

Somerset Council Financial Regulations

(Excluding all Schools)

March 2023

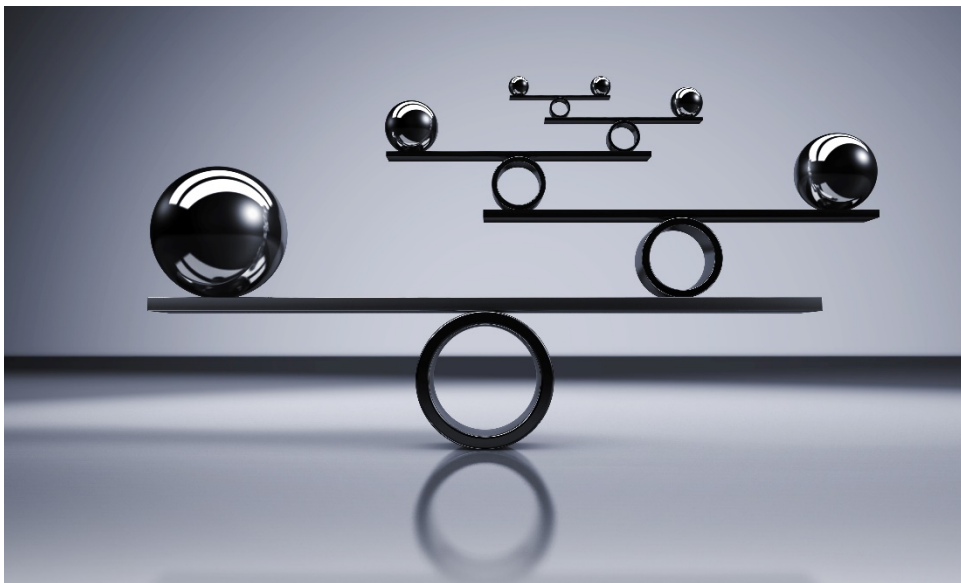


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Section 1 - Introduction

Why do we need Financial Regulations?

The challenges faced by the Council to provide and maintain high quality services will continually require effective management of resources used by the Council on behalf of the local taxpayer. Stewardship of Council finances requires high standards of financial integrity and accountability.

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

All large organisations have a set of rules to regulate their finances and to protect the interests of their stakeholders and staff. However, the rules themselves are not of any use unless they are known and understood. These Financial Regulations will be supported by regularly updated strategies, policies, and procedures to ensure that they can be interpreted and carried out as part of day to day Council business.

Who should read and understand Financial Regulations?

The Council's Executive Director – Resources and Corporate Services (Section 151 Officer), as the Council's statutory Chief Financial Officer is ultimately responsible for ensuring the proper administration of the Council's financial affairs. These regulations form part of the arrangements that the Council's Section 151 Officer has put in place to discharge his/her statutory responsibilities and compliance is required by Members, Officers and other individuals carrying out work on behalf of the Council.

Service Directors are responsible for bringing the regulations to the attention of every member of staff. Finance will provide training. Monitoring compliance is a role for Directors, Strategic Managers, Service Managers as well as the Finance Service.

Other Finance Policies and Procedures

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

The Financial Regulations will be found on the Council's Internal Web site along with copies of specific Financial Procedures.

Compliance

Directors are responsible for ensuring that all staff (including non-permanent staff) in their services are aware of the existence and content of the Council's Financial Regulations, policies and procedures and other internal regulatory documents and that they comply with them. Directors are responsible for reporting any breaches of the Financial Regulations to the S151 Officer, who is also responsible for reporting, where appropriate, breaches of the financial regulations to Council and Executive. The Council's Disciplinary Policies / Procedures will be used if non-compliance is identified.

Maintenance

The S151 Officer is responsible for maintaining a continuous review of the financial regulations and supporting documents and submitting any additions or changes necessary to the full Council for approval. He / she may issue advice, guidance, and procedures to underpin the financial regulations that members, officers, and others acting on behalf of the Council are required to follow. Directors must advise the S151 Officer on circumstances that may require the development of supplementary advice and guidance on financial procedures or systems of internal control.

Section 2 - Financial Management Roles & Responsibilities

1. The Council's Financial Regulations form part of the formal Constitution of the Council which is accessible through the Councils' Website.
2. Sound financial management is critical to the Council in successfully achieving its plans, objectives and quality standards and is essential in order to:
 - plan and maintain effective use of resources to achieve agreed service delivery standards.
 - comply with legislation, related professional Codes of Practice and accounting standards.
 - provide accurate, complete, and valid accounts and information which demonstrate accountability to the public.
 - ensure the appropriate use and security of financial and physical asset.
 - help the Council conduct its affairs in an efficient, effective, and economic manner.
3. Financial management is, therefore, concerned with the policies, processes, procedures, and standards of the Council. Within this context the key areas of responsibility, and associated specific financial regulations, are as follows:

Council Members	<p>Approve Financial Regulations.</p> <p>Set the overall budget framework, budget, and monitor performance against agreed targets.</p> <p>Provide the reporting framework to monitor the achievement of Service objectives within the resources allocated.</p> <p>Determine the level of responsibility for financial management.</p> <p>Approve the Treasury Management Strategy and mid-year review.</p>
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Audit Committee	<p>The Council has delegated to the Audit Committee its powers and duties relating to reviewing risk management, governance and internal audit arrangements of the council and reports from external audit and inspection agencies. It specifically:</p> <ol style="list-style-type: none"> 1. approves the annual accounts of the Council (including the Pension Fund) and the Annual Governance Statement. 2. Provide an overview role in Treasury Management matters including regular monitoring of treasury activity and practices. 3. Review and recommend the Non-Treasury Management Investment Strategy, the Capital Strategy, the Flexible Capital Receipts Strategy, the MRP Strategy, and any appropriate Prudential Indicators to Council. 4. Considers the external auditor's annual letter, relevant reports and the report to those charged with governance. 5. Approves the Internal Audit Plan, and Charter and monitors their delivery and effectiveness. 6. Considers and approves the Annual Governance Statement as prepared in accordance with statutory requirements and to monitor progress on the significant issues and actions identified.
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	<ol style="list-style-type: none"> 7. Reviews periodically and monitors the Council's Risk Management arrangements, make recommendations and monitor progress. 8. Reviews key financial governance procedures, i.e. Financial Regulations, Contract Procedure Rules and Standing Orders, Anti-Fraud & Corruption Policy and recommend to Council any necessary amendments. 9. Considers reports from the Internal and External Auditors and to monitor progress on accepted recommendations. 10. Reports annually to Council on its work.
Chief Executive	<p>Head of Paid Service and Head of the Local Authority (Local Government and Housing Act 1989)</p> <p>Provides strategic management and establishes a framework for management direction, style, and standards to ensure the Authority's function are properly coordinated.</p> <p>Responsible for the organising the Council's staff and appropriate management arrangements.</p> <p>Secures a process for resource allocation that ensures due consideration of policy.</p> <p>Monitors the performance of the Council.</p>
Executive Director - Resources and Corporate Services	<p>The Executive Director - Resources and Corporate Services carries out the statutory role of S151 Officer and is responsible for:</p> <ol style="list-style-type: none"> 1. The proper administration of the Council's financial affairs and advising on effective internal control. 2. Setting and monitoring compliance with financial regulations.

	<p>3. Issuing advice, guidance, and procedures to underpin the financial regulations.</p> <p>4. Determining the accounting procedures and financial records for the Council.</p> <p>5. Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.</p> <p>6. Preparing the revenue budget and capital programme and reporting to the Council on the robustness of the annual budget and the adequacy of reserves.</p> <p>7. Establishing and maintaining Treasury management arrangements.</p> <p>8. Preparation & consolidation of the Accounts</p> <p>9 Reporting to Council, Executive, and external auditor if the Council or one of its officers:</p> <ul style="list-style-type: none"> • has made, or is about to make, a decision which involves incurring unlawful expenditure. • has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council. • is about to make an unlawful entry in the Council's accounts. <p>10. Advising the Pension Committee on all matters of policy concerned with the administration of the Pension Fund, including the investment management arrangements.</p>
Executive Directors	<p>Provide strategic management, guidance and overview of budget setting and budget monitoring ensuring that there is due consideration of the Council's agreed policies and strategies.</p> <p>Provide strategic challenge and overview of major projects (capital and revenue).</p>

Monitoring Officer	<p>The Monitoring Officer is a statutory post appointed under section 5 of the Local Government and Housing Act 1989. They have a duty to report to the Council if a contravention of law, Code of Practice or any maladministration has arisen through any decision or omission by the Council, by any Member, Committee or Officer of the Council.</p>
Service Directors	<p>Ultimately accountable for all budgets with their area of control and can determine the appropriate level of delegation of responsibilities within those areas of control in accordance with advice and guidance provided by the S151 Officer, the Monitoring Officer, SLT and the Council's auditors.</p> <p>Establish clear accountabilities for all managers that include objectives of and responsibility for systems and information.</p> <p>Ensure all their staff understand and comply with Financial Regulations, Contract Procedure Rules and Standing Orders, Council policies and procedures and Service specific instructions.</p> <p>Ensure that Heads of Service and Strategic Managers have effective procedures for:</p> <ul style="list-style-type: none"> - Accomplishment of their objectives. - Compliance with rules and regulations. - The reliability and integrity of information. - Efficient and effective use of resources. <p>Operate systems/processes to monitor/verify that internal controls are in place and operating effectively.</p> <p>Monitor compliance with these regulations.</p>
South West Audit Partnership	<p>Provide an independent Internal Audit Service which has unfettered access to the Chief Executive and Senior Management and is able to access all</p>

	<p>relevant records and information within the Authority to carry out its role.</p> <p>Reports to the Audit Committee on the delivery of the approved Audit Plan.</p> <p>Provide independent, objective assurance / advice to management on the operation of internal controls (including financial) to improve an organisation's operations.</p> <p>Provide an annual opinion on the framework of internal control and risk management.</p> <p>Investigate on behalf of the organisation any suspected financial irregularities or misuse of resources and ensure that there is a system in place to allow staff, contractors, or the public at large to report serious concerns confidentially.</p>
External Audit	<p>Report on whether the Council's accounts and statements present fairly the Council's financial position.</p> <p>Report on whether the Council has put in place proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.</p> <p>Grant Claim certification, where appropriate.</p>
All Employees	<p>Have a responsibility for following Financial Regulations and other Council policies & adopted regulations (including the Officer Scheme of Delegation, Contract Procedure Rules and Standing Orders, the Employees Code of Conduct) and Service specific instructions.</p> <p>Help the Council maintain an open and honest administration by supporting approved fraud prevention strategies and avoiding potential conflicts of interest.</p>

	<p>Service Directors, Heads of Service, Strategic Managers, and Service Managers in operating effective procedures to:</p> <ul style="list-style-type: none">- Achieve its' objective.- comply with rules and regulations.- maintain the reliability and integrity of information.- efficiently and effectively use resources. <p>Keep accurate and comprehensive records to support the transactions undertaken on the Council's behalf.</p> <p>To provide the necessary assistance to Internal and External Auditors to meet their requirements.</p>
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In addition, please refer to:

The Council's Constitution

Section 3 – Internal Audit

Why is this important?

1. The purpose of this section of is to highlight the authority of Internal Audit (through SWAP), when reviewing the accounting and financial arrangements within the Council.

Statutory Requirements:

2. The Accounts and Audit Regulations 2015, Part 2 (6), require that a “relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”. These Regulations cover the requirements of Section 151 of the Local Government Act 1972, which states that authorities must “make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for administration of those affairs.”

The Internal Audit Charter:

3. SWAP must periodically review the Internal Audit Charter and present it to senior management and the Audit Committee for approval. The Internal Audit Charter sets out the purpose, nature, role, responsibility, status, and authority of internal auditing within Somerset Council, and to outline the scope of internal audit work.

The Internal Audit Plan

4. An annual Audit Plan is approved through SLT and then the Audit Committee. The Audit Committee monitors the delivery of the plan on a regular basis and can call on Officers to clarify, respond to, and update them on any matter that requires immediate attention.

Responsibilities of Council Employees in Responding to Internal Audit

5. The Accounts and Audit Regulations 2015 provides that any Officer of the Council must make available such documents of the Council that relate to its’ accounts and other records as appear to be necessary for the purpose of the Audit.
6. The South-West Audit Partnership’s authorised representative shall have authority to:

- Enter at any reasonable time, any operational or administrative Council premises or land and have access to all Council property.
- Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer systems relating to any transaction of the Council, or non-official funds operated by Council employees.
- Require and receive such explanations as are necessary concerning any matter under examination.
- Require any employee of the Council to produce or account for cash, or any other property under their custody or control.
- Examine any work or services carried out for the Council by an employee or contractor, and any goods purchased on behalf of the Council.
- Review, appraise, and report on the soundness, adequacy, and application of internal controls. This includes those controls to protect Council resources, property, and assets from loss/waste.

Section 4 – Risk Management

Why is this important?

1. Risk management is an integral part of the corporate governance framework for Local Government.

Objectives of risk management processes:

- Improved strategic, operational, and financial management.
- Contributing to more efficient use/allocation of resources.
- Mitigation of key threats and taking advantage of key opportunities.
- Protecting and enhancing assets and image.
- Improving decision-making (making the right decisions).
- Safeguarding of tangible and intangible assets.
- Promotion of innovation and change.
- Optimising operational efficiency and therefore delivering efficiency gains and value for money.
- Allocating time and management effort based on formal assessment of threats and opportunities.

Key Responsibilities for Members:

2. Council Members must gain an understanding and promote risk management and its benefits throughout the Council & its partners as well as ensuring they take risk management into consideration when making decisions.
3. Both the Executive Committee and Elected Members oversee the effective management of risk throughout the Council and its partnerships, and gain an understanding of its benefits, ensuring officers develop and implement a comprehensive approach to risk management.
4. The Audit Committee provides independent assurance of the risk management framework and associated control environment, and, provides independent scrutiny of the Council's approach.

Key Responsibilities for SLT and Directors

5. The Council's Senior Leadership Team are responsible for overseeing and endorsing to Executive and the Audit Committee the Council's approach to risk management, promoting that approach throughout the organisation and awareness throughout the Council.

6. Each Director's Management Teams needs to gain an understanding and promote the risk management process and its benefits, and support the resources required to support the work corporately.
7. Each Service Director to ensure that the risk management process is promoted, managed, and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk where appropriate.

Key Responsibilities for Heads of Service, Strategic Managers, and Service Managers

8. Heads of Service, Strategic Managers, and Service Managers must raise awareness, and manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.

Key Responsibilities for All Employees

9. All employees of the Council must manage risk effectively in their jobs, liaising with their line manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.

Support and Challenge

10. The Internal Audit function through SWAP will challenge the risk management process, including the identification and evaluation of risk and provide assurance to Officers and Members on the effectiveness of controls.
11. The S151 Officer supports the Council and its services in the effective development, implementation, and review of the Council's risk management processes. Identify and communicate risk management issues to services, and, assist in undertaking risk management activity through training or direct support.

In addition, please refer to:
The Council's Risk Management Strategy

Section 5 – Fraud Prevention

Why is this important?

1. The Council's key policies covering fraud are the Whistleblowing Policy, the Anti-Fraud and Corruption Policy, the Anti-Money Laundering Policy, Anti-Tax Evasion Policy, and Anti-Bribery Policy.
2. We all have a responsibility for dealing with public funds and assets. The Council controls millions of pounds of public money and we must take very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.
3. The Council acknowledges the responsibility it has for the administration of public funds and wishes to emphasise to the public and its officers the importance it places upon probity, financial control, and transparency in its administration.
4. The Council is committed to an overall policy of zero tolerance to fraud and is committed to the prevention, detection, and investigation of all forms of fraud and corruption.
5. The Council recognises that fraud and corruption undermine the high standards of public service, which it promotes, and reduces the resources available for the good of the whole community.

Fraud – Key Principles:

6. Leading by example, our Council will ensure that:
 - Everyone within the organisation takes responsibility for the prevention and detection of fraud and corruption.
 - There is compliance with key policies and procedures.
 - Fraud is not tolerated and that all such cases are thoroughly investigated.
 - All officers and Members have access to counter fraud and corruption guidance.
 - High standards of internal control are promoted.

- There is a safe environment to report suspected cases of fraud and corruption.
- Rigorous action is taken against anyone found guilty of fraud or corruption. This will be through the Council's disciplinary process and by taking legal action as appropriate.

Key Responsibilities for Service Directors, Heads of Service, Strategic Managers, and Service Managers

7. Service Directors, Heads of Service, Strategic Managers, and Service Managers are responsible for the prevention and detection of fraud and error within their service/s.

Key Responsibilities for all Members

8. All Members must inform the Chief Executive, Monitoring Officer, or S151 Officer immediately of any suspected financial irregularity.
9. All Members must report to the Chief Executive, Monitoring Officer, or S151 Officer of any circumstances which could involve the Council in a breach of rules and regulations e.g. inappropriate expenditure.

Key Responsibilities for all Employees:

10. All employees must inform the S151 Officer and/or SWAP, immediately of any suspected financial irregularity.
11. All employees must report to the S151 Officer and/or SWAP of any circumstances which could involve the Council in a breach of rules and regulations.
12. All employees have an important part to play in reporting concerns about fraud at work by other Officers, Members, suppliers, contractors, or others acting on behalf of the Council.
13. In this respect, employees are under a duty to assist with the discharge of these responsibilities in compliance with the Whistleblowing Policy.
14. In addition, the Council has a legal duty to implement a procedure to enable the reporting of suspicions of money laundering. Accordingly, any employee, who in the course of Council business becomes aware that criminal property or funds could be involved, should report their suspicion promptly, in accordance with the Anti-Money Laundering Policy. Failure to do this may result in a criminal offence being committed.

15. The UK Bribery Act, 2010 introduces a corporate offence of failure to prevent bribery.

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

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

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

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

In addition, please refer to:

The Council's Anti-fraud and Corruption Policy
Whistleblowing Policy
Anti-Money Laundering Policy
Anti-Bribery Policy
Anti-Tax Evasion Policy
Council's Employee's Code of Conduct
Councils' Members Code of Conduct

Section 6 – Revenue Budget Preparation (Including the HRA)

Why is this important?

1. The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The Executive Director – Resources and Corporate Services will present the Medium-Term Financial Strategy and Plan to the Executive for a medium to longer term view and plan for the Council's finances. The annual Revenue and Capital budgets are then presented to the Executive and full Council of the financial expression of the Council's plans and policies.
2. The revenue budget must demonstrate that resource allocation properly reflects the business and service plans, and priorities of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor, and control the way money is allocated and spent. The Council must approve a balanced budget and cannot legally budget for a deficit. All key decisions on revenue expenditure must be made in accordance with the Constitution and Scheme of Delegation.
3. The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around how virements / journals operate, the operation of budgets, and sets the level at which funds may be reallocated within budgets. The General Fund (with the exception of the HRA) is usually set out in Appendix 1 of the budget approved by Council in February each year.

The Housing Revenue Account (HRA)

4. The Council is a housing landlord and provides properties for use by its tenants. The housing revenue account is a ring-fenced account within the Council's general fund which is used to record all income and expenditure in respect of the Council's housing stock and related services.
5. The long-term strategic aims and objectives for the management of the Council's housing stock will be set out in a 30-year Housing Revenue Account (HRA) business plan. The HRA business plan will include details of investment and funding plans.
6. The Service Director - Finance and Procurement will provide guidance on the apportionment of support and overhead costs between the general

fund and housing revenue account. Any apportionment of costs must be fair to both council tenants and council tax payers.

The Budget and Key Decisions

7. Key decisions required as part of the scheme of delegation must include an outline of the full financial implications including the budget allocated for the decision following consultation with the Executive Director - Resources and Corporate Services. The Service Director – Finance and Procurement, or, delegated Strategic Finance Manager.
8. The budget process must be used in all but exceptional circumstances to vary any additional requirements for either revenue or capital resources. Where a decision is required in exceptional circumstances the full financial implications including funding must be clearly laid out following consultation with the Executive Director – Resources and Corporate Services (S151 Officer).

Key Responsibilities for Members and Employees:

9. Specific budget approval is required for all expenditure.
10. Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by their Service Director for their budgets and the level of service to be delivered. Key savings and developments are included in service delivery plans (for subsequent monitoring) and individual employee's Appraisal Reviews.
11. Preparation of the budget complies with all legal requirements.
12. The format complies with the requirements of the Executive Director - Resources and Corporate Services and, where necessary, has regard to relevant accounting standards.
13. Managers ensure that The format reflects the accountabilities of service delivery

The Executive Director – Resources and Corporate Services will

14. Assess the robustness of the estimates made and the level of reserves requires and report these as part of setting the budget under s25 of the Local Government Act.

The Service Director - Finance and Procurement will:

15. Advise the Executive and Council on the format and timing of the budget to be approved by the full Council.
16. Prepare and submit reports on budget prospects for the Executive, including resource constraints set by the Government, assumptions for inflation and demand, strategy/progress for savings linked to the Council's Corporate Plan. Reports should take account of the strategy and estimates for the medium-term (a three to five year horizon).
17. Determine the detailed form of revenue budgets and the guidelines for their preparation, after consultation with the Executive, Chief Executive, Executive Director Resources and Corporate Services, and Executive and Service Directors.
18. Prepare and submit reports to the Executive on the aggregate spending plans of directorates and on the resources available to fund them, identifying the implications for the level of Council Tax to be levied.
19. Advise on the medium-term implications of spending decisions.
20. Encourage the best use of resources and value for money by working with Service Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

Service Directors will:

21. Prepare draft budgets of income and expenditure, in consultation with the Director – Finance and Procurement, to be submitted to the Executive.
22. Prepare draft budgets that are timely, balanced and consistent within the guidelines issued by the Executive. The format should be prescribed by the Director – Finance and Procurement, in consultation with the Executive Director – Resources and Corporate services.
23. Integrate financial and budget plans into service planning, so that budget plans are reflected, where appropriate, by financial and non-financial performance measures.

24. In consultation with the Executive Director - Resources and Corporate Services and the Director of Finance and Procurement in accordance with the laid-down guidance and timetable, prepare detailed draft revenue and capital budgets for consideration by the appropriate Executive Member.
25. When drawing up draft budget requirements, Directors will have regard to:
- Demonstrating good demand and demographic modelling
 - spending patterns and pressures revealed through the budget monitoring process
 - targets for reduction set out in the Medium-Term Financial Plan
 - ensuring fees and charges have been reviewed and updated
 - changes in external funding
 - legal requirements
 - other policy requirements as defined by the full Council in the approved policy framework
 - Ensuring that Equalities Impact Assessments are completed where required
 - Review the risks associated with the budget assumptions made
 - initiatives already under way
 - the Council's commissioning intentions and contractual commitments on the Council's Contract Register.

ACCOUNTABILITY

26. Service Directors will be responsible for ensuring the principles of these regulations are understood and enforced within their service areas.
27. Service Directors are ultimately responsible for the revenue and capital budgets within their Directorates
28. The Executive Director - Resources and Corporate Services as the Chief Financial Officer under s151 of the 1972 Act (and s114 of the 1988 Act) is responsible for preparing the revenue budget and capital programme (including the Housing Revenue Account) and reporting to the Council on the robustness of the annual budget and the adequacy of reserves.

29. As the legislation allows the Director of Finance and Procurement as the Deputy S151 to act in the absence of the Chief Finance Officer.
26. In the event that the Council fails to agree a budget it renders the Council vulnerable to judicial review proceedings because legislation requires the Council to set the Council Tax. It also renders Councillors individually liable for failure to fulfil fiduciary duties. The obligation to make a lawful budget each year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer

In addition, please refer to:

Medium Term Financial Strategy and Plan
The Councils' Contract Register

Section 7 - Budget Monitoring, Management, Closedown, and Control (Including Reserves)

Why is this important?

1. Budgets are needed so that the Council can plan, monitor, and control the way resources are allocated and spent. Budgets reflect Council, Service and local priorities and give authority to Managers (through delegation) to incur expenditure to meet targets.
2. Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, which manages spending against budget during the financial year. In addition, it provides the mechanism that calls to account managers responsible for defined elements of the budget.

The purpose and objectives of the Budget Monitoring and Management, and Control

- To ensure that income and expenditure are in line with the agreed Council budgets and service plans (consistency of purpose),
- Overall Financial control of Council income and expenditure.
- Reserves are maintained and utilised for specific purposes or held to manage overall financial risks to the Council.

The implications of poor budget management

3. The Council may not be operating within the law;
4. Policies and objectives may not be achieved;
5. Resources may not be used in accordance with agreed authority;
6. Failure to secure value for money (efficient & effective use of resources);
7. Decisions made without the benefit of full or appropriate information;
8. Reserves are depleted
9. Inability to take appropriate action at the right time.

Key requirements for budget management and control

Section A: Revenue Budgets:

10. Budget approval is required for all expenditure.
11. The Chief Executive and Executive Directors (ELT) have overall responsibility for the delivery of the strategic objectives for the Council and thus have a responsibility for effective performance monitoring on matters of budget management.
12. Service Directors are fully responsible for Budget Management within their service area.
13. Each Service Director will develop and maintain effective arrangements for financial management within his/her Service area.
14. Each Service Director will nominate a Budget Manager for each cost centre heading, as appropriate.
15. Budget Managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
16. Budget Managers follow an approved certification process for all expenditure.
17. Income and expenditure must be properly recorded and accounted for by all Budget Managers. This is achieved by ensuring the accurate use of accounting codes and timely monitoring of financial information.
18. Budget Managers are responsible for maintaining a current forecast of their budget and communicating this to their Finance Business Partners. Where a variance, the difference between forecast and budget, is recurrent this should be identified for future correction.
19. Services are to be managed within their budgets using financial forecasting, virement and carry forward, as appropriate.
20. Expenditure is committed only against an approved budget head.
21. Any virement which has the effect of changing a policy contained in the Policy Framework must be approved by the Council.
22. Virements must be reported to the Executive at least on a quarterly basis.

23. In the unusual circumstance where a proposed use of unearmarked general fund reserve reduced reserves below the range approved by Council as part of budget setting must be approved by Council. Executive may approve allocations within the approved range.
24. Any Council earmarked reserve set aside by Council for a specific purpose may not be spent on any other purpose without the permission of the Executive. The Executive Director – Resources and Corporate Services will review earmarked reserves at least annually and request that unused reserves are repurposed for other uses.
25. Executive and the SLT will receive monthly finance reports which monitor key financial risks.
26. The Executive will receive service budget monitoring reports with full reports (including capital monitoring and reserves) at least quarterly at its public meetings.
27. The Executive Director – Resources and Corporate Services will outline annually the process for carry forwards once he/she has assessed the likely outturn position for the Council
28. The Executive is required to approve the outturn position following the financial year end.

Section B: Capital Budgets:

28. Service Directors are responsible for budget management of all capital schemes within their service area, all capital schemes must have a designated responsible Budget Manager who may or may not be a Director.
29. Before any scheme is included in any programme, budget management responsibility must be assigned.
30. The Capital Programme is agreed by Council.
31. With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered. The Service Director is responsible for making proposals for the avoidance or recovery of any overspending to the Executive Director - Resources and Corporate Services or the Service Director - Finance and Procurement in the first instance.

32. Capital schemes must have a review and reporting process. For example, Directors will receive reports of progress in order to focus on the key issues and project spend, and associated funding and revenue implications.
33. Council will approve a central contingency sum that is to be set aside to reflect the overall risk from capital projects it has approved.
34. Contingency sums included within capital schemes must request the approval of the Service Director – Finance and Procurement (or nominated officer) before being utilised. These will be reported as part of the regular budget monitoring process to the Executive Committee.
35. The outturn report to Executive annually should include the outcomes and final spend of completed schemes.
36. Service Directors will be responsible for ensuring the principles of this scheme are understood and enforced within their Service areas.
37. The Executive Director – Resources and Corporate Services will decide annually how the capital programme will be financed.

ACCOUNTABILITY

35. Service Directors will be responsible for ensuring the principles of these regulations are understood and enforced within their service areas.
36. Service Directors are ultimately responsible for the revenue and capital budgets within their Directorates. In circumstances where budgets are continually overspending and/or not managed within these regulations this may lead to disciplinary action.
37. The Executive Director - Resources and Corporate Services as the Chief Financial Officer under s151 of the 1972 Act (and s114 of the 1988 Act) is responsible for advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.
38. As the legislation allows the Director of Finance and Procurement as the Deputy S151 to act in the absence of the Chief Finance Officer.

Revenue Service and Budget Virements:

39. A service budget is a budget heading line in the Revenue Budget Appendix 1 to the Annual Budget Report approved each year by February Council. These are also reported in the Budget Monitoring reports to Executive including the Outturn report.
40. These budgets are designed to assist with the determination of virements as set out below.
41. Each budget has an Executive Director/ Service Director and Executive Member assigned to it. The virement limits are shown below:

Revenue and Capital Virements – technical or structural adjustments of budgets	Threshold	Delegated Approval
Transfers between revenue budget headings purely as a result of amendments required e.g. post LGR or budget corrections can take place provided budget holders are notified of the change and reasons for change.	Any	All virements must be signed off by the Service Director - Finance and Procurement or a Finance Strategic Manager with an explanation of why the virement was required. The following budget monitoring report should outline an overview of the changes made.
Revenue Virements - Other		

<p>Transfers between revenue budget headings (*1) can take place provided that they do not involve new policy or policy change and do not involve an increasing commitment in future years that cannot be contained within existing approved budget allocations.</p> <p><i>Note – (*1) this relates to the budget headings outlined in Appendix 1 of the annual budget setting report</i></p>	<p>Up to £50,000</p> <p>Between £50,000 and £499,000</p> <p>Above £499,000</p>	<p>the relevant budget holders</p> <p>The relevant Service Directors and the Service Director Finance and Procurement</p> <p>The Lead Member for Finance (in consultation with the Executive Director - Resources and Corporate Services or the Service Director Finance) with relevant Executive Members and appropriate Service Directors or Executive Directors. These must be reported to Executive quarterly as part of budget monitoring for noting.</p>
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<p>Capital Virements – Other</p> <p>Resources may be vired from one capital project or heading to another including the contingency budget (*2) provided that such transfers do not result in an overall increased commitment of capital resources and do not involve new policy or policy change:</p> <p><i>Note – (*2) this relates to individual capital projects or budget headings at Service Director level and above</i></p>	<p>Up to £50,000</p> <p>Between £50,000 and £499,000</p> <p>Above £499,000</p>	<p>The relevant budget holders</p> <p>Approval of the relevant Service Directors and the Service Director Finance and Procurement</p> <p>The Lead Member for Finance (in consultation with the Executive Director - Resources and Corporate Services or the Service Director Finance and Procurement) with relevant Executive Members and appropriate Service Directors or Executive Directors. These must be reported to Executive quarterly as part of budget monitoring for noting.</p>
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Virement Definition

42. A Virement is defined by CIPFA (Chartered Institute Public Finance & Accountancy) as “a transfer of an under spending on one budget head to finance additional spending on another budget head in accordance with an authority’ s finance regulations” . For the purposes of this scheme a budget head is considered to be an equivalent level to the budgets outlined in Appendix 1 of budget setting and then outlined in budget monitoring details by each Directorate.

Transactions that are not classified as virements

43. Re-assignment of budget heads between Directors or Portfolios. These are generally termed "Technical or Structural Adjustments" and, reflect the purpose and amount of expenditure remains unchanged but management responsibility has been re-assigned. Typically, this occurs from new management structures of services / departments have been made, or different treatment of overhead budgets are altered from being held centrally or recharged to services, or vice versa.
44. The "Technical or Structural Adjustments" described above will be managed through Finance to ensure that the Original and Current Budgets are reconciled and controlled.

Policy Change

45. A Policy is a plan of action adopted by the Council and implemented by the Executive. Hence outsourcing a service would define a policy change, as would using different delivery methods, or stopping a service or starting a new one, or extending an existing service. All virement requests that impact on policy must be approved by the Executive clearly stating the implications of the decision. If the decision causes on-going implications for future years, the proposal should be made as part of the Medium-Term Financial Plan.

Future years

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

Section 8 – Capital Expenditure

Why is this important?

1. Capital expenditure involves acquisition or enhancement of fixed assets which have a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. Capital expenditure must comply with the Council's Contract Procedure Rules and Standing Orders.
2. The Local Government Act 2000, requires local authorities to determine expenditure limits above which such expenditure would be a key decision. All key decisions on capital expenditure must be taken by Executive Members.
3. The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of a Capital Strategy and a Non-Treasury Investment Strategy if an authority holds properties for commercial purposes and should be carefully prioritised in order to maximise the benefit of scarce resources.

Key Responsibilities for Members and Employees:

4. The Executive Director – Resources and Corporate Services will review the financing of the capital programme once the outturn position is known to ensure that the most effective use of resources are made.
5. The Service Director - Finance and Procurement will bring together estimates for capital schemes and to report them to the Executive for approval or prioritisation within affordable resources. Council approval is required where a Service Director proposes to bid for or exercise additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
6. The Service Director - Finance and Procurement will submit reports to the Executive on the projected income, expenditure and resources compared with the approved estimates.
7. The Service Director - Finance and Procurement will issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Service Director - Finance and Procurement.

8. having regard to government regulations and accounting requirements.
9. Service Directors must comply with guidance concerning capital schemes and controls issued by the Director – Finance and Procurement, including ensuring that all capital proposals have undergone a full project appraisal, through the submission and approval of a Project Initiation Document.
10. Service Directors must prepare regular reports reviewing the capital programme provisions for their Services. They must prepare at least quarterly returns of estimated final costs of those schemes in the approved capital programme for submission to the Executive and to the Executive Director - Resources and Corporate Services.
11. Service Directors must ensure that full records are maintained for all capital schemes
12. Service Directors must proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Director – Finance and Procurement.
13. Service Directors must consult with the Executive Director Resources and Corporate services or Director – Finance and Procurement, and to obtain authorisation from the relevant Executive Member, prior to the implementation of key decisions as part of the capital programme.
14. Service Directors must prepare and submit reports to the Executive Member and Executive Director Resources and Corporate Services, of any variation in contract costs greater than the approved limits. The Executive Member must meet cost increases by virement from savings elsewhere within their overall capital programme area.
15. Service Directors must prepare and submit reports to the Executive Member and Executive Director Resources and Corporate Services, on completion of all projects where the final expenditure exceeds the approved budget by more than an agreed amount.
16. Service Directors must ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Service Director - Finance and Procurement and, if applicable, approval of the scheme through the capital programme.
17. Service Directors must consult with the Service Director - Finance and Procurement or the Executive Director Resources and Corporate Services

to seek appropriate approval (Council / Executive) where the Director proposes to bid for capital financing to support expenditure that has not been included in the current year's capital programme.

18. Service Directors in service areas which generate VAT exempt income must liaise with the Council's Service Director - Finance and Procurement at the earliest opportunity, to ensure impact on partial exemption is properly managed.

In addition, please refer to:

Medium Term Financial Plan

Section 9 - Treasury Management - Investments & Borrowing

Why is this important?

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

Key Responsibilities of Employees & Members:

The Executive Director – Resources and Corporate Services will:

2. Prepare the Council' s Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities and to arrange for all Council borrowing and investment in such a manner as to comply with this Strategy.
3. Ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the full Council.
4. Authorise all borrowings in the name of the Council.
5. Maintain records of all borrowing of money by the Council.
6. Report to the Council, as requested, on Treasury Management activities.

Directors will:

7. Ensure that loans are not made to, and that interests are not acquired in, companies, joint ventures, or other enterprises without consulting the Executive Director - Resources and Corporate Services (S151 Officer) and the Monitoring Officer regarding the financial and legal implications and these must follow the approval process.

In addition, please refer to:
Treasury Management Strategy
Treasury Management Practices

Section 10 – Accounting Systems and Processes

Why is this important?

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

Objectives of Accounting Systems and processes:

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

Implications if above objectives are not achieved:

2. The Council may not operate within the law;
3. Incorrect management information, leading to poor decision making;
4. Financial loss;
5. Reputational loss, e.g. through publication of a critical Auditors report;

Key Responsibilities for Staff & Members:

6. The Executive Director - Resources and Corporate Services will be responsible for maintaining the Council' s accounts and for the approval of all accounting records and financial systems.
7. All Directors must ensure that responsibility for the preparation and processing of accounting information e.g. coding of income and expenditure is assigned to specified officers, transactions are authorised / approved by responsible officers and an audit trail is maintained.
8. Capital expenditure must be accounted for separately from revenue expenditure and must, therefore, be coded to the appropriate capital expenditure code.
9. The Service Director - Finance and Procurement will be responsible for producing the timetable and standards for the production of final accounts each year.
10. The Executive Director - Resources and Corporate Services shall agree all borrowing and lending arrangements, and these shall operate in accordance with the Council' s Treasury Management Policy Statement

and the appropriate accounting bodies' Codes of Practice. All investments, borrowing, leasing and other capital financing arrangements shall be effected in the name of the Council.

11. The Council's Asset Management Team, shall hold all securities that are the property of or are in the name of the Council or its nominees and the title deeds of all properties in its ownership, in safe custody.

The Service Director - Finance and Procurement will:

12. Ensure that the Council does not enter into leasing contracts which compromise the Council's spending limits set with regard to its Prudential Indicators.
13. Provide financial expertise and advice on leasing arrangements and contracts.
14. Ensure that best value is achieved in leasing contracts, including aggregation of the Council's leasing requirement where appropriate.
15. Ensure that clear instructions are issued to all relevant members of staff on key processes, including:
 - Control Accounts
 - Coding Protocols
 - Cash Flow Management
 - Capital Grants
 - Capital Loans
 - Capital Expenditure
 - Capital Charges
 - Balance Sheet Balances
 - BACS Payments
 - Accounting statements
 - Monthly Accruals
 - Year End Accruals
 - Interfaces with the Financial Management System
 - Suspense Accounts

All Directors must refer all proposed leasing arrangements, within their Services, to the Executive Director - Resources and Corporate Services.

Section 11 - Payroll

Why is this important?

1. Employee costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only to the right people and that payments accord with individuals' conditions of employment.
2. It is important that all payments are accurately and completely recorded and accounted for, as this ensures accurate information for budget holders.
3. Income Tax and National Insurance contributions to HM Revenue & Customs must be complete and accurate. Individuals defined as employees or workers subject to PAYE must be paid through the Councils Payroll System.

Objectives of payroll processing:

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

Implications if above objectives are not achieved:

4. Payments are made:
 - for work not undertaken,
 - to a person not entitled,
 - at the wrong rate,
 - that contravene employment legislation,
 - leading to potential financial loss;
 - Adverse publicity because of failure to pay efficiently and effectively;
 - Untimely and inaccurate information to budget holders;
 - The Council being penalised by the HM Revenue & Customs for failure to account for statutory deductions, e.g. Income Tax and National Insurance contributions.

Key Responsibilities for Staff & Members:

5. The payment of salaries, wages, allowances, pensions and other emoluments must be made under arrangements approved and controlled by the Director of Workforce Directors are responsible for providing the Payroll Service with the details of those Officers in that Service area, that can authorise payroll documents / transactions.
6. All notifications relating to pay and remuneration must be properly authorised and in accordance with the employment contract and HR policy.
7. All travelling, subsistence and other allowances (including staff Professional Subscriptions), for both staff and Members, must be paid through the Councils Payroll system.
8. The use of Petty Cash Account or other non-PAYE payment systems are not permitted under any circumstances, for the payment of salaries, wages, travelling and subsistence expenses.
9. No payments should be made to Self Employed Individuals or Personal Services Companies without an assessment of the workers employment status first being made in line with the HM Revenue & Customs criteria
10. Each Director is responsible for ensuring that the person engaging workers, or companies providing workers, to perform a task determines their employment status, with support from the HR Service, and whether they should be paid via payroll prior to engagement
11. All recruitment must comply with Establishment Control principles
12. All Payroll documents / forms submitted must be the latest approved version.
13. Appropriate budget provision must be available for any pay and allowances prior to agreeing payment.
14. Salary payments are made in accordance with employment law.
15. Statutory deductions are made in accordance with regulations and properly paid over to appropriate bodies.
16. Other non-statutory deductions, e.g. Union subscriptions, are made in accordance with authorised requests.
17. Pension enhancements are awarded in accordance with approved policies.

18. All payments made are properly recorded and correctly charged to the appropriate expenditure codes and management information issued in a timely manner.
19. Members of staff who owe debts to the Council will have these debts deducted promptly from salary.
20. It is the responsibility of all Council Members and members of staff to immediately contact both their Manager and HR Admin and Payroll service when they discover that any overpayment of salary or allowance has occurred.

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

In addition, please refer to:

HR Policies & Procedures

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

Why is this important?

1. The Council must be able to demonstrate probity and value for money in spending public money, in accordance with the Constitution, Purchase Order Policy, and Contract Procedure Rules and Standing Orders.
2. All Council Members and employees of the Council have a responsibility for spending public funds wisely and ensuring that all payments are valid, legal and represent the best use of resources.

Objectives of order and payment processes:

- To secure value for money by obtaining the best price for the quality of works, goods and services required.
- The Council only pays bona-fide organisations or individuals the correct amount at the appropriate time in line with appropriate contractual terms and conditions
- The Council properly accounts for works goods & services ordered and payments due or made.
- The Council complies with legislation covering VAT, payments to Sub-Contractors and other taxable payments
- The Council undertakes appropriate IR35 employment status checks in line with HM Revenue & Customs requirements
- The Council has improved budget monitoring oversight

Implications if above objectives are not achieved:

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

Placing Official Orders:

10. Officers **must** only use Council monies for the purchase of works, goods & services which are for the express use of the Council. Elected Members, employees or others engaged with the Council **must not** use the Council' s ordering or payments systems for personal use or benefit.
11. Members, Officers and individuals engaged to work for the Council **must** declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with these Financial Regulations and the relevant Council' s Code of Conduct.
12. Officers **must** issue Official Purchase Orders for all goods and services unless there is a specific exemption agreed as part of the Purchase Order Policy through the Service Director - Finance and Procurement prior to the commencement of the works/services or delivery of goods and prior to the receipt of an invoice. Service Directors must report monthly of any breaches of this requirement.
13. Service Directors **must** designate specific employees who are authorised to place orders on their behalf and operate procedures which secure value for money. The procedures **must** be properly recorded, communicated to staff and continuously monitored.
14. All Purchase Orders **must** (unless specifically exempted) be raised through the Council' s Financial Management System.
15. Before placing orders for goods and services the budget holder responsible **must** ensure that there is sufficient budget available.
16. All orders placed **must** comply with the Council' s Contract Procedure Rules and Standing Orders, which provides guidance on obtaining alternative prices, seeking value for money and complying with legislative requirements.
17. Officers **must** provide information in a timely manner to the Insurance Manager as and when requested in support of putting in place adequate insurance cover.

Receiving Goods & Services:

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

Making Payments:

19. All payments on behalf of the Council will be made with the authority of the Executive Director - Resources and Corporate Services.
20. Payments **must not** be made unless the works, goods and/or services have been received by the Council to the correct price, quantity and quality standards, and that an invoice for the same works, goods and/or services has not been previously passed for payment.
21. Service Directors **must** designate specific employees who are authorised to approve invoices for payment on their behalf.
22. There must be a separation of duties between the Officer raising the Purchase Requisition and the Officer authorising the Requisition to enable a Purchase Order to be generated. This is important because invoices linked to an Official Purchase Order will be processed and paid without any further authorisation. If for reasons of efficiency a Service Director enables an Officer to both generate and approve a Purchase Requisition then that Director must ensure that the expenditure is scrutinised by another Officer within a reasonable period of time, this could be linked to the 'goods / services received' recording system.
23. All Service Directors **must** ensure adherence to all instructions issued by the Executive Director - Resources and Corporate Services in respect of year-end accounting arrangements.
24. Payments to employees of salaries, wages, and travel & subsistence expenses **must** be made through the Payroll system and not via any other payment system.
25. Where appropriate Corporate Purchasing Cards or Pre-Paid Cards may be used to make payments in line with the Councils' policy and terms and conditions for their use.

26. Officers must ensure that appropriate VAT documentation is obtained from the contractor / supplier to ensure that VAT is correctly accounted for and that the Council can maximise recovery of recoverable VAT.
27. The Council must comply with the requirements of the Construction Industry Scheme when paying construction industry subcontractors.

Making Payments through Petty Cash Accounts:

28. P-cards should be used wherever possible instead of Petty Cash accounts
29. All payments through Petty Cash Accounts must be made in accordance with guidelines set down by the Executive Director - Resources and Corporate Services.
30. The Executive Director - Resources and Corporate Services will authorise the use of a Petty Cash Account.
31. The Service operating the Petty Cash Account must arrange for a nominated Responsible Officer to keep and maintain the account. The name of the Responsible Officer and the purpose of the account must be notified to the Executive Director - Resources and Corporate Services.
32. Responsible officers must maintain records and operate the account in accordance with the Petty Cash Accounts guidance.
33. Receipts, vouchers and invoices must be retained to substantiate every transaction.
34. Personal loans must never be given or personal cheques cashed from the Petty Cash Account
35. Wherever possible VAT should be identified on payments made, so that the Council can recover the VAT. VAT may only be claimed where the Council has a valid VAT invoice bearing the VAT registration number of the supplier. For further details on whether VAT should be claimed please refer to the VAT guidelines.

Making Emergency Payments:

36. An emergency payment is defined as a payment made via the bank's web portal and which bypasses the accounts payable processes on MSD 365. It is the requestor's responsibility to ensure the payment is

removed from the MSD365 accounts payable system so that duplicate payments are not made.

37. All emergency payments are at the discretion of the Investments team. Any request for payment to be paid same working day must be received by the investments team by 11.00am for guaranteed payment, any receipt later than this will be done on a best efforts basis.
38. Request for an emergency payment should be supported by the following:
 - Payee – name on bank account to be credited
 - Amount
 - Bank details – These should be supplied on the vendors company paper, and are authorised by the requestor
 - Any reference to be quoted
 - Budget codes to be debited
 - Any other requests by the vendor
 - Reason for payment to be made this way
39. All requests for payment must be accompanied by authorisation from an appropriate member of the relevant finance support team or as listed in 40 below.
40. Any request for a payment for more than £50,000 must be countersigned by either the appropriate finance support team service manager, or a finance strategic manager or a SLT member (tier 1 and 2 officers).
41. Other signing arrangements can be pre-agreed for particular types of payment (e.g. property purchases) and must be approved by the section 151 officer.

In addition, please refer to:

Council Contract Procedure Rules and Standing Orders
VAT Guidance

Section 13 – Income Collection and Writing Off of Bad Debts

Why is this important?

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

Objectives of income processes:

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

Implications if above objectives are not achieved:

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

Key Responsibilities for Staff:

8. All arrangements for the collection, accounting and banking of income due to the Council must be subject to the approval of the Executive Director - Resources and Corporate Services.
9. The appropriate Director will be directly responsible for the safe custody, recording, control, issue and use of official receipting systems, receipt books, tickets, account books and other income documentation in their specific Service area.

10. Responsibility for income collection must be separated from the person raising the debtor account on the accounting system.
11. Only payment or write-off shall discharge all sums due to the Council.
12. All refunds of overpayments must be made through the Council' s Creditors system and NOT out of income. To help prevent money laundering activity refunds must always be paid back to the same bank account as the original payment. Any large cash payments to be refunded must be considered in terms of potential money laundering prior to authorisation of the refund amount.
13. Individuals must not borrow Council monies. Borrowing monies includes holding or banking personal cheques in exchange for Council cash.
14. All amounts written-off will be subject to robust scrutiny and must meet one of the following criteria:
 - The customer is deceased and there are not sufficient funds within the estate
 - The customer cannot be traced
 - It is uneconomical to pursue the debt
 - The income is uncollectable due to insolvency/bankruptcy
 - All recovery means have been exhausted
 - It is not in the public interest to pursue, for example at risk and vulnerable customers
 - The debt was raised more than six years ago as prescribed under the Limitation Act 1990.
15. It should be noted that just because a debt has been written off it does not mean that debt will not be pursued in future eg if a person who cannot be traced is found at a later date.

Individual Write Offs

16. The following table outlines the delegations for individual write offs:

Officer responsible for income collection	Up to £100
Manager responsible for income collection	Up to £5,000
Budget Holder/Head of Service/	Up to £10,000

Service Director – Finance and Procurement	Over £10,000 and under £500,000
Executive Director – Resources and Corporate Services in consultation with the Lead Member Finance and HR	Over £500,000

Bulk Write Offs

17. All bulk write off listings (regardless of the individual amounts) will require authorisation from the Service Director - Finance and Procurement before being processed.
18. For transparency all write offs will be uploaded each quarter to the Council' s Share Point site where relevant officers and members can access.
19. All write offs in excess of £100,000 will be reported confidential to the Council' s Resources Scrutiny Committee. The write off will include the name of the individual/company, income stream, financial year(s), amount and brief summary as to what actions have been taken and why the amount was written off.
20. Sums due to the Council as debts from members of staff shall be deducted promptly from salary. Directors will ensure that all debts due are recovered promptly and any outstanding balances due, at the time of cessation of employment, are deducted from employee' s final salary or any other monies due to that employee.
21. VAT is charged where appropriate, in accordance with the HM Revenue & Customs regulations. Where an individual Service makes a new type of charge for any reason they must consult the Council' s VAT Analyst before setting prices.
22. Directors must ensure that all members of staff, within their Service, responsible for the collection and reconciliation of income, comply with the requirements of the Council' s Anti-Money Laundering Policy.

In addition, please refer to:
Income and Arrears Management Policy
Income Code of Practice
Council' s Anti-Money Laundering Policy
VAT Guidance

Section 14 – Bank Accounts, Banking and Cash Handling

Why is this important?

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

Objectives of Banking & Cash Handling processes:

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

Implications if above objectives are not achieved:

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

Key Responsibilities for Staff & Members:

7. The Executive Director - Resources and Corporate Services will be responsible for making such arrangements as are appropriate and necessary with the Council' s Bankers relating to all financial transactions.
8. The Executive Director - Resources and Corporate Services will ensure that proper arrangements are made for the secure printing, secure retention, and issue of cheques.

9. All bank accounts must be opened and closed by the Executive Director - Resources and Corporate Services. Any subsidiary Bank Accounts can only be opened with the express authority of the Executive Director - Resources and Corporate Services, who will provide specific instructions on the control and use of such accounts.
10. Any overdraft on the aggregated Council's main bank accounts is permitted only to the extent authorised by the Executive Director - Resources and Corporate Services. Overdrafts are not permitted on any other bank accounts.
11. The Executive Director - Resources and Corporate Services will make available written guidance on the processes to be followed to transfer monies electronically (CHAPS / BACS).
12. The Executive Director - Resources and Corporate Services will specify arrangements for the collection and banking of all income due to the Council, and to approve the procedures, systems and documentation for its collection, security and banking.
13. All money received by an employee, on behalf of the Council, must be properly recorded and paid without delay into the Council's bank account.
14. Where third parties are contracted to bank income on behalf of the Council, the Executive Director - Resources and Corporate Services will specify and agree the contract arrangements, prior to entering into any such contract.
15. The Executive Director - Resources and Corporate Services shall ensure that the reconciliation of all bank accounts held by the Council is undertaken at regular intervals to ensure the prompt investigation of discrepancies and give assurance of the probity of all bank accounts.
16. All keys to safes and similar receptacles must be carried by the person responsible at all times; loss of such keys must be reported, without delay, to the Executive Director - Resources and Corporate Services (Internal Audit Function).
17. The Executive Director - Resources and Corporate Services will authorise the use of a petty cash account.

In addition, please refer to:
Cash Handling Policy

Section 15 – Asset Management

Why is this important?

1. The Council holds fixed and moveable assets in the form of land, buildings, plant and machinery, vehicles, equipment, software, and other items with significant value. It is important that all assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations.
2. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management. Inventories of moveable items are particularly important in connection with potential insurance claims.

Objective of asset management:

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

Implications if above objective is not achieved:

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

Key Responsibilities for the Staff and Members Asset Management Plan:

8. The Service Director - Strategic Asset Management shall maintain an Asset Management Plan in respect of the Council's land and property portfolio to be approved by the Executive Committee.
9. The Service Director - Strategic Asset Management shall maintain records and systems that enable the Council to ensure that the best use is made of all properties.

10. The Service Director - Strategic Asset Management shall advise the Council on alternative uses of land and property as best serves the Council' s interests at the time.
11. The Service Director - Strategic Asset Management shall ensure that all leases are kept up to date and rents due are revised at the appropriate time.
12. Any change in asset ownership either purchase or disposal must be reported to the Council' s Insurance Manager to ensure adequate arrangements are made.

Asset Disposals and Purchases

13. Approval of all assets purchases and disposals with a value of over £499,000 will be approved by the Executive. Approval of disposals of a value less than £499,000 is delegated to the Service Director Strategic Asset Management in consultation with the Service Director – Finance and Procurement.

General Asset Management – Responsibilities

14. All Directors responsible for the private property of a person under their guardianship or supervision shall arrange for an inventory / record of items / amounts held and ensure the safe custody of this property and within any policy approved for this purpose.
15. All Council assets must be used solely for official Council business. Council assets must not be used for personal use.
16. Where any irregularity is suspected in the custody or use of a Council asset, the matter must be treated as a financial irregularity and reported immediately to the appropriate Director and SWAP as the Internal Audit function.

Key Responsibilities for Service Directors:

17. The Service Director- Finance and Procurement shall maintain a full and accurate register of all Council Property, Plant and Equipment and other Long-Term Assets for the purpose of maintaining accurate balance sheet records and calculating capital charges in accordance with relevant Codes of Practice.

18. The Service Director – Strategic Asset Management shall ensure all land and property assets are fully and accurately recorded in a suitable property asset register/asset management system.
19. If the property system and accounting asset register are separate systems, it is the responsibility of the Service Director Strategic Asset Management and the Chief Accountant to ensure these are reconciled regularly including as at 31 March each year to evidence accounting balances in the Balance Sheet.
20. The Service Director – Strategic Asset Management shall ensure that valuations required for the Statement of Accounts meet the requirements of the Council' s External Auditors within the timetable outlined by the Chief Accountant.

Key Responsibilities Condition Surveys

21. The Service Director – Strategic Asset Management shall ensure that condition surveys of all buildings and property assets in which the Council has a proprietary interest are carried out at least once every 5 years Survey details are to be recorded in appropriate systems and work programmes.

Key Responsibilities Custody of Deeds and Documents

22. The Service Director – Governance, Legal and Democratic Services shall have custody of the title deeds and other agreements under seal or hand of all land owned by the Council (together with all deeds and documents held as security for any monies owed to the Council) and is responsible for their safe keeping.

In addition, please refer to:

Asset Management Plan

Section 16 – Asset Leasing

Why is this important?

1. The Council has freedoms to pursue various capital and revenue options for the funding of asset acquisitions. It is therefore important to ensure the most cost-effective form of funding is sourced for each acquisition. This may or may not be leasing, but where leasing is pursued the reporting requirement must be carefully considered.

Objectives of controlling Asset Leases:

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

Implications if above objectives are not achieved:

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

Key Responsibilities for Directors:

4. Every Director (or delegated Manager) must refer all proposed leasing arrangements, within their Services, to the Service Director – Finance and Procurement. Any leasing of land and buildings must also be referred to the Service Director – Asset Management.
5. Approval must be obtained from the Service Director - Finance and Procurement for all asset leases.

Section 17 Commercial Investments

Investment Property Acquisition and Disposal

Why is this important?

1. The Council holds a significant number of properties that are considered to be commercial investments. The income from those properties provide income to support Council Services. The costs of maintaining and debt owned on those properties are an expense to the general fund or if refurbishment a cost to the Capital Programme. Therefore, how these properties are managed have an impact on the budget.

Objectives of Commercial Investments:

- To provide an income stream to the Council to support service provision to Somerset residents.

Implications if above objectives are not achieved:

2. The income returns budgeted are not realised and therefore impact on the Councils year-end position.
3. The costs of maintenance and debt outweigh the income to the Council.
4. Reputational risk
5. The properties fall into disrepair and the Council cannot attract new tenants

Key Responsibilities for Members

6. All disposal decisions other than those delegated to Officers will be made by the Executive or sub-Committee with delegated authority. Where a decision has an impact on the budget and Medium-Term Financial Plan these must be reported to the Executive.

Key Responsibilities for Executive Director – Finance and Corporate Services

7. Ensuring that Investment Property acquisitions and disposals shall follow the governance and procedures agreed by Full Council as part of the Non-Treasury Strategy, with the Executive Director – Finance and Corporate Services responsible for its implementation.

8. Any capital receipt resulting from the disposal will be applied appropriately by the Executive Director – Resources and Corporate Services to either reduce debt, apply to flexible capital receipts or to finance the capital programme
9. Ensure that all disposals, are subject to completion of appropriate business case and due diligence and the full financial implications are assessed.
10. To assess whether commercial assets are sold before long term borrowing is carried out as required by legislation.

Responsibilities for the Service Director – Strategic Asset Management

11. The Service Director – Strategic Asset Management shall have authority to approve all of the following in consultation with the Executive Director – Resources and Corporate Services where the value of the consideration, rent, licence fees, easement or wayleave payment in each case does not exceed £499,000 per annum and over a time period not longer than ten years. Items in excess of this amount must be referred to the Property and Investment sub-Group for review and approval of:
 - the agreement of all tenancies
 - the agreement of all licences
 - the conducting and agreement of all rent reviews including awarding rent free periods
 - the agreement of all lease renewals or new leases where tenancy of existing freehold/leasehold owned property changes
 - the agreement of lettings
 - the agreement of all easements and wayleaves
 - the agreement of all changes of use
 - the agreement of all compensation claims where there is budgetary provision
 - the agreement of all releases/variations of covenants
12. In addition to regular performance monitoring by Service Director – Strategic Asset Management to demonstrate how the investments are performing over time and enable portfolio review to take place to maximise benefit over time, members will receive the following reports in addition to general financial reporting via the usual budget monitoring and budget setting processes by reporting to the Executive and then full Council with timing aligned to the reporting of the Treasury Management Strategy, and quarterly to the Property and Investment Sub-Group.

13. Responsible for ensuring that the overall investment portfolio provides a consistent balance in terms of security, liquidity and spread.

In addition, please refer to:
Non-Treasury Investment Strategy

Section 18 - Management of Stock (Including disposal of obsolete stock and other items)

Why is this important?

1. Stock has a value and as such it is important that sufficient but not excessive stock is held and that the stock held can be reconciled to the amount of stock purchased less the items utilised. It is also important that any obsolete stock is disposed of in a clear and transparent way.

Objectives of controlling stock

- Maintain sufficient stock to meet needs
- Minimise obsolete stock

Implications:

2. High value items may be sold at less than cost or classified as waste
3. High levels of stock require space for storage that could be better utilised
4. Insufficient levels of stock will delay projects or repairs

Key Responsibilities of Service Directors

5. Every Service Director shall be responsible for the custody of all equipment, stocks, stores, vehicles, furniture and cash used within their Service environment and for their general security.
6. Official inventories and stores records shall be kept under arrangements approved by the Service Director – Finance and Procurement.
7. It is the responsibility of Service Directors and Service Managers to maintain a register of assets (official inventories)
8. Items recorded in official inventories must subject to a regular independent physical check (at least annually). All discrepancies should be investigated and pursued to a satisfactory conclusion. Any discrepancies not resolved must be reported to the appropriate Service Director and SWAP.

9. The Executive Director - Resources and Corporate Services and SWAP have the right of access to all Council establishments, to verify stores, records or accounts.
10. Service Directors should ensure that stocks and stores are not carried in excess of economic requirements and with due regard is taken regarding the costs of storing stock before purchases are made.
11. All 'moveable' property will only be disposed of in accordance with the procedures outlined by the Executive Director - Resources and Corporate Services.
12. Responsible for the proper custody of stocks and stores within Service Directorates and ensuring that they are subject to an effective system of stock recording and control;
13. That stocks are held in reasonable quantities and that consideration has been given to turnover, value, delivery quantities and delivery periods;
14. That practicable steps are taken to ensure that a delivery note is submitted by a supplier for every delivery at the time of delivery;
15. As soon as practicable after the delivery has been made that goods are checked to ensure that the correct quantity has been delivered and that they meet the appropriate quality standard;
16. That no articles or goods are removed from stock without proper authority;
17. That an annual review of stocks held is undertaken with a view to reducing the number of slow-moving items and disposing of obsolete stock items;
18. That obsolete or other stocks no longer required for the purpose acquired are disposed of under the disposals policy;
19. That accounts, and records are maintained in connection with the receipt and issue of stores in such form and timetable as the Executive Director - Resources and Corporate Services;
20. That on the 31st March each year the value of stocks held is certified and reported to the Service Director - Finance and Procurement or nominated officer.

Surplus or Deficiency

21. Where any surplus or deficiency is revealed in excess of £5,000 in any item of stock the Executive Director - Resources and Corporate Services shall be advised and disciplinary action taken where necessary.

Checking of Stock

22. The Service Director - Finance and Procurement or nominated officer is entitled to check stores and be supplied with any information relating to the accounting, costing, and financial records of the Council.

Disposal of Surplus or Obsolete Goods, Plant and Authorisation for Disposal

23. Surplus or obsolete goods or plant, whether held in store, on inventories or otherwise up to the value of £10,000 per item or group of like items, must not be disposed of either by sale or destruction except upon the authorisation of the appropriate Service Director or Head of Service.
24. Where the value is between £10,000 and £50,000 the authorisation of the Service Director - Finance and Procurement or nominated officer must also be obtained.
25. Where the value exceeds £50,000, authorisation from the Executive Director - Resources and Corporate Services must be obtained.
26. In relation to inventory items (e.g. IT equipment etc.) all items surplus to requirements should, in the first instance, be offered to other Council departments, schools etc. prior to being disposed of.

Sale of Stock

27. Sale must be made by public tender except when, in the opinion of the appropriate Head of Service / Service Director (or equivalent) concerned and the Service Director - Finance and Procurement or nominated officer, the financial interest of the Council is better served by disposal by any other means. This could be by public auction.

Recording Disposal

28. A record of each disposal should be maintained (i.e. the approval, the price obtained and if appropriate the alternative method of disposal used). Inventories or stock records should be updated in a timely fashion to reflect the disposal. Officer decisions for disposals in excess of £50,000 must be published.

Income from Disposal

29. Income from disposals shall be credited to the cost centre unless a capital receipt. Capital receipts are sales of assets recorded on the asset register in excess of £10,000, either individually or cumulative. These are credited to the capital receipts reserve and used to fund the capital investment budget.

VAT

30. Value Added Tax shall be accounted for on the sale proceeds if appropriate and the amount identified when banking the income. The Chief Accountant or nominated officer should be contacted if clarification of the VAT position is required.

Section 19 – Insurance

Why is this important?

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

Objectives of Insurance:

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

Implications if above objectives are not achieved:

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

Key Responsibilities for Staff & Members:

5. The Service Director - Finance and Procurement shall be responsible for:
 - Effecting appropriate insurance cover and maintaining the relevant administrative systems.
 - To manage the Council' s internal funding, including prescribing how claims on the Council' s Insurance Fund should be made.
 - To negotiate all claims in consultation with the Insurers, Legal Services and other officers, as necessary.
 - To include all appropriate employees of the authority in a suitable fidelity guarantee insurance, and provide adequate public liability, and employer' s liability cover.
 - To offer insurance cover to schools in accordance with the Scheme of Delegation.
 - To periodically undertake a general revaluation of Council buildings and effect appropriate changes to the corresponding insurance cover following revaluation.

- To identify claims trends and implement appropriate risk management measures.
6. Directors shall notify the Executive Director - Resources and Corporate Services (or their Insurance representative) promptly on any matters affecting insurance cover, including all new risks and amendments to existing risks.
 7. Directors shall notify the Service Director - Finance and Procurement (or their Insurance representative) immediately, in writing, of any accident, loss, liability or damage or any event likely to lead to a claim on or by the Council whether covered by insurance or not. An admission of liability or blame should not be made either verbally or in writing.
 8. Service Directors shall take all reasonable measures to reduce risk and liability within their Service areas. In addition, they shall ensure that work for external organisations is appropriately covered by professional indemnity insurance.
 9. Any indemnities for individual officers eg in the placing of children in Unregulated Placements require the agreement of the Head of Paid Services in consultation with the Executive Director – Resources and Corporate Services.
 10. Members and Officers of the Council who intend to travel abroad on official business must ensure that the necessary insurance cover has been arranged.
 11. Contracts and suppliers must have their Insurance policies confirmed and contractual indemnity clauses vetted before agreement.
 12. The Insurance Manager will have the ability to delegate financial authority to the team within the Insurance deductibles in place, the Insurance manager will have final say on any claims up to £500k and co-ordinate and refer to the Executive Director for Resources & Corporate Services on anything above this limit.
 13. All claims are audited in line with Insurer requirements to ensure decision making, claims handling and financial reserving of the team matches the policy requirements, therefore validating decision making capacity and autonomy independent of governance controls if a recommended decision or court mandated requirement.

Section 20 – Value Added Tax (VAT)

Why is this important?

1. The purpose of this section of the regulations is to ensure that service managers and employees have a clear understanding of their responsibilities regarding VAT.
2. Like all organisations, the Council is responsible for ensuring that its VAT affairs are managed efficiently and in accordance with legislation. Tax issues are often very complex and the penalties for incorrect accounting for VAT can be severe. It is therefore very important that all officers are aware of their role so that the Council adheres to current VAT law and best practice.
3. In particular the Council can only recover VAT incurred on 'VAT-exempt' business activities if the total falls below its 'partial exemption' limit. Detailed planning is required to ensure that the Council can continue to recover this VAT, on both new schemes and existing expenditure.

Objectives of taxation control processes:

- To ensure that the Council only pays the correct amount of VAT and accounts for it in accordance with statutory requirements:
 - budget managers are provided with relevant information and kept up to date on VAT issues
 - budget managers are instructed on required record keeping
 - all taxable charges and payments are identified, properly carried out and accounted for within stipulated timescales
 - records are maintained in accordance with Council instructions and subject to internal checks
 - accurate returns are made to the appropriate authorities within the stipulated timescale.

Implications if above objectives are not achieved:

4. Unnecessary payment of taxes or under-recovery of tax due, leading to wasted resources;
5. Failure to identify taxable income and pay over the tax due, leading to possible assessments, interest and penalties, as well as considerable extra work;

6. Incorrect or duplicate recovery of VAT paid to suppliers, again leading to additional costs and work;
7. Inadequate planning or lack of consultation leads to poor decisions, resulting in errors or a loss of income;
8. Failure to consult early on expenditure related to VAT-exempt income adding to the risk of the Council breaching its 'partial exemption' limit which could result in a significant cost.

Key Responsibilities:

The Chief Accountant will:

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

Service Directors will have responsibility:

14. To ensure that staff are trained to deal with VAT correctly
15. To ensure that the correct VAT is paid from income due to the Council, and that VAT on purchases is recovered in line with HM Revenue & Customs regulations.
16. To follow the instructions on taxation issued by the Chief Accountant on the Council's VAT intranet site and in other documents.
17. To check the VAT status of any new income source with the Chief Accountant or their nominated officer.

18. To ensure that all new schemes, in particular involving capital expenditure or changes to current arrangements, which involve VAT-exempt income, are notified to the Council' s Chief Accountant or their nominated officer at the earliest opportunity.
19. To liaise with the Council' s Chief Accountant or their nominated officer if there is any type of query concerning VAT or if it is believed that an error may have occurred.

In addition, please refer to:

VAT Guidance

Section 21 – Corporate Purchasing Cards

Why is this important?

1. Only authorised permanent employees will be provided a purchasing card with the agreement of the relevant Director.
2. The purpose of this section of the regulations is to ensure that all employees have a clear understanding of their key responsibilities when using the Council's Corporate Purchasing Card.

Objectives of the Corporate Purchasing Card:

- Purchasing Cards streamline the purchasing process and offer the following benefits:
 - Useful for small and urgent purchases
 - Reduces the numbers of invoices requiring processing for small transactions
 -

Implications if the purchasing card is not used appropriately:

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

Key Responsibilities for Staff:

9. The Service Director Finance and Procurement (Deputy S151) is responsible for authorising all Purchasing Card application forms.
10. Service Directors must authorise the issue of all new Purchasing Cards to members of permanent staff within their Service.
11. Service Directors will be responsible for agreeing the transaction, monthly credit limits and categories of expenditure for all Corporate Purchasing Cards issued within their Service.

12. All Cardholders must abide by the requirements of the Purchasing Card Terms & Conditions and the Purchasing Card Procedure Guide.
13. The cardholder must ensure that the Purchasing Card issued to them is kept in a safe place at all times and access is strictly limited.
14. The Purchasing Card must only be used to purchase goods or services on behalf of the Council and must only be used by the named cardholder.
15. All purchasing card holder should obtain a VAT or "retailer' s" receipt. This should be retained until the card holder has verified the sums shown on the monthly statement.
16. Some suppliers are "VAT-enabled" and, the statement will show purchases net of VAT. For those suppliers where the amounts are shown gross and (subject to being material as defined in the guide) the cardholder should reclaim VAT for these items and when it is reclaimed they must retain the receipt to evidence the transaction.
17. The cardholder must ensure that purchasing card transactions are accurately coded in the Council' s Financial System. These transactions must be signed off by their line manager monthly.
18. Service Directors must ensure that the detailed procedures and key controls, as specified in the Purchasing Cards Procedures Guide, are strictly followed.
19. Any misuse of the Purchasing Card will be treated as misconduct and subject to normal disciplinary procedures.

In addition, please refer to:

Corporate Purchasing Card Procedures Guide
Purchasing Card Terms & Conditions

Section 22 – Commissioning & Procurement

Why is this important?

1. The Council spends a large sum of money each year on contracts, for works, supplies or services. These Financial Regulations apply to all contracts and must be read in conjunction with the Council's Contract Procedure Rules and Standing Orders.
2. Financial Regulations support the Council's Contract Procedure Rules and Standing Orders.

Objectives of our Contract Procedure Rules and Standing Orders:

- To provide a fair, consistent and proportionate framework of governance, rules and guidance to enable decisions to be transparent and accountable
- To ensure that works, goods and/or services meet the needs of the Council
- To secure value for money by obtaining the best price and quality for works goods and/or services ordered.
- To establish contractual arrangements that clearly defines the responsibilities of each party to the contract.
- To ensure the Council complies with legislation.
- To ensure that appropriate contract management arrangements are in place.

Implications if above objectives are not achieved:

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

Key Responsibilities for Staff & Members:

7. Service Directors **must** establish a commissioning intentions schedule that at minimum covers a rolling long term programme (3 to 5 years) of future commissioning and procurement activity.

8. Every contract made by the Council **must** be awarded in line with and Council' s Contract Procedure Rules and Standing Orders.
9. Service Directors **must** ensure that all Officers in their Service that have been nominated as 'Responsible Officers' (RO) for contract management purposes have been appropriately trained and before undertaking any procurement must complete the Passport to Procure Training All Officers managing a contract on behalf of the Council must complete the Cabinet Office Contract Managing Capability Programme (Foundation Level).
10. Officers **must** ensure that all contracts are recorded on the Contracts Register.
11. Officers **must** ensure that requests for quotations and invitations to contract with the Council comply with Council' s Contract Procedure Rules and Standing Orders.
12. Financial vetting must be undertaken independently through Finance.
13. Where corporate contracts are in place Service Directors **must** ensure they are used.
14. The RO must obtain appropriate VAT advice in relation to all contracts to provide services to ensure the appropriate VAT treatment is applied.
15. The RO **must** ensure that all contract documentation is correct before agreeing on the Council' s behalf. This will include any clearance required through the Council' s Democratic processes.
16. Any changes to the nature, value, term or any other changes **must** be agreed by the RO in line with the contract variation process identified in the original contract (subject to clearance through the Council' s Democratic processes) ensuring that the change does not have a legal impact especially regarding term or spend levels. Any change **must** be updated on the Contract Register.
17. The RO for each contract shall ensure that all instructions have been appropriately authorised and issued before the goods are ordered, services requested, or works are undertaken. All instructions to suppliers and payment arrangements **must** be in a form agreed by the Executive Director - Resources and Corporate Services.
18. The RO **must** establish appropriate management arrangements for the regular review of contractual performance of the contractor that allows

performance issues to be identified and addressed in line with the contract.

In addition, please refer to:

Council Contract Procedure Rules and Standing Orders
Contract Management Toolkit
Contract Management Framework
Council Procurement Strategy

Section 23 – External Arrangements Partnerships

Why is this important?

1. Partnerships bring together key public agencies, the business community and the independent sector (voluntary and community sector organisations, further and higher education, neighbourhoods) to address the shared priorities for the area and to tackle the issues that no single agency can do on their own. The Council provides a distinctive leadership role for the community to promote / improve the economic, social or environmental well-being of its area and people. Local Authorities can mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations.
2. A Partnership, as distinct from other collaborative working relationships, will be characterised by the following:
 - They create a new organisational structure or process to achieve a goal separate from the individual member organisations
 - Robust governance arrangements exist including formal risk management provisions
 - Consist of pooled resources
 - Have clear outcomes with accompanying actions
 - Formal performance monitoring arrangements exist

Whilst there may not be an equal division of power or financial responsibility between the constituents of a Partnership, there is always some degree of spreading control or influence.

Objectives for Partnership Working

3. The main objective is to ensure that the Council participates in successful Partnerships that have robust governance arrangements and that:

- Partnerships should have **clear objectives** that are realistic and measurable and link to the achievement of the Council' s corporate objectives
- There should be **clear organisational and staffing arrangements** in place, with clear accountabilities for those involved in a Partnership and clarity with regard to the resources committed to it.
- Partnerships should have **robust management and appropriate decision-making** mechanisms in place. They should have a constitution and/or terms of reference and defined standards as to the way individuals within Partnerships should behave.
- Partnerships should have **robust performance management** arrangements for monitoring and reviewing how successfully targets are being met and sharing the review findings amongst partners.
- Partnerships should have **robust financial arrangements** in place, with clear budget setting and monitoring procedures and have clear financial regulations and schemes of delegation.
- Partnerships should have a clear process for identifying, prioritising and **managing risks**. Business continuity arrangements should also be in place.
- Partnerships should have a transparent process for **information sharing** within the Partnership **and public engagement arrangements** where there is communication with service users and the wider public.
- Partnerships should have clear **exit arrangements** that allow for minimal disruption and the reallocation of resources.

Key controls

4. The key controls for partnership arrangements are:
 - ensuring that partnership arrangements are underpinned by clear and well documented internal controls.
 - risk management processes are in place to identify, assess and allocate all known risks.

- appraisal processes are in place to assess the viability of the partnership in terms of resources, staffing and expertise.
- the roles and responsibilities of each partner involved in the project are agreed and formally accepted before the project commences.
- adequate arrangements are in place to ensure the accountability of other organisations for Council money, and that such money is only released against proper controls.
- regular communication is maintained with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- documentation is in place setting out and limiting the commitments of parties to each other and the project.

Key Responsibilities for Staff & Members

Lead officer' s or member leads for a Partnership, are expected to:

- Be the point of contact between the Council and the Partnership.
- Assist the Partnership work with the Council.
- Facilitate the Council' s input into the Partnership.
- Review performance against agreed outcome targets and highlight any issues with the relevant Head of Service/Director
- Alert relevant senior Council officers to any issues.
- Facilitate a regular self-assessment of the Partnership' s activity and make recommendations about any action required.
- Be clear as to the level of decision-making authority that the Partnership has and whether or not you have such authority from the Council.
- Act in accordance with any Codes of Conduct/Standards in force at the time

Responsibilities of the Executive Director - Resources and Corporate Services

5. To advise on effective controls that will ensure that resources are not wasted.
6. To advise on the key elements of funding a project. They include:
 - scheme appraisal for financial viability in both the current and future years.
 - Financial reporting arrangements
 - How under and overspends are treated and any remaining balances once the partnership ends
 - risk appraisal and management.
 - resourcing, including taxation issues.
 - audit, security and control requirements.
 - carry-forward arrangements.
7. To ensure that the accounting and reporting arrangements are satisfactory.
8. To advise on the governance and performance management of partnership arrangements.
9. To ensure that when the Council is the "Accountable Body" there are adequate controls and governance arrangements in place.

Responsibilities of the Senior Leadership Team

10. Assuring the scoring of the Partnership against the Council's significance assessment scorecard. Reviewing the risk of the Council's 'significant Partnerships' on a quarterly basis.
11. Referring Partnerships to the appropriate Committees.
12. Ensuring a robust register of the Council's Partnerships.
13. Monitoring the overall impact of 'significant Partnerships' and advising the appropriate Committee on any action required.

14. Commenting on the viability and strategic fit of any significant new Partnership, and relevance of existing significant Partnerships.
15. Championing the use of this Framework Document.

Detailed Requirements

16. The Council believes that all Partnerships it is involved with should have:
 - Clarity on resource required and committed to the Partnership.
 - Clear budget setting and monitoring procedures in place.
 - A budget and performance reporting framework in place.
 - Clear financial administration procedures in the form of financial regulations and scheme of delegation.
17. Any Partnerships where the Council is a party should be approved if it has key decision implications such as a funding decision or more generally so that the Council knows what it is party to.
18. A cabinet decision being required if the Council is to be the accountable body of a Partnership
19. A Procurement activity where the Council will need to follow its own regulations in addition to anything specific set down by the Partnership itself.
20. Where a Partnership is in receipt of monetary resources, the accountable body for the funding should provide the partners with regular budget control reports, to enable the partners to understand what the financial position is. A named person should be given this responsibility.
21. The reporting framework needs to link to the agreement on how under and overspends within the Partnership would be dealt with if they happen.
22. The accountable body may change depending on where the funding originates. The Partnership must abide by the accountable body' s financial regulations and must ensure that it has obtained the appropriate level of authorisation before payments are made.

23. The budget reporting framework should be linked to the Partnership' s performance management framework to ensure that spend is linked to outcomes.
24. From the outset, the Partnership agreement must provide both internal and external auditors with rights of access to documentation. All partners must ensure there is a clear audit trail for any payments made, contracts tendered, and funding received, which follows the appropriate financial/contract regulations and schemes of delegation.
25. Each Partnership needs to consider the risks that, if they occurred, would prevent it from achieving its objectives.

In addition, please refer to:

Somerset Council Partnership Framework

Section 24 – External Funding

Why is this important?

1. External funding is potentially a very important source of finance, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local Authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers.
2. Funds from external sources such as Regional or National funding mechanisms, the National Lottery provide additional resources to assist the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council' s overall plan.

Key controls

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

Responsibilities of the Service Director – Finance and Procurement

4. To review all grant application prior to submission and review whether the grant creates on-going funding commitments for the authority. Any on-going funding requirements must be approved through the Executive.
5. To ensure that all funding notified by external bodies is received and properly recorded in the Council' s accounts.
6. To ensure that audit requirements are met.

Responsibilities of Service Directors

7. To obtain approval from Executive Director - Resources and Corporate Services or his / her representative for grant applications.
8. To ensure permissions are in place to incur expenditure funded by grant, including Full Approval status within Capital Programme where appropriate.
9. To ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.
10. To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenues are able to meet these requirements.
11. To ensure that all claims for funds are made by the due date.

Section 25 – Work for Third Parties

Why is this important?

1. Local authorities can enter into a wide range of agreements to do work with each other and with some (but not all) public bodies. Such an agreement may enable the Council to provide a range of services to other bodies and so deliver additional income or maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires (i.e. within the Council' s legal powers).

Key controls

2. The key controls for working with third parties above a value of £50,000 p.a. are:
3. proposals are costed and reviewed for accuracy and completeness;
 - no process is started that might lead to the Council agreeing to do work for an outside body whether public sector or otherwise, without seeking the advice of the Council Solicitor as to whether this is within the Council' s legal powers;
 - no process is started that might lead to the Council agreeing to do work for an outside body, whether public sector or otherwise without first establishing and recording that there is a clear economic case why doing the work is in the Council' s best interests;
 - contracts are drawn up with the guidance of the Council Solicitor;
 - guidance is issued with regard to the financial aspects of third party contracts and the maintenance of the contract register;
 - the Council has insurance cover for any potential liabilities that could arise to the recipient of the service and any third party, and that the cost of this has been included with the overheads when calculating fees.

Responsibilities of Executive Director - Resources and Corporate Services

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

Responsibilities of Directors

5. To ensure that the Executive Portfolio Member is aware of any individual proposals above £50,000 p.a. before any negotiations are concluded to work for third parties.

6. To ensure that the Council does not enter into any agreement that is beyond its power.
7. To ensure that no contract is subsidised by the Council.
8. To ensure that, wherever possible, payment is received in advance of the delivery of the service.
9. To ensure that the Service / Team has the appropriate expertise to undertake the contract, and that such contracts do not impact adversely upon the services provided for the Council.

Section 26 – Pension Fund

1. In its role as ‘administering authority’ , Somerset Council has executive responsibility for the Somerset Pension Fund. The Council is legally responsible for the Fund as set out in the Local Government Pension Scheme Regulations.
2. The Council delegates its responsibility for administering the Fund to the Peninsula Pensions, a shared service operated by Devon County Council. The Somerset Pension Board has oversight of the Somerset Pensions Committee.
3. The Pensions Committee shall be responsible for the strategic policy of the Somerset Pension Fund and the Funds investment management arrangements. The Pensions Committee shall also make whatever arrangements it considers appropriate for the custody of the Fund’ s investments. This includes the use of partnership arrangements with other local authority pension funds to reduce costs to the Fund, i.e. Brunel Pension Partnership.
4. Where the Council solely manages any investments or balances relating to the Somerset Fund (i.e. not Brunel Pension Partnership) then the Council shall manage on an agency basis any cash balances belonging to the Somerset Pension Fund which are held with the Council’ s bankers. A Service Level Agreement with the Council’ s Finance function shall regulate the way in which these balances are managed.
5. The Somerset Pension Fund shall establish arrangements either internally or through the Brunel Pension Partnership to ensure that regular, i.e. quarterly reports are made to the Pensions Committee on the performance of the Fund’ s investment managers and all other matters affecting the administration of the Fund’ s investments. The mandates of the investment managers shall be subject to periodic review.
6. The Pensions Committee shall appoint an actuary to the Fund and shall review the appointment periodically.
7. The Pensions Committee shall approve an annual budget for the Fund’ s administrative expenses and all disbursements shall be met from within this budget. Reports monitoring expenditure against budget shall be submitted to the Pensions Committee quarterly.

8. Except where otherwise provided, the Pensions Committee shall approve all discretionary policies outside of those exercised by the Administering Authority under the Local Government Pension Scheme Regulations.
9. The Executive Director of Resources and Corporate Services shall approve a list of authorised signatories, which shall apply to all disbursements made by the Fund.
10. The Service Director of Finance & Procurement shall be responsible for preparing an Annual Report and Accounts for the Fund.
11. The Service Director of Finance & Procurement shall make arrangements for the collection of all employer and employee contributions due to the Fund.
12. The Service Director of Finance & Procurement shall make arrangements for the payment of transfer values owed by the Fund and the collection of transfer values owed to the Fund.
13. The payment of all benefits will be made under arrangements approved by the Executive Director – Resources and Corporate Services and controlled by the Service Director of Finance & Procurement.

