

# KENT COUNTY COUNCIL FINANCIAL REGULATIONS

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# 1. INTRODUCTION

## What are Financial Regulations?

- 1.1 The County Council is responsible for providing a wide range of services for residents, businesses and visitors, which involves receiving and spending large sums of money each year. Financial Regulations aim to ensure that the County Council protects and makes the best use of the money it receives and spends.
- 1.2 Financial Regulations are the regulatory framework within which the financial affairs of the County Council operate. They clarify responsibilities and provide a framework for decision making. They reflect how statutory powers and duties are discharged, as well as setting best professional practice.

## Who do Financial Regulations apply to?

- 1.3 All Members and all Officers of the County Council must abide by the Financial Regulations and any breach may be considered a disciplinary offence and could lead to dismissal. [Kent Scheme Terms and Conditions](#).
- 1.4 All officers with financial responsibilities must read, understand and comply with these regulations. The Financial Regulations also set out the financial responsibilities of Members and Senior Officers (particularly the Chief Executive, Corporate Directors, Directors, the Chief Finance Officer (also known as the Section 151 Officer) and the Monitoring Officer (General Counsel).
- 1.5 In these regulations, references to responsibilities are assigned as follows, irrespective of any changes there may be to job titles:

“Section 151 Officer” refers to the post responsible for making arrangements for the proper administration of the financial affairs of the Council, under Section 151 of the Local Government Act 1972.

“Monitoring Officer” refers to the post responsible reporting on matters they believe to be illegal or amount to maladministration, matters relating to the conduct of councillors and the operation of the council’s constitution, under Section 5 of the Local Government and Housing Act 1989 as amended by paragraph 24 of Schedule 5 Local Government Act 2000.

“Chief Executive” refers to the post responsible for ensuring that all the authority’s functions are properly co-ordinated as well as organising staff and appointing appropriate management (also known as the Head of Paid Service).

## Maintenance of Financial Regulations & Financial Rules

- 1.6 The Section 151 Officer is responsible for reviewing these regulations.
- 1.7 Supporting the Financial Regulations are a detailed set of Finance Rules, which prescribe the procedures to be followed in the day-to-day work of the County Council. These rules have the same status as if they were included in the body of these regulations. Financial rules are found at [Financial Procedures](#)

## KCC Finances: Summary of Who Does What

The general advice for ALL staff is at 2.2 and the summary for Directors at 2.14

	Members	Leader	S151 Officer	Chief Executive	Corporate Directors	Monitoring Officer
General	2.2 2.3, 2.5, 2.6 & 2.7	2.4	2.11	2.9	2.13	2.10
Revenue Budget Setting			3.7	3.4	3.8	
Capital Programme Setting		3.10	3.11	3.9	3.12	
Reserves and Provisions			3.13 – 3.15			
Key Decisions & Financial Implications	4.1		4.3		4.4, 4.5	
Kent Pension Fund			4.6			
Financial Control Framework			5.9			
Revenue Budget Monitoring and Control					5.1	
Virements		5.4	5.4	5.4		
Capital Budget Monitoring		5.8		5.8	5.7, 5.8	
Accounting Policies, Records & Returns	6.3		6.1		6.2	
Annual Statement of Accounts			6.4		6.5	
Audit Requirements			6.6		6.7	
Risk Management and Insurance			7.3		7.4	
Internal Control & Preventing Fraud			7.5, 7.7		7.8	
Assets & Stocks			7.10		7.9	
Treasury Management & Banking	7.13		7.14, 7.17			
Cash & Procurement Cards			7.21		7.22	
Staffing Costs			7.25		7.26	
Systems			8.2		8.3	
Income & Write Offs	8.4		8.5, 8.6		8.7	
Ordering and Paying			8.9		8.10	
Taxation			8.12		8.13	
Trading Accounts					8.15	
Overheads and Internal Recharges			8.16			
Partnerships			9.2		9.1	
External Funding			9.5		9.3, 9.4	
Work for Third Parties		9.8	9.6		9.7	
Companies			9.9		9.11	9.10

## 2. OVERALL FINANCIAL RESPONSIBILITIES

### Introduction

- 2.1 This section sets out the roles of Members and Officers in the management of the County Council's finances. Financial management covers all financial accountabilities relating to the running of the Council, including the policy framework and budget. The County Council is a single entity with devolved accountabilities but the overall responsibility for financial administration of the Council remains with the Section 151 Officer.

### Personal Responsibilities

- 2.2 Any person concerned with the use or care of the County Council's resources or assets MUST ensure they are fully conversant with the requirements of these Financial Regulations. All staff should notify their line manager immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the authority's property or resources. Concerns may also be raised via the [Whistle Blowing Procedure](#).

### Member Responsibilities

- 2.3 County Council MUST approve:
- i. the Budget and Policy Framework, monitor compliance and respond to Scrutiny referrals on matters of non-compliance;
  - ii. the annual budget and the County Council share of Council Tax and Council Tax precept;
  - iii. the capital strategy, including prudential indicators for capital finance and borrowing; and the policy on Minimum Revenue Provision (MRP)
  - iv. the annual treasury management strategy and reserves policy;
  - v. the limits for virement or other budget changes and decision making procedure rules, including limits for key financial decisions;
  - vi. any expenditure proposed by the Leader or the Cabinet that is outside the limits referred to in above;
  - vii. Contracts Standing Orders.
- 2.4 The Leader MUST propose the Medium-Term Financial Plan, Budget, budget strategies, Council Tax and prudential indicators to the Council.
- 2.5 Within their allocated responsibility area and approved budget, Individual Cabinet Members MUST take account of legal, financial liabilities and risk management issues when taking decisions, including due consultation with and the taking of advice from officers.
- 2.6 The Scrutiny Committee (and any groups reporting into it) is responsible for reviewing or scrutinising decisions made, or other action taken, in connection with the discharge of any executive or non-executive functions as defined in the Constitution. The Scrutiny Committee is responsible for considering Executive decisions that are 'called in' after being taken but prior to implementation.

2.7 The purpose and responsibilities of the Governance & Audit committee are summarised in [the Constitution](#). In addition, the Governance and Audit Committee MUST also ensure that the Council's Counter Fraud Team is effective, has sufficient resource, experience and expertise to tackle fraud and corruption and that the Council has in place policies and procedures for the combating of fraud, bribery and corruption, and money laundering.

### Officer Responsibilities

2.8 The full details of delegations to Chief Officers is set out in section 11 of the Constitution. The following sets out the key responsibilities of the Chief Executive, Monitoring Officer, Section 151 Officer, Corporate Directors and Directors, as they relate to financial issues, for ease of reference.

2.9 The Chief Executive MUST ensure:

- i. the provision of professional advice to all parties in the decision making process, including financial information;
- ii. that arrangements are in place for internal control and the inclusion of the Annual Governance Statement in the annual accounts;
- iii. that, in consultation and with the agreement of both the Monitoring Officer and the Section 151 Officer, the reporting of any matter to County Council, where the proper functioning of the County Council is at risk.

2.10 The Monitoring Officer MUST advise whether decisions of the Executive are in accordance with the Budget and Policy Framework. Actions that may be 'contrary to the Budget' include:

- initiating a new policy for which no budget exists;
- committing expenditure in future years above the approved budgeted level;
- breaching virement limits;
- causing the total expenditure financed from council tax, grants and corporately held reserves to increase beyond that provided for in the approved budget.

2.11 The majority of the responsibilities of the Section 151 Officer are covered in the Constitution or elsewhere within these Regulations. In addition, the Section 151 Officer MUST:

- i. maintain counter fraud systems, including and anti-corruption strategies and anti-corruption measures;
- ii. provide financial information and professional financial advice to support the proper financial planning of the authority;
- iii. advise the Council on its overall financial resilience;
- iv. issue advice and guidance to underpin the Financial Regulations;
- v. ensure that statutory and other accounts and associated claims and returns in respect of grants are prepared;
- vi. ensure that the MRP calculation is prudent;
- vii. take ownership of the Council's corporate financial system.

2.12 In accordance with Section 114 of the 1988 Act, the Section 151 Officer MUST nominate a staff member to deputise for them.

2.13 The Corporate Directors MUST:

- i. operate financial processes that underpin operational controls, including a scheme of delegation;
- ii. control expenditure and income, monitor performance and take action to remain within agreed capital and revenue budgets;
- iii. consult with the Section 151 officer and seek approval regarding any matters outside of the budget and policy framework which may affect the County Council's finances materially, before any commitments are incurred;
- iv. only sign contracts on behalf of the Council when the expenditure to be incurred is budgeted for;
- v. promote the financial management standards set by the Section 151 Officer in their Directorates and monitor adherence to standards and practices;
- vi. ensure that budget estimates that reflect agreed service plans are prepared, and that these are in line with issued guidance;
- vii. ensure that a robust counter fraud and anti-bribery culture exists within their Directorates.

2.14 Directors and those reporting to them with budget responsibilities MUST:

- i. Support their Corporate Director in fulfilling their financial responsibilities;
- ii. Promote a culture of probity and sound financial control;
- iii. Plan and deliver the major financial activities in their services;
- iv. Promote financial accountability across the Directorate and act as escalation point where there are financial or budget issues;
- v. In consultation with the finance service, ensure that a framework is maintained for support and advice to all staff involved in financial management and administration in their service;
- vi. Ensure that every report to Cabinet, County Council or Scrutiny contains a financial implications section that sets out any financial impact or commitments arising from the proposals, and which has been approved by the Section 151 Officer in advance of publication;
- vii. Ensure that claims for funds (including grants and 'match funding') are made in accordance with financial instructions issued by the Section 151 Officer;
- viii. Ensure that budget planning information, service revenue and capital monitoring and service outturn reports are provided in accordance with corporate timetables.

## 3. FINANCIAL PLANNING

### Introduction

3.1 Financial planning is the process of projecting income and expenditure with the corporate strategy of the County Council. The revenue budget is the expression in financial terms of the delivery of the corporate strategy of the Council over the subsequent year. The capital programme is the expression in financial terms of plans to purchase, construct or improve assets with a lasting value to deliver the corporate strategy over the medium to long term.

3.2 In terms of financial planning, the key elements are:

- the Corporate Strategy
- the Revenue Budget
- the Capital Programme

3.3 County Council MUST:

- i. Approve the policy framework and budget. The policy framework comprises a number of statutory plans and strategies laid out in the Constitution;
- ii. Approve procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework;
- iii. Agree the level at which the Cabinet and executive members may reallocate budget funds from one service to another.

### Revenue Budget

3.4 The Chief Executive and Section 151 Officer together MUST ensure that a revenue budget is prepared on an annual basis for consideration by the Leader and Cabinet before submission to the County Council

3.5 The Section 151 Officer MUST propose to the Leader the general format of the Budget.

3.6 The Leader MUST issue guidelines on budget preparation to Cabinet Members and Corporate Directors on budget preparation, on the recommendation of the Section 151 Officer.

3.7 The Section 151 Officer MUST:

- i. report to the County Council, when the Budget and Council Tax is considered, on the robustness of the estimates and the adequacy of reserves provided for;
- ii. make any technical changes to the version of the budget approved by County Council and notify all Members of any such change included in the final published budget book.

3.8 The Corporate Directors MUST ensure that budget estimates reflect agreed service plans, are realistic and prepared in line with guidance issued by the Section 151 Officer.

### Capital Programme

3.9 The Chief Executive and Section 151 Officer MUST ensure that a medium-term capital programme and financing plan is prepared on an annual basis for consideration by the Leader before submission to the County Council.

3.10 The Leader MUST develop and propose the capital programme to the County Council in consultation with the Section 151 Officer.

3.11 The Section 151 Officer MUST:

- i. advise on the setting of any prudential indicators;
- ii. establish procedures to evaluate and appraise capital expenditure proposals;
- iii. build in the revenue implications of debt costs from additional borrowing;
- iv. ensure surety is in place where external funding is contributing to the delivery of any capital project proposed for the capital programme (e.g. bonds, parent company guarantees or letters of intent).

3.12 The Corporate Directors MUST:

- i. ensure that capital proposals reflect agreed service plans and are prepared in line with guidance issued.
- ii. consult with the Section 151 Officer, the relevant Cabinet Member and the Cabinet Member for Finance where it is proposed to bid for funding from external sources to support capital expenditure;
- iii. ensure that appropriate approval for any capital project proposed has been sought.
- iv. ensure that VAT implications of capital projects have been considered.

### Reserves, Provisions and Contingent Liabilities

3.13 The Section 151 Officer MUST:

- i. propose and ensure compliance with the Council's Reserves Policy;
- ii. ensure that reserves are not only adequate but also necessary;
- iii. ensure that no money is transferred into reserves each financial year without prior agreement with him/herself.

3.14 The Section 151 Officer MUST ensure that provisions are set up for any liabilities of uncertain timing or amount that have been incurred.

3.15 The Section 151 Officer MUST ensure that contingent liabilities are noted in budget considerations, where a reliable estimate cannot be made.

## 4. FINANCIAL DECISION MAKING

### Key Decisions – Cabinet Members

- 4.1 Cabinet Members are responsible, within their allocated responsibility area and approved budget, for taking decisions as agreed by the Leader of the County Council.
- 4.2 All decisions must be processed in accordance with the decision making and reporting framework set out in the Constitution and in taking decisions Cabinet Members must comply with the County Council's Financial Regulations.

### Financial Implications of Reports

- 4.3 The Section 151 Officer MUST:
  - i. monitor the quality of the financial implications information included in reports, to ensure Members have access to all relevant financial information when making decisions;
  - ii. provide financial implications where there are corporate implications and especially when corporate resources (revenue or capital) are required.
- 4.4 The Corporate Directors MUST ensure:
  - i. that reports include all financial impacts or implications - including current and future years, capital and revenue, on all affected Directorates, including the impact on corporate resources and that a copy of the report is submitted to the Section 151 Officer or nominated representative for clearance;
  - ii. reports are compiled in accordance with best professional practice by suitable staff; and provides a sound basis for financial decision-making;
  - iii. in all relevant circumstances, that financial implications referred to in reports are reflected in current budgetary provisions or the [Medium Term Financial Plan](#).
- 4.5 Corporate Directors are reminded that these requirements extend to the legal reasonableness and financial prudence of all decisions taken by either Members or Officers.

### The Kent Pension Fund

- 4.6 The Section 151 Officer MUST, in accordance with the Local Government Pension Scheme regulations:
  - i. ensure the proper administration of the financial affairs of the Fund.
  - ii. having taken appropriate professional advice, prepare and submit to the Pension Fund Committee: regular reviews of investment strategy, monitoring of investment managers, arrangements for admitted employers and reporting on the pensions administration service.
  - iii. prepare and publish the Pension Fund's annual report and accounts.

## 5. FINANCIAL CONTROL

### Revenue Budget Monitoring and Control

#### 5.1 Corporate Directors MUST:

- i. have a robust system in place for monitoring activity levels which drive major budget headings;
- ii. report to the Section 151 Officer and to the relevant Cabinet Member on variances within their own areas;
- iii. ensure spend remains within the service's overall cash limit, by taking appropriate corrective action, alerting the Section 151 Officer and Cabinet Member to any problems;
- iv. ensure that a budget manager is identified for each item of income and expenditure under their control;
- v. ensure prior approval by the Leader and the relevant Cabinet Member of new proposals, which fulfil one or more of the following criteria:
  - a. create financial commitments in future years in excess of existing budgets
  - b. change existing policies, initiate new policies or cease existing policies
  - c. materially extend or reduce the Council's services
  - d. exceed the limit defined by the Council as a key financial decision
  - e. exceed any limit set by the Leader as requiring reference to them or a Cabinet Member
- vi. where approval has been granted under iv above, ensure it is set out in any reports to Committee or County Council;
- vii. ensure compliance with the scheme of virement;
- viii. ensure robust measures are in place to combat fraud and corruption;
- ix. ensure Resource Accountability Statements (RAS) are completed and complied with by budget managers.

### Virements

#### 5.2 Virements are the authorised transfer of a budget from one expenditure head to another. If such transfers do not:

- change the purpose for which the funding was approved
- involve new policy or policy change
- involve an increasing commitment in future years that cannot be contained within existing approved budget allocations

then they will be considered technical adjustments and Corporate Directors may make such changes, providing they notify the Section 151 Officer in advance. Examples include additional grant or other external income receivable during a financial year, changes to grant rules or realignment of resources to approved business plans.

#### 5.3 Also, if such transfers relate to an approved budget or a contingency intended for allocation during the year, its allocation will not be treated as virement, provided that the amount has been used in accordance with the purposes for which it was established and the Section 151 Officer has agreed the basis and the terms, including financial limits, on which it will be allocated.

5.4 If a change to the purpose of the funding is required, so that funding will be used for a purpose different to that for which it was approved, then a virement is required. This must not involve an increasing commitment in future years that cannot be contained within existing approved budgets. Virements MUST be approved as follows:

<b>Less than £200,000</b>	Chief Executive or relevant Corporate Director(s) in agreement with the appropriate Cabinet Member(s) and the Section 151 Officer
<b>From £200,000 up to (but not including) £1m</b>	the relevant Cabinet Member(s) in agreement with the Cabinet Member for Finance, relevant Corporate Director(s) and Section 151 Officer
<b>£1m and above</b>	The Leader or Cabinet

*NB multiple virement requests to / from the same budget heads will be treated cumulatively.*

5.5 Transfers involving a new policy or a change in an existing policy require prior approval by the Leader and Cabinet Member and Committee, with approval set out in any reports to formal Committees or County Council.

#### *Treatment of year-end balances*

5.6 Cabinet MUST agree the detail of any annual roll forward of under and overspending on budgets.

### Capital Budget Monitoring

5.7 The Corporate Directors MUST:

- i. prepare reports reviewing the capital programme provisions for their services, in line with the timetable set by the Section 151 Officer;
- ii. prepare regular returns of estimated final costs of schemes in the approved capital programme for inclusion in the report to Cabinet on the overall Capital programme position;
- iii. report promptly to the Section 151 Officer on any proposed variations to the Capital Programme during a financial year;
- iv. report promptly to the Section 151 Officer circumstances where additional County Council capital resources will be required to implement an approved project, where additional resources cannot be identified from within the Portfolio programme concerned;
- v. report to the Section 151 Officer on any proposed additions to the Capital Programme, resulting from the receipt of additional grant or other external funding.

5.8 Resources may be vired from one capital project or heading as follows provided that such transfers do not result in an overall increased commitment of capital resources and do not involve new policy or policy changes:

<b>Less than £50,000</b>	the Chief Executive or relevant Corporate Director(s)
<b>From £50,000 up to (but not including) £200,000</b>	the relevant Corporate Director(s) in agreement with the relevant Cabinet Member(s) and the Section 151 Officer
<b>£200,000 up to (but not including) £1m</b>	the relevant Cabinet Member(s) in agreement with the Cabinet Member for Finance, Corporate Director(s) and Corporate Director of Finance

5.9 The Section 151 Officer MUST:

- i. monitor income and expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis;
- ii. administer the County Council's scheme of virement and monitor, record and report to the Cabinet on the impact on revenue budgets;
- iii. prepare and submit, with Corporate Directors, joint reports to the Cabinet in respect of any revenue expenditure for which the Corporate Director concerned is unable to identify appropriate resourcing from within the existing budget;
- iv. prepare and submit regular reports to the Cabinet on progress against the approved capital programme, highlighting any variances and detailing any requests for amendments to approved programmes.

## 6. FINANCIAL ACCOUNTING & AUDIT

### *Accounting Policies*

- 6.1 The Section 151 Officer MUST ensure that the accounting policies, practices and procedures adopted by the County Council reflect professional standards and recommended good practice.

### *Accounting Records and Returns*

- 6.2 The Corporate Directors MUST:
- i. comply with the adopted accounting policies, practices and procedures;
  - ii. ensure the proper retention of accounting records in accordance with the requirements established by the Section 151 Officer ([Retention Schedule](#));
  - iii. ensuring that all claims for funds including grants are made by the due date and in line with the ([Corporate Grant Procedure](#));
  - iv. provide information required for, or to ensure completion of, all statutory and other financial returns by the due dates;
  - v. operate control accounts as agreed by the Section 151 Officer.

### *The Annual Statement of Accounts*

- 6.3 The Governance and Audit Committee MUST approve the annual Statement of Accounts of the Authority and the Pension Fund on behalf of the Council.
- 6.4 The Section 151 Officer MUST:
- i. ensure that the County Council's and Pension Fund annual Statement of Accounts are prepared by the required statutory date and in accordance with the current Code of Practice;
  - ii. liaise with external audit on the completion of the Statement of Accounts and the arrangements for the audit of these;
  - iii. ensure that adequate documentation is available to support the [Statement of Accounts](#).
- 6.5 The Corporate Directors MUST supply the Section 151 Officer with information required to complete the Statement of Accounts, in accordance with the agreed annual timetable.

### *Audit Requirements*

- 6.6 The Section 151 Officer MUST ensure:
- i. that external auditors are given access at all premises, personnel, documents and assets necessary for the purposes of their work;
  - ii. that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided as soon as reasonably practicable.
- 6.7 Corporate Directors MUST:

- i. notify the Head of Internal Audit & Counter Fraud immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the Council's property or resources;
- ii. ensure that internal and external audit are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work;
- iii. ensure that all records and systems are up to date and available for inspection;
- iv. ensure that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided in a timely manner and not be unreasonably delayed.

## 7. FINANCIAL ADMINISTRATION

### Introduction

- 7.1 Robust systems must be developed and maintained to identify and evaluate all significant strategic, operational and financial risks to the Authority, including the proactive participation of all those associated with planning and delivering services.

### Risk Management and Insurance

- 7.2 The Governance and Audit Committee MUST approve the Council's Risk Management Strategy and Policy and review the effectiveness of risk management. The Director of Strategy, Policy, Relationships and Corporate Assurance (SPRCA) is responsible for the Authority's [Risk Management Policy and Strategy](#).
- 7.3 The Section 151 Officer MUST, in consultation with the Cabinet Member for Finance, ensure that there are sufficient arrangements in place to protect the Council against insurable risks.
- 7.4 Corporate Directors MUST regularly review the effectiveness of risk management arrangements within their Directorates and ensure compliance the Council's overall insurance arrangements.

### Internal Control

- 7.5 The Section 151 Officer MUST provide advice on effective systems of internal control that deliver the requirements of Financial Regulations.
- 7.6 Corporate Directors MUST establish sound arrangements for planning, appraising, authorising and controlling their operations, ensuring they and their teams fully comply with system of internal controls and act promptly to address any issues raised by Internal Audit, the external auditor or in the Annual Governance Statement.

### Preventing Fraud and Corruption

- 7.7 The Section 151 Officer MUST develop, review and maintain an Anti-Fraud and Corruption Strategy, including ensuring there is an effective counter fraud function.
- 7.8 Corporate Directors MUST ensure compliance with the [Anti-fraud and Corruption Strategy](#) and with systems of internal control to prevent, detect and pursue fraud and corruption, including engaging with Counter Fraud Specialists when developing new policies, initiatives and strategies.

### Assets & Stocks

- 7.9 Corporate Directors MUST:
- i. ensure that records and assets are properly maintained and securely held and that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place;

- ii. maintain and review annually inventories of equipment, plant and machinery which has a value of over £200 or is portable or vulnerable to theft;
- iii. Ensure compliance with issued procedures in respect of all [asset disposals](#);
- iv. write off the value of obsolete stock in their Directorates.

7.10 The Section 151 Officer, in conjunction with the Chief Executive, MUST issue guidelines for the disposal of equipment, plant and machinery.

### *Intellectual Property*

7.11 The Chief Executive, in conjunction with the Monitoring Officer, MUST develop and disseminate best practice guidance regarding the treatment of intellectual property.

7.12 Corporate Directors MUST ensure ensure compliance with the guidance and ensure staff are aware that anything they create during the course of their employment, whether written or otherwise, belongs to the Council;

### *Treasury Management*

7.13 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer. The Council also nominates the Treasury Management Group and Governance & Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

7.14 The Section 151 Officer MUST

- i. report to the Cabinet Member for Finance on:
  - a. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
  - b. suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
- ii. report to the Council on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs;
- iii. establish procedures to monitor and report on performance in relation to Prudential Indicators set by the Council;
- iv. ensure all borrowing and all investments of money are made in the name of the Council or in the name of an approved nominee.

### *Loans to third parties and acquisition of third-party interests*

7.15 The Section 151 Officer MUST ensure, jointly with the Corporate Directors, that loans are only made to third parties with the approval of the County Council, the Leader, Cabinet or the Cabinet Member for Finance

### *Trust Funds and funds held for third parties*

- 7.16 Corporate Directors MUST arrange for all Trust Funds to be held, wherever possible, in the name of the Council and ensure that Trust Funds are operated within any relevant legislation and the specific requirements for each Trust.

### Banking

- 7.17 All arrangements with bankers must be made only by the Section 151 Officer, who is authorised to operate any bank accounts considered necessary for the efficient operation of the Council's activities. The Section 151 Officer MUST issue guidance on the use of bank accounts.
- 7.18 Once approved, Corporate Directors MUST operate bank accounts within issued guidelines. [Cash Handling and Banking](#)

### Imprest Accounts and Cash

- 7.19 The Section 151 Officer MUST issue guidance on the arrangements for the monitoring and review of [imprest accounts](#) and cash withdrawn via [purchase card cash systems](#)
- 7.20 Corporate Directors MUST ensure the operation of approved cash and bank imprest accounts are in accordance with procedures issued by the Section 151 Officer

### Credit Cards and Purchase Cards

- 7.21 The Section 151 Officer MUST prescribe the procedures for the use of credit cards and purchase cards.
- 7.22 Corporate Directors MUST ensure the use of credit cards and purchase cards is in accordance with the procedures issued ([Purchase Card](#))

### Receiving & Making Card Payment

- 7.23 The Section 151 Officer MUST ensure that card payment arrangements including chip and pin terminals and web-based systems, set up for agreed purposes and assigned to nominated staff, are compliant with Payment Card Industry Data Security Standards (PCI DSS).
- 7.24 Corporate Directors MUST maintain secure card payment arrangements in accordance with the procedures issued.

### Staffing Costs

- 7.25 The Section 151 Officer MUST ensure there are arrangements in place for the accurate and timely payment of staff and associated payroll deductions and returns to Government departments.

- 7.26 Corporate Directors MUST advise the Executive Members on the budget necessary in any given year to cover estimated staffing levels and adjust staffing numbers to meet changing operational needs within the approved budget provision.
- 7.27 An ex-gratia payment is a payment made as compensation or settlement to employees in respect of loss or damage which occurred during the performance of their duties. It does not reflect payments made when someone leaves the organisation (as that is dealt with via settlement agreements). Services must ensure that HR review all such agreements. Corporate Directors are responsible for approving reasonable ex gratia payments of £6,000 or less and for ensuring that a record of such payments is maintained. For ex gratia payments in excess of £6,000, Corporate Directors MUST obtain the approval of the relevant Cabinet Member, the Cabinet Member for Finance and the Section 151 Officer.

## 8. FINANCIAL SYSTEMS AND PROCEDURES

### Introduction

- 8.1 Sound systems and procedures are essential to an effective framework of accountability and control.

### Systems

- 8.2 The Section 151 Officer MUST ensure the County Council has appropriate IT systems for financial purposes. This includes a Business Continuity Plan, in the event of any incident affecting systems used to deliver services for financial purposes.
- 8.3 Corporate Directors MUST:
- i. Obtain the approval of the Section 151 Officer for any changes to the existing financial systems or the establishment of new systems that contain (or underpin) financial information;
  - ii. Ensure the proper operation of financial processes in their own Directorates, with any changes to agreed processes that impact on financial information agreed with the section 151 Officer;
  - iii. Ensure staff receives relevant financial training, which has been approved by the Section 151 officer.

### Income & Write Offs

- 8.4 The Governance and Audit Committee MUST approve the policy for writing off debts, as part of the overall framework of accountability and control.
- 8.5 The Section 151 Officer MUST specify the procedures to be followed in collecting income and writing off debts. This includes ensuring, in consultation with the Corporate Directors, that adequate provision is made for potential bad debts arising from uncollected income.
- 8.6 The Section 151 Officer is authorised to write-off the following types of debt where:
- i. the debtor has entered into liquidation, bankruptcy, debt relief order or is deceased and there are no funds nor estate on which to claim for recovery of the debt;
  - ii. The Monitoring Officer has reviewed the case and recommends write-off;
  - iii. the debtor cannot be located, and all tracing efforts are exhausted;
  - iv. collection efforts have been exhausted, uneconomical to pursue further;
  - v. the debt is statute barred under the Limitations Act 1980 and the Care Act 2014.
- 8.7 The Corporate Directors MUST:
- i. comply with the agreed [Debt Management Policy](#) and Debt Policy of the Council;
  - ii. write-off of irrecoverable debts in their Directorates of up to £10,000 in consultation with the Section 151 Officer;
  - iii. ensure there is an annual review of fees and charges, and that proposals are approved by the Leader or relevant Cabinet Members;

- iv. ensure official receipts are issued and any other documentation for income collection purposes is maintained;
- v. ensure the security of cash handling.

8.8 Other than the above, all debt write offs over £10,000 MUST be put forward by the relevant Corporate Director to the Section 151 Officer for their decision, in consultation with the Cabinet Member for Finance. The relevant Corporate Director will also submit a report to the Governance and Audit Committee, setting out the operational reasons for the write-off.

## Ordering and Paying for Works, Goods and Services

8.9 In order to ensure that all the Council's financial systems and procedures for ordering and paying for works, goods and services are sound and properly administered, the Section 151 Officer MUST provide guidance on ensuring that:

- goods or services have been confirmed as received
- expenditure has been properly incurred and is within budget provision
- prices accord with orders, quotations, tenders, contracts or catalogue prices
- the correct accounting treatment of VAT has been applied, and
- the payment is correctly coded

8.10 The Corporate Directors MUST ensure that:

- i. systems and processes are in place in their Directorates to comply with guidance published by the Section 151 Officer;
- ii. the Council's corporate financial systems are used for payment, or where specialist systems are used, this is by agreement with the Section 151 Officer;
- iii. orders are raised for works, goods or services (or where this is not possible, it is with the prior approval of the Section 151 Officer);
- iv. goods and services are checked on receipt to verify that they are in accordance with the order;
- v. payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment;
- vi. payments are not made in advance of goods being supplied, work done or services rendered, except with the approval of the Section 151 Officer;
- vii. all undisputed invoices are settled within 30 days of receipt;
- viii. the Directorate obtains best value from purchases by following the guidance in the Knet Procurement pages [Commissioning and Procurement - how to buy anything](#) and comply [Spending the Council's Money](#).

8.11 Deviation from the delegated authority matrix [Delegation Matrix](#) is not generally expected. However, if a different financial limit is required the amendment should be requested via a business case and approved as follows:

Requester	Approver
Budget Manager	Head of Service
Head of Service	Service Director
Service Director	Corporate Director

## Taxation

### 8.12 The Section 151 Officer MUST:

- i. maintain the County Council's tax records, making all tax payments, receiving tax credits and submit tax returns by their due date as appropriate;
- ii. advise Corporate Directors, in the light of guidance issued by appropriate bodies and relevant legislation, on all taxation issues that affect the County Council.

### 8.13 Corporate Directors MUST:

- i. Where they are owners of financial systems, maintain appropriate records, making tax payments, receiving tax credits and submit tax returns by their due date as appropriate;
- ii. Consult with, and seek advice from, the Section 151 Officer on the potential tax implications of any new initiatives for the delivery of Council activity and Services, including those that could impact on "partial exemption".

## Trading Accounts

8.14 Trading accounts are used to determine whether a Council activity that is generating income (usually by selling services internally or externally) is covering all its costs, including overheads. The Section 151 Officer MUST publish guidance on the establishment and operation of trading accounts.

### 8.15 Corporate Directors MUST:

- i. observe all statutory requirements in relation to trading activity, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged;
- ii. ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

## Overheads and Internal Recharges

8.16 The Section 151 Officer MUST establish a framework for the charging of overheads and internal recharges and Corporate Directors MUST comply with the framework.

## 9 EXTERNAL ARRANGEMENTS

### Partnerships

- 9.1 When entering into, or considering, a partnership<sup>1</sup>, Corporate Directors MUST ensure that:
- i. the Council's financial and operational interests are protected;
  - ii. appropriate financial and legal advice is taken;
  - iii. a risk management appraisal is carried out;
  - iv. necessary approvals are obtained before negotiations are concluded;
  - v. the accounting and financial arrangements satisfy the requirements of the Council and allow for:
    - a) any required audit of the partnership's affairs; and
    - b) investigation by counter fraud specialists in the event of an allegation of fraud and or corruption.
- 9.2 Whenever the Council is entering into, or considering, a partnership, the Section 151 Officer MUST:
- i. promote the same financial administration standards of conduct in the partnership that apply throughout the Council;
  - ii. advise on any the financial implications (including tax treatment, limitation of liability, asset transfers and payment terms).

### External Funding

- 9.3 Corporate Directors MUST obtain all necessary approvals, before applying for external funding.
- 9.4 When applying for and accepting external funding, Corporate Directors MUST ensure that:
- i. all external funding sought supports the Council's priorities;
  - ii. any matched funding requirements are identified and provided for in the budget prior to any agreement being concluded;
  - iii. the conditions of external funding agreements and any statutory requirements are complied with;
  - iv. expenditure met from external funding is properly incurred and recorded, that income is received at the appropriate time, returns are made by the specified dates, and that audit requirements of the funding body can be met;
  - v. a record of external funding agreements is in place;
  - vi. all grants received are recorded in the central register, and in line with the [Corporate Grant Procedure](#).

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<sup>1</sup> "Partnership" here refers to an agreement with another body to deliver or purchase goods and services, that results in the Local Authority having a financial stake in the enterprise (whether through shared liabilities, profits, joint financial arrangements etc)

9.5 The Section 151 Officer MUST:

- i. ensure that procedures are in place so that all financial implications resulting from entering into external funding agreements are identified;
- ii. ensure that all external funding is received and is properly recorded in the Council's accounts;
- iii. maintain a record of expected grants in liaison with the Corporate Directors;
- iv. build in any agreed financial implications (e.g., matched funding) into the budget strategy.

### Work for Third Parties

9.6 The Section 151 Officer MUST issue guidance on the financial aspects of contracts with third parties and external bodies.

9.7 The Corporate MUST ensure that:

- i. work for third parties does not impact adversely on the services of the Council and that before entering into agreements a risk management appraisal has been carried out;
- ii. guidance issued by the Section 151 Officer is complied with and that all agreements and arrangements are properly documented.

9.8 The Leader or relevant Cabinet Member MUST approve the contractual arrangements for any work for third parties or external bodies where the contract value exceeds £200,000.

### Companies

9.9 The Section 151 Officer MUST advise on the financial implications resulting from the creation of a company including tax treatment, accounting arrangements and any service pricing and set up cost issues.

9.10 The Monitoring Officer MUST advise on the legal requirements and implications with respect to the creation and ongoing running of a company.

9.11 In respect of the creation and ongoing running of a company, Corporate Directors MUST ensure that:

- i. The [Companies Protocol](#) and the more detailed [Local Authority Companies Manual](#) guidance document is complied with;
- ii. legal and financial advice provided by the Monitoring Officer and Section 151 Officer is complied with.