

Colchester Borough Council  
Financial Regulations 2022-23

Approved Governance and Audit Committee 22 June 2021  
To be approved by the Council

# **1 INTRODUCTION**

## **1.1 Background**

1.1.1 The Council is required by law, section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015, to conduct its business efficiently and to ensure that it has sound financial management policies in place, which are strictly adhered to. Part of this process is the establishment of Financial Regulations, which set out the financial policies of the Council.

1.1.2 The Council is further required by the Local Government and Housing Act 1989 to make proper arrangements for its financial affairs and secure that one of its officers, the Responsible Financial Officer, has responsibility for the administration of those affairs. That officer is to be a member of one or more of the accountancy bodies specified in the Act.

1.1.3 Financial Regulations provide clarity about the accountabilities of individuals, Members, the Head of Paid Service (Chief Executive), the Monitoring Officer (Strategic Governance Manager), the Responsible Financial Officer (Head of Finance and S151 Officer), Executive Management Team and Assistant Directors.

1.1.4 Officers should link the Financial Regulations with other documents which form part of the Council's Constitution:

- Contract Procedure Rules
- Schemes of Delegation
- The roles of the Executive and Scrutiny Panel
- Officers' and Members' Codes of Conduct
- Protocol on Member/Officer Relations.

Consideration should also be given to the Council's policies relating to Anti-Fraud and Corruption, Anti-Money Laundering, Whistle-blowing, Procurement and Employment.

1.1.5 These Financial Regulations may only be amended by resolution of the Council.

## **1.2 Purpose and Status of Financial Regulations**

1.2.1 Financial Regulations provide the framework for managing the Council's financial affairs. They also form an important element in the Council's overall Corporate Governance Framework.

1.2.2 Financial Regulations apply to every Member and Officer of the Council and anyone acting on its behalf.

1.2.3 Arrangements for controlling financial activity within the Council are hierarchical. At the highest level Financial Regulations set out the financial responsibilities of the Full Council, Cabinet, Members, the Chief Executive, the Monitoring Officer, the Responsible Financial Officer and other senior officers.

1.2.4 The Financial Regulations set out the responsibilities and expectations of:

- Members
- Executive Management Team, Assistant Directors and their staff
- The Responsible Financial Officer
- Organisations acting on behalf of the Council

1.2.5 Financial Regulations are approved by the Council on the recommendation of the Governance and Audit Committee.

1.2.6 All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised and provides value for money.

1.2.7 The Responsible Financial Officer is responsible for:

- maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Governance and Audit Committee for recommendation to the Council for approval;
- reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to the Cabinet or the Scrutiny Panel;
- issuing advice and guidance to underpin the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.

1.2.8 Heads of Service are responsible for ensuring that all appropriate staff in their service areas are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. Any disagreement arising over the interpretation, intention or application of the Financial Regulations shall be determined by the Responsible Finance Officer.

1.2.9 It may be considered a disciplinary offence if any officer fails to comply with these Financial Regulations. Employees have a duty to report apparent breaches of Financial Regulations to an appropriate senior manager. The senior manager should report breaches of the Regulations to the Responsible Finance Officer and the Monitoring Officer who will decide what, if any, further action needs to be taken.

- 1.2.10 If an officer is in any doubt about the appropriate action required, they should consult their senior manager in the first instance. Advice should also be sought from the Responsible Financial Officer before proceeding.
- 1.2.11 Financial limits are specified in Section 8. They will be reviewed and where appropriate revised by the Council as necessary before the start of the financial year to which they relate as a part of the budget setting process. The limit for write-offs is increased annually in line with inflation.
- 1.2.12 The Chief Executive when acting in their capacity as District Controller in emergency matters has authority to incur expenditure outside amounts included within budgets without recourse to the requirements of these Financial Regulations.
- 1.2.13 The Chief Executive has authority to incur urgent expenditure outside amounts included within budgets or the capital programme and after consultation with the Leader or relevant Portfolio Holder without recourse to the requirements of these Financial Regulations where to do so would avoid significant and unavoidable additional cost to the Council.

## **2 FINANCIAL MANAGEMENT**

### **2.1 The Full Council**

2.1.1 The Council is responsible for:

- the adoption and revision of these Financial Regulations.
- the determination of the policy framework and annual revenue budget and capital programme within which the Cabinet operates.
- approving and monitoring compliance with the Council's overall framework of accountability as set out in its constitution and monitoring compliance with agreed policy and reporting decisions taken.
- providing the Council's Responsible Financial Officer with the resources necessary to carry out their statutory duties.

2.1.2 The Council must ensure that it has a sound system of internal control which

- facilitates the effective exercise of its functions and the achievement of its aims and objectives.
- ensures that the financial and operational management of the authority is effective.
- includes effective arrangements for the management of risk.

### **2.2 The Cabinet**

2.2.1 The Cabinet is responsible for controlling the Council's financial resources, proposing the revenue budget and capital programme to the Council, and discharging executive functions in accordance with the Policy Framework, revenue budget and capital programme.

### **2.3 Portfolio Holder for Resources and Deputy Leader of the Council**

2.3.1 The Portfolio Holder for Resources and Deputy Leader of the Council is responsible for reviewing the adequacy and efficiency of the arrangements for all matters relating to the financial administration of the Council.

### **2.4 Portfolio Holders**

2.4.1 Portfolio Holders are responsible for

- reviewing the financial administration of the services covered by their portfolio including the administration of revenue budgets and capital programme.
- monitoring the financial performance of services within their portfolio.

### **2.5 Scrutiny Panel**

2.5.1 The Scrutiny Panel is responsible for:

- reviewing the corporate strategies.

- ensuring that the actions of the Cabinet accord with the policies and budget of the Council.
- monitoring and scrutinising the financial performance of the Council, performance reporting and to make recommendations to the Cabinet particularly in relation to annual revenue and capital guidelines, bids and submissions.
- reviewing the Council's spending proposals against its policy priorities and reviewing the progress towards achieving those priorities against the Strategic and Implementation Plans.
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- reviewing and scrutinising the executive decisions made by Cabinet, the North Essex Parking Partnership Joint Committee (in relation to decisions relating to off street matters only) and the Colchester and Ipswich Joint Museums Committee which have been made but not implemented and referred to the Scrutiny Panel pursuant to the Call-In procedure.
- reviewing and scrutinising the executive decisions made by Portfolio Holders and key decisions taken by officers which have been made but not implemented and have been referred to the Scrutiny Panel pursuant to the Call-In Procedure.
- reviewing and scrutinising the decisions made, or other action taken, in connection with the discharge of functions which are not the responsibility of the Cabinet.

## **2.6 Governance and Audit Committee**

### **2.6.1 The Governance and Audit Committee is responsible for:**

- considering and approving the Council's Statement of Accounts and the Council's financial accounts and reviewing the Council's external auditor's annual audit letter.
- considering the findings of the annual review of governance including the effectiveness of the system of internal audit and approving the signing of the Annual Governance Statement.
- having an overview of the Council's control arrangements including risk management and in particular the annual audit plan and work programme, and approving the policies contained in the Council's Ethical Governance Framework.
- considering the reports from the Monitoring Officer on the effectiveness of the Members' Code of Conduct and advising the Council on the adoption or revision of the Code.
- reviewing the financial performance of the Council and making recommendations to the Cabinet in relation to financial outturns, revenue and capital expenditure monitors.

## **Statutory Officers**

### **2.7 The Head of Paid Service**

#### **2.7.1 The Chief Executive is the Head of Paid Service and is responsible for the corporate and overall strategic management of the Authority as a whole. They must report to and provide information for the Cabinet, the full Council,**

Scrutiny Panel and other Committees and Panels. They are responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

## **2.8 The Monitoring Officer**

- 2.8.1 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and for reporting any actual or potential breaches of the law or maladministration and for ensuring that the procedures for recording and reporting key decisions are operating effectively. The Monitoring Officer is responsible for advising all Members and officers about who has the authority to take a particular decision and whether a decision is likely to be considered contrary to the policy framework. The Monitoring Officer and the Responsible Financial Officer are also responsible for advising the Cabinet or Full Council if a decision could be considered contrary to the budget. An example of such a decision would be promoting a new policy without thought as to the budget implications.

## **2.9 The Responsible Financial Officer**

- 2.9.1 The Council's Responsible Financial Officer under Section 151 of the Local Government Act 1972 has overall responsibility for the financial affairs of the Council including the promotion of good financial management throughout the organisation, so that public money is safeguarded at all times, and used appropriately, economically, efficiently and effectively.
- 2.9.2 The Responsible Financial Officer helps the Leadership Team to develop and implement strategy and to resource and deliver the organisation's objectives for the long term and in the public interest. They are actively involved in, and able to bring influence to bear on all material business decisions, to ensure that the immediate and longer term implications, opportunities and risks are fully considered, and consistent with the overall financial strategy.
- 2.9.3 After consulting with the Head of the Paid Service and the Monitoring Officer, the Responsible Financial Officer will report to the Full Council or to the Cabinet in relation to a Cabinet function and the Council's external auditor if he/she considers that any proposal, decision or course of action will involve incurring unlawful expenditure or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.
- 2.9.4 The Responsible Financial Officer, if necessary in conjunction with the Chief Executive and after consultation with the Leader of the Council, shall have the powers to take any action necessary to safeguard the interests of the Council.
- 2.9.5 The Responsible Financial Officer has responsibility for the proper administration of the Council's financial affairs. This includes setting and monitoring compliance with financial management standards, advising on the corporate financial position and on key financial controls, providing financial

advice, advising on preparation of revenue and capital budgets, and treasury management.

- 2.9.6 These responsibilities are set out in statute such as section 151 of the Local Government Act 1972. They refer to the totality of the financial affairs of the Council in all its dealings.
- 2.9.7 The Responsible Financial Officer is responsible for reviewing and making recommendations as to the financial limits set out in the financial procedure rules not less than annually in advance of the year to which they relate and making arrangements to bring the financial procedure rules to the attention of officers likely to be involved in financial matters.
- 2.9.8 The Responsible Financial Officer is responsible for advising committees on all financial matters. They must be consulted on all financial matters and given adequate opportunity to provide written comments in any report with financial implications.
- 2.9.9 Where the urgency procedures set out in the Council's Constitution are to be invoked, the Responsible Financial Officer must first be consulted on financial and other resource implications.

## **2.10 Chief Operating Officer and Executive Directors**

- 2.10.1 The Chief Operating Officer and the Executive Directors are responsible for advising/consulting with Assistant Directors and Portfolio Holders on the financial implications of cross-cutting proposals.

## **2.11 Assistant Directors**

- 2.11.1 Assistant Directors must operate efficient systems of financial control and are responsible for

- financial administration of the services under their control in accordance with the provisions of these Financial Regulations, and guidance on the application of Financial Regulations as may from time to time be issued by the Responsible Financial Officer ;
- timely provision of such information on the financial affairs of their services as the Responsible Financial Officer may request.
- ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Responsible Financial Officer.
- Consulting with the Responsible Financial Officer and seeking their approval on any matter that could materially affect the Authority's financial position before any commitments are incurred.
- Notifying the Responsible Financial Officer of any situation that may create a contingent liability, potential claim or litigation.
- Signing contracts on behalf of the Council within the approved Scheme of Delegation and Contract Procedure rules.



## **2.12 Delegated Authority**

- 2.12.1 The Chief Executive, Executive Directors and Assistant Directors are required to carry out tasks in accordance with these financial regulations. These officers may authorise other officers to carry out tasks for which they have responsibility as set down by these financial regulations.

## **2.13 Money Laundering Reporting Officer**

- 2.13.1 The Monitoring Officer is appointed as the Money Laundering Reporting Officer. They are responsible for notifying the National Criminal Intelligence Service (NCIS) of any suspected cases of money laundering committed within the accounts of the Council as soon as possible and fulfil other duties as defined by legislation or regulation related to the post.

### **Other Financial Accountabilities**

## **2.14 Accounting Arrangements**

- 2.14.1 The Responsible Financial Officer is responsible for determining the accounting and supporting records of the Council and its financial control system.
- The Responsible Financial Officer must ensure the financial control systems are observed and the accounting records are kept up to date.
  - The accounting records must contain;
    - entries from day to day of all sums of money received and expended by the Authority and the matters to which its income and expenditure or receipts and payments relate.
    - a record of the assets and liabilities of the Authority.
  - The financial control systems determined by the Responsible Financial Officer must include measures;
    - to ensure that the financial transactions of the Authority are recorded as soon as, and as accurately as, reasonably practicable.
    - to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records.
    - to ensure that risk is appropriately managed.
    - identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.
- 2.14.2 Accounting procedures will reflect recommended professional practices, and follow accounting principles as determined by the Responsible Financial Officer. Accounting procedures will be reviewed as necessary by the Responsible Financial Officer in consultation with Assistant Directors to ensure that they provide the information required by professional practices and local accounting principles without duplication of records.

2.14.3 No change to existing accounting procedures may be made without prior consultation with the Responsible Financial Officer.

2.14.4 The Responsible Financial Officer must examine and certify where required any submission, estimate, or claim for payment of grant by a Government Department or funding from any other body. Officers responsible for the administration of such grants, funds and spending associated with them must ensure compliance with the conditions of the grant or funding.

2.14.5 The Responsible Financial Officer must examine and certify where required any financial return to a Government Department or other body.

## **2.15 Financial Outturn**

2.15.1 The Revenue and Capital Outturn is reported to Governance and Audit Committee after the financial year-end.

2.15.2 The Revenue and Capital Outturn is reported to the next appropriate Cabinet after the financial year-end as part of commencing the Budget Strategy for the subsequent financial year and including any recommendations from Governance and Audit Committee on the outturn.

## **2.16 Annual Statement of Accounts**

2.16.1 The Responsible Financial Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC).

2.16.2 The Responsible Financial Officer shall advise the Leadership team of any accounting changes that are likely to have a significant impact on the Council's financial position or any requirements for additional information or record keeping.

2.16.3 Following appropriate consultation, the Responsible Financial Officer shall issue a closing programme before the financial year end. All officers are required to support the closing programme and to alert the Responsible Financial Officer to any issues or delays in achieving the timetable.

2.16.4 For financial years 2020/21 and 2021/22 the Responsible Financial Officer shall publish the draft accounts on the Council's website not later the first working day of August following the financial year

2.16.5 The Responsible Financial Officer shall advertise the audit and public inspection rights to commence not later the first working day of August following the financial year.

- 2.16.6 The accounts are subject to external audit, the objective of which is to provide assurance that the accounts have been prepared correctly, that proper accounting practices have been followed and that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.
- 2.16.7 Governance and Audit Committee shall approve the external audit plan for the financial year.
- 2.16.8 Governance and Audit Committee are responsible for the appointment of external auditors on the advice of the Responsible Financial Officer. Governance and Audit are responsible for approving the external audit fee.
- 2.16.9 The Responsible Financial Officer shall liaise with the external auditors to set the detailed external audit timetable. The Responsible Financial Officer shall ensure the external auditors have the facilities and systems access necessary to complete their audit.
- 2.16.10 The Responsible Financial Officer shall report the audited statement of accounts for 2020/21 and 2021/22 to the Governance and Audit Committee prior to 30 September following the financial year. The Committee shall also consider the external audit letter and the letter of representation. The Committee shall approve the statement of accounts on behalf of the Council. The Responsible Financial Officer must then publish the statement of accounts on the Council's website.

## **2.17 Budget Transfers (Virement)**

- 2.17.1 Transfers between budgets are an integral and important feature of budgetary control. They provide the Assistant Directors and Budget Managers with the flexibility to adapt expenditure patterns to meet changing locally determined service needs and objectives, or respond to unforeseen cost increases. Virements should not be made to balance over and underspends that have occurred.
- 2.17.2 Budget transfers can be for a single financial year only or permanent. Permanent virements require an adjustment to the base budget. Transfers may be made where the management responsibility for a service has changed.
- 2.17.3 Budget transfers will be allowed only where they are within the overall policy framework. They must not create an increasing commitment in future years which cannot be contained within existing approved budget allocations.
- 2.17.4 Assistant Directors may authorise a virement of up to £40,000 (Financial Limit 1) within services within the same portfolio.

- 2.17.5 Assistant Directors after consultation with the Responsible Financial Officer, may make a virement of up to £100,000 (Limit 2) between services within the same portfolio.
- 2.17.6 A Portfolio Holder, after consultation with the Responsible Financial Officer, may authorise a virement of up to £200,000 (Limit 3) within their Portfolio or between Portfolios with the consent of the relevant Portfolio Holders.
- 2.17.7 The Cabinet may make a virement of between £200,000 to £1,000,000 (Limit 4) following a written report by the relevant Assistant Director(s) and Responsible Financial Officer.
- 2.17.8 The Council shall determine requests which fall outside of these criteria.
- 2.17.9 Assistant Directors will notify the Responsible Financial Officer of all revenue virement decisions before expenditure is committed.
- 2.17.10 The authorisation limits set out above do not apply to technical budget transfers necessitated by proper accounting practice that may be authorised by the Responsible Financial Officer.

## **2.18 Carry Forwards**

- 2.18.1 A use of virement is the ability to carry forward over or under spending into the next financial year. It prevents the rush to spend up to budget at the end of the financial year, which can lead to poor spending decisions.
- 2.18.2 Carry forwards may be permitted where it is known that material budgeted expenditure will not now be incurred until the next financial year. Carry forwards will be determined in accordance with guidelines issued by the Responsible Financial Officer, considering the Authority's overall financial interest.

## **2.19 Financial Training**

- 2.19.1 Assistant Directors are responsible for ensuring that staff receive appropriate training to undertake their financial responsibilities, in accordance with any standards set by the Responsible Financial Officer.

## **2.20 Use of Capital Receipts**

- 2.20.1 All capital receipts will be treated as corporate capital receipts unless specific approval is obtained from the Cabinet or a Committee of the Cabinet for an alternative treatment.

### **3. FINANCIAL PLANNING AND CONTROL OF EXPENDITURE**

#### **3.1 Policy Framework**

3.1.1 The Council is a complex organisation responsible for delivering a wide variety of services. The budget is the financial expression of the Council's plans and policies. The Council has adopted an integrated planning framework the key components of which are the Medium Term Financial Forecast (MTFF), revenue budget and capital programme. The financial planning framework is aligned to the Strategic Plan and Performance Management Framework. The Framework enables scarce resources to be allocated in accordance with priorities.

3.1.2 The Framework allocates responsibilities as follows:

- The February Budget Council is responsible for approving the following year's revenue budget and capital programme and setting the council tax
- The Cabinet is responsible for
  - Determining the budget strategy
  - Approving detailed budget proposals
  - Agreeing the capital programme
  - recommending the revenue budget and capital programme and council tax to the Council.
- The Scrutiny Panel is responsible for scrutinising the Cabinet's budget proposals at all stages and making recommendations to Cabinet.

#### **3.2 Performance Plans**

3.2.1 Performance Management is a key element of the management of the organisation. It involves setting objectives, priorities, targets and plans, including financial plans, for all key service areas.

3.2.2 Performance against objectives, priorities and targets is monitored regularly with a view to achieving an integrated planning and review process across the Council. Appropriate action is taken to address the areas that are highlighted by monitoring as needing attention.

3.2.3 The Strategic Plan sets out the Council's objectives for the next three years. An annual action plan sets out how the Council will achieve the outcomes and overall actions that are set out in the Strategic Plan.

3.2.4 The Chief Executive is responsible for proposing the strategic plan to the Cabinet for consideration before its submission to the Full Council for approval.

#### **3.3 Financial Planning and Control**

3.3.1 To deliver the Strategic Plan the available money must be allocated in the most effective way. The Council must have a sustainable Medium Term Financial Forecast. A robust challenge process must be in place to ensure that the decisions made are achieving value for money. The budget process is an integral part of performance management.

#### 3.3.2 Forward planning requires:

- planning four years ahead
- linking resources to the strategic plan
- ensuring that a balanced budget will be delivered
- looking at opportunities for efficiencies and income.

#### 3.3.3 Managing the current budget requires:

- regular reporting of the budget; monthly to Performance Management Board and quarterly to Governance and Audit Committee to look at areas of potential over and under spend and progress on income generation
- checking that value for money is being achieved e.g. comparing costs and looking at procurement practice and opportunities.

### **3.4 Spare**

#### 3.4.1 Spare

### **3.5 Revenue Budget Preparation**

3.5.1 The Responsible Financial Officer is responsible for ensuring that a revenue budget for the coming year and a medium term financial forecast for the three subsequent financial years are prepared for consideration by the Cabinet. The budget and the medium term financial forecast are both driven by the strategic plan.

3.5.2 The Cabinet is responsible for setting the budget strategy and timetable on the recommendation of the Portfolio Holder for Resources and Deputy Leader of the Council including the advice of the Responsible Financial Officer and the Senior Management Team. The budget strategy will reflect the Council's financial position taking account of potential government funding, council tax and business rates and medium term financial issues.

3.5.3 The Cabinet is responsible for developing and delivering the budget strategy on the recommendation of the Portfolio Holder for Resources and Deputy Leader of the Council and in accordance with the approved budget timetable including the advice of the Responsible Financial Officer and the Senior Management Team.

#### 3.5.4 Spare

3.5.5 The budget strategy and timetable will allow opportunities for Scrutiny Panel to review any aspect of the budget proposals.

3.5.6 The Cabinet will then recommend a budget for the forthcoming financial year and the Medium Term Financial Forecast to the Budget Council for approval.

3.5.7 An Authority is legally obliged to set a balanced budget. Under section 25 of the Local Government Act 2003 the Responsible Financial Officer is responsible for reporting to the full Council on the robustness of estimates contained within the budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.

3.5.8 The Responsible Financial Officer is responsible for providing advice on the available funding options for the budget. This includes advice on central government funding, general grant, area based grant and other grants, options for borrowing and any other opportunities including income generation.

### **3.6 Budget Monitoring**

3.6.1 Managers are responsible for controlling and monitoring their revenue budget. Budget monitoring must be undertaken monthly in accordance with the timetable issued by the Responsible Financial Officer. Monitoring information should be input by managers to the My Budget system. Forecasts will be reviewed by Finance Business Partners. Quarterly monitoring reports will be made to Governance and Audit Committee by the Responsible Financial Officer.

3.6.2 It is the responsibility of Assistant Directors to control income and expenditure within their area and to monitor performance using corporate financial systems. Assistant Directors must ensure that there is a clear allocation of responsibility for revenue budget at cost centre level and capital schemes within their areas. Budget responsibility should be aligned as closely as possible to the decision making that commits expenditure. They should report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation. Assistant Directors must alert the Responsible Financial Officer to any significant financial variation not previously reported in budget monitoring. The notification must also include an explanation of how the Assistant intends to ensure that any adverse variance is minimised. Assistant Directors must report any problem in delivering previously agreed savings in a format determined by the Responsible Financial Officer.

#### **3.6.3 Spare**

3.6.4 All budgets, unless otherwise specifically identified, will be set on a cash limited basis and may be changed only by means of a supplementary estimate or virement.

3.6.5 An Assistant Director shall not incur a liability which would cause expenditure to exceed an approved budget head unless this can be met by way of a supplementary estimate or virement. The necessary approval must be obtained in advance of the relevant commitment being made.

3.6.6 Any proposal which, if adopted, is likely to involve expenditure or future commitments not provided for in the existing revenue budget shall be the subject of a special report to the Cabinet. This report shall detail all the financial consequences and state whether sufficient financial provision is available in the budget for the proposal in current and future years and what action is proposed if such provision is not available.

### **3.7 Spare**

#### **3.7.1 Spare**

### **3.8 Preparation of the Capital Programme**

3.8.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, major items of plant and equipment, vehicles or new technology. Capital assets shape the way services are delivered for the long term and create financial commitments for the future in the form of financing costs and revenue running costs. The Cabinet is responsible for setting the capital programme timetable on the recommendation of the Portfolio Holder for Resources and Deputy Leader of the Council including the advice of the Responsible Financial Officer and the Senior Management Team.

3.8.2 The Portfolio Holder for Resources and Deputy Leader of the Council with the advice of the Senior Management Team and Responsible Financial Officer is responsible for:

- Recommending the Capital Programme covering the next four financial years to Cabinet.
- Reprofile schemes already in the approved programme
- Changing the budget for schemes already in the approved programme where appropriate
- Ensuring that the capital programme is consistent with corporate, service and asset management objectives and priorities.
- Ensuring that schemes to be recommended for inclusion in the capital programme have been evaluated using a robust gateway and business case process.
- Ensuring that the programme is fully funded and is affordable and sustainable in accordance with the CIPFA Prudential Code.
- Ensuring that the Medium Term Financial Forecast makes appropriate revenue provision for capital financing cost and other revenue implications of capital programme schemes.
- That external funding for projects is maximised as far is appropriate.
- That the Capital Programme is consistent with the recommended Treasury Management Strategy.

3.8.3 The Chief Operating Officer, Executive Directors and Assistant Directors must not enter into credit arrangements, such as leasing agreements, without the prior approval of the Responsible Financial Officer and, if applicable, approval of the scheme should be included as part of the capital programme.

3.8.4 The Cabinet will

- recommend the Capital Programme to the Annual Budget Council.
- Approve variations to the Capital Programme and the addition of new projects during the financial year.

3.8.5 Spare

3.8.6 The Capital Programme is approved annually by the Council.

3.8.7 Spare

3.8.8 Assistant Directors may incur expenditure on the preliminary planning and feasibility of a Capital Scheme subject to the agreement of the Responsible Financial Officer providing sufficient provision is available within the Revenue Budget and/or



Capital Programme and/or Portfolio Capital Contingency to meet the estimated cost of the preliminary works. In the event the scheme is approved in due course as part of the capital programme, the Responsible Financial Officer will determine whether all or part of the planning and feasibility costs of the project incurred may be added to the capital cost.

3.8.9 The Responsible Financial Officer shall determine accounting policies on capitalisation in the Council's accounts. This will apply to any company or organisation incorporated in the Group statement of accounts.

3.8.10 Inclusion of a Capital Scheme within the Capital Programme will authorise the relevant Assistant Director to seek tenders to undertake the work subject to:

- the provisions of Contract Procedure Rules being observed.
- the Cabinet not having placed a specific requirement to report back prior to the issuing of tender documents.

3.8.11 Where the current estimated cost of a capital scheme is greater than the amount provided for in the Capital Programme, then, prior to tenders being sought, the relevant Head of Service is to report to the appropriate Portfolio Holder and the Responsible Financial Officer identifying the current estimated cost and the reason(s) for the excess. Progress shall be conditional on the Portfolio Holder's approval and the identification of sufficient funding resources from within the Capital Programme, and that the revenue cost (where appropriate) can be contained within the Revenue Budget. Where these requirements cannot be met, approval for the increased cost will be required from the Cabinet.

3.8.12 Spare.

3.8.13 Assistant Directors are responsible for the control of expenditure against the approved Capital Programme. Progress must be reported monthly to Project Delivery Group. Financial monitoring information must be input to My Budget and will be reported monthly to Project Management Board. Assistant Directors will report every three months to the Portfolio Holder on the progress of Capital Schemes.

3.8.14 The Responsible Financial Officer will present consolidated reports on quarterly expenditure against the approved Capital Programme to Governance and Audit Committee.

### **3.9 Determination of Affordable Borrowing**

3.9.1 It is the responsibility of the Responsible Financial Officer to provide the Council with a written report on affordable levels of borrowing. This report is to be presented at the meeting when the annual budget is set and should have regard to the Prudential Code for Capital Finance issued by the Chartered Institute of Public Finance and Accountancy. The report will contain a number of prudential indicators that demonstrate that capital spending plans are affordable, prudent and sustainable.

### **3.10 Maintenance of Reserves**

3.10.1 It is the responsibility of the Responsible Financial Officer to provide the Cabinet with a written report on levels of reserves that are considered prudent. This advice will be informed by an annual risk assessment of the Authority.

3.10.2 The Authority's Medium Term Financial Forecast should address reaching or maintaining the recommended level of reserves.

## **4. Risk Management and Internal Control**

### **4.1 Responsibilities**

4.1.1 The Chief Executive, Chief Operating Officer and Executive Directors are responsible for promoting the Council's Risk Management Policy Statement.

4.1.2 The Strategic Governance Manager is responsible for:

- preparing the Council's Risk Management Policy Statement and developing risk management controls in conjunction with Heads of Service.
- arranging and administering insurance cover.
- assisting the Council to put in place an appropriate control environment and effective internal controls.

4.1.3 Assistant Directors are responsible for:

- ensuring that there are regular reviews of risk within their service areas.
- notifying the Strategic Governance Manager of matters related to insurance requirements or claims.
- managing processes to ensure that established controls are being adhered to and to evaluate their effectiveness.
- reviewing controls in the light of changes affecting the Council and implementing new ones as necessary with guidance from the Strategic Governance Manager.

### **4.2 Risk Management**

4.2.1. All organisations face risks to their people, property, finances, services, reputation and continued operations. Risk management is about systematically identifying and actively managing these risks. It is an integral part of good business practice and is essential to securing the Council's assets and to ensuring continued financial and organisational wellbeing.

4.2.2. Risk can be mitigated by:

- transferring the risk to a third party, e.g. through insurance.
- implementing additional controls to minimise the likelihood of the risk occurring and/or minimising its potential impact (e.g. through regular inspection and continuous monitoring of identified key risk areas).
- establishing and regularly testing business continuity and disaster recovery procedures to deal with the consequences of events and minimise potential disruption.

4.2.3 The Strategic Governance Manager is responsible for preparing and promoting the Authority's risk management policy and strategy, securing the endorsement of the Council, and maintaining the strategic risk register; the Chief Operating Officer, Executive Directors and Assistant Directors are responsible for ensuring that there is a continuous review of exposure to risk within their service areas, maintaining detailed risk registers and action plans, and maintaining business continuity plans. It is essential that risk management is incorporated into business processes in line with corporate guidelines. These processes include budget preparation and integrated service and financial planning, budget monitoring and performance management, programme and project management, procurement and contract management.

### **4.3 Insurance**

4.3.1 The Council maintains insurance cover to deal with the financial consequences of any incident which may give rise to a claim being made by/against the Council or result in financial cost or loss which may not otherwise be provided for. The extent to which the Council “self-insures” is informed by the perceived risk and the Council’s claims history.

4.3.2 The Strategic Governance Manager is responsible for effecting corporate insurance cover, through external insurance and internal funding, and negotiating all claims in consultation with other officers, where necessary and for arranging suitable Fidelity Guarantee insurance in respect of all employees.

4.3.3 Assistant Directors should notify the Strategic Governance Manager immediately of:

- Any loss, liability or damage that may lead to a claim being made by/against the Council. Heads of Service should ensure that employees, or anyone covered by the authority’s insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim. It is imperative that officers comply with the timescales for investigating claims and the insurer’s conditions. Failure could directly affect the authority’s ability to make or defend a claim or could result in financial penalties being imposed on the authority.

- All new risks, properties or vehicles that may require insurance, and of any alterations or disposals affecting existing insurances.

4.3.4 Assistant Directors will ensure that the Strategic Governance Manager has prompt access to all records and documents and receives from any officer, agent or contractor such information and explanations as may be necessary during the conduct of an insurance claim.

4.3.5 Assistant Directors should consult the Strategic Governance Manager and seek legal advice on the terms of any indemnity that the authority is requested to give.

#### **4.4 Internal Control**

4.4.1 Internal control refers to the systems devised by management to guard against risk and promote achievement of objectives. More specifically, internal controls promote:

- achievement of business objectives and performance standards.
- compliance with plans, policies, procedures, codes of conduct, laws and regulations.
- the reliability, integrity, timeliness and usefulness of information.
- the legality of transactions and compliance with approved budgets and procedures.
- the safeguarding of people, property, finances, services, continued operations and reputation.

4.4.2 Internal controls are an essential part of the Council’s risk management arrangements and should be reviewed on a regular basis. Control systems should provide for clarity of policies, objectives, targets, responsibilities and accountabilities, and appropriate authorisations and approvals, separation of duties, level of internal check, management information and physical safeguards.

4.4.3 The Strategic Governance Manager is responsible for assisting the Authority in putting in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial

stewardship, probity and compliance with all applicable statutes, regulations and codes of practice.

4.4.4 The Account and Audit Regulations 2015 require the publication of an Annual Governance Statement. The statement represents the end result of a review of internal control and risk management, and includes a description and evaluation of the internal control environment, the review process, and any significant issues. The Governance and Audit Committee should seek to satisfy itself that it has obtained sufficient, relevant and reliable evidence to support the disclosures made. Following approval the statement is signed by the Chief Executive and the Leader of the Council.

## **4.5 Internal Audit**

4.5.1 Internal audit is an independent appraisal function that advises management on the effectiveness of their systems of internal control.

4.5.2 The key features of internal audit are:

- it is independent of service operations in its planning and operation.
- it has sufficient organisational status to facilitate effective discussion and negotiation of the results of its work.
- it utilises risk based methodologies in planning and delivering its work and does not have undue limitations placed on its scope.
- the Corporate Governance Manager has direct access to senior managers, elected members and the external auditor as appropriate.
- Internal auditors comply with guidance issued by professional bodies.

4.5.3 Internal auditors have the authority to:

- access Authority premises at reasonable times.
- access all assets, records, documents, correspondence and control systems.
- receive any information and explanation considered necessary concerning any matter under consideration.
- require any employee of the Authority to account for cash, stores or any other authority asset under his or her control.
- access records belonging to third parties, such as contractors, when required (note that contracts should specify access rights).
- Directly access the senior managers and elected members where appropriate.

4.5.4 The Strategic Governance Manager will maintain arrangements for an adequate and effective internal audit of the financial transactions of the Council.

4.5.5 The Strategic Governance Manager will ensure that the strategic and annual audit plans take account of the characteristics and relative risks of the activities involved.

4.5.6 The Chief Operating Officer, Executive Directors and Assistant Directors are required to notify the Strategic Governance Manager of new areas of risk which may need to be subject to audit review and ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets and are provided with information and explanations that the auditors consider necessary for the purposes of their work.

4.5.7 The Chief Operating Officer, Executive Directors and Assistant Directors are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the agreed timescale and report on progress.

4.5.8 Each Assistant Director, Executive Director or the Chief Operating Officer or the Chief Executive must immediately notify the Responsible Financial Officer and Monitoring Officer of any matter which involves or is thought to involve any financial irregularity in the exercise of the functions of the Council and the Corporate Governance Manager shall carry out such audit investigations as they consider necessary.

## **4.6 External Audit**

### **4.6.1 Spare**

4.6.2 The basic duties of the external auditor are defined in the Local Audit and Accountability Act 2014. Duties are carried out in accordance with the code of audit practice issued by the National Audit Office . This requires the auditor to review and report upon:

- (a) that the accounts comply with the requirements of the enactments that apply to them,
- (b) that proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and
- (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4.6.3 The Responsible Financial Officer facilitates the development of the annual audit plan, leads on any negotiations related to the annual audit fee and advises the Cabinet, the Chief Operating Officer, Executive Directors and Assistant Directors on their responsibilities in relation to external audit and issues arising from the Annual Audit Letter.

4.6.4 The Chief Operating Officer, Executive Directors and Assistant Directors are required to ensure that external auditors are given access at all reasonable times to premises, personnel, documents, and assets, and provided with information and explanations which the external auditors consider necessary for the purposes of their work.

4.6.5 The Chief Operating Officer, Executive Directors and Assistant Directors are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the timescale agreed with the external auditor, and report on progress.

## **4.7 Preventing Fraud and Corruption**

4.7.1 The Council is responsible for substantial public funds and other assets and has a duty to demonstrate the highest standards of probity and stewardship in the day to day

management of its affairs. It is therefore essential to develop and maintain an anti-fraud culture and to create a working climate in which all staff and elected members remain alert to the potential for fraudulent or corrupt behaviour against the Council from outside or inside the organisation and are aware of the mechanisms available for the confidential reporting and investigation of any reported instances.

4.7.2 Responsibility for the prevention and detection of fraud and corruption rests with all Councillors and officers of the Council. The key controls regarding the prevention of financial irregularities are that:

- the authority has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption.
- internal control systems exist which minimise the risk of fraud and corruption occurring.
- all members and staff act with integrity and lead by example.
- senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are found to be corrupt.
- high standards of conduct are promoted amongst members by the Governance and Audit Committee.
- a formal code of conduct is established and widely publicised and, as part of this, a register of interests is maintained.
- whistle blowing procedures are in place and operate effectively.
- Legislation including the Public Interest Disclosure Act 1998 and the Freedom of Information Act is adhered to.

4.7.3 The Council's whistle blowing policy can be found on the intranet.

4.7.4 The Strategic Governance Manager is responsible for developing and maintaining an anti-fraud and corruption policy and ensuring that effective internal controls are in place to minimise the risk of fraud, corruption and financial irregularities.

4.7.5 The Strategic Governance Manager is responsible for ensuring that effective procedures are in place to identify fraud and investigate promptly any suspected fraud, including cases of both internal fraud and external fraud.

4.7.6 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that where financial impropriety is discovered or suspected, the Responsible Financial Officer and Monitoring Officer are informed immediately and take all necessary steps to prevent further loss and to secure records and documents against removal or alteration. The Chief Operating Officer, Executive Directors and Assistant Directors must ensure the full cooperation of senior management in any investigation and instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

## **4.8 Money Laundering**

4.8.1 Money laundering involves the 'cleaning' of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash, are introduced into the financial system where they are laundered enabling them to leave the system appearing to come from a legitimate source.

4.8.2 The Council could be subject to money laundering attempts when accepting payments by cash in relation to the payment of substantial bills.

4.8.3 The Strategic Governance Manager is required to have a robust process in place and a programme of awareness raising and training for the detection of money laundering and the reporting of any suspicious related activity. The Council's Anti-Money Laundering Policy is available on the intranet.

4.8.4 All staff have a duty to report any suspicions to the Money Laundering Reporting Officer (Monitoring Officer).



## **5. Property & Resources**

### **5.1 Security and Control of Assets**

5.1.1 The Head of Estates (Colchester Amphora Trading Limited) (in conjunction with the Responsible Financial Officer) shall:

- make adequate arrangements to maintain an asset register of all assets with a value in excess of £10,000 (Limit 5) and ensure that all assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, or such standards as may supersede it.
- issue guidelines for the disposal of assets.

5.1.2 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

5.1.3 Assistant Directors are responsible for ensuring that all assets in their control are appropriately maintained and shall:

- make adequate arrangements to maintain a property database in a form agreed with the Head of Estates (Colchester Amphora Trading Limited) for all properties, plant and machinery and moveable assets.
- ensure the security of all buildings and other assets, including cash, under their control;
- maintain inventories in a form determined by the Responsible Financial Officer.
- make arrangements with the Corporate Governance Manager to ensure that all items are appropriately insured against loss.

5.1.4 All Council assets should be clearly identified and marked as property of the Council where appropriate. No Council asset should be subject to personal use by an employee without prior authorisation.

5.1.5 The Head of Estates (Colchester Amphora Trading Limited) is responsible for all disposals of land and property and for identifying any revenue implications arising from the sale of assets. Assistant Directors may dispose of revenue assets through sale, donation or scrapping. They must assure themselves that the assets concerned are the property of the council (rather than a leasing company) before disposing of them. Assistant Directors must ensure that value for money is obtained for every disposal and maintain adequate records demonstrating value for money, the reasons for the disposal, and that the assets are obsolete or surplus to requirements. All assets to be disposed of over the value of £10,000 must be cleared with The Head of Estates (Colchester Amphora Trading Limited) before they can be disposed of.

5.1.6 Assistant Directors must ensure that legal and environmental issues are addressed when disposing of any assets and must ensure they take advice from the Assistant Director Corporate and Improvement on the appropriate method of disposal.

### **5.2 Leasing**

5.2.1. The Responsible Financial Officer shall be responsible for the evaluation and arrangement of all Capital financing facilities. This excludes the short term hiring of equipment for periods of less than 12 months.

5.2.2. Assistant Directors must take appropriate advice from The Responsible Financial Officer and The Strategic Governance Manager before entering into any lease agreement.

### **5.3 Inventories**

5.3.1 Assistant Directors are responsible for:

- ensuring that stocks of goods and materials are held at a level appropriate to the business needs of the Council, and that stock levels are checked regularly and as a minimum as part of year end annual stock take procedures.
- ensuring that adequate arrangements are in place for their care and custody.
- writing off the value of obsolete stock in their service areas in accordance with the procedures.

### **5.4 Treasury Management**

5.4.1. The Council has adopted CIPFA's Code of Practice for Treasury Management in Public Services. The Council has delegated responsibility for the implementation and monitoring of its Treasury Management Policies and Practices to the Responsible Financial Officer.

5.4.2. For Treasury Management:

- The Council's Treasury Management Strategy is recommended to the Cabinet by the Portfolio Holder for Resources and Deputy Leader of the Council following the advice of the Responsible Financial Officer.
- The Scrutiny Panel will have the opportunity to scrutinise the proposed Treasury Management Strategy.
- The Council's Treasury Management Strategy is approved by Budget Council based on the recommendation of the Cabinet.
- The Responsible Financial Officer is responsible for reporting the mid-year Treasury position and the Treasury outturn to Governance and Audit Committee.

5.4.3 The Council has delegated responsibility for the implementation and monitoring of its Treasury Management Policies and Practices to the Responsible Financial Officer, who will act in accordance with the Council's Treasury Management Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

### **5.5 Staffing**

5.5.1 Assistant Directors will ensure the sufficiency of employee budgets and shall exercise adequate control over staffing costs including overtime, training and temporary staff.

5.5.2 Accurate and effective systems must be in place and the following procedures and regulations must be followed:

- appointments are made in accordance with HR and payroll regulations.
- appointments are in accordance with the approved establishment and grade for the post.
- Payments are only authorised to bona fide employees and where there is a valid Entitlement.
- costs associated with early retirements, redundancy payments and other similar events must be met from within the employee budget of the service involved unless there exists a specific corporate provision for this purpose.

## **5.6 Use of Consultants**

5.6.1 Assistant Directors must ensure that their staff understand the distinction between employment and a contract for consultancy services. If a consultant is brought in to cover a vacant post or carry out a role similar to that of a member of staff then it is likely that the Council will be required to treat them as employed for tax purposes and pay them via the payroll. In these circumstances the Council's recruitment policies should be applied.

5.6.2 Where a consultant is required to carry out a project which has a clear start and end date and is described in a brief or specification, and where the consultant will be taking on the risk and providing their own premises, equipment and insurance etc., then it is likely that the work will be governed by a contract and the consultant will be paid via the Accounts Payable system through the raising of an official order and goods receipt. In these circumstances the Council's contract procedure rules should be applied. The insurance requirements must be clear in the documentation supporting the contract and evidence that the policy is in place should be obtained from the consultant.

5.6.3 Assistant Directors must ensure that where payments are to be made to consultants other than through the Council's payroll system, that there is a clear justification for this and that there are no tax implications that may arise.

5.6.4 Assistant Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Strategic People and Performance Manager.

## **6. Financial Systems and Procedures**

### **6.1 General Responsibilities**

6.1.1 The Responsible Financial Officer is responsible for:

- issuing advice, guidance and procedures for officers and others acting on behalf of the Council in relation to its financial affairs.
- determining the accounting system, form of accounts and supporting financial records.
- establishing arrangements for the audit of the Council's financial affairs.
- approving any new financial systems to be introduced.
- approving any changes to existing financial systems including the format of a feeder file and system of reconciliation of any financial information being fed into the core accounting systems.

6.1.2 Assistant Directors are responsible for:

- ensuring that accounting records are properly maintained and are held securely.
- maintaining a complete management trail for financial transactions.
- ensuring that there is sufficient separation of duties to provide adequate internal control and minimise the risk of fraud or other malpractice.
- maintaining documented and tested business continuity plans.
- documenting systems and procedures and ensuring staff are trained in operations.
- ensuring that systems and records are registered in accordance with the Data Protection Act 1998 and Government Connect where relevant.
- ensure staff are aware of and comply with Freedom of Information legislation.

### **6.2 Income**

6.2.1. The responsibility for the collection of all income due to the Council lies with the Assistant Director, Customer. The Assistant Director, Customer is responsible for approving procedures for collecting and writing off debts as part of the overall control framework of accountability and control.

6.2.2. The Council collects substantial amounts of income (council tax, business rates, rents, service charges and fees and charges) and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly, and that VAT is correctly accounted for. There is an overarching debt management policy which sets out how debt will be collected where a resident may have multiple debts, for example council tax and housing rent.

6.2.3. Wherever possible and appropriate income should be obtained in advance or at the point of supplying goods or services as this improves the authority's cash flow and also avoids the time and cost of administering debts.

6.2.4. The Responsible Financial Officer shall:

- authorise the write-off of individual bad debts up to £10,000 (Limit 6) where necessary. All requests for write off must be accompanied by a brief report giving the reasons for the request and supporting documentation. The relevant Portfolio Holder shall authorise the write-off of individual bad debts over £10,000 (Limit 7).
- agree the arrangements for the collection and banking of all income due to the Council and approve the procedures, systems and documentation for its collection.

- ensure that a proper record of debts written-off is maintained and that proper accounting entries are made after write-off.

#### 6.2.5. Assistant Directors shall:

- Ensure that all income due is identified and that requests to raise a Sundry Debtors Invoice is submitted to the Collections and Control team in a timely manner
- establish charging strategies for the provision of goods and services, including the charging of the appropriate VAT in line with corporate policies and the budget strategy.
- establish and initiate appropriate systems for the identification, collection and recovery of sums due to the Council which separate, as far as possible, the responsibility for identifying amounts due and the responsibility for collection, and to agree the form of such systems with the Assistant Director, Customer
- ensure that income is paid fully and promptly into the appropriate Council bank account in the form that it is received and that the details are recorded on the paying-in slip.
- ensure that where income cannot be banked immediately it is stored securely and is insured against loss or theft.
- hold securely receipts, tickets and other records of income.
- recommend to the Responsible Financial Officer all debts to be written-off and receive the approval of the Responsible Financial Officer prior to submitting debts of a value greater than £10 000 (Limit 7) to the relevant Portfolio Holder for write-off.

### 6.3 Ordering and Paying for Goods and Services

6.3.1 The authority's procedures are designed to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Authority's procurement strategy and Contract Procedure Rules.

6.3.2 Every officer and member of the authority must declare any links or personal interests that they may have with suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority, in accordance with appropriate codes of conduct.

6.3.3 Purchase Orders must be raised on the eProcurement System for all works, goods and services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash and purchase card purchases.

6.3.4 Commitments and accruals will be automatically recorded onto the Council's Financial System through the approval of the purchase order. This ensures that the finance system gives a true picture of the amount of expenditure incurred and the balance remaining against each budget head.

6.3.5 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

6.3.6 The Assistant Director, Customer shall:

- ensure that all systems for the ordering and payment of goods and services are sound and provide guidance on their administration.
- determine the form of official orders and associated terms and conditions.
- make payments from the Council's official funds on the authorisation of the relevant Assistant Directors that the expenditure has been duly incurred in accordance with Financial Regulations.

- make payments to contractors on the certificate of the appropriate Assistant Directors.

#### 6.3.7 Assistant Directors shall:

- ensure the receipt of best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality and by utilising corporate purchasing arrangements where they exist.
- establish and maintain sound and efficient systems for the ordering, receipt, checking and payment of goods and services in a form approved by the Assistant Director, Customer and which incorporate, as far as possible, separation of duties between the ordering, receiving and payment process.
- maintain an up-to date list of those officers authorised to authorise official orders and/or authorise payment and supply a copy of the list to the Responsible Financial Officer. The list is to clearly show the financial limits of authority which apply to each officer together with specimen signatures and initials.
- ensure that official orders are used for all goods and services except where the prior written approval of the Responsible Financial Officer has been obtained.
- ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment.

### 6.4 Purchase Cards

6.4.1. Purchasing cards are available for use by Council staff for buying small value items or to address specific requirements such as the payment of court costs. Each Service Area has a number of card holders. Key controls are built into the system through card limits, merchant categories, defined suppliers, and other measures. The Assistant Director, Customer is responsible for issuing guidance on the use of purchasing cards.

6.4.2. Misuse of a purchasing card would normally constitute gross misconduct and could result in dismissal. Heads of Service are responsible for ensuring the cards are operated in a responsible manner and that they are only used where there is sufficient budget available to cover the cost of the transaction.

6.4.3. All lost or stolen cards must be reported immediately.

6.4.4. The purchasing card accounts are settled through the bank on a monthly basis. Statements are provided to enable cardholders to check transactions and coding.

### 6.5 Imprest and Petty Cash Accounts

6.5.1. An imprest or petty cash account must only be used where it is not appropriate to use a purchase order or purchasing card for the goods or services in question. It is the responsibility of Assistant Directors to ensure that systems are in place to monitor and control this.

6.5.2. Imprest and petty cash accounts can facilitate very minor items of expenditure where it would not be cost effective to use a purchasing card or purchase order. Imprest and petty cash accounts must not be used to reimburse employee expenses which will be made through Payroll.

6.5.3. The Council has a single petty cash account operated by Customer Services. There are a number of imprest holders across the Council. The establishment of and procedures for the operation of imprest accounts must be approved by the Responsible Financial Officer.

6.5.4. Officers must complete an official petty cash voucher to draw cash or a cheque from petty cash or an imprest account. Supporting documentation must be attached including VAT receipts and the voucher should be authorised to confirm that the expenditure is reasonable and there is sufficient budget provision to cover the expenditure.

6.5.5. Imprest holders must reconcile their accounts on a monthly basis or prior to seeking reimbursement. Imprest holders should seek reimbursement from the main petty cash account through Customer Services using the standard documentation and attaching supporting information. A certificate of value must be completed once a year and the cash/receipts must be produced on demand.

6.5.6. Imprest accounts must never be used to cash personal cheques or to make personal loans and the only payments into the account should be the reimbursement of the float and change relating to purchases where an advance may have been made on an exceptional basis.

## **6.6 Bank Accounts**

6.6.1 The Responsible Financial Officer shall maintain and operate such bank accounts as they consider necessary. No bank account may be opened or closed except on the prior approval of the Responsible Financial Officer

6.6.2 The Assistant Director, Customer is responsible for managing the banking contract and the day to day administration and reconciliation of accounts.

6.6.3 Staff must not open accounts in the name of the Council, Members or officers unless they are acting on the instructions of the Responsible Financial Officer. Opening an unauthorised bank account is a disciplinary offence.

## **6.7 Payments to Councillors and Employees**

6.7.1. Staff costs are the largest item of expenditure for most services. It is therefore important that payments are accurate, timely, and made only where they are due for services to the Authority, and that payments accord with an individual's conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by the Full Council.

6.7.2. The Assistant Director (Corporate and Improvement) is responsible for all payments of salaries and wages and expenses to staff, including payments for overtime, honoraria etc. and submission of tax returns to HM Revenue and Customs by their due date for the above. The Assistant Director (Corporate and Improvement) is also responsible for the timely provision of information, and the maintenance of sound financial controls to meet the responsibilities in connection with taxation issues arising from payments to employees.

6.7.3. The Assistant Director (Corporate and Improvement) shall:

- arrange and control secure and reliable payment of salaries, wages, compensation, other emoluments, expenses and allowances in accordance with procedures produced in agreement with the Responsible Financial Officer.
- record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions to the collecting authority.
- provide accounting records of all transactions in the form determined by the Responsible Financial Officer.

6.7.4 Assistant Directors shall:

- ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scales of pay and that budget provision is available.
- promptly notify the HR Service Centre of all appointments, terminations or variations which may affect the pay of an employee, in the form determined by the Assistant Director (Corporate and Improvement).
- maintain an up-to date list of those officers authorised to sign records and returns relating to payments to employees and councillors and supply a copy of the list to the Monitoring Officer and the Responsible Financial Officer. The list is to clearly show the financial limits of authority which apply to each officer together with specimen signatures and initials.
- ensure that all payments to employees and councillors, including all casual and temporary staff, are processed only through the payroll system.

## **6.8 Taxation**

6.8.1 The Assistant Director (Corporate and Improvement) is responsible for providing information to HMRC in relation to the Construction Industry Tax Deduction Scheme as required and advising Heads of Service of their responsibilities under the scheme.

6.8.2 Assistant Directors are responsible for ensuring that the appropriate controls and procedures are operated within the service area in relation to taxation issues.

6.8.3 The Responsible Financial Officer is responsible for completing the monthly return of VAT (inputs and outputs) to HMRC. The Responsible Financial Officer will monitor the Council's partial exemption limit. The Responsible Financial Officer must be consulted by Assistant Directors on whether to opt to tax on any major project or land.

6.8.4 The Responsible Financial Officer should be consulted on the VAT and taxation implications of any new service development. The Responsible Financial Officer shall commission external VAT and taxation advice where appropriate.

## **6.9 Trading Accounts and Business Units**

6.9.1 In some areas the Council may operate a trading account. This means that the costs and income from charges relating to the service are ring-fenced in the accounts. Any surplus or deficit is added to a reserve each year. The Responsible Financial Officer is responsible for ensuring that trading accounts are treated properly in the Council's accounts.

6.9.2 Assistant Directors are responsible for ensuring that, in line with the Local Government Act 2003, charges are set to recover costs without building up significant



surpluses, and that any changes in take up of the service which could result in a deficit are reported at an early stage. All charges must be reviewed on a regular basis and annually as a minimum as part of integrated service and financial planning.

6.9.3 The Responsible Financial Officer shall determine in liaison with Assistant Directors the need for the establishment and operation of trading accounts and business units.

## **6.10 Retention of Documents and Records**

6.10.1 Assistant Directors shall be responsible for ensuring that records are carefully and systematically retained for inspection by the Monitoring Officer, Responsible Financial Officer or internal or external audit and agencies such as HM Revenue and Customs.

6.10.2 The minimum periods for the retention of financial records are set out below:

- mortgages, bonds, stocks and other holdings, insurance, contracts, pension information and transfer values should be held indefinitely.
- other contract documents including the final account where the contract is under seal should be retained for 12 years.
- The majority of accounting records should be retained for a period of six years following audit.

## **7. Projects, Partnerships, Companies & External Funding**

### **7.1 Projects & Partnerships**

7.1.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of the Borough.

7.1.2 The Cabinet is responsible for approving delegations, including frameworks for partnerships. Governance and Audit Committee is the shareholder for the Amphora Group of companies. The Assistant Director (Place and Client) must ensure that the Amphora Group of companies and Colchester Borough Homes have in place financial regulations that are broadly equivalent to the Council's.

7.1.3 The Responsible Financial Officer must ensure that the accounting arrangements to be adopted relating to companies, partnerships and joint ventures are proper. The activities are likely to be consolidated in the Council's Statement of Accounts. Companies, partnerships and joint ventures must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

7.1.4 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that the full implications of any partnership are explored and that Finance and Legal officers are consulted at an early stage. The following issues should be addressed:

- Is a partnership the best vehicle for achieving the desired outcome?
- What are the objectives of the partnership and are they consistent with the Council's priorities?
- What is the legal status of the partnership and how will it be governed?
- What is the liability of the Council and the other partners?
- Are the roles and responsibilities clear?
- What are the risks and how will they be managed and monitored?
- How will the performance of the partnership be monitored and how will success be measured?
- How will the partnership be funded and who is responsible for the financial management, accounts and audit arrangements?
- Are there any taxation issues?
- Is there a robust business case?
- How will goods and services required by the partnership be procured?
- What are the resource implications in terms of staff, premises etc.?

7.1.5 Executive Directors and Assistant Directors are responsible for appropriate approvals before any commitment or agreement is entered into.

7.1.6 A partnership arrangement must not be used as a means of avoiding the Council's procurement rules.

### **7.2 External Funding**

7.2.1 The Council bids for funds from government departments and other external agencies. Each funding regime is subject to its own rules and regulations and the process for submitting applications and drawing down funding varies.

7.2.2 It is important to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the Council are clearly understood. Executive Directors and Assistant Directors should:

- ensure that all applications for funding are consistent with the Council's priorities and approve them in principle before detailed work commences.
- ensure that the Council's project management framework is applied and that a project initiation document (PID) is completed where appropriate.
- consult the relevant Finance Manager when preparing applications to ensure that full costs are identified including any match funding required, and ongoing commitments are taken into account.
- ensure that the application is signed off by the Responsible Financial Officer or an appropriate officer in the Service and complete any pre-application checklist issued by the Responsible Financial Officer.
- where applications are successful, ensure that the expenditure and income budgets are amended as necessary.
- ensure that the rules and regulations for the particular funding stream are complied with at application stage and throughout the life of the project.
- ensure that all requirements relating to the delivery of outputs and spend are met in line with the approved bid or project plan.
- ensure that all funding notified by external bodies is claimed, received and properly recorded in the authority's accounts and complete any pre-claim checklist issued by the Responsible Financial Officer.
- check the audit requirements and notify the Responsible Financial Officer of any claims that must be audited by the Council's external auditor.

### **7.3 Work for Third Parties**

7.3.1 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that work for third parties is Cabinet approved and is covered by a suitable contract or agreement so that the responsibilities of each party are clear.

7.3.2 Financial and legal advice should be sought at an early stage. This will ensure that the Council only carries out work that is within its legal powers, and that financial issues such as insurance and taxation are properly considered.

7.3.3 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that:

- the Council is not put at unnecessary risk from bad debts
- contracts are not subsidised by the Council.

7.3.4 The Chief Operating Officer, Executive Directors and Assistant Directors must provide appropriate information to the Responsible Financial Officer to enable a note to be entered into the Statement of Accounts where necessary.

### **7.4 Work by Third Parties**

7.4.1 The Chief Operating Officer, Executive Directors and Heads of Service must ensure that work carried out by third parties (including Colchester Borough Homes and the Amphora Group of Companies) for the Council is approved and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial, legal and procurement advice should be sought at an early stage. This will ensure that the organisation only carries out work that is within the relevant legal powers, and that financial issues such as responsibility for managing budgets, insurance and taxation are properly considered.

## 8 Financial Limits

Limit No.	Description	Cabinet	Portfolio Holder	Assistant Director	The Responsible Financial Officer	Head of Estates (CATL)	Limit (£)
1	Virement within a service			✓			40,000
2	Virement between services within the same portfolio			✓	✓		100,000
3	Virement within a portfolio/ between portfolios		✓		✓		200,000
4	Virement following Assistant Director and Responsible Financial Officer report	✓					1,000,000
5	Maintain an asset register of all assets with a value in excess of £10,000				✓	✓	10,000
6	Write-off bad debts				✓		10,000
7	Write-off bad debts		✓		✓		