invoices for payment on their behalf.
13. There must be a separation of duties between the Officer raising the Purchase Requisition and the Officer authorising the Requisition to enable a Purchase Order to be generated. This is important because invoices linked to an Official Purchase Order will be processed and paid without any further authorisation. If for reasons of efficiency a Director enables an Officer to both generate and approve a Purchase Requisition then that Director must ensure that the expenditure is scrutinised by another Officer within a reasonable period of time, this could be linked to the 'goods / services received' recording system.
14. All Directors **must** ensure adherence to all instructions issued by the Chief Finance Officer in respect of year-end accounting arrangements.
15. Payments to employees of salaries, wages, and travel & subsistence expenses **must** be made through the Payroll system and not via any other payment system.
16. Where appropriate Corporate Purchasing Cards or Pre-Paid Cards may be used to make payments (see Section 21) in line with the Councils' policy and terms and conditions for their use.
17. Officers 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.
18. 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:

19. 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.
20. The Chief Finance Officer will authorise the use of a Petty Cash / Client Cash Floats or change float.
21. 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.

22. Responsible officers must maintain records and operate the account in accordance with the Petty Cash Accounts / Client Cash Floats Code of Practice.
23. Receipts, vouchers and invoices must be retained to substantiate every transaction.
24. Personal loans must never be given or personal cheques cashed from the Petty Cash Account / Client Cash Float.
25. 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 and Writing Off of Bad Debts

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 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 raising the debtor account on the accounting system.
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. Individuals must not borrow Council monies. Borrowing monies includes holding or banking personal cheques in exchange for Council cash.
6. All amounts written-off will be subject to robust scrutiny and review before being authorised by the Chief Finance Officer and the Monitoring Officer (or their nominated representatives). All debts over £20,000 will require consultation with the Cabinet Member - Finance and Efficiency 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. 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. 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 (Internal Audit Function).
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 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. It is the responsibility of Directors and Service Managers to maintain a register of assets (official inventories)
4. 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 Director and Internal Audit.

5. The Chief Finance Officer and Chief Audit Executive (or their authorised representative) has the right of access to all Council establishments, to verify stores, records or accounts.
6. Directors should ensure that stocks and stores are not carried in excess of economic requirements.
7. All 'moveable' property will only be disposed of in accordance with the Council's Stocks and Stores and Inventories Codes of Practice.
8. Directors shall inform the Chief Finance Officer of all relevant details, including financial implications, relating to the purchase, lease, holding or sale of assets held on the Council's behalf. In particular, the Head of Property will use Valuation Schedules for property assets to enable annual verification of the value of these Council assets.
9. All Directors responsible for the private property of a person under their guardianship or supervision shall arrange for an inventory / record of items / amounts held and ensure the safe custody of this property.
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 Director and Internal Audit function.

In addition, please refer to:

Code of Practice No.10 – Stocks and Stores
Code of Practice No.11 – Inventories
Corporate Asset Management Plan

Section 16 – Asset Leasing

Why is this important?

The Council has freedoms 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. This may or may not be leasing, but where leasing is pursued the reporting requirement must be carefully considered.

Objectives of controlling Asset Leases:

- To ensure terms and conditions of leases are appropriate.
- To ensure the lease is correctly recorded in the Council's accounts.

Implications if above objectives are not achieved:

1. The cost of leasing the asset is greater than alternative finance options.
2. The Council's accounts are incorrectly stated.

Key Responsibilities for Staff & Members:

1. Every 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.

In addition, please refer to:

All Codes of Practice

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:
 - a) Effecting appropriate insurance cover and maintaining the relevant administrative systems.
 - b) To manage the Council's internal funding, including prescribing how claims on the Council's Insurance Fund should be made.
 - c) To negotiate all claims in consultation with the Insurers, Legal Services and other officers, as necessary.
 - d) To include all appropriate employees of the authority in a suitable fidelity guarantee insurance, and provide adequate public liability, and employer's liability cover.
 - e) To offer insurance cover to schools in accordance with the Scheme of Delegation.
 - f) To periodically undertake a general revaluation of Council buildings and effect appropriate changes to the corresponding insurance cover following revaluation.
 - g) To identify claims trends and implement appropriate risk management measures.
2. 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. 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. 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.
5. 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 which could result in a significant cost.

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 (HM Revenue & Customs).
- Deal with all visits and correspondence from HM Revenue & Customs.
- 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. 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 HM Revenue & Customs 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 income source with the Chief Finance Officer or their nominated officer.
- To ensure that all new schemes, in particular involving capital expenditure or changes to current arrangements, that in service areas which involve VAT-exempt income, are notified to the Council's Chief Finance Officer or their nominated officer at the earliest opportunity.
- To liaise with the Council's Chief Finance Officer or their nominated officer 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.

In addition it is to highlight the authority delegated to the Council's Data Protection Officer (term used by Data Protection Act 2018) when reviewing the information management arrangements within the Council

Objectives and Risks

The principle objectives of good information systems management is 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 range of sources, including various forms of cyber attacks, 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 Council's Statutory Data Protection Officer 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.

2. Organisational Security

The Council's Data Protection Officer 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 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.

4. Records Management

Records Retention - System owners are responsible for ensuring that all records are kept for the minimum amount of time as detailed in the Council's Records Retention Schedules.

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.

5. Personnel Security

The Head of Human Resources shall ensure 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 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 responsibilities.

6. Physical and Environmental Security

To prevent unauthorised access, damage, or interference to Council premises, equipment and information processing facilities the Council's Data Protection 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 IT devices are restricted at all times to authorised personnel.

7. Information Processing

The Council's Data Protection Officer, Chief Finance Officer and Head of Digital & Customer Services are to ensure that responsibilities & 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.

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.

Planned procurement of hardware and software systems must in the first instance to be referred to the Council's IT Services 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 Council's Data Protection 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.

11. Business Continuity Management

The Council's Data Protection Officer, Chief Finance Officer and Head of Digital & Customer Services shall ensure that a business continuity management process is implemented to minimise the impact on the Council and recover from loss of information assets 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 Council's Data Protection Officer 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.

Directors are to ensure that adequate processes are in place within their services to comply with legislation and ensure that information requests are satisfied within the statutory timescales.

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
Records Management and Data Quality Policy
Records Retention Schedules
Retention of Records Policy
Information Security Policy
Electronic Communications – Acceptable Use Policy

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. It is also an offence to request, agree to receive, or accept a bribe and there is 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 where there is a 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 are 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 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 of Interests.
3. The Register of Interests 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
4. 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 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 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.
5. Suspected irregularities concerning conflicts of interest, giving and acceptance of gifts & hospitality must be reported without delay to the Chief Audit Executive and Monitoring Officer, and where appropriate, to the Chief Executive and the appropriate Cabinet Member.
 6. 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.
 7. 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 Director concerned will decide how such offers are to be used.
 8. All promotional offers accepted and declined and the course of action determined by the Director must be recorded in the Electronic Register.

Section 21 – Corporate Purchasing Cards and Pre-Paid Cards

Why is this important?

Only authorised permanent employees will be provided a purchasing card with the agreement of the relevant Director.

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

Objectives of the Corporate Purchasing Card:

Purchasing Cards streamline the purchasing process and offer the following benefits:

- ❑ Reduce Supplier Set-Up in the Council's Financial System
- ❑ Reduce number of purchase orders raised and invoices processed,
- ❑ Increase speed of payment to suppliers,
- ❑ Increase the speed of obtaining goods and services.

Implications if the purchasing card is not used appropriately:

1. Failure to secure value for money (there's a requirement to obtain quotes and tenders - Contract Standing Orders);
2. Payments are made for non-business use goods and services;
3. Payments are duplicated;
4. Loss of recoverable VAT;
5. Fraud & theft
6. Inaccurate coding of Expenditure

Key Responsibilities for Staff:

1. The Chief Finance Officer, Chief Audit Executive, Head of Strategic Procurement, or Head of Corporate Finance will be responsible for authorising all Purchasing Card application forms.
2. Directors must authorise the issue of all new Purchasing Cards to members of permanent staff within their Service.
3. Directors will be responsible for agreeing the transaction, monthly credit limits and categories of expenditure for all Corporate Purchasing Cards issued within their Service.
4. All Cardholders must abide by the requirements of the Purchasing Card Terms & Conditions and the Purchasing Card Procedure Guide.
5. The cardholder must ensure that the Purchasing Card issued to them is kept in a safe place at all times and access is strictly limited.
6. 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.

7. All purchasing card holder should obtain a VAT or “retailer’s” receipt. This should be retained until the card holder has verified the sums shown on the monthly statement.
8. Some suppliers are “VAT-enabled” and the statement will show purchases net of VAT. For those suppliers where the amounts are shown gross and (subject to being material as defined in the guide) the cardholder should reclaim VAT for these items and when it is reclaimed they must retain the receipt to evidence the transaction.
9. The cardholder must ensure that purchasing card transactions are accurately coded in the Council’s Financial System.
10. Directors must ensure that the detailed procedures and key controls, as specified in the Purchasing Cards Procedures Guide, are strictly followed.
11. Any misuse of the Purchasing Card will be treated as misconduct and subject to normal disciplinary procedures.

In addition, please refer to:

Corporate Purchasing Card Procedures Guide
Purchasing Card Terms & Conditions

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 Contract 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 should accept it following completion of an H&S assessment.
8. Council Purchasing Cards (Credit Cards) must only be used for Official Council expenditure incurred on approved visits. To ensure that the card can be used outside of the UK, the Purchase Card Administrator should be notified of travel dates and intended location.
9. A report detailing the benefits of the visit must be submitted to the relevant Director, and / or Cabinet Member 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 which includes the Council's Contract Standing Orders.

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

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

Objectives of our Procurement Strategy:

- To prioritise our local economy and 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 decisions to be transparent and accountable
- 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 in place.

Implications if above objectives are not achieved:

1. Failure to secure value for money;
2. Failure to be transparent around our systems, objectives and processes;
3. 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. 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 Procurement Strategy and Council's Contract Standing Orders.
3. 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 (including use of e-procurement systems).
4. RO's **must** ensure that all contracts are recorded on the Contracts Register.
5. RO's **must** ensure that requests for quotations and invitations to contract with the Council comply with Council's E Procurement Policy.
6. Financial vetting must be undertaken independently through Internal Audit.
7. Where corporate contracts are in place Directors **must** ensure they are used.
8. The RO must obtain appropriate VAT advice in relation to all contracts to provide services to ensure the appropriate VAT treatment is applied.
9. The RO **must** ensure that all contract documentation is correct 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 RO in line with the contract variation process identified in the original contract (subject to clearance through the Council's Democratic processes). Any change **must** be updated on the Contract Register.
11. 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. All instructions to suppliers and payment arrangements **must** be in a form agreed by the Chief Finance Officer.
12. The RO **must** establish appropriate management arrangements for the regular review of contractual performance of the contractor that allows performance issues to be identified and addressed in line with 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 / evidenced claims.
- 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 HM Revenue & Customs regulations.

Implications if above objectives are not achieved:

1. Failure to comply with HM Revenue & Customs 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

Why is this important?

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. The Council provides a distinctive leadership role for the community to promote / improve the economic, social or environmental well-being of its area and people. Local Authorities can mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations.

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.

Partners have common responsibilities:

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

Key controls

The key controls for partnership arrangements are:

- ensuring that partnership arrangements are underpinned by clear and well documented internal controls.
- risk management processes are in place to identify, assess and allocate all known risks.
- appraisal processes are in place to assess the viability of the partnership in terms of resources, staffing and expertise.
- the roles and responsibilities of each partner involved in the project are agreed and formally accepted before the project commences.

- 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.
- regular communication is maintained with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- 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:
 - scheme appraisal for financial viability in both the current and future years.
 - risk appraisal and management.
 - resourcing, including taxation issues.
 - audit, security and control requirements.
 - carry-forward arrangements.
- 3) To ensure that the accounting and reporting arrangements are satisfactory.
- 4) To advise on the governance and performance management of partnership arrangements.
- 5) To ensure that when the Council is the "Accountable Body" there are adequate controls and governance arrangements in place.

Responsibilities of Directors

- 1) That the key components of a Partnership Governance Framework are in place. This includes:
 - Ensuring that, before entering into agreements with external bodies, a business case and risk management appraisal has been prepared and considered.
 - Ensuring that all agreements and arrangements are properly documented.
 - 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 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 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 Regional or National funding mechanisms, 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 review all grant application prior to submission.
- 2) To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 3) To ensure that audit requirements are met.

Responsibilities of Directors

- 1) To obtain approval from Chief Finance Officer or his / her representative for grant applications.
- 2) To ensure permissions are in place to incur expenditure funded by grant, including Full Approval status within Capital Programme where appropriate.
- 3) To ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.
- 4) 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.
- 5) To ensure that all claims for funds are made by the due date.

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. Such an agreement may enable the Council to provide a range of services to other bodies and so deliver additional income or 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 above a value of £50,000 p.a. are:

- proposals are costed and reviewed for accuracy and completeness;
- no process is started that might lead to the Council agreeing to do work for an outside body whether public sector or otherwise, without 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 with the 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 fees.

Responsibilities of Chief Finance Officer

- 1) Where the proposal exceeds £50,000 p.a. to issue guidance with regard to the financial aspects of third party contracts.

Responsibilities of Directors

- 1) To ensure that the Cabinet Portfolio Member is aware of any individual proposals above £50,000 p.a. 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 Local Government Pension Scheme Regulations.
2. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee, this includes the setting up of a Local Pension Board and Investment Panel.
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. This includes the use of partnership arrangements with other local authority pension funds to reduce costs to the Fund, i.e. Brunel Pension Partnership.
4. Where the Council solely manages any investments or balances relating to the Avon Pension Fund (i.e. not Brunel Pension Partnership) then 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 Finance function shall regulate the way in which these balances are managed.
5. The Avon Pension Fund shall establish arrangements either internally or through the Brunel Pension Partnership to ensure that regular, i.e. quarterly reports are made 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.
6. The Pensions Committee shall appoint an actuary to the Fund and shall review the appointment periodically.
7. 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.
8. 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.
9. Except where otherwise provided, the Pensions Committee shall approve all discretionary policies outside of those exercised by the Administering Authority under the Local Government Pension Scheme Regulations.

10. The Chief Finance Officer shall approve a list of authorised signatories, which shall apply to all disbursements made by the Fund.
11. The Chief Finance Officer shall be responsible for preparing an Annual Report and Accounts for the Fund.
12. The Chief Finance Officer shall make arrangements for the collection of all employer and employee contributions due to the Fund.
13. 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.
14. The payment of all benefits will be made under arrangements approved and controlled by the Chief Finance Officer.

BUDGET MANAGEMENT SCHEME

Overall

The purpose of the Budget Management Scheme is:

- a) To ensure that income and expenditure is in line with the agreed Council budgets and operational plans (consistency of purpose), and,**
- b) To maintain overall Financial control of Council income and expenditure**

Section A: REVENUE BUDGETS

Budget Management

- 1) Directors** are responsible for budget management.
- 2)** The Chief Executive and Corporate 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 Directors on matters of budget management.
- 3)** Each Director will develop and maintain effective arrangements for financial management within his/her service area. Delegation to service managers is permitted, although this will not remove ultimate accountability for budget management and performance from the Director.
- 4)** Services are to be managed within their budgets, using virement and carry forwards, as appropriate. The scheme applies equally to all the Council's trading activities.
- 5)** The Chief Financial Officer may, following consultation with the Senior Management Team and Cabinet approval suspend the carry-forward and virement rules within the Scheme.

Virements (see Annex 1 for definitions of Cabinet Portfolios and Services, and Annex 2 for clarification of virement rules application)

- 6)** Any virement which has the effect of changing a Council policy must be approved by the Cabinet or Council as appropriate.
- 7)** Directors may independently approve virements between their Services and within Cabinet Portfolios:

7.1 following consultation with their Accountant, where each individual virement does not exceed £25,000, or,

7.2 where each individual virement exceeds £25,000 but does not exceed £50,000 following consultation with their Corporate Director/Chief Executive and the Chief Financial Officer, and the relevant Cabinet Member,

provided that the virement does not represent a change in policy or commit the Council to increased costs (both within the current financial year and on an on-going full year basis).

9) Cabinet Members may approve virements within and between Portfolios. Where a virement is between Portfolios, all the relevant Cabinet Members must agree to the virement being made.

10) The relevant Directors may approve virements between services falling within the responsibilities of more than one Director and within Portfolio,

10.1 where each individual virement does not exceed £25,000.

10.2 following consultation with the relevant Corporate Director/Chief Executive, the Chief Finance Officer and the relevant Cabinet Member where each individual virement exceeds £25,000 but does not exceed £50,000.

Any such virement must be agreed by all the relevant Directors

11) Virements shall not be used to create a commitment over and above existing cash limits beyond the end of the financial year in which it is exercised. All proposed virements should make clear the effects in the current financial year and future years, and whether or not it is proposed to change future year's base budgets.

12) Directors may only agree / recommend virements if they are satisfied that they understand the implications for the service/s from which funding is being taken, and the service objectives of the relevant Services will not be impaired.

13) All virements must be reported to the Cabinet on a quarterly / four times per year basis.

Use of General Fund Balances

14) Any proposed use of un-earmarked general balances that reduces balances below the approved range must be recommended by the Cabinet and/or approved by the Council. The Cabinet must consider the advice of the Chief Financial Officer in recommending such uses.

15) In cases of emergency, money may be drawn from balances by the Chief Executive in consultation with the Chief Financial Officer (or nominees of both when both/either is absent). Recovery of these sums will then take precedence over any future carry forwards of under spend or spending on "non-urgent" items. For cases where use of balances in any one financial year reduces the level of balances below the range threshold, a plan setting out the recovery of balances to the minimum

agreed threshold should be made to the full Council at the earliest opportunity (unless Council waives this on the advice of the Chief Executive, Chief Financial Officer & Cabinet Member for Finance & Efficiency).

Earmarked Reserves

17) Any Council earmarked reserve set aside by Council for a specific purpose may not be spent on any other purpose without the permission of Council.

18) The specific arrangements for the governance and release of reserves are delegated to the Council's Chief Financial Officer in consultation with the Cabinet Member for Finance & Efficiency and the Chief Executive.

Carry Forward -- Overspends

19) With effective budget planning and management, overspending should not occur. If, however, one occurs it must normally be recovered.

1) The Director is responsible for making proposals for the recovery of any overspend to their Corporate Director in the first instance. Further reporting requirements will then be determined, depending on the size and nature of the problem.

2) Overspends will normally be expected to be recovered within the following year. However, a period of up to 3 years may be allowed for the recovery of overspends, depending on the level of overspend and the subsequent impact of recovery on service delivery.

3) All formal recovery plans will be submitted by the relevant Director as part of budget monitoring to the Cabinet for approval.

4) Senior Management Team and Cabinet, in consultation with the Chief Financial Officer, will consider the overall corporate outturn position and may consider writing off overspends

Carry Forwards -- Underspends

20) (1) Directors may, following consultation with their Corporate Director and the relevant Cabinet Member, put forward proposals for the utilisation of any underspends arising within their services, before the end of the financial year in which the underspend arises.

(2) The Cabinet may approve proposals reported to it provided, in each case, the underspend

- a) is not a windfall,
- b) does not relate to a matter funded as a service development that has not occurred, and
- c) occurs in the financial year in which it is reported.

(3) No proposal to carry forward any underspend will be reported to Cabinet unless the Director has sought to manage the overspend within the services falling within their remit, and Senior Management Team have agreed to recommend the proposal.

(4) An underspend will be considered to be a windfall if it has not been identified and reported to the Cabinet by the end of January in the financial year in which it occurs, based on the April to December budget monitoring report.

(5) Senior Management Team and Cabinet, in consultation with the Chief Financial Officer, will consider the overall corporate outturn position in deciding whether each underspend is approved.

Monthly Reporting

21) The Senior Management Team and Cabinet Members will receive a monthly financial report of the Councils key budget risks from the Chief Financial Officer. This report will contain information on the progress and implementation key savings proposals.

22) Reports will focus on the key issues. Under or over spends are to be flagged at an early stage, with Directors making proposals for the recovery of overspends or utilisation of under spends, regardless of the fact of any 'netting off' effect.

Quarterly Reporting

23) The Cabinet is to consider the overall revenue & capital outturn budget position four times a year.

24) Reports will focus on the key issues. Under or overspends will be reported with Directors outlining proposals for the recovery of any overspends. An update will be provided on the delivery of all savings proposals and include actions and mitigations for any non-delivery or slippage.

25) The Cabinet is required to approve the outturn position within 4 months of the end of a financial year. Any action that officers are required to take to manage a budget that affects a change in policy and/or a reduction or increase in service will be reported to Council at the earliest opportunity.

26) The Corporate Audit Committee will approve the Council's Statement of Accounts in line with statutory requirements and timescales.

Section B: CAPITAL BUDGETS

Budget Management

- 1)** Directors are responsible for budget management of all capital schemes within their service area. Directors may delegate to other officers responsibility for all or some budget heads, but they will retain overall accountability.
- 2)** Before any scheme is included in the capital programme, budget management responsibility must be assigned to a Director. Directors will be required to follow guidance issued by the Chief Financial Officer from time to time on budget approval process.
- 3)** Capital budgets are to be managed by individual scheme, with flexibility to combine smaller (up to £500k), schemes into a block of similar schemes (e.g. Highways Maintenance capital block).
- 4)** The capital programme is to be approved and managed on a rolling basis over at least a 5-year period.
- 5)** The Capital Programme (including Provisional Schemes) is agreed by Council. The Cabinet will, during the year, monitor the programme and resources and may approve additional schemes for inclusion in the Programme, subject to analysis of the financial implications and a prudent view of resource availability.
- 6)** New schemes attracting 100% grant, WECA funding or other 3rd party contribution can be incorporated into the Programme by the Cabinet and do not require the specific approval of the Council, provided the financial (including risk) implications are fully identified. All other additional schemes, including those funded by borrowing, will require full assessment of revenue impacts and if they result in either, a net revenue cost impact or an increase in the overall Council approved borrowing limits, they will require the approval of the Council, otherwise they can be approved by Cabinet.
- 7)** Provisional schemes once approved by Council can become fully approved through the appropriate Director (who will record the decision) and the Chief Finance Officer in consultation with the appropriate Corporate Director, Portfolio Holder and the Portfolio Holder for Finance and Efficiency, provided the scheme approval is sought within the agreed provisional budget envelope and there is no negative impact to approved revenue budgets as a result.
- 8)** As part of the due diligence required the project must be fully costed and a PID completed, prior to submission PID's require confirmation of support from the relevant Director and Finance Manager (or delegate) approval. The PID then must be approved by a majority of the Director Group. Once this has been completed consultation with the Portfolio Holder and Portfolio for Finance and Efficiency can take place before the final decision can be made by the Corporate Director (unless other Council agreed delegation applies) and recorded. A sample decision template is attached. (note it is at the Corporate Director's discretion as part of consultation to require a Cabinet or Single Member Decision where it is the public/Council interest

to do so). The recorded decision requires agreement by the Chief Finance Officer (or delegate).

9) All schemes moving from Provisional to Full Approval must be reported within the next quarterly Revenue and Capital Monitoring Report to Cabinet.

10) No decision can be made by an officer, Councillor or the Cabinet that will incur future revenue or net total scheme capital costs to the Council over and above a previously agreed capital scheme (or group of schemes that constitute an agreed programme) within the financial plan totals without the approval of Council.

Scheme Substitution

11) Within block schemes, the substitution of one scheme for another that is unable to proceed will be allowed following consultation and approval with the Chief Financial Officer, and subject of any specific provisions agreed as part of the budget approval.

12) For other schemes, scheme substitution of up to £500,000 will be allowed following consultation and approval of the Chief Financial Officer, if the following conditions are met:

- a) The new scheme closely resembles the original scheme;
- b) The scheme can make use of the same type of funding approved for the original scheme;
- c) The new scheme does not require significant additional design or "work-up" costs to be incurred before it can commence.

13) Approval of the Council will be required for the substitution of a capital scheme not meeting the criteria within paras 7-8.

14) If funding has been allocated for specific schemes by Government Departments or the European Commission, then approval must be obtained from the relevant body, as required under the terms and conditions of the funding.

Carry Forward

15) With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered. The Director is responsible for making proposals for the avoidance or recovery of any overspending to their Corporate Director in the first instance. Further reporting requirements will then be determined, depending on the size and nature of the problem. Significant overspendings must be reported to the Cabinet at the earliest possible stage.

16) Within block schemes overspendings on payments during the year will be carried forward and the following year's capital programme correspondingly reduced.

17) On other schemes a Service will normally be expected to absorb any overspending by virement from other budgets or by deferral of other planned schemes.

18) Directors are encouraged to utilise resources in the year in which they are provided, especially where projects are funded through the receipt of grant with conditions that require this.

19) Planned spending should be profiled realistically across the 5-year Programme to ensure that the Council overall is able to make best use of its capital resources. Where a scheme (or block of schemes) slips, the in-year under-spending will normally be carried forward in order to ensure completion of the scheme. If a scheme is expected to under spend against its planned total capital scheme cost, then this should be reported as part of the outturn for consideration by Cabinet.

Reporting

20) Cabinet will receive regular (at least four annually) reports of progress on capital schemes through the budget monitoring process 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.

Capital Contingency

21) Council will approve a sum that is to be set aside to reflect the overall risk from capital projects it has approved. The contingency will be set by Council following a report from the Chief Financial Officer on the appropriate level of reserve to mitigate the potential threat of financial exposure after considering the known risks of each scheme on an individual basis. The contingency will then be managed by the Cabinet Member for Finance & Efficiency in consultation with other Cabinet members, who will be required to report back to Council if and when he considers that this is likely to be insufficient. The contingency will be reviewed by Council on an annual basis as part of the financial plan review, unless requested to do so more frequently by the Chief Financial Officer, or the Cabinet.

22) The Cabinet must manage the contingency taking into account the lifetime and profile of expected risk exposure of the programme to which the fund relates. The Cabinet must consider the advice of the Chief Financial Officer in recommending such uses.

23) In exceptional circumstances of extreme urgency, additional expenditure may be approved by the Chief Financial Officer in consultation with the Cabinet Member for Finance & Efficiency and Chief Executive. Recovery of this sum will then take precedence over any future capital programmes on "non-urgent" items.

Approval to Spend Procedure

Commitments can be made as follows

Scenario	Consultation / Reporting / Approvals Requirements
Director wants to vary between subjective expenditure headings within the project total (excluding use of project contingency)	The Director can vary subjectively within the project total.
Director wants to draw down on project specific contingency.	Proposals for any such drawdown should be reported to the Directors Group and are subject to agreement with the relevant Cabinet Member. The rationale will need to consider the adequacy of the remaining contingency.
Outside the Project specific Contingency (i.e. drawdown of the overall capital programme contingency)	The Director and relevant Cabinet Member must request draw down of general provision from the Cabinet Member for Finance & Efficiency, in consultation with the Chief Financial Officer and Chief Executive.
Outside the overall capital programme contingency General Provision	If there is likely to be a potential overspend on the general provision, an immediate report to Council is necessary

The above rules apply within a financial year as well as in relation to the total scheme cost (over the period of the project). These rules also apply to changes in funding (which may offset the spending variations or may be independent of them)

ACCOUNTABILITY

- 1) Directors will be responsible for ensuring the principles of this scheme are understood and enforced within their service areas.
- 2) **“Chief Financial Officer”** for the purposes of this scheme means the Chief Financial Officer under s151 of the 1972 Act (and s114 of the 1988 Act) or their nominated deputy insofar as the legislation allows the deputy to act in the absence of the CFO.

Annex 1

Revenue Service and Virement Cash Limits:

A service cash limit (as referred to in the Budget Management Scheme above) is a budget heading line in the Revenue Cash Limits appendix to the Budget Report approved each year by February Council. These are also reported in the Budget Monitoring reports to Cabinet four times per year (including the Outturn report).

These Cash Limits are designed to assist with the determination of virements as set out in the section on Revenue Budgets (Section A) parts 6-13 above.

Each cash limit has a Director, Corporate Director and Cabinet Member assigned, and an individual cash limit may not have multiples of these assigned to it.

Annex 2

Summary of Virement Limits and Required Approval

Inter service/portfolio = between Services/Portfolios,

Intra service/portfolio = within a Service/Portfolio

Amount	Intra service, Intra portfolio	Inter service, intra portfolio	Intra service, inter portfolio	Inter service, inter portfolio
Less than £25k	Dir can approve	Dirs can approve	Dir can approve, consult portfolio holders	Dirs can approve, consult relevant portfolio holders
£25-50k	Dir can approve, consults CD/CEO & CFO, consult portfolio holder.	Dirs can approve, consult CD/CEO & CFO and portfolio holder.	Dir can approve, consults CD/CEO, CFO and relevant portfolio holders	Dirs can approve, consult CD/CEO & CFO, & relevant portfolio holders.
Over £50k	Included in quarterly Cabinet Budget Monitoring report for approval			

a) Virement Definition

A Virement is defined by CIPFA (Chartered Institute Public Finance & Accountancy) as “a transfer of an under spending on one budget head to finance additional spending on another budget head in accordance with an authority’s finance regulations”. For the purposes of this scheme a budget head is considered to be an equivalent level to the Cash Limit (as defined in Annex 1). This could also be allied to standard service subdivision as defined by CIPFA’s Service Expenditure Analysis.

b) Transactions that are not classified as virements

- Where there is no net transfer between budget heads. This can arise from new grant funding changes & associated expenditure, but also from

adjustments within budgets within the same Service. The key principle reflected is there is no policy change or future year additional commitment to the Council.

- Re-assignment of budget heads between Directors or Portfolios. These are generally termed “Technical Adjustments”, and reflect the purpose and amount of expenditure remains unchanged but management responsibility has been re-assigned. Typically this happened from new management structures of services / departments have been made, or different treatment of overhead budgets are altered from being held centrally or recharged to services, or vice versa.

The “Technical Adjustments” described above will be reported to Cabinet retrospectively if they are across Cash Limit, to ensure that Cash Limit control is maintained.

c) Policy Change

A Policy is a plan of action adopted by the Council and implemented by the Cabinet. Hence outsourcing a service would define a policy change, as would using different delivery methods, or stopping a service or starting a new one, or extending an existing service.

d) Future years

There is no delegated authority for any officer to approve any virements which have a non-zero full year effect and/or create a future year commitment. Proposals can be made as part of the budget monitoring process or Medium Term Financial Strategy to the Cabinet, so that they can be considered in the Council’s future year budget planning.

