

Pendle Borough Council



Financial Procedure Rules

September 2023

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SECTION 1 - STATUS OF FINANCIAL PROCEDURE RULES

- 1.1 These Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Councillor and Officer of the Council and anyone acting on its behalf.
- 1.2 They identify the financial responsibilities of the full Council, the Executive, the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Legal & Democratic Services), the Section 151 Officer (Director of Resources), the Director of Place and other members of the Corporate Management Team.
- 1.3 All members of the Corporate Leadership Team and Corporate Management Team should maintain a record where decision making has been delegated to members of their staff, including seconded staff.
- 1.4 All Councillors and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.5 The Director of Resources is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. He/she is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and/or the Executive.
- 1.6 The Council's detailed financial procedures, setting out how the procedures will be implemented, are contained in these Financial Procedure Rules.
- 1.7 Members of Corporate Leadership Team and Corporate Management Team are responsible for ensuring that their staff are aware of the existence and content of the Council's Financial Procedure Rules and other internal regulatory documents and that they comply with them.
- 1.8 The Director of Resources is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Councillors, Officers and others acting on behalf of the Council are required to follow.
- 1.9 For the purpose of these Financial Procedure Rules, the Corporate Leadership Team (CLT) shall comprise of the following officers;
 - a. Chief Executive
 - b. Director of Resources
 - c. Director of Place
 - d. Head of Legal & Democratic Services
- 1.10 The Members of the Corporate Management Team (CMT) shall comprise the members of the CLT plus the following officers.
 - a. Assistant Director Operational Services

- b. Assistant Director, Planning, Building Control and Regulatory Services
- c. Head of Housing & Environmental Health
- d. Head of Economic Growth
- e. Head of Finance
- f. Head of Policy & Commissioning

1.11 Reference in these Financial Procedure Rules to 'Manager' or 'Managers' refers to all members of Corporate Management Team.

1.12 Failure to comply with the requirements of Financial Procedure Rules may, if appropriate, lead to action being taken against Officers under the Council's Disciplinary Procedure and against Councillors under the Code of Conduct.

SECTION 2 - FINANCIAL MANAGEMENT STANDARDS

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

The Council

- 2.2 The Council is responsible for adopting the Council's Constitution and for approving the policy framework and budget within which the Executive operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Council's Constitution.

The Executive

- 2.3 The Executive is responsible for proposing the policy framework and budget to the full Council, and for discharging its functions in accordance with the policy framework and budget.

The Statutory Officers

- 2.4 The roles and responsibilities of the Statutory Officers and Managers of the Council are set out below;

Head of Paid Service (Chief Executive)

- 2.5 The Chief Executive is responsible for the overall strategic management of the Council as a whole. He or she must report to and provide information for the full Council, the Executive and other committees or panels. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Chief Executive is also responsible, together with the Corporate Management Team, for the system of record keeping in relation to all Council decisions.

Monitoring Officer (Head of Legal & Democratic Services)

- 2.6 The Head of Legal & Democratic Services is responsible for;
- a. promoting and maintaining high standards of conduct, including financial conduct. He/she is also responsible for reporting any actual or potential breaches of the law or maladministration to the full Council and/or the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
 - b. ensuring that Executive decisions and the reasons for them are recorded in the Minutes and that these are made public. He/she must also ensure that all Councillors are aware of decisions made by the Executive and those made by Officers who have delegated responsibility.
 - c. advising all Councillors and officers about who has authority to take a particular decision.

- d. for advising the Executive or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- e. [together with the Director of Resource] for advising the Executive and/or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget framework.

Director of Resources

- 2.7 The Director of Resources has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from;
- a. Section 151 of the 1972 Local Government Act.
 - b. The 1988 Local Government Finance Act.
 - c. The 1989 Local Government and Housing Act.
 - d. The 2022 Accounts and Audit Regulations.
 - e. The 2003 Local Government Act.
- 2.8 The Director of Resources is responsible under Section 151 of the 1972 Local Government Act for the proper administration of the Council's financial affairs.
- 2.9 Section 114 of the 1988 Local Government Finance Act requires the Director of Resources to report to the full Council, Executive and the External Auditor if the Council or one of its officers;
- a. has made, or is about to make, a decision that involves incurring unlawful expenditure,
 - b. has taken, or is about to take, an unlawful action that has resulted or would result in a loss or deficiency to the Council
 - c. is about to make an unlawful entry in the Council's accounts.
- Section 114 of the 1988 Act also requires;
- a. the Director of Resources to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally;-
 - b. the Council to provide the Director of Resources with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.
- 2.10 Section 25 of the Local Government Act 2003 requires the Director of Resources to:
- a. report to a meeting of full Council on the robustness of the budget estimates (calculated in accordance with s31 to s36 of the Local Government Finance Act 1992)
 - b. report to a meeting of full Council on the adequacy of proposed reserves
- 2.11 Section 27 of the 2003 Act also requires the Director of Resources, in relation to the previous financial year it appears that a controlled reserve is or is likely to be inadequate, to:
- a. report on the reasons for that situation; and

- b. report on the action, if any, which he/she considers it would be appropriate to take to prevent such a situation arising in relating to the corresponding reserve for the financial year under consideration
- 2.12 It is the responsibility of members of Corporate Management Team (and the staff within their Service) to consult with the Director of Resources and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred. Members of Corporate Management Team are responsible for:
 - a. ensuring that Executive Members, Committees, Working Groups and Panels are advised of the financial implications of all proposals and that the Director of Resources has agreed the financial implications.
 - b. signing certain contracts on behalf of the Council (in compliance with the Contract Procedure Rules).

Scheme of Virement (Revenue)

- 2.13 Virement is the switching of resources between approved budgets in order to achieve Council or Service objectives. Details are as set out below;
 - a. The scheme of virement is intended to enable the Executive, the Chief Executive, Corporate Management Team and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources. It is administered by the Director of Resources within guidelines set by the full Council and any variation from this scheme requires the approval of the full Council.
 - b. The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.
 - c. Members of Corporate Management Team are responsible for agreeing in-year virements in accordance with the virement scheme. They must notify the Director of Resources of all proposed virements.
 - d. Corporate Management Team and designated budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget.
- 2.14 Virement does **not** create additional overall budget provision. Managers are expected to exercise their discretion in managing their budgets responsibly and prudently having regard to the following;
 - a. fortuitous or one-off savings shall not be used to fund new, continuing or longer term commitments.
 - b. Any savings in the budget for capital financing costs (including lease rentals), investment income, internal recharges and insurances shall not be used to fund new expenditure on other heads of expenditure.
 - c. In the case of a budget for employee costs, any virement must be net of the annual vacancy (or turnover) factor budget.
 - d. Any additional costs arising in the following financial year are to be financed from further savings in the budget, unless agreed otherwise by full Council as part of the annual budget framework.

- e. Virement will not be permitted from any income budget until the budgeted level of income in any one financial year has been achieved within that financial year.

2.15 Members of Corporate Management Team shall;

- a. In consultation with the Director of Resources, exercise virement on budgets within his or her budget for individual amounts up to £100,000.
- b. Virement that will impact on the budget of two or more service activities may only be implemented after agreement with the relevant Managers and following consultation with Corporate Leadership Team.
- c. notify the Director of Resources of virements agreed so that the necessary changes can be made to the budget. The Director of Resources shall maintain a record of all budget virements implemented and report these to the Executive as appropriate.

2.16 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that the amount is used in accordance with the purposes for which it has been established and the Executive has approved the basis and the terms, including financial limits, on which it will be allocated. Allocations in excess of the financial limits should be reported back to the Executive for approval.

Supplementary Revenue Estimates

2.17 Supplementary Revenue Estimates are additional revenue budget provisions over and above that approved by Council as part of the annual budget setting process. Details are as set out below;

- a. No revenue expenditure shall be incurred in connection with the adoption of any new policy without the prior approval of the Council.
- b. Any proposed expenditure that is not included in the approved Budget Estimates or any likely overspending which cannot be met by a budget transfer in accordance with the approved scheme of virement as outlined above shall not be incurred without the granting of a supplementary revenue estimate approved by the Executive.

2.18 Supplementary Revenue Estimates up to £100,000 can be approved by the Chief Executive, in consultation with the Director of Resources and the Director of Place provided that:-

- a. any such Supplementary Revenue Estimates do not create an on-going financial commitment for the Council. In the event of such a Supplementary Revenue Estimate, it must be approved by the Executive;
- a. due regard is given to the effect of the Supplementary Revenue Estimate(s) on the Council's Medium Term Financial Strategy;
- b. that any such Supplementary Revenue Estimates do not result in the Council's General Fund Balance falling below the minimum working balance.

2.19 Where, any single Supplementary Revenue Estimates, or the total of Supplementary Revenue Estimates in any one year, exceed £100,000, approval of the Executive must be sought where;

- a. Where, as a result of a proposed Supplementary Revenue Estimate, the Council's approved Minimum Working Balance would be breached, any such Supplementary Revenue Estimate must only be approved by the Council after consideration of a report to the Executive from the Director of Resources on the adequacy of the General Fund Working Balance.
- b. The Council receives external funding related to specific proposed revenue expenditure, either by virtue of conditions associated with the external funding or by a decision of the Executive, relevant Managers may, in consultation with the Director of Resources, create additional budget provision and incur expenditure as appropriate, equivalent to the amount of external funding receivable.
- c. such external funding receivable must, before any additional budget provision is created or expenditure is incurred, either have been received or be confirmed in writing by the Funder. Under no circumstances should Managers commit to, or incur expenditure without written confirmation of, and agreement to, the funding and associated conditions. Managers must consult both the Director of Resources and Director of Place on any such conditions prior to accepting an offer of external funding.

Budget Slippage

- 2.20 Budget slippage is unspent budget provision in one financial year that relates to an expenditure commitment in the next. Budget Slippage relates to an unspent budget estimate for which there is an actual, and not possible, commitment to incur expenditure in the future. Ordinarily, this will apply when the commitment is to be incurred in a financial year following the budget underspend.
- 2.21 Subject to the approval of the Director of Resources, Managers may request the carry forward from one financial year to the next financial year an unspent budget estimate relating to an actual commitment provided that:
 - a. the controllable budget for which the Manager is responsible is not overspent in total.
 - b. the Manager is able to demonstrate that there is an actual, and not possible, commitment to incur expenditure. For example, there is a specific Executive resolution to incur the expenditure, an order has been placed for goods and services, the works for which the budget estimate relates are on-going and not yet complete or an offer of grant has been made by the Council but has not yet been taken up (subject to time limits placed on the grant offer).
- 2.22 Where, any budget slippage, or the total of budget slippage in any one year, exceed £100,000, approval of the Executive must be sought.
- 2.23 Any budget slippage which has not been applied to the associated commitment within six months of the financial year end will be removed from the service budget and transferred back to reserves unless otherwise agreed by the Director of Resources.

Accounting Policies

- 2.24 The Director of Resources is responsible for selecting accounting policies and ensuring that they are applied consistently as set out below;
- 2.25 The Director of Resources shall prepare the Council's Statement of Accounts in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC) for each financial year ending 31 March.
- 2.26 The key controls for accounting policies are:
- a. systems of internal control are in place that ensure that financial transactions are lawful.
 - b. suitable accounting policies are selected and applied consistently.
 - c. proper accounting records are maintained.
 - d. financial statements are prepared which present fairly the financial position of the Council and its expenditure and income.
 - e. judgements and estimates that are reasonable and prudent.
 - f. a timetable for final accounts preparation is drawn up to advise staff and external auditors accordingly.
- 2.27 The accounting policies shall cover such items as:
- a. separate accounts for capital and revenue transactions.
 - b. the basis on which debtors and creditors at year end are included in the accounts.
 - c. plant, property and equipment.
 - d. employee benefits.
 - e. financial instruments.
 - f. accounting for value added tax.
 - g. grants and contributions.
 - h. Leases.
 - i. Related Party Transactions
- 2.28 Members of Corporate Management Team shall;
- a. adhere to the accounting policies and guidelines approved by the Director of Resources.
 - b. Support the Director of Resources to ensure the proper administration of the financial affairs of the Council.
 - c. Support a monitoring system to review compliance with financial standards, regular comparisons of performance indicators and benchmark standards to be reported to Managers, Councillors, the Executive, other Committees and full Council as appropriate.
 - d. To ensure that financial information is made available for the purposes of any applicable national and local financial performance indicators.
 - e. To promote sound financial practices in relation to the standards, performance and development of staff in their services.
- 2.29 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to give a true and

fair view of its operations during the year.

2.30 The key controls for accounting records and returns are:

- a. finance staff and budget managers operate within the required accounting standards and timetables.
- b. all financial transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- c. reconciliation procedures are carried out to ensure transactions are correctly recorded.
- d. prime documents are retained in accordance with legislative and other requirements.
- e. Where possible, separate the duties of staff providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them.
- f. employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- g. ensure that all claims for funds including grants are made by the due date.
- h. maintain adequate records to provide a management/audit trail leading from the source of income/expenditure through to the accounting statements.
- i. supply any information required to enable the Statement of Accounts to be completed in accordance with statutory requirements and timescales.

Statement of Accounts

2.31 The Statement of Accounts shall be prepared in accordance with the above policies and further a set out below;

- a. The Statement of Accounts are subject to External Audit. This audit provides independent assurance that the accounts are prepared properly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.
- b. Prior to approval by the Accounts and Audit Committee, the Director of Resources shall sign and date the statement of accounts, stating that it presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the financial year ended 31 March.

Responsibilities of Councillors

2.32 In accordance with the Accounts and Audit Regulations, the Council's Statement of Accounts must be signed and dated by the Chairman of the Accounts and Audit Committee at the meeting at which it is approved.

2.33 All Councillors shall complete any request for information in respect of Related Party Transactions.

3 SECTION 3 - FINANCIAL PLANNING

- 3.1 Each local Council has a statutory responsibility to publish various performance plans. The purpose of these performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The full Council is responsible for agreeing the Council's policy framework and budget. In terms of financial planning, the key elements are the:
- a. Corporate Plan
 - b. Medium Term Financial Forecast
 - c. Revenue Budget
 - d. Treasury Management Strategy (incorporating the Prudential Limits and Indicators, Policy on Minimum Revenue Provision and Annual Investment Strategy);
 - e. Capital Programme
 - f. Capital Strategy and the Asset Management Plan.
- 3.2 The Council is responsible for;
- a. approving the policy framework and budget as set out in the Constitution.
 - b. approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the full Council by the Head of Legal & Democratic Services.
 - c. for setting the level at which the Executive, notwithstanding the approved Scheme of Virement, may reallocate budget funds from one service to another. The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the overall financial limits set by the Council.

Corporate Plans & Performance Monitoring

- 3.3 The Chief Executive is responsible for proposing the Corporate Plan to the Executive for consideration before its submission to the full Council for approval.
- 3.4 The key controls for performance plans are:
- a. to ensure that all relevant plans are produced and that they are consistent with Corporate Priorities.
 - b. to produce plans in accordance with statutory requirements.
 - c. to meet the timetables set.
 - d. to ensure that all performance information is accurate, complete and up to date.
 - e. to provide improvement targets which are meaningful, realistic and challenging.
- 3.5 Members of Corporate Management Team shall;
- a. contribute to the development of performance plans in line with statutory requirements.

- b. advise and supply the required financial information for inclusion in performance plans in accordance with statutory requirements and agreed timetables.
- c. contribute to the development of corporate and service targets and objectives and performance information.
- d. ensure that systems are in place for their area(s) of responsibility to measure activity and collect accurate information for use as performance indicators.
- e. ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met for their area(s) of responsibility.

Medium Term Financial Planning

- 3.6 The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities and objectives that have been agreed by the Council. The budget is the financial expression of the Council's plans and policies.
- 3.7 Medium-term planning (over a three to five-year period) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.
- 3.8 The revenue budget must be constructed to ensure that resource allocation properly reflects the service plans and priorities of the full Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent.
- 3.9 The key controls for budgets and medium-term planning are:
- a. specific budget approval for all expenditure.
 - b. budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by Council/Committee for their budgets and the level of service to be delivered.
 - c. a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.
- 3.10 The Director of Resources shall prepare and submit reports on budget forecasts to Corporate Management Team and Council, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 3.11 To encourage the best use of resources and value for money by working with Corporate Management Team 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.

- 3.12 To assist the Director of Resources in the preparation of estimates to be submitted to Council having regard to:
- spending patterns and pressures revealed through the budget monitoring process
 - legal requirements
 - policy requirements as defined by the full Council in the approved policy framework
 - initiatives already under way.
- 3.13 To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Executive and/or the Director of Resources. The format should be as prescribed by the Director of Resources in accordance with the full Council's general directions.
- 3.14 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

Budgeting Setting & Format

- 3.15 The general format of the budget will be approved by Council and proposed by the Executive on the advice of the Director of Resources. The draft budget should include allocation to different services and projects, proposed local taxation levels and any use of reserves and/or balances.
- 3.16 The Director of Resources is responsible for ensuring that a revenue budget is prepared on an annual basis together with a medium-term revenue forecast and presented to the Executive for consideration, prior to submission to the full Council. The full Council may amend the budget or ask the Executive to reconsider it before approving it in accordance with the statutory deadline.
- 3.17 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shall comply with all legal requirements including CIPFA's Code of Practice.
- 3.18 Members of Corporate Management Team shall comply with accounting guidance provided by the Director of Resources.

Budget Monitoring and Control

- 3.19 The Director of Resources is responsible for providing Councillors and Officers with appropriate financial information to enable budgets to be monitored effectively. He/she must put in place arrangements for the monitoring and control of capital and revenue expenditure against budget allocations.
- 3.20 It is the responsibility of members of Corporate Management Team to monitor and control income and expenditure within their capital and revenue budgets and to monitor performance, taking account of financial information made available by the Director of Resources. In accordance with the arrangements and timetable issued by the Director of Resources, Services should comment on variances within their own areas and agree the reporting of such information

to the Executive. They should also take any appropriate action necessary to avoid exceeding their budget allocation and alert the Director of Resources to problems, and proposed remedies, as soon as they are identified.

- 3.21 The Director of Resources will issue guidelines on budget preparation. The guidelines will take account of:
- a. legal requirements
 - b. medium-term planning projections
 - c. the Strategic Plan
 - d. available resources
 - e. spending pressures and other relevant government guidelines
 - f. other internal policy documents
 - g. cross-cutting issues (where relevant).
- 3.22 Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that holds to account, managers responsible for defined elements of the budget.
- 3.23 By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- 3.24 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by a Manager's agreed scheme of delegation.
- 3.25 The key controls for managing and controlling the revenue budget are:
- a. budget managers should be responsible only for income and expenditure that they can influence.
 - b. there is a nominated budget manager for each cost centre heading.
 - c. budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
 - d. budget managers follow the approved certification process for all expenditure.
 - e. income and expenditure are properly recorded and accounted for.
 - f. performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget
 - g. compliance with the agreed scheme of virement.
 - h. budget management is exercised within annual cash limits unless the full Council agrees otherwise.
 - i. each Manager has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities

- j. expenditure is committed only against an approved budget head.
- k. all officers responsible for committing expenditure comply with relevant guidance, and the Financial Procedure Rules
- l. significant variances from approved budgets are investigated and reported by budget managers regularly.
- m. reports to Corporate management Team, Executive and Council highlight any material variances during the financial year.

3.26 Members of Corporate Management Team shall;

- a. maintain budgetary control within their Service to ensure that all income and expenditure is properly recorded and accounted for.
- b. ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Manager (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- c. ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- d. ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- e. ensure prior approval by the full Council or the Executive for new proposals, of whatever amount, that:
- f. create financial commitments in future years (where required).
- g. agree with any other relevant member of Corporate Management Team where it appears that a budget proposal, including a virement proposal, may impact materially on another service area.
- h. update existing policies, initiate new policies or cease existing policies.

3.27 Reports on new proposals must explain the full financial implications following consultation with the Director of Resources. Managers should aim to contain the implications of such proposals within their approved budgets.

Capital Programme

3.28 The Director of Resources is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the full Council.

3.29 Capital expenditure involves acquiring or enhancing fixed assets with 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.

3.30 The Prudential Code for Capital Finance in Local Authorities governs the financing capacity of the Council. Authorities are required by Regulation to have regard to the Prudential Code when carrying out their duties in England

and Wales under Part 1 of the Local Government Act 2003. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. Capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

3.31 The key controls for capital programmes are:

- a. specific approval by the full Council for the programme of capital expenditure
- b. the development and implementation of asset management plans.
- c. accountability for each proposal is accepted by a named manager
- d. For each new scheme a Capital Appraisal shall be carried out and approved by Corporate Management Team prior to the agreement of Executive and then Council.
- e. monitoring of progress in conjunction with expenditure and comparison with approved budget.
- f. scheme of virement for capital projects

3.32 The Director of Resources shall;

- a. prepare capital estimates jointly with the Corporate Management Team and to report them to Council for approval.
- b. prepare and submit reports on, amongst other things, the affordability, sustainability and prudence of the Council's proposed capital programme in accordance with the Prudential Code for Capital Finance in Local Authorities.
- c. prepare and submit reports on the projected income, expenditure and resources compared with the approved estimates.
- d. issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Director of Resources, having regard to government regulations and applicable accounting guidance.
- e. provide periodic reports outlining progress on the overall capital programme indicating where amendments may be required to reflect changing circumstances and to ensure the necessary approval mechanisms for virement or supplementary capital estimates are complied with.
- f. obtain authorisation from the Executive for individual schemes where the estimated expenditure exceeds the capital programme provision by more than a specified amount (currently this is 5% of the original capital budget approved).

3.33 Members of Corporate Management Team shall;

- a. comply with guidance concerning capital schemes and controls issued by the Director of Resources.
- b. ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Director of Resources (Appendix A).

- c. implement capital schemes within the approved timescale and to submit regular returns of estimated final costs of schemes in the approved capital programme to and as required by the Director of Resources.
- d. ensure that adequate records are maintained for all capital contracts.
- e. proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Director of Resources, where required.
- f. submit reports, jointly with the Director of Resources, to the Executive where the estimated costs of a scheme vary by more than 5% of the original capital budget approved.
- g. prepare and submit reports, jointly with the Director of Resources, to the appropriate Committee, on completion of all contracts.
- h. ensure that credit arrangements, such as leasing agreements (including office equipment), are not entered into without the prior approval of the Director of Resources and, if applicable, approval of the scheme through the capital programme.

Scheme of Virement (Capital Programme)

- 3.34 The scheme of virement for the Capital Programme is intended to enable members of Corporate Management Team and their staff to manage the Capital Programme with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources in the delivery of services to achieve the corporate priorities of the Council.
- 3.35 The scheme is administered by the Director of Resources within guidelines set by the full Council. Any variation from this scheme requires the approval of Council.
- 3.36 Virement in the capital programme does not create additional overall budget provision. Service Managers are expected to exercise their discretion in managing their capital programme budgets responsibly and prudently taking note of the following;
- a. fortuitous or one-off savings shall not be used to fund new, continuing or longer term commitments;
 - b. virement will not be permitted from the budget of a capital project which is financed by way of external funding where the effect of the virement will be to reduce the amount of external funding receivable by the Council, assets to be leased or internal recharges;
 - c. the relevant Manager, in conjunction with the Director of Resources and the Director of Place, must seek the approval of the Executive before undertaking a virement where the effect of the virement represents a change to an existing policy decision.
 - d. The Director of Resources shall agree and maintain a record of all capital programme virements implemented and to report these to the Executive as appropriate.
 - e. all proposed capital virements not covered by the above or totalling over £100,000 (in any financial year) must be approved by the Executive.

- 3.37 Where an approved budget in the Capital Programme is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- a. the amount is used in accordance with the purposes for which it has been established;
 - b. the Executive has approved the basis and the terms, including financial limits, on which it will be allocated. Allocations in excess of the financial limits should be reported back to the relevant Committee for approval.

Supplementary Capital Estimates

- 3.38 No capital expenditure shall be incurred in connection with the adoption of any new policy without the prior approval of the Council.
- 3.39 Any proposed capital expenditure that is not included in the approved capital programme or any likely overspending which cannot be met by a budget transfer in accordance with the approved scheme of virement as outlined above shall not be incurred without the granting of a supplementary capital estimate approved by the Council after consideration of a report from the Executive.
- 3.40 Supplementary Capital Estimates up to £100,000 can be approved by the Chief Executive, in consultation with the Director of Resources, provided that
- a. the total of all Supplementary Capital Estimates approved by the Chief Executive in any one financial year does not exceed £100,000); and
 - b. where any such proposal for a Supplementary Capital Estimate is a new addition to the capital programme, and is not in connection with the adoption of a new policy, it has been subject to a capital project appraisal as determined by the Director of Resources.
 - c. any such Supplementary Capital Estimates do not create an on-going financial commitment for the Council. In the event of a such Supplementary Capital Estimate, it must be approved by Council after consideration of a report from the Executive;
 - d. due regard is given to the effect of the Supplementary Capital Estimate(s) on the Council's Medium Term Financial Strategy (incorporating the Medium Term Capital Programme);
 - e. where the total of Supplementary Capital Estimates in any one year exceeds £100,000, any subsequent Supplementary Capital Estimates for that same financial year must be approved by the Council after consideration of a report from the Executive. Any such report must be prepared by the relevant Managers, in conjunction with the Director of Resources.
 - f. Where the Council receives external funding related to specific proposed capital expenditure, either by virtue of conditions associated with the external funding or by a decision of the Executive, Managers may, in consultation with the Director of Resources, create additional capital budget provision and incur capital expenditure as appropriate, equivalent to the amount of external funding receivable.
 - g. Any such external funding receivable must, before any additional capital budget provision is created or expenditure is incurred, either have been received or be confirmed in writing by the Funder. Under no circumstances

should Managers commit to, or incur expenditure without, written confirmation of, and agreement to, the funding and associated conditions. Service Managers must consult both the Director of Resources and Director of Place on any such conditions prior to accepting an offer of external funding.

- 3.41 Managers must ensure that, where it is applicable, any additional revenue expenditure arising from a capital scheme funded from external funding can be contained within his/her approved budget or, where this is not the case, that any additional budget provision is created in accordance with FPR 1.10 to 1.17 (Revenue Virement), FPR 1.18 to 1.24 (Supplementary Estimates) or FPR 1.25 to 1.29 (Budget Slippage).

Maintenance of Reserves

- 3.42 It is the responsibility of the Director of Resources to advise the Executive and the full Council on prudent levels of balances and reserves for the Authority. The Council shall maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC) and agreed accounting policies.
- 3.43 The Council must decide the level of general balances and reserves it wishes to maintain before it can decide the level of Council Tax. Balances and reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items. For each reserve established, the purpose, usage and basis of transactions must be clearly identified.

4 SECTION 4 – Risk Management and Control of Resources

- 4.1 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.
- 4.2 Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.
- 4.3 Robust, integrated system should be developed and maintained for identifying and evaluating all significant strategic and operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.
- 4.4 The Executive is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management including the content of the Council's Strategic Risk Register. The Executive is responsible for ensuring that proper insurance exists where appropriate and to promote a culture of risk management awareness throughout the Council.
- 4.5 The Director of Resources is responsible for preparing the Council's risk management policy statement, for promoting it throughout the Council and for advising the Executive on the proper level of insurance cover where appropriate.
- 4.6 The key controls for risk management are:
- a. procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Council.
 - b. a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
 - c. managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiative.
 - d. provision is made for losses that might result from the risks that remain.
 - e. procedures are in place to investigate claims within required timescales
 - f. acceptable levels of risk are determined and insured against where appropriate.
 - g. the Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

- 4.7 The Director of Resources is responsible for;
- a. in conjunction with the Chief Executive to prepare and promote the Council's risk management statement.
 - b. develop risk management controls in conjunction with other members of Corporate Management Team.
 - c. lead the Corporate Governance Steering Group to oversee corporate governance and risk.
 - d. maintain under continuous review the Council's Strategic Risk Register in conjunction with the Council's Corporate Governance Working Group.
 - e. To prepare and submit reports on Risk Management to the Executive and the Accounts and Audit Committee.
 - f. To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
 - g. to effect and maintain corporate insurance cover, through external insurance (and internal funding where considered appropriate to do so).
- 4.8 Members of Corporate Management Team shall;
- a. notify the Head of Legal Services and the Director of Resources immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Director of Resources or the Council's insurers.
 - b. share responsibility for risk management, having regard to advice from the Director of Resources and specialist officers (e.g. crime prevention, fire prevention, health and safety) and to report any risk management implications to Councillors as appropriate.
 - c. ensure that there are regular reviews of risk within their service and that any such risks are notified to the Director of Resources to be considered for inclusion on the Council's Strategic Risk Register.
 - d. notify the Director of Resources promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 4.9 The Head of Legal & Democratic Services will be responsible for any negotiations on claims in consultation with other officers where necessary. They will consult the Director of Resources and the Director of Place on the terms of any indemnity that the Council is requested to give and ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

Internal Controls

- 4.10 The Council is a complex organisation and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 4.11 Internal control refers to the systems of control devised to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and

interests are safeguarded.

- 4.12 The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations and to manage wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives.
- 4.13 The key controls and control objectives for internal control systems are:
- a. key controls should be reviewed on a regular basis and the Council should, in accordance with the Accounts and Audit Regulations prepare a formal Annual Governance Statement annually to the effect that it is satisfied that the systems of corporate governance, including those relating to internal control, are operating effectively.
 - b. managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
 - c. financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
 - d. an effective internal audit function that is properly resourced. It should operate in accordance with public sector internal auditing standards or guidance and with any other statutory obligations and regulations.
 - e. prior to approval by the Accounts and Audit Committee, the Council's Leader (as the most senior member) and Chief Executive must sign and date the Council's Annual Governance Statement.
- 4.14 The Executive is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- 4.15 The Director of Resources shall put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 4.16 Members of Corporate Management Team shall;
- a. establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial and service performance targets.
 - b. manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
 - c. review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Director

of Resources. Corporate Management Team should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

- d. ensure staff have a clear understanding of the consequences of lack of control.

Internal Audit

4.17 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015, regulation 5, more specifically requires that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

4.18 Accordingly, internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Pendle Borough Council’s internal Audit function is currently undertaken by MIAA under an external contract.

4.19 The key controls for internal audit are:

- a. that it is independent in its planning and operation
- b. the Internal Audit Manager has direct access to the Head of Paid Service, all levels of management and directly to elected Councillors
- c. the Internal Audit Manager complies with CIPFA’s Public Sector Internal Audit Standards and associated guidance contained in the Local Government Application Note.

4.20 The Director of Resources shall ensure that the Internal Audit Manager has the authority to:

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

4.21 The Director of Resources shall consult with Managers and to present for Committee approval the Strategic and Annual audit plans prepared by the Internal Audit Manager, which take account of the characteristics and relative risks of the activities involved and ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

- 4.22 Members of Corporate Management Team shall;
- a. ensure that the Internal Audit Manager is given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
 - b. ensure that the Internal Audit Manager is provided with any information and explanations that he/she seeks in the course of his/her work.
 - c. consider and respond promptly to recommendations in audit reports.
 - d. ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
 - e. notify the Director of Resources immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, Managers should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
 - f. ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation.

External Audit

- 4.23 Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015. For audits of the accounts from 2018/19, PSAA appoints an auditor to relevant principal local government authorities that have opted into its national scheme. Appointments are made for the duration of the five-year appointing period, covering the audits of the accounts for 2023/24 onwards. The Council's external auditor will remain Grant Thornton UK LLP for the five year term from April 2023.
- 4.24 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the National Audit Office to prepare a Code of Audit Practice, which external auditors follow when carrying out their duties. The Code of Audit Practice sets out the auditor's objectives to form and express an opinion on:
- a. the financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Accounts and Audit Committee); and
 - b. the Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in its use of resources.
- 4.25 The Council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts give a true and fair view of the financial position of the Council and its income and expenditure for the year in question and complies with legal requirements.
- 4.26 The responsibilities of the Director of Resources are;
- a. To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.

- b. To ensure there is effective liaison between external and internal audit.
- c. To work with the external auditor and advise the full Council, Councillors, and Corporate Management Team in their responsibilities in relation to external audit.

4.27 Members of Corporate Management Team shall;

- a. ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- b. ensure that all records and systems are up to date and available for inspection.

4.28 The Council may, from time to time, also be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs, who have statutory rights of access.

Preventing Fraud & Corruption

4.29 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. The Council's expectation of propriety and accountability is that Councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

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

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

- a. the Council has effective anti-fraud, theft and corruption and Bribery policies and maintains a culture that will not tolerate fraud or corruption.
- b. all Councillors and Staff act with integrity and lead by example, following the Nolan Principles.
- c. senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt.
- d. high standards of conduct are promoted amongst Councillors by the Council's Standards Committee.
- e. Members follow the LGA Code of Conduct.
- f. Officers and Members complete registers of interests and registers for the recording of hospitality or gifts accepted.
- g. whistle blowing procedures are in place and operate effectively.
- h. legislation including the Public Interest Disclosure Act 1998 is adhered to.

4.32 The Director of Resources shall maintain adequate and effective internal control arrangements and ensure that all suspected irregularities are reported to the Internal Audit Manager at MIAA, the Corporate Leadership Team and the Accounts and Audit Committee.

4.33 Members of Corporate Management Team shall;

- a. ensure that all suspected irregularities are reported to the Director of Resources and the Internal Audit Manager.
- b. instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour and warrants disciplinary action in consultation with the Human Resources Manager.
- c. ensure that where financial impropriety is discovered, the Director of Resources is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the Police are called in to determine with the Crown Prosecution Service whether any prosecution will take place. Such action to be discussed and agreed with the Director of Resources.
- d. Ensure staff complete entries in the register of interests of staff and a register of gifts and hospitality.

Assets

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

- 4.35 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- a. resources are used only for the purposes of the Council and are properly accounted for.
 - b. resources are available for use when required.
 - c. resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits.
 - d. an asset register is maintained for the Council, assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset.
 - e. all staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act and software copyright legislation
 - f. all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.

- 4.36 The Director of Resources shall
- a. ensure that an asset register is maintained in accordance with good practice for all fixed assets. The function of the asset register is to provide the Council with information about fixed assets so that they are safeguarded, used efficiently and effectively and adequately maintained.
 - b. receive the information required for accounting, costing and financial records from each member of Corporate Management Team.

- c. ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC).

4.37 Corporate Management Team shall;

- a. ensure that records and assets are properly maintained and securely held. They shall also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.
- b. ensure that the appropriate Manager (currently the Property Services Manager (Liberata UK Ltd) shall maintain a property database in a form approved by the Director of Resources for all properties, plant and machinery and moveable assets currently owned or used by the Council. Any use of property other than for responsibilities and duration of use
- c. ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Director of Place has been established as appropriate.
- d. ensure the proper security of all buildings and other assets under their control.
- e. where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report between Estates and the Property Services Manager to the Executive.
- f. pass title deeds to the Head of Legal & Democratic Services who shall be responsible for their safe custody.
- g. ensure that no Council asset is subject to personal use by an employee without proper authority.
- h. ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- i. ensure that the service area maintains a register of moveable assets in accordance with arrangements defined by the Director of Resources.
- j. ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- k. consult the Director of Resources and Internal Audit Manager in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- l. ensure cash holdings on premises are kept to a minimum and in compliance with any provisions agreed with the Council's insurers.
- m. ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times and that any loss is reported.
- n. record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, the Executive approves the use of the negotiated tender procedure.
- o. arrange for the valuation of assets for accounting purposes to meet requirements specified by the Director of Resources.
- p. ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

- q. To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery.
 - r. To carry out, at least on an annual basis, a check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
 - s. provide the Director of Resources with a copy of the inventory on an annual basis.
 - t. To make sure that property is only used in the course of the Council's business, unless a designated Manager has given permission otherwise.
 - u. make arrangements for the care and custody of stocks and stores in their service.
 - v. ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
 - w. investigate and remove from the Council's records (i.e. write off) discrepancies as necessary with the prior approval of the Director of Resources unless the Executive's approval is required in which case the matter will be reported jointly by the Director of Resources and the Manager concerned.
- 4.38 In consultation with the Director of Resources to identify for write-off or disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless the Executive decides otherwise in a particular case.
- 4.39 To seek the prior approval of the Director of Resources to the write-off of redundant stocks and equipment valued up to £100,000 and the approval of the Executive for items valued in excess of £100,000.

Intellectual Property

- 4.40 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.
- 4.41 Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.
- 4.42 In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's approved disposal procedures.
- 4.43 Members of Corporate Management Team shall ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of the employer's rights with regard to intellectual property.

Asset Disposals

- 4.44 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Council.
- 4.45 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Council and, subject to legislative concessions, the best price is obtained, bearing in mind other factors, such as environmental issues. All disposals should be in accordance with Contract Procedure Rules (Section 6).
- 4.46 The Director of Resources shall ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.
- 4.47 Members of Corporate Management Team shall;
- seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.
 - ensure that income received for the disposal of an asset is properly banked and coded.
 - consult with the Director of Resources and the Head of Legal & Democratic Services on all assets proposed for disposal.
 - ensure only those assets owned by the Council are disposed (i.e. as opposed to those that are leased).

Treasury management & Banking

- 4.48 CIPFAs Code of Practice on Treasury Management aims to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum. The Council has adopted the key recommendations of CIPFA's Code of Practice for Treasury Management in the Public Services.
- 4.49 The Council will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement (TMPS), stating the policies, objectives and approach to risk management of its treasury management activities;
 - suitable treasury management practices (TMP's) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 - the content of the policy statement and TMPs will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
 - The Council will receive for approval an annual strategy and plan in advance of the year which will set the framework within which treasury

management activity will be conducted during the year.

- 4.50 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive. The Executive shall receive reports during the year including a mid-year review and an annual report. The Council delegates responsibility for the execution and administration of treasury management decisions to the Director of Resources, who will act in accordance with the Council's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management
- 4.51 This Council nominates the Accounts and Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 4.52 All money in the hands of the Council is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, namely the Director of Resources.
- 4.53 The Director of Resources is responsible for;
- a. reporting to the Executive during the financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers.
 - b. taking all executive decisions on borrowing, investment and financing acting at all times in such a manner as to comply with the CIPFA Code of Practice on Treasury Management in the Public Services, The Prudential Code for Capital Investment and the Council's treasury management policy statement and strategy.
 - c. to secure banking facilities and operate bank accounts as are considered necessary within the terms agreed by the Council's bankers – opening or closing any bank account shall require the approval of the Director of Resources.
 - d. to ensure that all investments of money are made in the name of the Council and in accordance with the Council's approved Treasury Management Policy Statement, The Prudential Code for Capital Investment and approved Treasury Management Practices.
 - e. to ensure that all securities that are the property of the Council and the title deeds of all property in the Council's ownership are held in the custody of the Head of Legal Services.
 - f. to act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.
 - g. all trust funds shall be operated within any relevant legislation and the specific requirements for each trust.
- 4.54 Members of Corporate Management Team shall ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Executive or full Council.

Imprest Accounts

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

5 SECTION 5 – Systems & Procedures

- 5.1 Sound systems and procedures are essential to an effective framework of accountability and control. Service areas have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. They are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 5.2 The key controls for systems and procedures are:
- a. basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated.
 - b. performance is communicated to the appropriate managers on an accurate, complete and timely basis.
 - c. early warning is provided of deviations from target, plans and budgets that require management attention.
 - d. operating systems and procedures are secure.
- 5.3 The Director of Resources has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes. They are responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Service Managers to the existing financial systems or the establishment of new systems must be approved in advance by the Director of Resources.
- 5.4 Members of Corporate Management Team are responsible for the proper operation of financial processes in their own service areas including to make arrangements for the proper administration of the Council's financial affairs, including:
- a. issue advice, guidance and procedures for officers and others acting on the Council's behalf.
 - b. determine the accounting systems, form of accounts and supporting financial records.
 - c. establish arrangements for audit of the Council's financial affairs.
 - d. approve any new financial systems to be introduced.
 - e. approve any changes to be made to existing financial systems.
 - f. ensure that their staff receive relevant financial training that has been approved by the Director of Resources.
 - g. where appropriate, computer and other systems are registered in accordance with Data Protection legislation. All such systems must be notified to the Council's Data Protection Officer. Corporate Management Team must ensure that staff are aware of their responsibilities under Freedom of Information and Data Protection legislation.
 - h. ensure that accounting records are properly maintained and held securely.
 - i. ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Director of Resources.

- j. ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- k. incorporate appropriate controls to ensure that all input is genuine, complete, accurate and timely.
- l. ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- m. develop and maintain a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- n. ensure that systems are documented and staff trained in operations.
- o. consult with the Director of Resources before changing any existing system or introducing new systems.
- p. ensure that effective contingency arrangements, including back-up procedures, exist for computer systems.

Income

- 5.5 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and also avoids the time and cost of administering debts.
- 5.6 The key controls for income are:
- a. all income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which should be reviewed regularly.
 - b. all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery.
 - c. all money received by an employee on behalf of the Council is paid without delay to the Revenue and Benefits Manager (Liberata UK Ltd) or, as he or she directs, to the Council's bank account, and properly recorded. The responsibility for cash collection should be separated from that for identifying the amount due and that for reconciling the amount due to the amount received.
 - d. effective action is taken to pursue non-payment within defined timescales
 - e. formal approval for debt write-off is obtained.
 - f. appropriate write-off action is taken within defined timescales.
 - g. appropriate accounting adjustments are made following write-off action.
 - h. all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
 - i. money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.
- 5.7 The Revenues and Benefits Manager (Liberata UK Ltd) shall;
- a. establish effective arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.

- b. order and supply to departments all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- c. In consultation with the Director of Resources, to agree the write-off of individual bad debts (in accordance with the Scheme of Delegation) and to refer larger sums to the Executive.
- d. to advise the Director of Resources of any accounting adjustments required following write-off action.

5.8 Members of Corporate Management Team shall;

- a. establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with the corporate Fees & Charges policy ensuring that all income due to the Council is recorded in the accounts.
- b. separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- c. issue official receipts or to maintain other documentation for income collection.
- d. ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- e. hold securely receipts, tickets and other records of income for the appropriate period.
- f. lock away in appropriate secure locations all income to safeguard against loss or theft, and to ensure the security of cash handling.
- g. ensure that income is paid fully and promptly into the Cashiers Section or the Council's bank account(s) in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- h. ensure income is not used to cash personal cheques or other payments.
- i. establish and initiate appropriate recovery procedures, including legal action (via legal services) where necessary, for debts that are not paid promptly.
- j. recommend to the Revenue and Benefits Manager (Liberata UK Ltd) all debts to be written off and to keep a record of all sums written off up to the approved limit.
- k. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- l. notify the Director of Resources of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director of Resources as part of the annual closedown process of the Council's accounts.

Ordering and Paying for Goods & Services

- 5.9** Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve value

for money. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Contract Procedure Rules.

- 5.10 The key controls for ordering and paying for work, goods and services are:
- a. all goods and services are ordered only by appropriate persons and are correctly recorded.
 - b. wherever possible, if order to maintain separation of duties, authorised signatories should refrain from raising orders which they can approve themselves.
 - c. all goods and services shall be ordered in accordance with the Council's Contract Procedure Rules.
 - d. goods and services received are checked to ensure they are in accordance with the order. Where possible, goods should not be received by the person who placed the order.
 - e. payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards.
 - f. all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
 - g. all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
 - h. all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
 - i. orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.
 - j. Official orders must be in a form approved by the Director of Resources.
 - k. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Director of Resources.

Financial Limits for Ordering and Paying Invoices

- 5.11 Officers shall follow the following approval limits for all orders and payments of invoices.

Officer	Financial Approval Limit	
Chief Executive Director of Resources Director of Place	Over £100,000	Key Decision may be required.
Corporate Management Team	Up to £100,000	
Authorised Signatory Level	Up to £20,000	As agreed by relevant member of CMT

- 5.12 The Director of Resources shall;
- a. ensure that all the Council's financial systems and procedures are sound and properly administered.

- b. approve any changes to existing financial systems and to approve any new systems before they are introduced.
- c. make payments from the Council's funds on the Manager's (or duly authorised officer acting with delegated authority) authorisation that the expenditure has been duly incurred in accordance with Financial and Contract Procedure Rules.
- d. make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- e. make payments to contractors on the certificate of the appropriate Manager, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

5.13 Members of Corporate Management Team shall ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming;

- a. receipt of goods or service.
- b. that the invoice has not previously been paid.
- c. that expenditure has been properly incurred and is within budget provision
- d. that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices.
- e. correct accounting treatment of tax.
- f. that the invoice is correctly coded.
- g. that discounts have been taken where available.
- h. to ensure that invoices are passed for payment as promptly as possible
- i. where possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- j. maintain a list of staff approved to authorise invoices and limits (as defined by the Director of Resources).
- k. payments made by direct debit have the prior approval of the Director of Resources.
- l. ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Director of Resources.
- m. notify the Director of Resources of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director of Resources as part of the closedown of the Council's accounts.
- n. notify the Director of Resources immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

5.14 With regard to contracts for construction and alterations to buildings and for civil engineering works. Managers shall document and agree with the Director of Resources the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

Payments to Employees & Councillors

- 5.15 Staff costs form the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Councillors' Allowances are authorised in accordance with the scheme adopted by the full Council.
- 5.16 The key controls for payments to Employees and Councillors are;
- a. proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to starters, leavers, variations, enhancements and that payments are made on the basis of approved timesheets or claims.
 - b. frequent reconciliation of payroll expenditure against approved budget and bank account
 - c. all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.
 - d. that HM Revenue and Customs regulations are complied with.
- 5.17 The Human Resources Manager (Liberata UK Ltd) is responsible for;
- a. all payments of salaries and wages to all staff, including payments for overtime, and for deductions of income tax.
 - b. arranging and controlling secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
 - c. recording and making arrangements for the accurate and timely payment of tax, superannuation and other deductions.
 - d. making arrangements for payment of all travel and subsistence claims that have been properly completed and authorised by the appropriate officer.
 - e. ensuring that there are adequate arrangements for administering pension matters on a day to day basis.
- 5.18 Members of Corporate Management Team shall;
- a. ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
 - b. notify the Human Resources Manager (Liberata UK Ltd) of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale laid down by the Human Resources Manager (Liberata UK Ltd).
 - c. ensure that payments are only authorised to bona fide employees.
 - d. Ensure that payments are only made where there is a valid entitlement.
 - e. ensure that conditions and contracts of employment are correctly applied.
 - f. employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
 - g. ensure that payroll transactions (including those accruing taxable benefits to employees of the Council) are processed only through the payroll system. [Managers should give careful consideration to the employment status of individuals employed on a self-employed consultant or

subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Human Resources Manager (Liberata UK Ltd).]

- h. certify travel and subsistence claims and other allowances.
- i. ensure that the Human Resources Manager (Liberata UK Ltd) is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- j. ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

5.19 Councillors must submit claims for travel and subsistence and children / dependent carer allowances (where these form part of the approved scheme of allowances) to the Chief Executive on a monthly basis and, in any event, within one month of the year end.

Taxation

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

5.21 The key controls for taxation are:

- a. budget managers are provided with relevant information and kept up to date on tax issues.
- b. budget managers are instructed on required record keeping.
- c. all taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- d. records are maintained in accordance with instructions.
- e. returns are made to the appropriate authorities (e.g. HMRC) within the stipulated timescale.

5.22 The Director of Resources is responsible for advising, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.

5.23 The Director of Resources will consult with external tax specialist as required in order to properly account for any transaction.

5.24 Members of Corporate Management Team shall;

- a. ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations.
- b. ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- c. ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.

Trading Accounts & Business Units

5.25 Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under current rules authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

5.26 Member of Corporate Management Team shall;

- a. consult with the Director of Resources where a business/trading unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- b. observe any statutory requirements in relation to trading/business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- c. ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- d. ensure that each trading/business unit prepares an annual budget and associated service/business plan.

6 Section 6 – External Arrangements

- 6.1 Partnerships play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities work in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.
- 6.2 Local authorities can mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations.
- 6.3 The Council provides a leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.
- 6.4 The Council is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary, faith and community sector organisations to address local needs. Functions including those relating to partnerships can be delegated to officers by the Executive. These are set out in the Scheme of Delegation that forms part of the Council's Constitution. Where functions are delegated, the Executive remains accountable for them to the full Council.
- 6.5 The key controls for the Council's partners are:
- a. if appropriate, to be aware of and to comply with their responsibilities under these Financial Procedure Rules and Contract Procedure Rules.
 - b. to ensure that risk management processes are in place to identify and assess all known risks.
 - c. to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
 - d. to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences.
 - e. to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- 6.6 The main reasons for entering into a partnership are:
- a. the desire to find new ways to share risk.
 - b. the ability to access new resources.
 - c. to provide new and better ways of delivering services.
 - d. to forge new relationships.
- 6.7 A partner is defined as either:
- a. an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or

- b. a body whose nature or status give it a right or obligation to support the project.
- 6.8 Partners participate in projects by:
 - a. acting as a project deliverer or sponsor, solely or in concert with others.
 - b. acting as a project funder or part funder.
 - c. being the beneficiary group of the activity undertaken in a project.
- 6.9 Partners have common responsibilities:
 - a. to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation.
 - b. to act in good faith at all times and in the best interests of the partnership's aims and objectives.
 - c. be open about any conflict of interests that might arise.
 - d. to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors.
 - e. to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature.
 - f. to act wherever possible as ambassadors for the project.
- 6.10 The Director of Place and appointed Councillors represent the Council on a range of partnerships and external bodies.
- 6.11 The Director of Resources must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider;
 - a. the overall corporate governance arrangements and legal issues in conjunction with the Head of Legal & Democratic Services.
 - b. ensure that the risks have been fully appraised before agreements are entered into with external bodies.
 - c. advise on the key elements of funding a project.
 - d. undertake a scheme appraisal for financial viability in both the current and future years.
 - e. risk appraisal and risk management.
 - f. resourcing, including taxation issues.
 - g. audit, security and control requirements.
 - h. carry-forward arrangements.
- 6.12 Members of Corporate Management Team shall;
 - a. ensure that appropriate approvals from the Executive are obtained before any negotiations are concluded in relation to work with external bodies.
 - b. maintain a record of all contracts entered into with external bodies in accordance with procedures specified by the Director of Resources.
 - c. ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Director of Resources as appropriate.
 - d. ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
 - e. ensure that all agreements and arrangements are properly documented.

- f. provide appropriate information to the Director of Resources to enable a note to be entered into the Council's Statement of Accounts concerning material items.

6.13 To ensure that the accounting arrangements are satisfactory and that both Internal Audit and External Audit have access to the Council's records relating to partnerships.

Accountable Body Status

6.14 There will be occasions when the Council may be required to act in the capacity of Accountable Body. This may be as a result of a request by an external organisation to act on its behalf as the Accountable Body for a particular partnership or project.

6.15 Accountable Body status in this instance is defined as:
'The Council having responsibility for the overall financial management, accountability and legal responsibility for the income, expenditure and governance arrangements of a specific project or partnership (whether formally constituted or not)'

6.16 The Director of Resources has delegated authority to give approval to the Council acting as Accountable Body for specific projects provided that the estimate of combined income/expenditure does not exceed £100,000. In all other circumstances, the approval of the Executive is required.

6.17 Member of Corporate Management Team are responsible for obtaining appropriate approvals from the Executive for the Council to act as Accountable Body and/or before any negotiations are concluded in relation to work with external bodies.

6.18 The Director of Resources shall;
a. maintain a register of bodies for which the Council acts as Accountable Body.
b. establish and maintain proper accounting records;

External funding

6.19 External funding is an important source of income. However, 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 Government and external agencies provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

6.20 The key controls for external funding are:

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

6.21 The Chief Executive, Director of Place and Corporate Management Team are responsible for notifying the Director of Resources of all potential sources of external funding and consult him/her on any applications proposed to be submitted in the name of the Council. The Director of Resources is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts in accordance with any specific requirements that may apply to it as the "accountable body" where the Council has agreed to operate as such.

6.22 The Director of Resources shall;

- a. advise on the financial implications of bids for funding.
- b. ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- c. ensure that the match-funding requirements and any revenue implications are considered prior to entering into the agreements.
- d. ensure that audit requirements are met.

6.23 Members of Corporate Management Team shall;

- a. notify the Director of Resources of all proposed bids for external funding
- b. ensure that all claims for funds are made by the due date.
- c. ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

Work for third parties

6.24 The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies. Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires (i.e. within the Council's legal powers to do it).

6.25 The key controls for working with third parties are:

- a. ensure that proposals are costed properly in accordance with guidance provided by the Director of Resources.
- b. ensure that contracts are drawn up and that the formal approvals process is adhered to.
- c. issue guidance with regard to the financial aspects of third party contracts.

6.26 The Director of Resources shall issue guidance with regard to the financial aspects including insurance of third party contracts and the maintenance of the contract register.

6.27 Members of Corporate Management Team shall;

- a. ensure that the approval of the Executive is obtained before any negotiations are concluded to work for third parties.
- b. maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Director of Resources.
- c. ensure that appropriate insurance arrangements are made.
- d. ensure that the Council is not put at risk from any bad debts.
- e. ensure that no contract is subsidised by the Council (without the prior approval of the Executive).
- f. ensure that, wherever possible, payment is received in advance of the delivery of the service.
- g. ensure that the service area has the appropriate expertise to undertake the contract.
- h. ensure that such contracts do not impact adversely upon the services provided for the Council.
- i. ensure that all contracts are properly documented.
- j. provide appropriate information to the Director of Resources to enable a note to be entered into the Statement of Accounts.

APPENDIX A**Pendle Borough Council - Capital Programme Appraisal Form****1.0 Summary**

Scheme Name
High Level Description (include outputs and funding summary)
Directorate – Section - Lead Officer

2.0 Key Risks

Project Risks – Set out the key Legal, Financial, Procurement, Land, Staffing risks associated with the scheme and any mitigating factors (further details can be given in Section 3.0).

3.0 Scheme Details

Appraisal	Comment
How does the scheme fit in to the Council's Corporate Plan or wider priorities?	
Is the scheme being delivered by a Council Joint Venture Company?	
Does the scheme create a new Council asset or enhance an existing asset?	
Is the scheme above de minimis for Capital Scheme (£10k or greater)?	
Are there any on going revenue costs? If so how will these be funded?	
Funding mechanism for the scheme. i.e. external grant funding, capital receipt, S106, other third party contribution, prudential borrowing, revenue contribution.	
Could the scheme be funded through Invest to Save?	
If external funded, is there a requirement to match funding from the Authority? Can the grant be used to fund internal staff costs?	

Appraisal	Comment
Does the scheme involve a transfer of Council assets to a third party?	
Will the scheme generate a capital receipt? If Yes, what is the estimated value and how has this been calculated?	
Set out the Procurement process for the scheme?	
Is the scheme required under health and safety guidance?	
Who will deliver the scheme?	
What are the expected outputs for the scheme? Are these linked to external funding?	
Explain the Governance arrangements for the scheme.	

4.0 Summary of Estimated Cost & Funding Required (update as required)

£'m / £'000	Year 1 202x/2x	Year 2 202x/2x	Year 3 202x/2x	Year 4 202x/2x	Total
Land Purchase					
Construction Cost					
Professional Fees					
Capital Salaries					
Other					
Gross Expenditure (A)					
Grant Funding					
Capital Receipt					
Revenue Contribution					
S106					
Gross Income (B)					
Net Capital Funding Required (A – B)					

5.0 Project Plan and Key Milestones (update as required)

Milestone	Expected Date
Approval by Council	
Grant Award	
Planning Permission (if required)	
Tender process and Award	
Construction Start	
Construction Completion	

6.0 Completion and Submission

Officer Name
Date

***Send completed forms to Laina Donnelly, Technical Accountant
(laina.donnelly@pendle.gov.uk)***

7.0 Review & Approval Process

Approved by Director of Place	
Approved by Director of Resources	
Approval by CMT	
Capital Project Code	