

Borough Council of  
**King's Lynn &  
West Norfolk**



**Audit Committee**  
**Monday, 28th November, 2016 at 5.00 pm**  
**in the Committee Suite, King's Court, Chapel Street,**  
**King's Lynn**

**Reports marked to follow on the Agenda and/or Supplementary Documents**

- a) Review of Financial Regulations (Pages 2 - 44)

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**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	Audit Committee		
DATE:	28 <sup>th</sup> November 2016		
TITLE:	Financial Regulations		
TYPE OF REPORT:	Update		
PORTFOLIO(S):	Cllr Brian Long, Leader		
REPORT AUTHOR:	Kate Littlewood, Audit Manager		
OPEN		WILL BE SUBJECT TO A FUTURE CABINET REPORT:	Yes

**REPORT SUMMARY/COVER PAGE****PURPOSE OF REPORT/SUMMARY:**

Section 3 of the Accounts and Audit Regulations 2015 states that '*A relevant authority must ensure that it has a sound system of internal control which ensures that the financial and operational management of the authority is effective*'.

Financial Regulations are intended to ensure the Council meets its statutory obligations regarding financial management, especially in respect of the financial aspects of corporate governance. It is essential that the regulations properly reflect the structure of the Council in terms of roles and responsibilities and they provide proper direction for Members and Officers in the conduct of the Council's business.

Financial Regulations were last reviewed in 2011/12 and are overdue for review. In that time there have been a number of changes in the structure of the Council and new issues have arisen that need to be included in the regulations.

**KEY ISSUES:**

The draft Financial Regulations are attached without the tracked changes. A version containing tracked changes is available if required, but with changes to the sequencing of the sections and formatting, etc, the inclusion of tracked changes does not make it an easy document to read. This paper summarises the main changes.

Amendments to job titles have been made as required and the sequencing of the sections has been changed to produce a better flow to the document. Other minor amendments have been made to improve clarity or strengthen existing arrangements, especially in relation to the requirement to use Purchase Order Processing (POP) for raising purchase orders and the need to notify the Insurance Officer of anything that may affect the level of insurance provision.

The main changes to the regulations are:

New sections added include:

- 8 - Employment Status Indicator (ESI)
- 9 - Construction Industry Scheme (CIS)
- Appendix 2 – Inventory Procedures.
- Appendix 3 – ESI Procedures
- Appendix 4 – Cash Limit Rules

Other sections have been expanded to reflect increasing or, changes in, use:

- 2 - Reference to External Audit has been included to reflect the new appointment arrangements.
- 14 – Use of Credit Cards. Use of corporate credit cards is increasing, especially in

relation to internet orders. This section has been significantly expanded to incorporate instructions that were recently issued by Financial Services.

- 15 – Grants To and From External Organisations. This section did not previously refer to ‘Grants From’. This is an increasing source of funds for the Council and needs to be properly regulated.
- 18 – Travelling and Subsistence. This includes the use of Expenses on Demand and the new procedures for submitting VAT receipts that has recently been approved by Management Team.
- 19 – Insurance. It has become increasingly important to ensure that any changes that may affect the level of insurance cover are identified and communicated to the Insurance Officer. This also applies to changes in service provision.

The scope of the Financial Regulations has been extended to include the Council’s wholly owned companies, where the regulations are adopted by the Company Board.

No sections have been removed, although the section on Treasury Management has been largely replaced by a reference to the Treasury Management Strategy to avoid the necessity for more frequent updates of Financial Regulations.

**OPTIONS CONSIDERED:**

1. Adopt the revised Financial Regulations to ensure the Council has relevant and up-to-date regulations by which to conduct its financial affairs.

2. Remain with the existing Financial Regulations, which are no longer fully relevant or fit for purpose.

**RECOMMENDATIONS:**

Recommend the adoption of the revised Financial Regulations to Cabinet.

**REASONS FOR RECOMMENDATIONS:**

Financial Regulations are key to the way in which the Council conducts its financial affairs and it is essential that they are a robust platform to instruct officers and provide assurance of good governance.

**Financial Implications**

Inadequate Financial Regulations could have a financial impact if the business of the Council is not conducted in an appropriate manner.

**Any other Implications/Risks**

Increased risk of business of the Council not being conducted in an appropriate manner or regulatory obligations being breached if the regulations are not updated.

**Equal Opportunity Considerations**

None

**Consultation**

None

**Background Papers**

Financial Regulations approved at Council 26<sup>th</sup> January 2012.



# FINANCIAL REGULATIONS

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**Next Review due – June 2019**

## **1. INTRODUCTION**

- 1.1 These Regulations are intended to ensure that the Council meets its statutory obligations regarding financial management, especially in respect of the financial aspects of Corporate Governance. The Accounts and Audit Regulations require that there are arrangements in place to ensure that the Council has a sound system of internal control, which includes:
- Arrangements for the management of risk, in accordance with the Council's Risk Management Policy; and
  - Arrangements to conduct a review at least once a year of the effectiveness of its system of internal control, including an Annual Governance Statement with the annual statement of accounts, produced in accordance with the Accounts and Audit Regulations.
- 1.2 Throughout these regulations, references to:
- Chief Finance Officer refers to the Assistant Director (s151 Officer) or her delegated representative;
  - Council includes all wholly owned Local Authority Companies, where the regulations are adopted by the Company Board;
  - Cabinet, Council Body, Leader, Portfolio Holder, Head of Paid Service and Monitoring Officer are as defined in the Council's Constitution;
  - Members of staff or employees includes individuals who are acting on the Council's behalf, as consultants or contractors;
  - Management Team is the Chief Executive, Executive Directors and Assistant Directors;
  - Executive Directors includes Assistant Directors;
  - Audit Manager refers to the person recognised as undertaking the role of Chief Audit Executive to comply with the Public Sector Internal Audit Standards (PSIAS).
- 1.3 These regulations apply to all employees and Members of the Council as well as any consultant or contractor acting as if they were Council employees. All Members and employees have a general responsibility to provide for the security of Council assets under their control and for ensuring that the use of resources is legal, properly authorised and achieves best value.
- 1.4 Financial Regulations are to be used in conjunction with Contract Standing Orders and the Scheme of Delegation. The Chief Finance Officer, in consultation with the Monitoring Officer, shall determine any matter on which conflict may arise.
- 1.5 Every Executive Director must consult the Chief Finance Officer on any matter which would result in a variation to the overall budget agreed by Members at the annual budget meeting before any provisional or actual commitment is incurred.

- 1.6 The Chief Finance Officer, for the purposes of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988 is responsible, under the general direction of the Cabinet, for the proper administration of the Council's financial affairs.
- 1.7 As the Council's financial and economic adviser, the Chief Finance Officer will report on the level of resources proposed to be utilised in each financial year and keep the Council informed regarding the Council's finances and financial performance.
- 1.8 The Council is responsible for periodically making and amending Financial Regulations as it considers necessary and desirable for supervising the finances, accounts, income, expenditure and assets of the Council. In accordance with the Council's Scheme of Delegation, minor amendments to these Regulations can be made by the Chief Executive, in consultation with the Leader.
- 1.9 Nothing in these Financial Regulations will prevent the Chief Executive, in consultation with the Leader, the Chief Finance Officer and the Monitoring Officer from incurring expenditure required to meet any immediate needs created by a sudden emergency under Section 138 of the Local Government Act 1972, subject to such action being reported to the Council as soon as practicable thereafter.
- 1.10 The Chief Finance Officer will, after consultation with the Head of Paid Service (the Chief Executive) and the Monitoring Officer, report to the Council's Standards Committee any identified unauthorised case of non-compliance with these Financial Regulations by a Council Member. The Chief Finance Officer and the Monitoring Officer will review with the Council's Standards Committee the application of Financial Regulations as part of the ethical health of the Council.
- 1.11 It is the responsibility of each Executive Director to ensure that all staff within their service area are aware of and comply with the requirements of these Financial Regulations. Failure to observe these Regulations may be classified as misconduct justifying disciplinary action.
- 1.12 All transactions must be carried out with regard to the Council's Anti-Fraud and Anti-Corruption Strategy. The Council's Whistleblowing Policy and Fraud Response plan provide a means to report and investigate cases of suspected fraud and corruption.

## 2. **AUDIT**

### **INTERNAL AUDIT**

2.1 Under S151 of the Local Government Act 1972, the Chief Finance Officer must ensure that there are arrangements for the proper administration of the financial affairs.

The Accounts and Audit Regulations 2015 s5(1) more specifically require authorities to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance.

2.2 Internal Audit is an independent and objective appraisal function, established to review the systems of internal control. All internal audit work will be carried out in accordance with the Public Sector Internal Audit Standards (PSIAS) to examine, evaluate and report upon the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources

2.3 Internal Auditors have the authority to:

- Access any Council premises, assets, records, documents and correspondence and control systems
- Receive any information and explanation related to any matter under consideration.
- Require any employee of the Council to account for any cash, stores or any other asset under his/her control.
- Access records belonging to third parties (e.g. contractors) when required.
- Directly access the Chief Executive, Leader and Audit Committee Chair.

2.4 Any officer or Member of the Council must, if required:

- Make available such documents or assets of the Council which appear to the auditor to be necessary for the purposes of the audit or investigation;
- Supply any auditor (whether internal or external) with such information and explanations as the auditor considers necessary for their purpose;
- Allow entry to auditors (whether internal or external) at all reasonable times to any Council premises or land.

2.5 Whenever any matter arises which involves or is thought to involve financial or other irregularity, the relevant Executive Director concerned must immediately notify the Chief Finance Officer, Monitoring Officer or the Audit Manager. These members of staff will take such steps as they consider necessary to investigate the matter, including notifying the police.

2.6 Where a member of staff identifies a potential fraud or irregularity, they should follow the guidance in the Council's Whistleblowing Policy and Anti-Fraud and Anti-Corruption Strategy.

- 2.7 Any such matter which involves, or is thought to involve, a Member of the Council, will be discussed by the Chief Finance Officer or Audit Manager with the Monitoring Officer and the Chief Executive, who together will decide what course of action then needs to be followed.

### **EXTERNAL AUDIT**

- 2.8 The basic duties of the external auditor are to review and report on the Council's financial statements and the financial aspects of the Council's corporate governance arrangements. The external auditor 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.
- 2.9 External auditors will be appointed in accordance with the Local Audit and Accountability Act 2014 and subsequent related regulations, using an option agreed by Full Council.
- 2.10 The Council may, from time to time, also be subject to audit, inspection or investigation by other external bodies, such as HM Revenue and Customs, who have statutory rights of access.
- 2.11 The appointed external auditors and other statutory inspectors must be given reasonable access to premises, personnel, documents and assets considered necessary for the purposes of their work.

### **3. BUDGETS**

- 3.1 The Council shall approve the Council's policy framework and budget in accordance with Article 4 of the Constitution.

### **PRUDENTIAL MANAGEMENT**

- 3.2 Under s151 of the Local Government Act 1972, the Chief Finance Officer is responsible for the soundness of the Council's financial systems, the form of accounts and the supporting financial records. Changes made by any level of management to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer.
- 3.3 The Chief Finance Officer, in consultation with Management Team, must each year produce and make public:
- A medium-term plan showing a five year forward assessment of all revenue commitments and
  - A medium term plan showing a five year projection of capital resources in line with the CIPFA Prudential Code.



- 3.4 The plans must reflect any known changes in service level resulting from changes in Council priorities arising from changes in legislation or policy, demographic trends or resources. Budgets must aim to ensure that resources are matched to agreed Council priorities and prudent level of reserves are maintained.
- 3.5 Executive Directors must, having consulted the Chief Finance Officer, ensure that Cabinet reports proposing new or increased spending contain the following information:
- the annual revenue consequences of any decision ;
  - the implications of the proposal on the medium-term plan
  - identification and evaluation of any financial risk implications.
- 3.6 Council approval is required for key decisions.
- 3.7 Where an Executive Director or portfolio holder proposes:
- (a) a new policy, or
  - (b) a variation of existing policy, or
  - (c) a variation in the means or timescale of implementing existing policy
- that affect or may affect the Council's finances, they must submit a report to the Cabinet, including any financial risk implications, which will then report the matter to the Council.
- 3.8 All budgets are subject to cash limits as set out in the Cash Limit Rules (Appendix 4). In the event of any budget likely to be overspent or income not achieved, the Management Team will be responsible for providing for a transfer of funding from elsewhere to compensate for any deficit. A holistic approach will be taken to ensure an overall balance is achieved and funds are not underutilised when operational activities require funding. The transfer of funding will be subject to the guidelines set out in Appendix 1 to these Regulations.
- 3.9 The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to any alternative delivery models are satisfactory. In conjunction with the Monitoring Officer, he must also consider whether the appropriate Executive Director has adequately considered the overall corporate governance and legal issues and that risks have been fully appraised when arranging contracts or formal agreements with external bodies.

- 3.10 Executive Directors shall control income and expenditure within their service area and monitor performance, taking account of the financial information provided by the Chief Finance Officer and advice received from the Financial Services Team. They shall report on variances within their own areas and take action to avoid exceeding their budget allocation, and alert the Chief Finance Officer to any problems.
- 3.11 Executive Directors shall ensure that:
- Their staff receive relevant training on the use of the financial systems as approved by the Chief Finance Officer.
  - Staff have been identified and authorised to act on that person's behalf in respect of payments, income collection and placing orders, together with limits of their authority.

### **REVENUE BUDGETS**

- 3.12 The Chief Finance Officer will approve the detailed corporate form and content of revenue service estimates, in line with the general directions of the Cabinet and after consultation with Management Team.
- 3.13 The Chief Finance Officer must prepare revenue estimates of income and expenditure in conjunction with the Executive Directors. The estimates will be collated and submitted by the Chief Finance Officer to Management Team and then to the Cabinet with Management Team's comments. The report(s) will show how the estimates comply with the Council's approved financial plan. Approval of the budget is the function of the Council.
- 3.14 Copies of all proposed Cabinet reports must be passed to the Chief Finance Officer in sufficient time for her to adequately consider the budget implications of any proposals.
- 3.15 The Chief Finance Officer will provide each Executive Director and portfolio holder with details of receipts and payments under their control by means of a corporate financial management system. This is for the purpose of monitoring the budget heads under their control.
- 3.16 Portfolio holders may transfer monies in accordance with the Ground Rules for Budget Transfer (Appendix 1).
- 3.17 If an urgent or unanticipated revenue need arises, the proposal will be reported to Members as part of the monthly Budget Monitoring Report.

### **CAPITAL BUDGETS**

- 3.18 Prior to the annual consideration of revenue estimates, the appropriate Executive Director and the Chief Finance Officer, in consultation with the relevant portfolio holder, must prepare and submit to the Cabinet a programme of estimated capital expenditure for consideration (the Capital Programme).

3.19 Expenditure is classified as capital expenditure when it results in the acquisition or construction of an asset that:

- (i) Will be held for use in the delivery of services.
- (ii) Is expected to be used during more than one financial year.

Subsequent expenditure on existing assets is also classed as capital expenditure if these two criteria are met.

There may be instances where expenditure does not meet this definition but would nevertheless be treated as capital expenditure, including:

- Where the Council has no direct future control or benefit from the resulting asset, but would have treated the expenditure as capital if it did control or benefit from the resulting assets.
- Where the Government has given explicit permission to capitalise expenditure that would not otherwise be classified as such.

3.20 The Cabinet will make recommendations as appropriate to the Council for final approval. Where new capital projects are proposed that have revenue implications, these must be assessed and included in the revenue budgets.

3.21 Once Council has approved the Capital Programme, the Executive Director concerned will be authorised:

- (a) to instruct the Property Services Manager to acquire, in due time, any land necessary for the purposes of the programme.
- (b) to prepare a detailed scheme and estimate including associated revenue expenditure. Any unanticipated Revenue implications, arising after approval of the scheme, must be dealt with in line with the Ground Rules for Budget Transfer (Appendix 1 of these Regulations).

3.22 If an urgent or unanticipated capital need arises, the proposal will be reported to Members as part of the monthly Budget Monitoring Report and included in the next Capital Programme update.

3.23 The Chief Finance Officer will provide Executive Directors with monthly financial monitoring statements in respect of each approved capital project including details of any known commitments.

#### **4. ACCOUNTING**

4.1 The Chief Finance Officer must approve all accounting procedures and records, including the implementation of any new ICT or automated accountancy system. Where these are maintained in a service area other than that of Financial Services, these will be agreed in consultation with the appropriate Executive Director.

- 4.2 Any member of staff intending to revise or replace any accounting procedure or record (including local procedures or records) must obtain the approval of the Chief Finance Officer beforehand.
- 4.3 At all times, the central accounting system will take precedence. Where local accounting records are maintained, these should be reconciled to the general ledger at regular intervals, in order to ensure that the two records accurately show the financial and associated information recorded in them are correct.
- 4.4 All accounts and accounting records of the Council (including local accounts or accounting records) will be compiled by or be under the direction of the Chief Finance Officer, with the annual accounts being produced within the time limit required by the relevant Accounts and Audit Regulations.

Officers are responsible for ensuring:

- all known items of expenditure are reported in the correct financial year;
  - items are coded to the appropriate codes to accurately record expenditure and income.
  - Any payments in kind are recorded fully, with no netting off.
- 4.5 An Executive Director or other responsible member of staff must ensure that expenditure and income under his/her control is properly accounted for and allocated to the correct budget. Budget holders must monitor their cost centre's performance throughout the year and discuss any major unanticipated discrepancies (either favourable or adverse) with the Chief Finance Officer at the earliest opportunity.
- 4.6 In order to provide an adequate separation of duties, the following principles must be observed in the allocation of accounting duties:
- (a) Individuals who identify, calculate, or record sums due to or from the Council should not, as far as is practically possible, collect or disburse them;
- (b) Staff examining or checking the accounts of the above transactions must not themselves undertake any of the duties shown in 4.6 (a) above.
- 4.7 All invoices or documents relating to financial transactions must be retained for the minimum period set out in the Corporate Retention Policy in order to ensure that the necessary records are available for audit or examination by external agencies, as required.
- 4.8 Executive Directors must supply required information in the form and within the time-scale required by the Chief Finance Officer for accounting purposes, in order to ensure that the financial transactions of the Council are recorded as soon and as accurately as possible.

## **5. BANKING ARRANGEMENTS AND CHEQUES**

- 5.1 The Chief Finance Officer is responsible for all banking arrangements. No other employee or Member is authorised to open or operate a bank account on the Council's behalf.
- 5.2 The Chief Finance Officer is responsible for ordering and maintaining the safe custody of all cheque stationery and credit cards until allocated to authorised individuals.
- 5.3 Cheques on the Council's main bank accounts, including Girobank accounts, will bear the facsimile signature of the Chief Finance Officer or be signed by him or her or such other officer who has been authorised by her to do so.
- 5.4 Cheques for all payments exceeding £50,000 must be counter-signed by one of the employees authorised to do so by the Chief Finance Officer.
- 5.5 No alterations to cheques may be made.
- 5.6 The bank accounts will be reconciled to the accounting records every month.
- 5.7 Monies retained prior to banking must be accounted for using daily income returns (where appropriate) and held in a safe on the premises until collected or banked.
- 5.8 Where the amount of money held in a safe exceeds the level of cover currently available, the Insurance Officer must be informed.
- 5.9 Income returns (where appropriate) must be completed by and verified by a senior member of staff on a daily basis.
- 5.10 As each cash and cheque bag is handed to the courier service for banking, a receipt should be obtained indicating the value and bag reference number. All copies of cash collection paperwork must be retained.

## **6. TREASURY MANAGEMENT**

- 6.1 Treasury Management will operate in accordance with the procedures and reporting requirements set down in CIPFA's "Code for Treasury Management in Local Authorities" and other appropriate codes. The Chief Finance Officer is responsible for all banking arrangements. No other employee or Member is authorised to open or operate a bank account on the Council's behalf.
- 6.2 All executive decisions on borrowing, investment or financing are delegated to the Chief Finance Officer. All money accruing to the Council must be aggregated for the purposes of treasury management and must be controlled by the Chief Finance Officer.

- 6.3 In accordance with the Code, the Chief Finance Officer must inform Cabinet of the activities of the treasury management operation at least half-yearly and on the exercise of treasury management powers delegated to her by 30th September of the succeeding financial year.
- 6.4 An Annual Treasury Management Strategy will be proposed by the Chief Financial Officer and presented to Council for approval after being considered through the Council's scrutiny process by March of the preceding financial year.
- 6.5 This Strategy is required to comply with CIPFA's Codes of Practice on Treasury Management and the Prudential Framework for Capital Finance, relevant Regulations and will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year.

## **7. INCOME**

- 7.1 The Chief Finance Officer has overall responsibility for processing or collecting all income due to the Council. All income received will be recorded in a form approved by her and in accordance with the requirements of the Accounts and Audit Regulations. The preferred means of receiving payment is by electronic methods, in particular direct debit, and cheques must only be accepted as a last resort.
- 7.2 Each Executive Director must, for their service area, maintain comprehensive records as to work done, goods supplied, services rendered and amounts due to the Council as required by the Chief Finance Officer.
- 7.3 All invoices must be raised via the corporate system. Sufficient information to allow all amounts due to be correctly recorded and collected must be provided to the debtors function within 10 working days of the work being done or services rendered to enable an invoice to be raised.
- 7.4 Prompt, appropriate action will be taken to ensure all monies due to the Council are recovered in full, in a timely fashion. Where payment of outstanding monies is not forthcoming, action, including legal action, may be taken to recover and secure these sums.
- 7.5 In exceptional circumstances where electronic methods of payment are not used, all money received by a member of staff on behalf of the Council must be banked in its entirety (i.e. without any deductions) at the earliest opportunity (i.e. no more than one week from the date of receipt). All paying-in slips must show a reference to the related debt (such as the receipt number or the name of the debtor) or the origin of the cheque. The name of the relevant service area or a reference to the related debt must be written or printed on the reverse of each cheque.
- 7.6 Personal cheques must **not** be cashed out of money held on behalf of the Council.

- 7.8 Every transfer of official money from one member of staff to another must be recorded by the recipient and signed by both members of staff involved in the transaction.
- 7.9 The writing off of irrecoverable debts can only be authorised by the Chief Finance Officer in accordance with the Council's Scheme of Delegation, including authority as delegated by her.
- 7.10 Scales of fees and charges within the Council's control must be reviewed at least annually. The Council has delegated authority to the Executive Director of the appropriate services (in consultation with the Chief Finance Officer, the relevant portfolio holder and the Leader) to vary the charges having regard to market conditions and the Council's policy framework.

## **8. EMPLOYMENT STATUS INDICATOR (ESI)**

- 8.1 Before placing an order with an individual it is compulsory to determine their employment status. The term 'employment status' refers to whether a worker (who we are more likely to term a supplier or contractor) is employed or self-employed. This affects the tax and National Insurance Contributions (NICs) that are due on their income. If this is not correctly determined it could lead to the Council having to pay extra tax, NICs, interest and possible penalties at a later stage.
- 8.2 Whether a person is employed by the Council or self-employed will depend on the terms and conditions of our working relationship with them and it is our responsibility for determining their employment status. Employment status is not a matter of choice for either the Council or the individual (the worker). It is a matter of fact, based on key terms and conditions of our working relationship with them. Even if a contractor/supplier says s/he is self-employed, if the facts indicate otherwise then the worker may be our employee.
- 8.3 The procedure is attached as **Appendix 3** and only applies to individuals for services, not for goods or limited companies.
- 8.4 Note that it is necessary to check the status **before** engaging the supplier and agreeing the contract/ terms of work being undertaken. The Council could be subject to penalties from HMRC for non-compliance.
- 8.5 **It is the responsibility of Service Managers to ensure compliance with this procedure for services within their areas of responsibility.**

## **9. CONSTRUCTION INDUSTRY SCHEME (CIS)**

- 9.1 The Council is deemed to be a Contractor by HMRC. Therefore any supplier engaged to carry out works covered by the CIS Scheme is sub-contracting to the Council and must be registered for the Scheme. The Scheme covers a large spectrum of works, ranging from general building works to laying turf on sports fields.
- 9.2 As a contractor the Council is responsible for sending monthly returns to HMRC showing which suppliers have been engaged and also for sending any tax deductions made from the supplier to HMRC.
- 9.3 There are three types of sub-contractor:
- Gross – no deductions made
  - Net – 20% deductions made on labour
  - Net – 30% deductions made on labour.
- 9.4 Before engaging any suppliers, the Council needs to ensure they have registered for the Scheme. For this it is necessary to obtain their Unique Tax reference number, National Insurance number or Company Registration number. Financial Services will verify the supplier with HMRC to determine which type of sub-contractor they are.
- 9.5 Financial Services can provide a list of previously verified suppliers and the type of works they carry out. If you are unsure whether the works are covered by the scheme please ask before engaging the supplier as a deduction of 30% from the labour element of the supplier's invoices, if they are not registered.

## **10. ORDERS FOR WORK, GOODS AND SERVICES**

- 10.1 All purchases must be made, or contracts let, in full compliance with the Council's Contract Standing Orders.
- 10.2 The requirements of European and domestic legislation must be followed where appropriate. For interpretation of the legislation, guidance should be sought from the Procurement Team.
- 10.3 Each order must conform to the directions of the Council with respect to central purchasing and the standardisation of supplies and materials where rules on these exist.
- 10.4 Orders must be raised using the Purchase Order Processing (POP) system. Manual orders can only be used in exceptional circumstances. Verbal orders may only be given as a matter of true urgency and must be confirmed by a POP order without delay, irrespective of the value of the order.



- 10.5 Orders must be placed in such a way as to ensure that the best interests of the Council are met. Under no circumstances must they be split or disaggregated to avoid the Council's requirements, EU competition requirements, Contract Standing Orders or these Financial Regulations.
- 10.6 Any requirement to comply with ESI (Financial Regulation 8) and CIS (Financial Regulation 9) must be considered before an order is raised.
- 10.7 The POP order must be raised prior to the goods or services being requested from the supplier to ensure the order number can be provided to the supplier to be included on the invoice.
- 10.8 Official orders must not be used for any personal or private purchases, nor must personal or private use be made of Council contracts.
- 10.9 Executive Directors can authorise staff to raise orders but this does not delegate their responsibility for official orders issued from their service.
- 10.10 The names of staff permitted to raise or authorise orders must be submitted to the Chief Finance Officer, together with agreed authorisation limits, and specimen signatures. Authorisation details must be amended as a result of any change of staff and/ or structure.
- 10.11 Each Executive Director is responsible for ensuring that the cost of orders are within the overall approved estimates and that Contract Standing Orders have been complied with, where appropriate. Where expenditure is incurred in an emergency, the relevant Executive Director is responsible for obtaining any subsequent authorisation that may be required.
- 10.12 Electronic ordering of goods and services via the internet may be undertaken by those officers who are either authorised signatories or authorised Council credit card holders. Invoices relating to goods or services ordered by these means must be processed through the Council's normal creditor payment method or by Council credit card. Refer to Section 13 on 'Use of Credit Cards'.
- 10.13 Orders must indicate clearly the quantity, quality and nature of the goods, works and services and the contract or agreed prices or rates. Any delivery charges, carriage or post and packing charges must be shown separately in the order.  
  
If items are added subsequently to the order, the electronic order must also be amended to accurately reflect the revised quantities.
- 10.14 Where a Goods Received Note (GRN) or similar is received with delivered goods, this should be checked against delivery and either signed as correct or any discrepancies noted. If the goods cannot be readily checked, the GRN should be signed as unchecked.

- 10.15 Only the goods actually received should be booked in to the POP system and must be matched to the order. Goods Received Notes must be processed onto POP within 5 working days of receipt.
- 10.16 Any mismatches between the invoice and the order or goods received on POP will be returned to the officer who raised the order to resolve.
- 10.17 If, in exceptional circumstances, a paper order has been used, a copy must, if so required, be supplied to the Chief Finance Officer.

## **11. CONTRACTS FOR ICT**

- 11.1 Any software/ hardware procurement over the value of £10,000 must be submitted to the ICT Development Group. Purchases under the value of £10,000 should be agreed with the ICT Manager before procurement. It will be the responsibility of the ICT Manager and/or the ICT Development Group to ensure that the process of ICT Governance is followed for each authorised project.

## **12. CONTRACTS FOR BUILDING, CONSTRUCTION OR ENGINEERING WORK**

- 12.1 All contracts must be let in full compliance with the Council's Contract Standing Orders.
- 12.2 The requirements of European and domestic legislation must be followed where appropriate. For interpretation of the legislation, guidance should be sought from the Procurement Team.
- 12.3 Interim payments to contractors must only be made on a certificate issued by the appropriate Executive Director or authorised representative and must comply with all tax requirements. Payments may be made against interim valuations of the works undertaken to date or materials obtained and on site.
- 12.4 Where the contract payments are made by stage/ interim payments, a record must be kept by the Contract Manager to monitor payments made and amounts outstanding.
- 12.5 Subject to the provisions of the contract, every extra or variation must be authorised in writing by the appropriate Executive Director (or authorised representative) as appropriate and give an estimate of the additional cost or saving of the variation.
- 12.6 At the practical completion of the contract and before the issue of the final payment certificate, the appropriate member of staff, private architect, engineer or consultant must give the Chief Finance Officer a detailed financial statement of the contract, and all relevant supporting documents.

12.7 Where completion of a contract is delayed beyond the period of the contract, it is the duty of the Executive Director concerned to take appropriate remedial action. After consultation with the Chief Finance Officer and the Monitoring Officer, the agreed action taken must be reported to the Cabinet.

### **13. PAYMENT OF ACCOUNTS**

13.1 Payments must **not** be made in advance of receipt of the goods, services or works, and must only be for the value of the goods received, services rendered or works completed.

13.2 Apart from petty cash accounts (see Financial Regulation 16) the normal method of payment of money due from the Council must be by electronic transfer (including Council credit cards). Payments must be undertaken by the Chief Finance Officer or, in the case of credit card payments, by the authorised Council credit card holder. In exceptional circumstances, where a supplier is unable to accept payment via BACS, a cheque will be issued by the Chief Finance Officer.

13.3 If in exceptional circumstances, a cheque is required, all payments exceeding £50,000 must be counter-signed by one of the employees authorised to do so by the Chief Finance Officer.

13.4 When recording on POP that the ordered goods or services have been received or before authorising payment, the authorising member of staff must be satisfied that:

- (a) The work, goods or services to which the invoice relates have been received, carried out, examined and approved;
- (b) The prices, calculations, trade discounts, other allowances, credits and tax are correct;
- (c) The relevant expenditure has been properly incurred and is within the relevant estimate provision;
- (d) Appropriate entries have been made in inventories, stores records or stock books as required; and
- (e) The invoice has not been previously passed for payment and is a proper liability of the Council.

13.5 If an invoice certification slip is required (in exceptional circumstances where a POP order has not been used), at least two members of staff must be involved – one person must not complete all sections of the certification slip. If one person completes all sections, the Chief Finance Officer may return the invoice to the relevant Executive Director for approval.

- 13.6 All discounts available from a supplier are to be taken as a deduction against the cost of goods purchased and must appear on the invoice. Where a supplier provides a free item, or where a discount is only available as goods, the free item or goods may be accepted and will become Council property. Arrangements for their use for Council purposes or disposal will be made by the Executive Director, who must maintain a record of items so acquired, and arrange as appropriate for their entry into stock, stores or inventory records or their disposal in accordance with these Financial Regulations.
- 13.7 Staff must not, under any circumstances, process anything which would result in a payment to themselves or their immediate family. Where it is intended that the Council pay a member of staff, the invoice(s) concerned must be checked and authorised by another approved member of staff.
- 13.8 Invoices may be examined and enquiries made and explanations sought to the extent that the Chief Finance Officer may require.
- 13.9 Invoices must be paid within Council-agreed or Government-dictated time limits, unless they are formally disputed. If an invoice is being disputed, Financial Services must be informed immediately.
- 13.10 Any amendment to an invoice must be made in a manner approved by the Chief Finance Officer, stating briefly the reasons where they are not self-evident.
- 13.11 Each budget holder must, as soon as possible after 31st March and not later than such date as agreed in the closure of accounts timetable each year, notify the Chief Finance Officer of all outstanding expenditure relating to the previous financial year for goods and services received in that year.

#### **14. USE OF CREDIT CARDS**

- 14.1 Council credit cards must only be used on an exception basis, unless authorised by an Executive Director and where it can be demonstrated that the transaction represents value for money or is financially advantageous.
- 14.2 Where arrangements exist, or can easily be set up with suppliers using the Purchase Order Processing (POP) system, Council credit cards must not be used. Where items are purchased on a regular basis, the Procurement Team must be contacted to add the suppliers to POP. Orders for work, goods and services must be made in accordance with Section 8 of Financial Regulations.
- 14.3 Use of Council credit cards for Internet purchases will only be authorised if the Procurement team agree that it is the most cost effective option.
- 14.4 VAT receipts must be obtained where relevant, including internet transactions, and attached to the Expenditure record Sheet.

- 14.5 Council credit cards must **not** be used for:
- minor items where petty cash would be more appropriate
  - for personal use. This includes subsistence expenses and petrol purchases when on Council business. These must be claimed through the payroll system
- 14.6 Use of **personal** credit cards during Council business is not permitted, except for legitimate subsistence expenses and petrol purchases, where such expenses are submitted to Personnel Services for reimbursement through the payroll system (refer to Section 16).
- 14.7 Personal gain from loyalty cards/ schemes must not arise from official purchasing using a Council credit card.

FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY RESULT IN THE SUMS BEING RECOVERED FROM THE SALARY OF THE PERSON AUTHORISING THE EXPENDITURE.

#### **Issue of the Card**

- 14.8 Applications for a Council credit card must be made using the approved form available from Financial Services. The form must be signed by the Line Manager and submitted to the Chief Finance Officer, stating the need for the card. The Chief Finance Officer will only approve applications where the need can be verified and use of an existing Council credit card is not practical.
- 14.9 Upon receipt of the card, the named Cardholder should sign the lower part of the Business Credit Card Application Form. Their signature acknowledges receipt of the card/replacement card. On receipt of the card, this confirms agreement to abide by the 'Barclaycard Terms and Conditions' and the 'Business Credit Card Procedures'.

#### **Responsibilities of the Cardholder**

- 14.10 As stated in the Barclaycard Terms and Conditions, the cardholder must take all reasonable precautions to prevent fraudulent use of the card including the following:
- Sign the card immediately on receipt;
  - *DO NOT* let any other person use the card
  - *DO NOT* save card details on-line i.e. Paypal and Amazon
  - Treat the card like cash, never leave it unattended
- 14.11 If the card is lost, stolen or fraudulent use is suspected contact Financial Services immediately, who will arrange for the card to be cancelled. Should the Cardholder not report the loss immediately, any expenditure incurred between the time of loss and reporting will become the responsibility of the Cardholder, who will be expected to reimburse the Council in full.

14.12 When receiving a new card after expiry of the current one the Cardholder must sign to acknowledge its receipt, and return the out of date card to Financial Services.

14.13 Should the Cardholder leave the council's employment or transfer to a different section, it is their responsibility to notify Financial Services that the card is no longer required and return it before they leave. The card *MUST NOT* be left with someone else in the section to use.

### **Purchasing**

14.14 Credit Card transactions should only be made by the named Cardholder. Use by anyone other than the Cardholder is prohibited.

14.15 The Cardholder must:

- Be aware of their credit limit and ensure it is not exceeded.
- Only use the card within the validity period shown on the card.
- Ensure the card is only used to make official purchases of services/goods for Council use.
- Obtain receipts for all purchases; VAT receipts *must* be obtained where applicable.

14.16 Where the credit card is used to pay for working lunches or entertainment, it will be necessary to complete an attendance sheet. In the event that an attendance sheet is not submitted with the card payment details, the sum will be recovered through deduction from salary, from the individual authorising the spend.

### **Expenditure Record Sheet Completion**

14.17 The expenditure record sheet must be completed with the following details and forwarded to Financial Services as soon as possible when requested each month.

- Date
- Order Number/Delivery Note Number (where applicable)
- Supplier
- Brief Purchase Details
- Net Purchase Price
- VAT amount
- Total Purchase Price
- Confirmation or otherwise that VAT Receipt is attached
- Expenditure codes (including VAT code)

14.18 Original receipts, order confirmation (if purchasing from the internet) must be attached as evidence of all expenditure.

14.19 Where applicable ensure that upon receipt delivery notes used for checking of goods are kept and matched to the subsequent invoices provided by the supplier.

- 14.20 Delivery notes must also be forwarded to Financial Services.
- 14.21 Valid VAT receipts are required to enable the Council to claim back VAT where applicable. This also applies to Internet purchases.
- 14.22 The Cardholder must sign the expenditure record sheet when completed. It must then be signed as approved by a senior officer. These two signatories *must* be different; the same person cannot sign and then authorise.
- 14.23 It is the duty of the authorising signatory to ensure that:
- the form has been completed correctly with all expenditure incurred being bona fide and that,
  - all appropriate records are submitted with the payment details, including VAT receipts and attendance records for hospitality events
  - any reimbursements due to the Council have been made, eg. where meal costs have exceeded allowances.
- 14.24 Where an Internet order has been placed using a Council credit card, the confirmation of the order must be attached to the expenditure form to ensure that there is a record within the Council of the purchase.

**FAILURE TO ADHERE TO THESE PROCEDURES WILL RESULT IN THE CARD FACILITY BEING WITHDRAWN AND DISCIPLINARY ACTION MAY BE TAKEN.**

## **15. GRANTS**

### **TO EXTERNAL ORGANISATIONS**

- 15.1 All grants made to external organisations or individuals must be subject to express approval by the relevant decision-maker(s) (normally an Executive Director or portfolio holder).
- 15.2 Where annual grants are made, a Service Level Agreement will be established with the organisation concerned to detail how the grant is to be used, together with such information about the organisation's finances and other matters (e.g. audited final accounts, business plans, etc.) as may be considered appropriate.
- 15.3 Organisations receiving grant aid must be required to permit access by the Chief Finance Officer or his representative(s), on reasonable notice, to their financial records and premises in order to enable him/ her to verify that the grant has been used in accordance with Council approval.

## **FROM EXTERNAL ORGANISATIONS**

- 15.4 External funding is an important source of income to the Council, but funding conditions need to be carefully considered prior to entering into agreements, to ensure that:
- (a) They are compatible with the aims and objectives of the Council;
  - (b) The necessary procedures are in place to meet funding conditions and reporting requirements; and
  - (c) Appropriate budget provision is available if 'match funding' is required.
  - (d) Any revenue implications have been assessed and included in the revenue budgets.

Therefore all bids for external funding bids must notified to the Chief Finance Officer.

- 15.5 The Chief Finance Officer, in conjunction with Executive Directors must, as appropriate, ensure that all funding awarded or committed by external bodies is received and properly recorded in the Council's accounts. This will include ensuring that claims for funding are made by the due date, and in accordance with the funding conditions.
- 15.6 The Chief Finance Officer and Executive Directors must, as appropriate, satisfy audit requirements in respect of external funding claims. This includes maintaining appropriate records that accord with the funding conditions, and making these available to the auditors as required. Successful applications must be referred to the Audit Manager to consider any associated audit requirements.

### **Third party expenditure**

- 15.7 Sometimes, grant funding awarded to the Council may be passed to an organisation falling outside of the direct responsibility of the Council. The Council will however remain accountable for the grant funding and, as such, will be responsible for ensuring that all of the terms of the grant are met.
- 15.8 The Executive Director in receipt of the grant must ensure that effective monitoring and reporting procedures are in place to provide assurances over the eligibility of expenditure incurred by the third party and the delivery of outcomes. Upon audit, if the eligibility of third party expenditure cannot be proven by the Council, the Council will itself usually be required to return the grant funding to the awarding body.

## **16. PETTY CASH ACCOUNTS and FLOATS**

- 16.1 The Chief Finance Officer will provide petty cash accounts as appropriate to cover incidental office expenses.



- 16.3 Income received on behalf of the Council must not be paid into a petty cash account but must be banked or paid to the Council as required in Financial Regulation 5.
- 16.4 Petty cash expenditure on a single item is limited to £25, except where prior approval has been obtained from the Chief Finance Officer.
- 16.5 An appropriate VAT receipt must be obtained for all items of expenditure. Receipted vouchers, signed by the recipient of the reimbursement must support all expenditure.
- 16.6 Staff responsible for a petty cash account must keep adequate records to support expenditure, in a form approved by the Chief Finance Officer.
- 16.7 Staff responsible for a petty cash account must complete a year-end return.
- 16.8 Each Executive Director must arrange for a periodic (but not less than every six months) check of petty cash accounts under his/her control by a member of staff other than those directly responsible for the operation of the account.
- 16.9 Where the immediate need for a petty cash account or float ends, the petty cash or float holder must account to the Chief Finance Officer for the total amount advanced and pay the balance of the petty cash account or float back to the Council's main bank account.
- 16.10 Where the petty cash or float holder ceases to be the person responsible for it, the accuracy of the records and cash held must be agreed with their line manager.

## **17. SALARIES, WAGES AND PENSIONS**

- 17.1 The Executive Director, Central and Community Services must be notified of all staff appointments, including those made on a casual, and all engagements of workers including those made on a consultancy basis or via an agency, to ensure correct tax records are maintained.
- 17.2 The Executive Director, Central and Community Services must make or arrange for the payment of all salaries, pensions, allowances, compensation and other such payments that are legitimately due to Members, employees, former Members and former employees of the Council. Under no circumstances can payments to staff and Members be made without the prior approval of the Executive Director, Central and Community Services, in order to ensure that the requirements of the HM Revenue and Customs (HMRC) are met.
- 17.3 The Executive Director, Central and Community Services must maintain complete records of all matters affecting the payments of such expenses and in particular:

- (a) Appointments, resignations, dismissals, suspensions, secondments and transfers;
  - (b) Absences from duty for sickness or other reasons, apart from approved leave;
  - (c) Changes in remuneration, including, but not restricted to changes in hours, acting up allowances, leased car, essential and casual user status, pay awards and other negotiated agreements which apply to staff generally;
  - (d) Information necessary to maintain records of service for superannuation, income tax, national insurance and the like.
- 17.4 Appointments of all employees must be made in accordance with Corporate Guidelines and the approved establishment, grades and rates of pay.
- 17.5 All time records or other pay documents must be in a form prescribed or approved by the Executive Director, Central and Community Services and must be certified by an appropriately authorised member of staff (NB Electronic signatures are accepted in the case of electronically submitted timesheets). The names of members of staff authorised to sign such records must be sent to the Executive Director, Central Services together with specimen signatures and must be amended to reflect any changes. A list of such authorised staff will be maintained by Personnel Services and re-drafted annually.
- 17.6 Executive Directors must ensure that overtime claims made by employees are made as a result of a true and complete record of work carried out by the employees concerned.
- 17.7 Members of staff must not certify their own claim forms. Any claim must be authorised by a more senior officer to the claimant.

## **18. TRAVELLING and SUBSISTENCE**

- 18.1 Officers and Members (including co-opted Members of the Council and Council Bodies), who are entitled to claim travelling or other allowances, must submit their claims using the online 'Expenses on Demand' system.

### **VAT Receipts**

- 18.2 The Council is required to hold VAT receipts in relation to business mileage undertaken by employees in order to be able to claim back VAT from HMRC. When HMRC inspect the Council's processes they will audit the receipts held against payments made and will impose penalties if the process specified below is not being followed. Therefore it is important that the requirement to submit receipts is complied with.

- 18.3 Officers and Members are required to submit sufficient VAT fuel receipts to cover the business journeys undertaken. These should be submitted via the drop-boxes provided, or via internal mail where a drop-box is not available. Random checks will be undertaken to ensure employees making mileage claims are submitting receipts.
- 18.4 Claims for reimbursement of expenditure such as parking, meal allowances, public transport etc. must be supported by attaching an electronic copy of the receipt to the online expense claim.
- 18.5 Receipts can be added to the drop box at any time during the month but must be submitted on or before the 8<sup>th</sup> (which is the deadline for mileage claims to be made). Each month, on the claim deadline, the receipts will be removed from the box and forwarded to Financial Services. There will be random checks to ensure that employees making mileage claims are submitting receipts.
- 18.6 The certification by an approved certifier will be taken to mean that the certifying member of staff is satisfied that the journeys were authorised, the expenses properly and necessarily incurred, appropriate receipts have been provided (where relevant) and the allowances properly payable by the Council.
- 18.7 Claims submitted more than three months after the expenses were incurred will be paid only in exceptional circumstances and with the express approval of the Executive Director, Central and Community Services.
- 18.8 All claims relating to a financial year must be submitted by the published payroll deadline date for April (i.e. claims for January, February and March each year must be submitted by the April payroll deadline) to ensure that claims are paid in the correct tax year.

## **19. INSURANCE**

- 19.1 The Chief Finance Officer is responsible for arranging all insurance cover for the Council, and where appropriate negotiating all claims, in consultation with other members of staff as necessary.
- 19.2 Executive Directors must give prompt notification to the Chief Finance Officer of all new risks, contracts and projects and properties or vehicles that need to be insured and of any alterations affecting existing insurance arrangements. If in doubt, contact the Insurance Officer in Financial Services. This could include examples such as joint working arrangements, shared services, staff seconded to other organisations, work carried out on behalf of other organisations, services outsourced or brought back in-house. Any activities outside the remit of normal business activities and statutory duties of a local authority (e.g commercial purpose).

- 19.3 Executive Directors must immediately notify the Chief Finance Officer in writing or by completing an appropriate claim form of:
- any loss, liability or damage or any event likely to lead to a claim. The Chief Finance Officer and the Audit Manager must be informed of any case which appears may lead to criminal proceedings.
  - Any changes to existing services that may increase or decrease risk, any incidents or potential claims that arise, must be notified to the Chief Finance Officer within 5 working days of the change becoming apparent
- 19.4 All relevant employees of the Council are included in suitable fidelity guarantee insurance. For cover under this policy to be applicable, two suitable references must be obtained for all new employees.
- 19.5 On an ongoing basis, service managers must assess if the current insurance levels are fit for purpose and inform Financial Services of any changes.
- 19.6 Executive Directors must consult the Chief Finance Officer and the Monitoring Officer concerning the terms of any indemnity which the Council is requested to give.
- 19.7 Any employee who is providing professional services to another body on behalf of the Council, must contact the Insurance Officer to assess if professional indemnity cover is required.

## **20. STOCKS AND STORES**

- 20.1 Each Executive Director must ensure the safe custody and physical control of the stocks and stores under his/her supervision.
- 20.2 Stocks must be maintained at an appropriate level for day-to-day delivery of the service, except in special circumstances with the approval of the relevant Executive Director.
- 20.3 Executive Directors must arrange for periodical test checks of stocks by persons other than storekeepers and must ensure that all stocks are checked at least once in every year.
- 20.4 All records and accounts relating to stocks and stores must be in a form approved by the Chief Finance Officer. Each responsible member of staff must supply the Chief Finance Officer with sufficient information relating to stocks and stores to allow for the proper accounting, costing and financial records of the Council to be prepared and maintained.
- 20.5 Any write-off of stock must be authorized by the budget holder and notified to the service accountant. The stock records must be amended accordingly with an appropriate explanation and the method of disposal noted.

## **21. INVENTORIES**

- 21.1 The Chief Finance Officer will maintain an inventory, as described in the Inventory Procedures (**Appendix 2**), of a variety of items for the purpose of ensuring they are adequately and appropriately insured against loss, damage or theft. The ICT service will maintain a continuous inventory of all computer-related items.
- 21.2 Each Executive Director must advise the Chief Finance Officer, upon request, of any changes to the inventory list held by him/ her. Where valuable or highly attractive new equipment or other insurable item is either acquired or disposed of (by whatever means), the Chief Finance Officer must be advised accordingly in order to ensure they are insured appropriately.
- 21.3 Except in accordance with specific directions issued by the Executive Director concerned, Council property may only be removed from Council premises in accordance with the ordinary course of the Council's business for the Council's purposes.
- 21.4 Year-end notifications must be returned to Financial Services by 30<sup>th</sup> April.

## **22. DISPOSALS (except Land and Property Assets)**

- 22.1 Before an item is disposed of, consideration should be given as to whether there is a use for the item elsewhere within the Council.
- 22.2 Any asset or item of stock deemed obsolete or surplus to requirements must, where the expected loss on disposal is no more than £2,500, be sold or disposed of on the authorisation of the responsible Executive Director.

Where the expected loss on disposal exceeds £2,500, the approval of the Chief Finance Officer must also be obtained.

All items with a significant market value should be disposed of via public auction (other than land, which is to be disposed of in accordance with Contract Standing Orders).

- 22.3 It is the responsibility of each Executive Director to establish that legal title rests with the Council prior to the disposal of any item.
- 22.4 Leased items should be returned to the lessor at the end of the lease term.
- 22.5 Wherever an item is disposed of, the appropriate stock or inventory record must be updated to reflect the disposal.
- 22.6 When disposing of ICT assets, the processes in the ICT Asset Disposal document must be applied. The (non-exclusive) list of assets to be included under this policy includes hardware such as Servers, PCs, Laptops, Tablets,

Monitors, Printers, Scanners, Handheld Devices, Cabling and Software and data held on removable media such as CDs and DVDs. If in any doubt as to whether an item falls within the parameters of the document, consult with the ICT Manager.

## **23. LAND AND PROPERTY ASSETS**

- 23.1 The Property Services Manager will maintain an estates management record of all the Council's land and property interests, stating the purposes for which the land is held, the location, the extent and plan reference, purchase details, particulars or nature of interest, rents payable and particulars of tenancies granted. This will include land and property under lease or rent.
- 23.2 The Monitoring Officer will keep all title deeds in a secure location.
- 23.3 All acquisitions and disposals of land must be undertaken in compliance with the Council's Contract Standing Orders.
- 23.4 Where land or property is disposed of at or below the current market value or in any exchange, this must comply with the requirements of the relevant legislation, as updated by the latest Statutory Instrument or Consent.
- 23.5 All disposals of Council land and property must be promptly notified to the Property Services Manager to ensure the record of interests is maintained accurately, and to Financial Services.

## **24. COMPUTER SECURITY**

- 24.1 The ICT Manager is responsible for maintaining the proper security and privacy of electronic information held on the Council's network and any associated storage media or for its use. Executive Directors are responsible for maintaining the proper security and privacy of information held in user applications for which they are responsible, in conjunction with the ICT Manager.
- 24.2 The ICT Manager is responsible for ensuring that procedures are adhered to for maintaining the privacy and security of all computerised data held by the Council in electronic form, as set out in the ICT Policy Documents.
- 24.3 Each Executive Director is responsible for notifying the Data Protection Officer and the Chief Finance Officer of all new computer applications and administrative records and procedures so they can be assessed for notification under the Data Protection Act and compliance with ICT Governance.
- 24.4 The ICT Manager will be responsible for co-ordinating the necessary audit required to maintain PCI-DSS compliance.

## **25. SECURITY - GENERAL**

- 25.1 Each Executive Director is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc. under his/her control. He/she must consult the Chief Finance Officer in any case where security is thought to be inadequate or where it is considered that special security arrangements are necessary.
- 25.2 Maximum limits for cash holdings must be agreed with the Chief Finance Officer and must not be exceeded without her express permission.
- 25.3 Keys to safes and similar receptacles are to be with the designated keyholder at all times. Such keys must not be left on site when the premises are not occupied by Council staff, unless expressly approved by the Chief Finance Officer. The loss of any such keys must be reported to the Chief Finance Officer as soon as their loss has been noticed.
- 25.4 Each Executive Director must ensure that personal data that no longer needs to be retained is securely and confidentially disposed of.
- 25.5 Where staff keep money on Council premises for activities such as sweepstakes, lottery syndicates and collections, they do so at their own risk and the Council cannot take responsibility for its security.

## GROUND RULES FOR BUDGET TRANSFERS

1. These Ground Rules apply where:
  - (a) an expenditure budget is going to be exceeded or there will be a shortfall in income
  - (b) there will be a saving on expenditure or additional income has been generated and an Executive Director wishes to utilise it.
  
2. Expenditure on capital financing costs, and support services (including computers) and interest on capital receipts fall outside these ground rules.
  
3. For the purpose of these Ground Rules, the following definitions apply:
  - (a) Transfer means the movement of budgetary provision between budget heads. A budget head is defined as a line appearing in a service budget.
  - (b) Portfolio Holder will be taken to mean the Councillor who is responsible for an area of the Council's activities as agreed by Council.
  - (c) Executive Director means a member of the Council's Management Team and who is responsible for managing any of the Council's functions, as defined in the Council's Constitution.
  - (d) "Key decisions" are as defined in the Council's constitution as an executive decision which is likely to:
    - (i) result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council 's budget for the service or function to which the decision relates; or
    - (ii) be significant in terms of their effect on communities living or working in the area comprising two or more wards and electoral divisions in the Council's area.

N.B. Significant under (i) above is defined as being greater than £250,000  
 Significant under (ii) above is one third of the resident population in a ward.
  
4. The procedures for dealing with transfers are as follows:
 

Up to £250,000	The portfolio holder(s) has (have) delegated authority subject to the action not being considered a key decision.
Over £250,000	Cabinet to approve



5. When completing a transfer of budget provision using delegated authority, the Exercise of Delegated Authority form must be completed.
6. In addition, all cases of transfer of budget provision will be recorded by the Chief Finance Officer.
7. Budget transfers shall only be undertaken if:
  - (a) the proposed savings or additional income to fund any overspend are achievable.
  - (b) the additional expenditure will, in fact, arise and the particular budget will not then be overspent or the expected income will be achieved to finance the budget transfer.
  - (c) The total of the budget based upon a portfolio holder's area of responsibility will not be overspent.
8. Savings in non-recurring expenditure or additional income should not be used to finance additional recurring expenditure.
9. Transfers must not be made into permanent staffing budgets.
10. Savings on staffing budgets can be used for non-recurring costs where they arise from a positive decision to produce savings.
11. Transfers made across portfolio areas will be subject to agreement of all relevant portfolio holders.

### **Transfers from reserves**

12. Where a reserve exists for a specific purpose (e.g. a renewal or repair reserve), the Chief Finance Officer may withdraw funds from that reserve, PROVIDED THAT the withdrawals to finance an item or items of expenditure related to the reasons for the existence of the reserve, up to a value of £100,000 per annum. Any necessary withdrawal that exceeds this amount additionally required the approval of the relevant portfolio holder.
13. Decisions involving additional resources from ear-marked reserves may be made by any portfolio holder up to a maximum of £50,000 per Portfolio Holder in any financial year, subject to compliance with Financial Regulations.
14. Any use of reserves as described above must be reported in the next monthly budget monitoring report.
15. Where any decision has been made without regard to Financial Regulations and it is noted prior to the commitment or spending, the Chief Finance Officer and the Monitoring Officer will have the authority to defer the payment until further discussions have been undertaken with the relevant portfolio holder.

## INVENTORY PROCEDURES

### **Purpose**

Inventories are necessary to enable the Council to keep accurate records of equipment for accounting purposes and also to assist with planning future replacements. In order to compile and maintain a complete and accurate corporate register, it is necessary to have a minimum amount of information supplied on a consistent basis by all relevant areas of the Council. This document is intended to provide guidance on what information is required and how it should be recorded.

### **Operation**

Each Executive Director will decide how their service area should be divided up for the purposes of maintaining relevant inventories. A person will be nominated in each section to own and maintain the inventory.

On an annual basis that person will be asked by Financial Services to check the accuracy of the inventory and either confirm the current status or provide details of changes by 30<sup>th</sup> April.

### **Records**

The attached document gives guidance on items that should or should not be included on the inventory. An initial check should be made to ensure all relevant existing equipment is recorded. New equipment should be added as soon as it is purchased.

A spreadsheet is attached that collects the minimum amount of information required. If necessary sections can be added to the right hand side of the spreadsheet to record further information to suit their own purpose, but do not make it over complicated.

If you have any questions, please contact Financial Services

## **INVENTORY REQUIREMENTS**

### **1. Items NOT to be included in Inventories**

#### **1.1 Personal computers/ related hardware/ software**

All personal computers and related hardware and software will be entered in an inventory maintained by ICT. There is no need to enter such items in other inventories. This will include laptops, mobile phones and PDA's.

NB All such equipment based on Council property and covered by Council insurance must only be purchased via ICT.

#### **1.2 Office Furniture**

Standard office furniture should not be included in inventories.

### 1.3 **Property related Equipment**

Fixed plant items that are maintained by Property Services, such as boilers and air conditioning units, should not be included in the inventory. For further information on what is covered by Property Services, please contact Allison Bingham, ext 6743.

### 1.4 **Vehicles**

These are purchased through the Capital Scheme and therefore already entered on to the Asset Register by Accountancy.

## 2. **Items to be included in Inventories**

### 2.1 **Capital Equipment**

Where equipment has been purchased as part of a capital scheme, the initial details will be recorded on the corporate inventory by Accountancy. However, when such equipment is replaced, the method of the disposal and details of replacement equipment must be entered on to the relevant section inventory as described in this document.

### 2.2 **Historical artifacts**

Paintings and historical artifacts should be recorded on a specific inventory and re-valued every 3 years by a reputable valuer experienced in such items.

### 2.3 **Other equipment**

- Equipment which falls outside the definitions given above must be included in inventories if the replacement value is estimated to be more than £1,000.
- Equipment which is owned by the Council, but not located on Council premises (e.g. tools kept in vans), must be included in the inventory arrangements.
- Equipment whose replacement value is estimated to be less than £1,000 but which is considered to be 'portable and attractive' may be included at the discretion of the Director. This may be items such as, but not limited to, cameras, monitoring equipment and tools.

### 2.4 **Leased equipment.**

Under new accounting rules, it is important that leases are classified correctly and therefore you will need to contact Accountancy if an agreement is referred to as a 'lease'. Accountancy will want to establish if it is a Finance lease or an Operating lease and some notes are included in Section 4 to help you understand the difference.

### 3.0 Format of the Inventory

3.1 The inventory should be kept in the format attached which records:

- a) The item
- b) Any serial number or any other such unique identifier
- c) A description
- d) Responsible officer
- e) The date of acquisition where known. (See note 3.2 below)
- f) The initial cost (See note 3.2 below)
- g) The estimated replacement date
- h) The date of disposal (where items have been disposed of).
- i) Free text area to make any further comments or to note the method of disposal (note 3.3 below)

3.2 Where an item has been owned prior to the introduction of the inventory and the initial date of purchase and cost is not known, it is acceptable to enter 'pre-December 2010'. For all future purchases, a date and value must be entered.

3.3 When an item is disposed of, the means and details of disposal must be recorded in the free text column.

3.4 Once completed a copy of the inventory should be sent to Financial Services. On an annual basis you will be asked to confirm the accuracy of the inventory, or provide an amended version, which should be signed and dated.

### 4.0 Leases

4.1 From April 2011, the Council has to present its Statement of Accounts in a revised format to comply with the International Financial Reporting Standards (IFRS). Part of this requires us to classify Leases as either:

- Finance, or
- Operating

4.2 A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception (beginning) of the lease.' *Summaries of International reporting Standards, Deloitte.*

4.3 Finance Leases

Situations that would normally lead to a lease being classified as a finance lease include the following:

- The lease transfers ownership of the asset to the lessee by the end of the lease term. At the end of the lease, the council will become the owner of the asset.

- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the beginning of the lease, it is reasonably certain that the option will be exercised. At the end of the lease, the council can buy the asset at a low price, and this was known from the start of the lease.
- The lease term is for the major part of the economic life of the asset, even if title is not transferred. By the end of the lease, the asset is worn out.
- At the beginning of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. It is known from the start of the lease that the payments would amount to the cost of the asset.
- The lease assets are of a specialised nature such that only the lessee can use them without major modifications being made. It is something only this council could realistically use.
- If the lessee is entitled to cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee. If the council exercises the right to cancel the lease, we have to pay any losses that the other party incurs as a result.
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent. The council can extend the period of the lease at a much lower rent than normal.

In each case, we are effectively buying the benefits of the whole asset over time by paying for it gradually.

If the terms of the lease do not match any of the above, then the lease is an Operating lease.

**As stated before, please contact Financial Services if you think an agreement you are entering in to is a lease.**

**Service:**  
**Section:**  
**Inventory**  
**Title:**  
**Nominated**  
**holder:**  
**Year of**  
**inventory**

<b>Item</b>	<b>Serial number</b>	<b>Description</b>	<b>Responsible officer</b>	<b>Date acquired</b>	<b>Initial cost</b>	<b>Estimated replacement date</b>	<b>Date of disposal</b>	<b>free text area</b>

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**New suppliers being used by a Service Area for the first time**

The Service Manager of an area where a payment will be made to a supplier for the first time will be responsible for undertaking the necessary check to confirm the employment status of the individual concerned **before** engaging the supplier and agreeing the contract/terms of the work being undertaken.

To confirm the employment status of the individual concerned the Service Manager must:

1. Go to the HMRC's employment status indicator tool on their web-site <http://www.hmrc.gov.uk/calcs/esi.htm>.
2. Complete the tool by carefully answering the questions posed.  
The initial questions are detailed below:

**Initial details**

Please answer the questions marked with a \*

What is the customer role? ENGAGER

Is the enquiry in relation to a future contract? YES

What is the worker's current employment status? NOT KNOWN

**Work details**

Please answer the questions marked with a \*

Engager's business: PUBLIC SECTOR-OTHER

OTHER (Alive Leisure should select this option)

If other, please enter description here: Alive Leisure to complete as LEISURE TRUST

**Trade details**

Please answer the questions marked with a \*

Trade of worker: SELECT FROM DROP DOWN BOX, IF UNKNOWN

SELECT OTHER, THEN COMPLETE DETAILS IN DESCRIPTION BOX

**Continue to complete each of the following questions as per details of contract until you receive the Employment Status Indicator Result screen.**

3. Print the Employment Status Indicator Result when this page is reached, an example of the screen is detailed below:

ESI Reference: \*\*\*\*\* **Close Enquiry Details Summary**

**Employment Status Indicator Result**

Based on the information you have provided, **the worker is self-employed.**

The result is based on the following grounds:

Version: 1.3.0.2

**The worker is self-employed. [Why ?]**

**There is a high indication of substitution. [Why ?]**

**Printer-friendly version**

4. Print the relevant enquiry details page (found by clicking the words 'Enquiry Details' in the top right hand corner of the page) to provide evidence of the information used to determine the employment status result.
5. Complete, sign and date the Council's 'ESI Declaration form', available on Insite. Attach the form to the pages printed from the HMRC web-site.
6. If the employment status result confirms that the individual is self employed, and the supplier is being used for the first time, the Service Manager must:
  - a. Complete the Council's "New Supplier Form" (copy attached) in full including signing and dating the form.
  - b. E-mail the completed form to Procurement [procurementtenders@west-norfolk.gov.uk](mailto:procurementtenders@west-norfolk.gov.uk) for approval.
  - c. Attach the ESI declaration and pages printed from the HMRC web-site to the completed New Supplier Form.
  - d. Retain a copy (preferably scanned) of all paperwork, you will need to refer to these in the future.
  - e. Send the original versions of all paperwork to Financial Services, for the attention of Kerry Lovick.
  - f. Financial Services will issue a new supplier number once the correctly and fully completed paperwork has been received.



If the employment status result states that the individual is an employee the Service Manager must contact the Personnel Services Manager/Payroll and Systems Administrator immediately and forward the original versions of the ESI declaration and pages printed from HMRC web-site to Personnel.

### **Processing Payments To A New Supplier For The First Time**

- When the first invoice is received for your new supplier (or for the new purpose/task/service provided by an existing supplier) you must write the appropriate HMRC 'ESI Reference' (found on the Employment Status indicator result page, see section 3 above) on the top of the invoice prior to forwarding to Financial Services for payment.
- **UNDER NO CIRCUMSTANCES WILL INVOICES TO INDIVIDUALS BE PAID WITHOUT THE RELEVANT ESI REFERENCE NUMBER BEING PROVIDED.**
- If a Service Manager is in any doubt as to whether an ESI Reference has been provided to Financial Services for a particular supplier, or has any doubt whether the employment status check undertaken for a supplier relates to the same services/tasks being performed **THE EMPLOYMENT STATUS INDICATOR TOOL MUST BE COMPLETED AND THE NEW ESI REFERENCE SUPPLIED.**

### **Processing POP Orders**

Those placing POP orders must follow the procedure outlined above in full, including:

- completing the Employment Status Indicator tool and printing the results sheets
- attaching to a completed ESI declaration form
- completing the New Supplier Form if this is a new supplier,
- sending all paperwork to Financial Services

– this must be undertaken before an invoice for the order can be paid.

### **Existing Suppliers**

To assist with the transition to this new arrangement for paying suppliers, Financial Services are completing the Employment Status Indicator tool for a number of existing individual suppliers who regularly undertake work for the Council. A list of the suppliers that have been checked, and the details of purpose/tasks/services they have been checked for, will be made available on Insite.

If you receive an invoice from an existing supplier please check against this list to ensure the answers given on the ESI tool apply to the purpose/task/service you have engaged them for. If so you may use the ESI Reference number stated rather than

complete the ESI tool yourself. Please write the relevant ESI number on the top of the invoice you wish to be paid prior to sending to Financial Services.

If you have any doubt as to whether the purpose/tasks/services being undertaken are the same – you must complete the ESI tool and ESI declaration, and notify Financial Services of the resulting reference number.

If you have an invoice to pay for an existing supplier who is not on the list you must:

1. Complete the ESI tool on the HMRC website,
2. Print the Employment Status Indicator Result page and the relevant enquiry details page (found by clicking the words 'Enquiry Details' in the top right hand corner of the page)
3. Complete, date and sign the ESI declaration including supplier number and (where appropriate) POP order number.
4. Retain copies of above paperwork for your records
5. Forward original versions of above paperwork to Financial Services for the attention of Kerry Lovick.

## Cash Limits

In all cases the Budget Cash Limit will be seen to be the 'bottom line' of a service cost centre as presented in the Financial Plan 2015/2020 and the financial ledger.

It will be the responsibility of the Assistant Director to make sure that any anticipated overspending in a cost centre, as a first option, is compensated by a reduction in the same service area. In the event that this is not possible the Assistant Director must as a second option look for compensating reductions within another service area under their responsibility. (It is accepted that this may mean changes across Portfolios).

If this is not possible then the Assistant Director must report the circumstances to the Management Team requesting the forecast overspend to be met from corporate resources.

The decision on how to meet the shortfall will be made by Management Team in consultation with the portfolio holder for Resources, before the overspending is authorised.

These cash limits rules will not apply to elements of the budget that are 'outside' of the control of the service manager. These will include;

- rent and rates
- insurances
- benefit payments
- support service charges
- capital financing
- asset rentals
- interest on capital receipts

Where there are increase/reductions in the above, it will be necessary for the Assistant Director to report to Management Team and complete the appropriate Exercise of Delegated Authority (EDA) form or Cabinet report.

In all other cases the cash limits rules will apply although Management Team, in consultation with the portfolio holder for Resources, will consider exceptions in particular cases. (As an example, this may be the case where the pressure comes from reduced levels of income from 'demand led' services).

In all cases Financial Regulations require the Assistant Director to gain Portfolio Holder(s) approval for them to complete the EDA form. A copy of the form must be sent to the Assistant Director for adjustments to be made to the budget records in the financial ledger.

Any budget transfer with a value of £250,000 or above is a 'key decision' and must be subject of a report to Cabinet.

In dealing with the overspending it will be the responsibility of the Assistant Director to identify compensating reductions within one month of the issue being identified. This will form part of the Monthly Monitoring Report.

As a reminder, the Financial Regulations state;

- transfers must not be made into permanent staffing budgets;
- savings in non-recurring expenditure or income should not be used to finance additional recurring expenditure

**Lorraine Gore**  
**Assistant Director (S151 Officer)**