

4F. Financial Standing Orders

(Financial Regulations)

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1 STATUS AND DEFINITIONS

1.1 Introductions

- 1.1.1 To conduct its business efficiently a local authority needs to ensure that it has sound financial management. Part of this process is the establishment of financial regulations which set out the financial policies of the authority.
- 1.1.2 In approving the Financial Standing Orders, the Council has sought to provide a strong corporate framework for conducting the financial affairs of the Council, incorporating appropriate controls and providing those responsible for delivering services with financial responsibility. The Financial Regulations provide clarity about the financial accountabilities of officers and Members including those managing resources where the County Council is acting as Trustee, accountable body or where services are provided by a third party on behalf of the County.
- 1.1.3 All Members and Officers have a general responsibility for taking reasonable action to provide for the security and use of the resources and assets under their control, and for ensuring that the use of such resources and assets is legal, is consistent with the Council's policies, is properly authorised, provides value for money and achieves best value.

1.2 Definitions

- 1.2.1 In the context of Financial Regulations and Procedures generic terms are included to avoid the need for regular amendment due to changes in post titles.
- “**Director**” means the Council’s Chief Executive and all senior officers designated as Corporate Directors, or reporting to corporate Directors and with delegated financial responsibilities nominated by the Corporate Director
 - “**Finance Director**” means the Section 151 Officer who is currently the Chief Finance Officer.
 - “**Monitoring Officer**” means the section 114 Officer who is currently the Chief Legal Officer.
 - “**Head of Paid Service**” means the Chief Executive.
 - “**Internal Audit**” means the Management Audit Unit.
 - “**Executive**” means the Cabinet.
 - The “**Finance Manager**” relates to the **Group Manager** for each Directorate.
 - “**Budget**” means plan for Revenue and Capital expenditure and income relating to activities of the Council
 - “**Capital Programme**” means the Capital Budget approved by the Council for the forthcoming Financial Year and indicative programme of Capital Schemes for the subsequent two financial years
 - “**Financial Year**” means the Council’s accounting period which runs from 1st April to 31st March

- “**Three Year Financial Plan**” means the Revenue Budget approved by the Council for the forthcoming Financial Year together with indicative figures for the subsequent two financial years

1.3 Financial Management of Schools

- 1.3.1 The Council’s Scheme for Financing Schools shall include Financial Regulations for Schools, relating to those matters where decisions have been delegated to school governing bodies.

1.4 Rights of External Bodies

- 1.4.1 The Finance Director will be the first contact within the Council for the External Auditor who has rights of access to all documents and information necessary for audit purposes.
- 1.4.2 The Council may, from time to time, be subject to audit, inspection or investigation of its financial systems by other external bodies such as OFSTED, HM Customs and Excise and the Inland Revenue who have statutory rights of access to financial records. The Finance Director will be the principal contact within the Council on such matters.

1.5 MAIN RESPONSIBILITIES OF THE FINANCE DIRECTOR

Proper Administration of the Council’s Financial Affairs

- 1.5.1 The Finance Director is the Officer responsible for the proper administration of the Council’s financial affairs under Section 151 of the Local Government Act 1972, and Sections 112-114 of the Local Government Finance Act 1988.
- 1.5.2 The Finance Director has a duty under Section 114(2) of the Local Government Act 1988 to make a report if it appears that the Council, Cabinet, or any Committee is about to or has already carried out either:
- a) a decision which involves or would involve the Council in incurring expenditure which is unlawful, OR
 - b) a course of action which if pursued would be unlawful and likely to cause a loss or deficiency to the Council.
- 1.5.3 The Finance Director has a duty under Section 114(3) of the Local Government Finance Act 1988 to make a report (in consultation with the Chief Executive and the Monitoring Officer) to every Member where it appears that the expenditure incurred or likely to be incurred in a Financial year exceeds resources available to meet the expenditure. It is the duty of Directors to notify the Finance Director of any situations that might be considered:
- (a) unlawful and/or
 - (b) might exceed available resources in light of the above responsibilities.

- 1.5.4 In discharging this responsibility, the Finance Director will ensure that arrangements for financial and accounting matters and the security of financial assets are efficient and effective.
- 1.5.5 The Finance Director can require Directors to provide any timely and relevant information that to enable him to carry out his or her functions and to give proper advice.
- 1.5.6 All financial systems, procedures, records and controls and changes to them must be agreed in advance with the Finance Director, who may issue formal instructions or guidance from time to time.

Financial Advice

- 1.5.7 The Finance Director will advise the Council, the Cabinet or any other relevant Committee on any matter containing financial implications. Such advice may be included in the reports of other Officers.
- 1.5.8 Directors will ensure that the Finance Director has the opportunity to comment on all proposals containing financial implications at the earliest practical stage before the dispatch of a report and in any event no less than ten Working Days before the dispatch of a report.
- 1.5.9 Members and Officers carrying out functions under delegated powers must ensure that they seek and receive such financial and legal advice as may be necessary on the consequences of a course of action before taking a decision on such action.
- 1.5.10 The Finance Director is responsible for advising Directors where relevant on the financial implications of guidance and relevant legislation issued by appropriate bodies as it applies.
- 1.5.11 The Finance Director is responsible for advising Directors on relevant taxation issues (including other funds such as the Pension Fund) and liaising, negotiating and where necessary taking appropriate action to promote and protect the Council's financial position. The Corporate Director – Organisational Development – is responsible for advising on taxation matters related to pay and expenses.

Accounting

- 1.5.12 The Finance Director will determine the format and maintain the Council's principal accounting records and will be the Council's adviser on all accounting and financial matters. Directors are responsible for making sure that financial records are maintained in a manner determined in advance by the Finance Director.
- 1.5.13 The Finance Director will ensure that the Council's accounting records are kept in accordance with appropriate accounting standards and mandatory guidance and that the Statement of Accounts is prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

- 1.5.14 The Finance Director will ensure that the Council's Annual Statement of Accounts is prepared and made available in accordance with the statutory timetable.
- (a) The Finance Director shall issue procedures and a timetable for the closure of the accounts in accordance with good accounting practice.
 - (b) Directors are responsible for making sure that the timetable referred to in (a) above is complied with.
 - (c) A meeting of the Statement of Accounts Committee, representing the Council is responsible for approving the draft Annual Statement of Accounts by the statutory date following the end of the Financial year on 31st March.

Providing Information and Financial Returns to Statutory External Bodies

- 1.5.15 The Finance Director will make arrangements for completing the Council's tax returns and other statutory financial returns and providing relevant information to external bodies on the financial activities of the Council as a whole.

Internal Audit and Control

- 1.5.16 The Accounts and Audit Regulations 2006 require the Council to maintain an adequate and effective internal audit. The Finance Director will commission on behalf of the Council a suitable internal audit of its accounting records and control systems.
- 1.5.17 The Finance Director or their representative shall have access to all documents and records in the possession of the Council and its contractors and shall be afforded all facilities and co-operation by Members, Directors and members of their staff, who shall provide whatever information and explanation are deemed necessary.

Financial Procedures

- 1.5.18 The Finance Director has delegated authority to produce, update, interpret and advise upon the financial procedures and submitting any additions or changes necessary to the financial regulations to Council for approval.
- 1.5.19 The Finance Director is also responsible for reporting, where appropriate, breaches of the financial regulations to the Council and/or to the Executive.

1.6 MAIN RESPONSIBILITIES OF DIRECTORS

Application of Financial Regulations and Procedures

- 1.6.1 Directors are responsible for ensuring compliance with Financial Regulations the Council's Procedure Rules by his/her staff and for reporting to the Finance Director any known or suspected breaches of the Financial Regulations.

- 1.6.2 Directors are responsible for ensuring that all staff in their departments are aware of and understand the existence and content of the authority's Financial Regulations and other internal regulatory documents and related guidelines and procedures and that they comply with them. Each Director must also ensure that an adequate number of copies are available for reference within his/her Directorate.

Scheme of Delegation

- 1.6.3 Corporate Directors shall maintain a written record where decision making has been delegated to members of their staff, including seconded staff, in the form of a scheme of delegation. The scheme of delegation will include authorised limits in respect of payments, income collection, placing orders, payroll and staffing changes.
- 1.6.4 The record must clearly specify the extent of, and limits of the powers delegated to each individual and the circumstances in which matters must still be referred to higher management for decision. As a minimum it will contain a register of posts, names, specimen signatures and the extent of the responsibility involved. This record will include delegations related to electronic authorisation. The scheme of delegation will be reviewed by each Director at least annually.
- 1.6.5 The Corporate Director will communicate such authorisation in writing to the individuals concerned.
- 1.6.6 The content of such register, and selected extracts from it, will be provided to the Finance Director as and when requested. It is the duty of Corporate Directors to promptly notify any changes to the scheme of delegation to the Finance Director and Corporate Director – Organisational Development.

Internal Control and Governance Framework

- 1.6.7 The internal control and governance framework will be reviewed by each Director at least annually and as necessary if control weaknesses indicate the need for revision.

2 FINANCIAL MANAGEMENT

Why is this important? *Good financial management secures value for money, controls spending, ensures due probity of transactions and achieves objectives on time, but decisions are informed by accurate accounting information.*

2.1 Introduction

2.1.1 Financial management covers all financial accountabilities in relation to the running of the authority including the Budget and Policy Framework. The “management accounting” function includes:

Budget forecasting, formulation and profiling	Resource management and control
Budgetary management and out-turn	Service strategy and development/retrenchment
Financial trend analysis	Project evaluation
Cost and output analysis (activity reporting)	Value for money and quality
Income generation and collection	Trading account forecasting/formulation
Stock, debtor and other asset control	

2.2 The full Council

2.2.1 The full Council is responsible for adopting the authority’s constitution, including the codes of conduct applicable to officers and Members, and for approving the Budget and Policy. It is also responsible for approving and monitoring compliance with the authority’s overall framework of accountability and control. The framework is set out in its constitution. The full Council is also responsible for monitoring compliance with the agreed policy and related executive decisions.

2.2.2 The full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those “key decisions” delegated by and decisions taken by the Council and its committees.

2.3 The Executive

2.3.1 The Executive is responsible for proposing the budget and policy framework to Council, and for discharging executive functions in accordance with the Budget and Policy Framework.

2.3.2 In the event of the Leader delegating functions to Executive members, such members will record decisions taken in a document maintained by the Monitoring Officer. The Council has not delegated decision making to an individual member of the Executive.

2.4 Audit reporting to Committee

2.4.1 Internal and external audit reports are submitted to the Audit and Assurance Committee, and other Member Groups or Committees where appropriate.

2.5 The Statutory Officers

Monitoring Officer

2.5.1 The Monitoring Officer (together with the Finance Director) is responsible for advising the Cabinet or Council about whether a decision is likely to be considered in accordance with the budget and policy framework. Actions that may be 'contrary to the budget' include:

- initiating a new policy
- committing expenditure in future years to above the agreed budget
- causing the total expenditure financed from Council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.

Finance Director

2.5.2 The Finance Director will be entitled to attend and report on financial matters directly to the Council, the Cabinet, and any committees or working groups the Council may establish and to the Corporate Management Team.

2.5.3 The Finance Director is responsible for monitoring standards and giving advice on financial management and administration throughout the authority. He is responsible for guiding the training and professional development of all staff employed in posts designated as requiring a qualified accountant, accounting technician, or auditor, wherever located and will be responsible for the appointment of such staff and will be consulted on any proposal to create or delete a post requiring such a qualification for appointment.

Corporate Directors

2.5.4 The Chief Executive and other Directors are each accountable to the Council for the financial management and administration of those services and activities allocated to them in accordance with Council policy, including effective ongoing budgetary control, with appropriate support and advice from the Finance Director. Each Director is responsible for ensuring that adequate and effective systems of internal control are operated to ensure the accuracy, legitimacy and proper processing of transactions and the management of activities.

2.5.5 Directors are responsible for ensuring that the Executive are advised of the financial implications of all proposals and that the financial implications have been agreed by the Finance Director

2.5.6 It is the responsibility of Corporate Directors to consult with the Finance Director and seek approval regarding any matters which may affect the authority's finances materially, before any commitments are incurred. If budget transfer (or virement) is requested, it should not be to cover ongoing commitments. If raising any issue has implications affecting other Directorates or land, property, IT or human resources Corporate Directors should also inform and consult other Corporate Directors affected 10 days before submitting policy options or recommendations to Members.

- 2.5.7 With regard to any report or information for Members or the public which relates to budget planning and monitoring or upon which decisions or consultation are to be based, each Corporate Director is responsible for ensuring that the Finance Director is consulted about any information to be included about the finances of the Council, its services and activities. The Finance Director is to be given adequate time to comment in advance of the agenda/deadline date. A report will be published only if the Finance Director has validated and agreed the financial aspects of the report. The onus is upon the Corporate Director to obtain this agreement.

2.6 Financial Accountabilities

Accounting Policies

- 2.6.1 The Finance Director is responsible for selecting accounting policies, having regard to national guidelines, and for ensuring that they are applied consistently.

Accounting Records and returns

- 2.6.2 The Finance Director is responsible for determining the accounting procedures and records for the authority.

The annual statement of accounts and the annual governance statement.

- 2.6.3 The Finance Director 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).

- 2.6.4 The Chief Executive and Leader of the Council are responsible for ensuring that an annual corporate governance statement is produced in accordance with the Accounts and Audit Regulations 2003 (as amended) and Use of Resources requirements. The Monitoring Officer is responsible for ensuring that information on governance is accurate and reflects the position at the time of the statement.

Competence of Staff

- 2.6.5 The Finance Director is responsible for the appointment of appropriately experienced, trained and qualified staff that are competent to perform financial management and administration effectively and as required.

Procurement of External Services

- 2.6.6 The Finance Director will advise on, interpret and determine the requirements of the Council's minimum financial standards. With regard to those services provided by external contractors, Corporate Directors will ensure that specified standards of service also reflect the minimum financial standards prescribed by the Finance Director.

Retention of Records and Documents

- 2.6.7 Financial records, vouchers and documents must be preserved in accordance with the Council's data retention policy prescribed by the County Council's arrangements under the Freedom of Information Act. In addition Corporate Directors must ensure that document retention requirements specified by bodies providing external funding are met to ensure that funding is not jeopardised. On disposing of items, appropriate arrangements shall be made for confidential waste.

Compliance with Financial Regulations

- 2.6.8 Failure to comply with the Financial Regulations may result in disciplinary action.

2.7 Amendment of Approved Budgets

- 2.7.1 The approval of Council will be sought for any proposal that involves a change to the Budget and Policy Framework such that this would have a financial effect on the Council's forward planning of resources or significantly limit the discretion of the Council in the future allocation of its resources.

- 2.7.2 Subject to 2.7.3 below, the approved Revenue Budget may be amended by:

- a) The Cabinet authorising transfers to or from the contingencies (including reserves and balances), or
- b) The Finance Director authorising budget transfers to or from any contingency for changes in pay and prices and to and from an earmarked reserve for its designated purpose.

- 2.7.3 In making amendments to the approved Revenue Budget, the Cabinet, Finance Director and Corporate Directors must:

- a) have regard to the Budget and Policy Framework approved by the Council, and resolutions of the Council, and
- b) be satisfied that an amendment to the Revenue Budget can be offset by additional income, contingencies (including reserves and balances) or savings elsewhere within the Budget.

- 2.7.4 The Cabinet may approve the inclusion of a new scheme in the Capital Programme, or agree to transfer budgets of up to £250,000 between schemes within the Capital Programme.

- 2.7.5 In making amendments to the approved Capital Programme, the Cabinet must:

- a) have regard to the Budget and Policy Framework approved by the Council, and resolutions of the Council, and

- b) be satisfied that an amendment to the Capital Programme can be offset by available income, Government grants, usable reserves, credit approvals, reductions elsewhere within the Capital Programme, or contributions from other external bodies;
- c) be satisfied that any revenue budget consequences of the amendment can be offset by additional income, contingencies (including reserves and balances) or savings elsewhere within the Budget.
- d) include in the Capital Programme approved by the Council additional schemes to the extent that they can be funded from additional Government grants, grants or contributions from other external bodies.

2.7.6 A Head of Property and Asset Manager, or other identified accountable Corporate Director may authorise a virement between projects in a Programme of an amount up to £10,000 or, if greater, an amount up to 10% of the total project cost as last approved but not exceeding £100,000.

2.7.7 Any proposed changes to Revenue Budgets or Capital Programme should be subject to the advice of the Finance Director.

2.8 Spending of Revenue Budgets

2.8.1 A Revenue Budget approved by the Council may be spent without further reference to the Council, the Cabinet (including a Committee appointed by the Cabinet) or Committees appointed by the Council.

2.8.2 No power is delegated to any Corporate Director to spend above the Approved Estimate for their Directorate unless or until the Cabinet has approved in advance the spending.

2.9 Budget Transfers

2.9.1 A Virement is the transfer of resources between budget headings (lines), as published in the budget book each year, involving a formal process of approval. It involves a change to the budget which involves a change in the use of such resources. A “budget line” is the lowest level of detail at which approval of the original budget takes place.

2.9.2 Corporate Directors may transfer any Revenue Budget within their control for any lawful purpose relating to the Directorate for which they are responsible providing that: -

- (a) the transfer is within the Estimate approved by the Council for the relevant Service Area, and
- (b) the reason for the transfer is within the Budget and Policy Framework, and

- (c) no commitment to a higher overall level of expenditure in future Financial years is entered into, and
- (d) the amount in question does not exceed £100,000 at any one occasion; and
- (e) no other Directorate is affected.

2.9.3 Cabinet may transfer any Revenue Budget within their control for any lawful purpose for which they are responsible providing that: -

- (a) the transfer is within the Estimate approved by the Council for the relevant Directorate, and
- (b) the reason for the transfer is within the Budget and Policy Framework, and
- (c) no commitment to a higher overall level of expenditure in future Financial years is entered into, and
- (d) the amount in question does not exceed £250,000 at any one occasion; and
- (e) no other Directorate is affected.

2.9.4 Any transfer of Budget not falling within the criteria detailed in Financial Standing Orders 2.9.2 and 2.9.3 as set out above will require the prior approval of the Cabinet.

2.9.5 Where the above criteria 2.9.2 (a-e) apply in relation to Budget Transfers between Budgets controlled by two Corporate Directors approval of the Cabinet will not be required provided that the transfer is agreed by both Corporate Directors concerned.

2.9.6 Any proposed changes to Revenue Budgets should be fully discussed with the Finance Director, and will be recorded in a manner he advises.

2.9.7 Budgets shall be monitored and controlled at budget and theme line level. Approval of virements shall not be anticipated or assumed in advance. Corporate Directors should not present to Cabinet requests for virement to meet commitments already entered into; proper monitoring routines should identify the need for virement (and/or adjustments to expenditure) sufficiently in advance for options to be identified and planned and appropriate action to be taken.

2.9.8 Budgets may be amended other than for virements; for instance presentation may be changed to enhance clarity (budget lines may be combined, or a single line disaggregated to its constituent parts) or an overhead or central cost may be allocated to reflect more up to date information.

2.10 Local Committee Budget Transfers

2.10.1 Each Local Committee may transfer budgets over the various services within its delegated responsibility, within the limitations of the guidance issued by Cabinet.

3 FINANCIAL PLANNING AND BUDGETING

Why is this important? *The allocation of resources to particular purposes enables the conversion of funding into service provision. Budgetary monitoring and control is a continuous process which exerts accountability over budget holders and involves the reviewing and adjusting of spending and financial targets during each year. The Council Plan, Service Performance Plans and the corporate Best Value Performance Plan provide a clear guide to the strategy of the authority and underlying values, objectives, targets and performance criteria against which actual performance can be measured and reported.*

3.1 Introduction

3.1.1 The full Council is responsible for agreeing the authority's Budget and Policy Framework, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:

- performance management framework, including the service plans
- the council plan
- the budget
- the capital programme

3.2 Policy Framework

3.2.1 The full Council is responsible for approving the Budget and Policy Framework. The policy framework comprises various plans and strategies, as defined in Article 4 of the Council's constitution.

3.2.2 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining issues that are contrary to the budget or policy framework. Under the Constitution the Monitoring Officer has a duty to advise whether decisions of the Executive are in accordance with the Budget and Policy framework.

3.2.3 The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget and policy framework within the financial limits set by the Council. The full Council is responsible for agreeing procedures for carrying forward under and overspendings on budget headings at each financial year-end.

Preparation of Council Plan

3.2.4 The Chief Executive is responsible for proposing the council plan to the Executive for consideration before its submission to full Council for approval. This will be prepared in accordance with the performance management framework which outlines the corporate planning and service planning process.

3.2.5 The Chief Executive will liaise with the Finance Director as to its financial content before it is proposed to the Cabinet for consideration before its submission to full Council for approval.

- 3.2.6 An element of the development of the Council Plan will be the undertaking of fundamental performance reviews of specific services or aspects of the Council's activities and cross-cutting themes as part of a five year rolling programme. Part of the review process will involve the analysis and comparison of cost-related aspects (including benchmarking and process analysis techniques), and lead officers should when embarking upon such reviews seek financial advice, from an appropriate Finance Manager or where necessary from the Finance Director.
- 3.2.7 Each Corporate Director is responsible for producing an annual Service Plan for those services and activities which are his/her responsibility. The Service Plan will be prepared and presented according to a standard and timescale prescribed by the Chief Executive and any corporate guidelines and will underpin and be consistent with the Council's performance management framework.
- 3.2.8 Each Service Plan will comprise key targets supported by a Risk Management Action Plan, an outline of the financial resources required, and performance measures to ensure that the implications of achieving the plan have been properly assessed and there are appropriate systems to monitor its implementation.
- 3.2.9 Service Plans must be aligned with the overall values, objectives and priorities of the Council and be consistent with and based upon the budget allocated by the Council to the services and activities involved and comply with any statutory requirements.

3.3 Budgeting

Resource Allocation

- 3.3.1 The Finance Director is responsible for developing and maintaining a resource allocation process which ensures due consideration of the Council's policy framework and also reflects agreed service priorities in the corporate strategy.

Budget Preparation

- 3.3.2 The Finance Director in conjunction with Corporate Directors is responsible for ensuring that a revenue budget is prepared on an annual basis and a medium term revenue plan and capital programme on a three-year basis for consideration by the Executive, before submission to the full Council.
- 3.3.3 Guidelines on budget preparation will be issued to Members and Directors by the Executive following the advice of the Finance Director. The guidelines will take account of:
- legal and other requirements
 - corporate priorities
 - available revenue and capital resources
 - spending pressures
 - level of reserves
 - cross cutting issues (where relevant).
 - budget consultation exercises

- 3.3.4 It is the responsibility of Directors to ensure that budget estimates reflecting agreed service plans and themes are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Finance Director. Each Corporate Director will prepare annually a forward revenue budget in accordance with the criteria, format, timetable and targets determined by the Council and as advised by the Finance Director and in consultation with his/her staff. The revenue budget as drafted shall distinguish between:
- a) the “continuation” position (*i.e.: existing level of service adjusted for changes in price base, unavoidable changes in client numbers, and implementation of changes already committed and approved*);
 - b) proposed service changes, including any effect on revenue costs of the proposed capital programme (*e.g.: debt charges; running costs*)
 - c) the cost of budget themes
 - d) estimates for the next three years
- 3.3.5 In proposing revenue and capital budgets, Corporate Directors shall have regard to the need to maintain the capital value of buildings through regular repair and maintenance and periodic refurbishment.
- 3.3.6 In preparing draft budgets, Corporate Directors will ensure that Service Plans are reviewed and updated to reflect available resources and to support and underpin the Council Plan.
- 3.3.7 The Finance Director will submit an overall budgetary report to the Cabinet to consider:
- (a) the Revenue and Capital Budgets that are proposed for the Council’s services.
 - (b) the results of the consultation with the public and the Scrutiny and other appropriate Committees
 - (c) precepts and Levies, the need for Central Reserves and Contingencies, the Level of Balances and the grants available from the Government.

The Cabinet will recommend to a meeting of the Council the proposed Revenue and Capital Budget and the Council Tax to be levied for the forthcoming Financial year. The Council will consider these and must approve, amend or replace the Cabinet’s proposal and give its decision not later than 28th February each year.

- 3.3.8 The full Council may approve the draft budget previously considered by the Cabinet or ask the Cabinet to reconsider it before approving it.
- 3.3.9 Budget allocations for functions delegated to individual Local Committees will be determined by the Cabinet each year, who will also determine any minimum standards of service to be observed by them.

Preparation of the Capital Programme

- 3.3.10 The Finance Director is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive, before submission to the full Council.

Directors, in consultation with the Finance Director's staff, will prepare annually a proposed 3 year forward capital programme in accordance with the criteria, format, timetable and targets determined by the Finance Director. This programme will have regard to the Council's priorities, Capital Strategy, government controls and the availability of resources.

In preparing items for the Capital Programme Corporate Directors will prepare for each scheme:

- a) An estimate of the cost of the Scheme.
 - b) An estimate of any consequential expenditure or income, whether capital or revenue.
 - c) If the Scheme is part of a larger Scheme, an estimate of the total cost and any other information as may be necessary to permit full consideration of the proposal.
- 3.3.11 The capital programme shall distinguish between committed expenditure from schemes already underway, those not yet committed, and proposals for new projects.
- 3.3.12 The cost of holding and using assets will be reflected in revenue budgets either by capital asset charges or by rentals where landlord / tenant arrangements have been established.
- 3.3.13 Decisions in respect of the financing of capital expenditure are delegated to the Finance Director taking into account all resources available to the authority.

3.4 Spending Capital

- 3.4.1 No power is delegated to any Corporate Director to incur expenditure on any Scheme or provision not included in the Capital Programme or to spend above the approved amount unless or until approval has been given by the Cabinet or Council as appropriate.
- 3.4.2 Directors, in conjunction with the Head of Property and Asset Management, will determine when each new project in the capital programme can proceed.
- 3.4.3 Corporate Directors will assign a Project Manager for each project. Before a project commences each project will have a project plan, including project and financial milestones. The project plan must be approved by the Strategic Investment Group.

- 3.4.4 Each Corporate Director will implement and keep under review the Council's agreed Capital Programme for services under their control covering Schemes in progress, Schemes commencing in the current and forthcoming financial years and the revenue implications of those Schemes.

3.5 Review of Assets

- 3.5.1 Corporate Directors shall regularly review the use of assets to determine whether they continue to provide value for money and remain essential to service provision. Property assets identified as surplus to committee or Directorate requirements shall be promptly declared as such to the Property Manager. The Property Manager will review alternative uses of surplus assets, and recommend the future use or disposal of such assets to Cabinet.

3.6 Use of Capital Receipts

- 3.6.1 Capital receipts arising from the disposal of property which is surplus to requirements will be used to fund the capital programme.

3.7 Budget Monitoring and Control

- 3.7.1 The Cabinet will ensure that the Budget approved by the Council is implemented and will receive reports from the Finance Director and Corporate Directors to enable it to do so.
- 3.7.2 Corporate Directors will be responsible for the performance of Services under their control against financial and non-financial performance targets including performance against the Budget, and will undertake an ongoing review of performance against these targets.
- 3.7.3 Committees and Corporate Directors, with advice from the Directorate Finance Manager, will control and manage capital and revenue spending to ensure that each is contained within their approved budget.
- 3.7.4 Corporate Directors will ensure that they have access to such financial or non financial information as they may reasonably require to undertake their service responsibilities and will consult the Finance Director accordingly.
- 3.7.5 The Finance Director will support and advise Corporate Directors in ensuring that financial management information is adequate for management purposes and that they have appropriate access to financial information via the corporate accounting and budgeting systems to enable budgets to be monitored effectively.
- 3.7.6 The Finance Director will monitor and control overall expenditure against budget allocations, assisted by all Corporate Directors who will monitor and control at service and more detailed levels and will report monthly to the Executive and relevant Committees on the overall likely outturn position and any significant variances.

- 3.7.7 The financial information submitted by each Corporate Director will be supported by non financial statistics relating to those aspects of services regarded as the major determinants of expenditure in driving future levels of service activity.
- 3.7.8 Corporate Directors will provide the Finance Director with any information required to enable effective monthly corporate monitoring and control of expenditure and income against approved budgets, and will report on variances within their own service areas. They will take any action necessary to ensure that expenditure does not exceed their budget allocations and will alert the Finance Director to any problems as soon as these are identified.
- 3.7.9 Where significant savings or increased income in excess of £100,000 were not included in the budget, but arise fortuitously because of external factors outside the control of the committee or Directorate involved, these new resources shall be reported to the Cabinet and the Council before any decision is taken about their utilisation.

3.8 Adequate Systems of Internal Control

- 3.8.1 It is the responsibility of Corporate Directors, advised by the Finance Manager, to control income and expenditure within their area and to monitor performance using financial information derived from corporate financial systems maintained by the Finance Director and also derived from financial management/control systems which they maintain for their Directorates.
- 3.8.2 Each Corporate Director, will ensure that adequate and effective systems are operated to monitor and control income and expenditure (and commitments) against detailed budget approvals. To achieve this, such systems must provide information, at an adequate level of detail, about:
- (a) actual income and expenditure;
 - (b) income and expenditure committed but still to be paid (and any bad debts to be written off);
 - (c) the further cost of remaining work and contractual commitments, etc.
 - (d) approved budget figures
- 3.8.3 Budget Managers will use the Council's budget management system to produce the financial information needed to monitor their budgets. Budget monitoring data should be maintained at a level which enables effective monitoring of financial trends to be carried out, and to provide action plans to ensure adverse budget problems can be managed.

3.9 Treatment of Unspent Budgets

3.9.1 All unspent (or overspent) resources up to £100,000 will be carried forward to the following financial year, subject to any specific requirements determined by the Council having regard to the overall financial circumstances of the Council. When closing the accounts of the Council at each financial year end, the Finance Director shall seek the approval of Council as to:

- (a) the extent to which over spendings on a committee's or Directorate's revenue budget shall lead to a commensurate reduction in the permission to spend in the following year; and
- (b) the extent to which under spendings on a committee's or Directorate's revenue budget can be carried forward and utilised in subsequent years

Why is this important? *Risk management is the planned and systematic approach to the identification, evaluation and control of the chance or possibility of loss, damage, injury or failure to achieve corporate objectives because of an unwanted or uncertain action or event. It is essential to secure the Council's assets and to ensure continued financial and organisational well-being. Effective control of resources is essential to ensure they are used to best effect in accordance with the Council's policies and priorities and to achieve targets and objectives. Impartial monitoring and inspection is essential to a healthy organisation. All financial matters are subject to audit reviews and investigations which assist the Finance Director to meet statutory responsibilities but also provide service managers and Members with an objective view of the standard of financial management, administration and general performance.*

4.1 Introduction

- 4.1.1 It is essential that robust systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the authority on an integrated basis in accordance with the Council's Risk Management Strategy and Policy

4.2 Risk Management

- 4.2.1 The Cabinet is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Cabinet is responsible for approving the Council's Strategic Risk Assessment and for ensuring that proper insurance exists where appropriate.
- 4.2.2 The Corporate Management Team will produce an annual corporate risk assessment. The Corporate Director – Safer and Stronger is responsible for preparing the Council's risk management policy and strategy statement and for promoting it throughout the authority and for advising the Executive on proper insurance cover where appropriate. Corporate Directors are responsible for promoting and implementing this risk management policy.
- 4.2.3 Risk Management is the responsibility of every Corporate Director having regard to advice from the Corporate Director – Safer and Stronger and other specialist officers (e.g. - crime prevention; fire prevention; health and safety).
- 4.2.4 Corporate Directors will keep under review all risks within the Service Areas under their control. They must make every effort to reduce the risks.

4.3 Business Risk Management

- 4.3.1 It is the responsibility of each Corporate Director to assess all risks annually and to record them in an annual Risk Management Plan. The risk of not meeting corporate strategy targets should be evaluated and appropriate performance measures should be set for monitoring.
- 4.3.2 All risks should be recorded in the Corporate Risk Register, together with an action plan to show how the risks are owned, monitored, and mitigated.
- 4.3.3 The management of risks should be reported upon at least quarterly to the Risk Management Group and the appropriate Corporate Management Team meeting and Cabinet. Risk reporting should include budget reports, projects, significant partnerships and accountable bodies.

4.4 Insurance

- 4.4.1 The Finance Director shall arrange all those insurances falling within the framework of insurable risks agreed by the Council and shall deal with all claims, in consultation with other Corporate Directors where necessary. The Cabinet will determine which risks must be covered by external insurances or internal insurance provision. Other risks may be covered by insurance or carried by the department(s) involved at the discretion of the relevant Corporate Director or committee, having regard to advice from the Finance Director.

In general, costs and losses not insured externally and not covered by the Council fund will fall as a charge upon the budget of the committee or Directorate to which the item relates. Claims for insured risks could result in increased levels of future premiums, and Corporate Directors are responsible for taking effective preventive measures against all risks.

- 4.4.2 Each Corporate Director shall give prompt notification to the Finance Director of all new risks, properties, vehicles and other assets or potential liabilities for which insurance may be required; and any material changes in existing risks or assets as they arise and of any other changes in insurance cover required.
- 4.4.3 Corporate Directors shall notify the Finance Director immediately in writing and without delay of any loss, liability or damage or any event likely to lead to a claim, and shall provide such information and explanations required by the Finance Director or the Council's insurers.
- 4.4.4 The Finance Director shall review all insurances at each annual renewal date and as part of the re-tendering process at the end of the overall insurances contract period.
- 4.4.5 For those risks not covered by external insurance policies, and as determined by the Council, the Finance Director will operate an internal insurance account(s) and is authorised to charge the various Council service budgets with the cost of contributions to this account.

4.5 Indemnities

- 4.5.1 Corporate Directors shall consult the Finance Director and the Chief Legal Officer concerning the terms of any indemnity which they are requested to give on behalf of the Council.
- 4.5.2 Before entering into any arrangement involving a legal relationship, the Corporate Director involved must ensure that the Council has adequate legal powers and where appropriate that there is adequate professional indemnity insurance to cover and minimise any risk to the Council and to those individuals involved (advice should be obtained from the Council's Insurance Officer and /or the Chief Legal Officer where necessary before proceeding).

4.6 Corporate Governance / Internal Control

- 4.6.1 The Finance Director is responsible for advising on effective systems of internal control.
- 4.6.2 It is the responsibility of Corporate Directors to ensure that internal controls and governance arrangements are adequate and effective, and to take all necessary action to secure this on an ongoing basis. Such systems shall include arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets and for the prevention, detection and reporting of irregularities, fraud and corruption. With regard to external contracts for the provision of services the Council's client officers will ensure that service specifications require adequate and effective accounting and internal control arrangements by the contractor.
- 4.6.3 Before proceeding, Corporate Directors are required to consult the Finance Director about any proposed changes or developments to financial procedures, records, systems and accounts, and such changes are subject to the Finance Director's agreement. This includes arrangements related to external contractors.
- 4.6.4 At least annually Corporate Directors must undertake a review of internal control and governance arrangements and should not rely primarily or exclusively on the outcome of internal and external audits to provide reassurance.
- 4.6.5 Where it appears that internal control or governance arrangements are not operating effectively Corporate Directors will notify the Finance Director immediately.

4.7 External Audit and Inspection

- 4.7.1 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998. They are also required to follow the current Audit Code of Practice. The duties include reviewing the work of the internal auditors.

4.7.2 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, OFSTED, CQC and other government inspectors who have statutory rights of access.

4.8 Internal Audit

4.8.1 The Head of Management Audit will produce an annual audit plan to ensure that the level and type of audit coverage has regard to the characteristics and relative risks of the activities involved.

4.8.2 Corporate Directors and managers shall consider and respond promptly to recommendations in audit reports setting out what action is proposed. Audit recommendations will be promptly implemented and Corporate Directors will record and report to the Head of Management Audit in respect of such implementation.

4.8.3 The Finance Director will report on Management Audit Unit activity at regular intervals to the Audit and Assurance Committee and progress in respect of implementation of key audit recommendations.

4.8.4 In relation to national Audit Commission studies, the Corporate Director(s) of the services concerned shall consider and report to the Audit and Assurance Committee upon the content and recommendations.

4.8.5 In respect of system developments the Management Audit Unit shall be involved and consulted at least at three specific stages, which are:

- (a) during discussion of the initial draft specification, and consideration of the internal controls, to enable the audit view to be taken into account before the specification is finalised;
- (b) during the design of the tests which are to be applied to the new or modified system to verify its reliability, accuracy and fitness for purpose before implementation;
- (c) during evaluation of the system test results, and discussion of pre-implementation action required.

4.9 Irregularities, Fraud and Corruption

4.9.1 The Finance Director is responsible for the development and maintenance of an anti-fraud and corruption policy. The Cabinet is responsible for approving the policy and Corporate Directors are responsible for promoting and implementing the policy. Audit and Assurance Committee is responsible for monitoring the implementation of the policy.

4.9.2 Any individual becoming aware of any suspected irregularity relating to both private and Council funds, including cash, stores, property and any material weakness which has been identified in any system or control shall notify the Finance Director immediately.

- 4.9.3 The Finance Director shall take whatever steps he considers necessary to investigate and report upon the matter and direct the Head of Management Audit in accordance with the Anti Fraud and Corruption Strategy.
- 4.9.4 The relevant Corporate Director shall consult with the Chief Executive, Finance Director and Monitoring Officer in advance for all cases that are going to be or may be formally reported to the Police.
- 4.9.5 The Corporate Director shall take any appropriate action to prevent further loss and to secure records and documentation against removal or alteration. If there is a possibility that an employee may have been involved, a report by Management Audit Unit upon the matter shall be considered by the Corporate Director, Head of Service, Monitoring Officer and HR Manager before deciding what action is appropriate in relation to the employee.

4.10 Assets

- 4.10.1 The assets of the Council include buildings, vehicles, furniture and equipment, computer systems, stocks and materials, money and investments, data and information. Assets will be acquired solely for use by the Council or authorised partner. They may not be purchased for any current or future personal gain or use.
- 4.10.2 Corporate Directors will be responsible for the safe custody of all Council assets under their control.
- 4.10.3 Assets will not be purchased using loans, leases or hire purchase agreements except with the agreement of the Finance Director.
- 4.10.4 Corporate Directors should ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place and are regularly tested.
- 4.10.5 In accordance with arrangements made or agreed by the Finance Director, Corporate Directors shall maintain appropriate records and inventories and ensure procedures are operated for the safe custody, issue and disposal of assets such as goods, equipment, information and supplies.
- 4.10.6 Assets shall be marked to identify them as property of the Council, and shall not be removed or used except as required for the Council's business and in accordance with specific procedures prescribed by the Corporate Director.
- 4.10.7 Corporate Directors shall arrange regular physical checks of equipment, stores, etc against the relevant records. Any significant surplus, deficiency or deterioration revealed as a result of such checks shall be investigated and reported to the Management Audit Unit for their advice and/or assistance.
- 4.10.8 Corporate Directors shall arrange for the valuation of assets for accounting purposes (and for business units, to achieve accurate trading figures) on a basis and according to a timescale determined by the Finance Director.

- 4.10.9 Corporate Directors will be authorised to dispose of surplus, damaged or scrap stocks, materials or equipment on the best possible terms.
- 4.10.10 Where the estimated realisable value exceeds £5,000 and is less than £20,000 a minimum of three sealed bids or quotations will be invited. If the estimated value exceeds £20,000 then a minimum of four sealed bids or quotations will be invited. The Finance Director and Head of Property and Asset Management will be consulted on any alternative method of disposal.
- 4.10.11 The Finance Director shall be notified of the intention to dispose of any item which might be regarded as capital, for example Land and Property, or was obtained via a leasing agreement.

4.11 Private Property

- 4.11.1 No responsibility shall be accepted for private property except as required by Council policies with regard to particular categories of client. Where it is necessary to take custody of private property, the Corporate Director shall have written procedures for their staff, as agreed with the Finance Director. These will ensure that a complete inventory is prepared, and where possible agreed and certified by the owner of the property; otherwise being witnessed by another officer. All valuables shall be kept in safe custody.
- 4.11.2 In the event of loss, damage or alleged theft of private property whilst in the Council's possession, a Corporate Director may after consultation with the Monitoring Officer, make an ex gratia payment. Such payments will be charged to the budget of the service involved.
- 4.11.3 The Finance Director and his authorised senior staff are the only officers empowered to lend and invest Council resources (as necessitated for cash flow and investment management). No officer may place Council resources in any fund or account unless designated as the sole property of the Council and approved by the Finance Director.

4.12 Legal Documents and Contracts

- 4.12.1 The Chief Legal Officer shall have custody of the original documents for all contracts, leases, deeds and agreements, and similar legal documents made under seal.

4.13 Security against property

- 4.13.1 Except as agreed by the Council, no officer may raise money by securing any legal charge or claim upon the buildings, property or any other asset or interest of the Council. Any contract or legal Agreement involving a charge upon assets or property (of the Council or a contractor) must be forwarded to the Monitoring Officer for approval and signature on behalf of the Council.

4.14 Confidentiality, Security and Protection of Information

- 4.14.1 All employees of the Council have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records, including on portable storage devices.
- 4.14.2 Corporate Directors shall ensure that all employees are familiar with the Council's Computer Security Code of Practice, and that adequate and effective controls and security routines are operated to protect data and facilities against the unauthorised access, loss or abuse.
- 4.14.3 Corporate Director are responsible for ensuring that all computerised and manual systems and records within his responsibility are operated in accordance with the requirements of Data Protection, Freedom of Information, and other legislation, including any necessary registration of such information, security, and properly administering any rights of access. Failure to comply with such requirements may result in some infringement of the legal rights of the individuals to which such records relate, with possible costs falling upon the Council and its Directorates.

4.15 Banking and Cash Handling

- 4.15.1 The Finance Director will be responsible for all arrangements relating to the operation of the Council's bank accounts. The Finance Director is authorised to open such subsidiary bank accounts as are necessary.
- 4.15.2 Corporate Directors will ensure that the collection and banking of monies is undertaken in accordance with any instructions issued by the Finance Director.
- 4.15.3 Petty Cash imprest accounts will be operated in accordance with instructions issued by the Finance Director. Maximum limits for cash holdings will be agreed with the Finance Director, and shall not be exceeded except as authorised by him. The Finance Director may devolve to Corporate Directors, through the Finance Managers, the responsibility for creating and controlling local imprest accounts and their signatory arrangements.
- 4.15.4 Corporate Directors must inform the Finance Director when £500,000 or more cash is expected to be received as he needs to know about this to enable him to carry out this function.

4.16 Treasury Management

- 4.16.1 All money in the hands of the Council (except the externally held assets of the Pension Fund) is aggregated for the purposes of Treasury Management and is under the control of the Finance Director, subject to the constraints of delegated powers given to schools.
- 4.16.2 The Council has adopted the key recommendations of CIPFA's Code for Treasury Management in Public Services (the Code) as described in Section 4 of that Code.

- 4.16.3 Accordingly, the Council will adopt and maintain, as the cornerstones for effective treasury management:
- a) A Treasury Management Policy Statement, stating the purposes and objectives of its treasury management activities.
 - b) Suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 4.16.4 The Finance Director shall present to the Cabinet, for consideration as part of the budget process, the Annual Treasury Management Strategy for recommendation to Council prior to the start of the financial year. The Finance Director has delegated responsibility for implementing and monitoring the Statement.
- 4.16.5 The Cabinet will receive reports on the Council's treasury management policies, practices and activities including, as a minimum, the annual strategy and plan in advance of the following year, and an annual report after its close for presentation by 30 September of the succeeding financial year.
- 4.16.6 The Cabinet has delegated responsibility for the implementation and monitoring of the Council's treasury management policies and practices. All executive decisions on the execution and administration of treasury management decisions including all borrowing, investment or financing decisions, and the use of external specialists in cash management where required, are delegated to the Finance Director who will act in accordance with the Council's policy statement and Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.
- 4.16.7 Only the Finance Director (or person specifically authorised by him) shall enter into any agreement or contract involving the borrowing of funds or credit (including leasing arrangements), or the investment of Council monies; or the authorising of any direct debit to be charged against the Council's bank accounts.

4.17 Money Laundering

- 4.17.1 The Council is responsible for reporting to the Police or to the National Criminal Intelligence Service on any suspected money laundering transactions, through the Money Laundering Reporting Officer (MLRO).
- 4.17.2 The Finance Director shall nominate a suitably qualified and experienced Money Laundering Reporting Officer and a Deputy Money Laundering Reporting Officer and shall advise on systems which counter opportunities for money laundering to take place within the Council. Within the established system of control, Corporate Directors should assess areas of vulnerability and inform the Money Laundering Officer of these and any money laundering suspicions they may have.

4.18 Staffing

4.18.1 The Chief Executive is responsible for ensuring overall there is effective leadership and management for all staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

4.18.2 Corporate Directors and Heads of Service are responsible for controlling total staff numbers by:

- advising the executive on the budget necessary in any given year to cover estimated staffing levels
- adjusting the staffing numbers to that which can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs
- the proper use of appointment procedures.
- ensuring that there is funding for all staff appointed
- monitoring staffing through monthly budget reports
- monitoring vacancies.

5 SYSTEMS AND PROCEDURES

Why is this important? *Secure and reliable financial systems are essential to process transactions and information securely and reliably and to substantiate use of public money and assets. Sound internal control and accountability for financial matters can only be achieved by clear arrangements for delegation of powers and responsibilities and the separation of duties, with an effective system of monitoring, feedback and reporting. Spending the Council's resources represents a significant responsibility, and the arrangements must clearly demonstrate probity, adherence to the Council's policies, good value for money, and due objectivity and impartiality. Assets represent a significant value which must be safeguarded. Income can be vulnerable unless effectively controlled.*

5.1 Closure of Accounts

- 5.1.1 The Finance Director will determine the timetable and process for achieving closure of the Council's accounts for each financial year, and each Corporate Director will ensure that any information which may be required by the Finance Director is supplied to him accurately in accordance with accounting conventions and any deadlines which he may prescribe. The Finance Director will ensure that accounting entries by his/her staff affecting the supply of this information are submitted for processing according to the specified timetable and deadlines.

5.2 Data Protection and Freedom of Information

- 5.2.1 Corporate Directors must ensure that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation. Corporate Directors must ensure that staff are aware of their responsibilities under the Data Protection and Freedom of Information legislation and that they are operating within the Councils policies and procedures in this respect.

5.3 Accounting Systems

- 5.3.1 All accounting procedures, systems, records and accounts will be determined by, or subject to approval by, the Finance Director.
- 5.3.2 The Finance Director is responsible for interpreting accounting standards and regulations and for providing advice and guidance about accounting systems in relation to requirements of Corporate Directors and the corporate accounting process, also for monitoring the trading performance of business units.
- 5.3.3 The Finance Director and supporting Finance Managers will ensure that the financial data held within the Council's computerised accounting and budgetary control system are maintained accurately and reliably and updated in accordance with agreed timescales and deadlines; and that Corporate Directors and their staff are provided with appropriate access to this information or with such computerised reports as may be agreed.

5.3.4 Each Corporate Director, with assistance from their Finance Manager, is responsible for ensuring that any financial systems to be operated by him are first agreed by the Finance Director and that they interface reliably and satisfactorily with the central systems operated by the Finance Director and in the way he prescribes. Proposed system changes will be notified to the Finance Director as part of the systems development planning process and formal approval must be obtained from the Finance Director prior to implementation.

5.3.5 Each Corporate Director will ensure that regular reconciliations are made for the central accounting system. The financial systems operated by the Finance Director are the Council's primary accounting records and in the event of any discrepancy between these corporate financial records and any subsidiary system the central system's records will be used for reporting purposes, subject only to any amendments identified but not yet implemented on the corporate system.

5.4 Income Collection

5.4.1 Corporate Directors will seek the prompt collection of all income due to the Authority. All sums due will be recorded, collected, held securely and banked in accordance with the directions of the Finance Director. All income must be banked intact, and payments shall not be made from receipts. The encashment of cheques on behalf of employees or clients is not permitted.

5.4.2 Cheques received in payment shall be made payable to Cumbria County Council and not to an individual, Directorate or Unit, and Corporate Directors will ensure that this requirement is communicated to payers at the time the amount is requested, and is understood by employees involved in collecting income.

5.4.3 Corporate Directors will ensure that, where applicable, VAT is charged in calculating any income due consulting the Finance Director for advice as and when required. No personal transactions should be processed through the County Council accounts with a view to evading VAT on a payment, since this is illegal.

5.4.4 Records of all income transactions will be maintained by Corporate Directors as required by the Finance Director, who shall be consulted by Corporate Directors on proposals to amend any records or income collection systems.

5.4.5 Every officer paying money into a bank account shall enter on the paying in slip and on the counterfoil or duplicate the particulars of such payment, including the name of the individual paying in, and the establishment involved, description of the income received, and where the income relates to a debtors invoice, details of the invoice number.

5.4.6 All receipt forms, tickets, and all other prime documents required for accounting for income, shall be ordered and controlled by the Finance Director or under arrangements commissioned or approved by the Finance Director. No officer shall give a receipt for money received on behalf of the Council on any form other than an official receipt form.

5.5 Debt Collection

- 5.5.1 Corporate Directors, in conjunction with the Finance Manager, are responsible for ensuring that all amounts due to the Council are factually correct and recorded and collected promptly and in the most efficient way, as agreed with the Finance Director. As a general principle, income shall be collected at the time of the transaction whenever possible, to optimise cash flow and to minimise administrative costs.
- 5.5.2 Where income cannot be collected immediately, the Corporate Director shall ensure that a debtor's account is raised promptly in accordance with procedures defined by the Finance Director.
- 5.5.3 The Finance Director is responsible for maintaining records of debts raised and notified to him by Corporate Directors for collection, and is also responsible (together with those Corporate Directors and their staff to which such tasks may have been delegated), for subsequently sending out reminders to debtors to obtain payments, according to a timescale agreed with the Monitoring Officer.
- 5.5.4 The Finance Director and those Corporate Directors to whom the task of debt collection has been devolved, together with the Monitoring Officer will take all necessary steps to obtain recovery of debts (involving debt collection agencies and/or court proceeding as appropriate). Corporate Directors will provide the Finance Director and / or the Monitoring Officer with all information required for the collection of debts. Where it is not possible to provide sufficient information to support a claim against a debt, the debt will be written back against the budget to which it originally related.
- 5.5.5 Once raised, no debt may be cancelled except by full payment, or by its formal writing off by the Monitoring Officer at the request of the Finance Director as authorised by the Council Procedure Rules, or by resolution of the Cabinet, which will receive regular reports of amounts written off using delegated powers, and those requiring specific approval. A credit note to reduce a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt. These requirements apply equally to central and devolved debts, unless a specific exception is granted by the Cabinet.
- 5.5.6 Any bad debt will be charged back against the budget of the Directorate to which it originally related.
- 5.5.7 Corporate Directors and other managers will provide the Finance director with any information required to report on the collection of income and debt, , in the detail, analysis and format required (e.g. - devolved debts raised, collected, written off) and in time to enable reporting deadlines to be met.

5.6 Write - Offs

- 5.6.1 The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

- 5.6.2 Corporate Directors, in consultation with the Finance Director and Monitoring Officer may write off losses up to the value of £10,000 for any one item in respect of:
- a) losses arising when property of the Council is lost, stolen, damaged or destroyed and the loss is not recoverable from insurance or other sources;
 - b) losses upon disposal of stock at a price less than the book value at the time of disposal; and
 - c) money due to the Council which has become irrecoverable or is thought no longer cost effective to recover.

Provided in each case that proper steps have been taken to mitigate the loss and to prevent a recurrence.

5.6.3 Corporate Directors will keep records of all such write-offs in a form approved in advance by the Finance Director.

5.6.4 Any write-offs exceeding £10,000 must be approved in advance by the Cabinet.

5.7 Review of Charges

5.7.1 Scales of charges for services and other income shall be reviewed at regular intervals (minimum annually) by the appropriate Corporate Director in consultation with the Finance Director and in accordance with any general strategy or directives from the Council. Corporate Directors shall ensure there is appropriate statutory provision and Council policy for the levying of any charge or fee for service, seeking advice where necessary from the Monitoring Officer.

5.8 Ordering of Goods and Services, Payment of Invoices and VAT

5.8.1 The ordering of and payment for goods and services shall be undertaken in accordance with guidance issued by the Finance Director.

5.8.2 Before entering into purchasing commitments Corporate Directors shall ensure that the estimated cost is covered by financial provision in the budget to which it relates, the goods are appropriate, and present value for money.

5.8.3 Official pre-numbered order stationary or electronic orders via the e-procurement system shall be used at all times. Official orders (and Council contract prices) shall not be used by individuals to obtain goods and services for their private use.

5.8.4 Orders will be placed only with contracted suppliers, or through the Strategic Procurement Unit.

5.8.5 Each Corporate Director will report to Cabinet, at such intervals as it determines, on his exercise of delegated powers under the Contract Procedure Rules.

- 5.8.6 Payment will only be made on a proper VAT invoice (not a photocopy or statement).
- 5.8.7 Invoices for payment will be properly completed, certified and paid in accordance with procedures and guidance issued by the Finance Director.
- 5.8.8 The Finance Director will make available up-to date guidance on the proper treatment and accounting for VAT which includes a timetable for preparation and submission of the claim that ensures VAT payments are fully and promptly recovered from Customs and Excise. It is the duty of Corporate Directors to comply with these procedures and time-scales and to notify the Finance Director if there are or may be any problems.
- 5.8.9 The use of personal credit cards to make purchases on behalf of the Council (with subsequent reimbursement to the individual) is not regarded as desirable although it is permissible where such use is authorised by the responsible Corporate Director. Use is entirely at the risk of the individual involved. A valid VAT receipt is required for reimbursal. The use of purchasing cards on behalf of and issued to Cumbria County Council is subject the associated financial procedures and guidance. Procurement cards have been made available for specific contract purchases and can be used in accordance with the conditions attached to them.
- 5.8.10 Payments to contractors for building or construction contracts shall be made only on receipt of a proper certificate, which has been adequately substantiated.
- 5.8.11 All invoices in excess of £25,000 will be checked and countersigned by the Corporate Director, or officer nominated by him under the scheme of delegation.
- 5.8.12 Any interest incurred by the Council as a result of submission for payment of the item too late to enable payment to be made by the deadline, will be met by the Directorate involved.

5.9 Payments to Employees and Members

- 5.9.1 Each Corporate Director shall establish procedures for the management and administration of workforce and payroll matters, ensuring effective alignment and integration with corporate systems and procedures, and having regard to advice from the Corporate Director - Organisational Development and the Finance Director.
- 5.9.2 The Corporate Director – Organisational Development is responsible for the payment of salaries and wages to all staff including payments for overtime and for payment of allowances to members.
- 5.9.3 Corporate Directors must ensure that all payroll transactions (including any other payments subject to personal taxation) are submitted accurately, in the form required, and according to established deadlines.
- 5.9.4 The Corporate Director – Organisational Development is required to operate secure and reliable systems to process payroll and employee data and information provided by Corporate Directors and Unit Managers, and to make payment on the due date.

- 5.9.5 Each Corporate Director, supported by the HR Service and designated Directorate HR Managers, is responsible for ensuring that adequate and effective systems and procedures are operated for workforce and payroll aspects, to ensure that:
- (a) *payments are only authorised to bona fide employees, for the period of entitlement;*
 - (b) *payments are only made where there is a valid entitlement, and only the sum due is authorised for payment;*
 - (c) *Conditions and Contracts of Employment are correctly applied;*
- 5.9.6 Such systems and procedures must include arrangements to ensure that:
- (a) *employee names listed on the payroll are checked at regular intervals to verify accuracy and completeness;*
 - (b) *there is an effective system of checking and certification of payroll forms etc*
 - (c) *all starters, leavers, pay scale and grade point changes are notified promptly, and timesheets and claims are submitted promptly, to the payroll services contractor.*
- 5.9.7 The Corporate Director – Organisational Development (in the absence of any manifest error) may assume the validity for payment of any payroll claim or form which bears the certification of an officer authorised by the Corporate Director involved; or any electronic file of payroll data authorised for payment by the Corporate Director or his nominee(s) in accordance with procedures agreed by the Finance Director.
- 5.9.8 With regard to staff claims for travel and subsistence (which must be paid through the payroll system for taxation and national insurance requirements), Corporate Directors have responsibility for ensuring compliance of claims with Council policy, and for ensuring that most cost effective use of travel arrangements is achieved.
- 5.9.9 Where an overpayment to an employee arises because payroll notifications etc have not been sent to the Council's Service Centre in accordance with deadlines, or because incorrect payroll data has been submitted, then the cost of the overpayment will be charged against the budget of the or Directorate to which the payment related. The Directorate budget may also be charged with the administrative cost involved in recovering or attempting to recover such amounts.
- 5.9.10 Corporate Directors and their staff are responsible for ensuring that all items subject to taxation or national insurance are submitted to the Corporate Director – Organisational Development for central payment via the Service Centre and Midland Trent HR, payroll or travel systems. Any failure to comply with this requirement may subsequently give rise to a financial penalty or charge by the government agency involved, and this cost will be charged to the budget of the Directorate concerned, unless the Council determines otherwise.

- 5.9.11 The Corporate Director – Organisational Development will advise whether an arrangement to acquire services is to be treated as a contract of employment for this purpose (e.g.: payments to self employed individuals acting as consultants or trainers). The Corporate Director – Organisational Development will where necessary obtain legal and/or other advice before determining whether a particular arrangement constitutes a contract of employment or a contract for services. The Corporate Director - Organisational Development will approve all interim contracts for all staff on Assistant Director or Corporate Directors scale and will approve any proposals for consultancy services in relation to these posts.
- 5.9.12 Each Corporate Director is responsible for ensuring that all taxable benefits enjoyed by individual employees are notified to the Corporate Director – Organisational Development (having regard to advice and guidance issued by the Corporate Director – Organisational Development on this aspect), so that all such benefits can be included on the annual statement issued to each employee (for inclusion in their self assessment personal tax returns).
- 5.9.13 The Corporate Director – Organisational Development has the over-riding responsibility to pay employees securely and accurately, to maintain appropriate records and to ensure that a proper allocation of those costs, deductions and related employer's contributions and payments is provided (as required by the Finance Director) for updating the Council's financial information system records.
- 5.9.14 The Corporate Director – Organisational Development will regularly review the payroll systems and will identify any system changes and developments required to meet changing needs of the Council and service users, and to comply with statutory requirements. Such reviews will be undertaken in liaison with the Finance Director, and any proposed changes and developments will be subject to normal budgetary disciplines and procedures and will be integrated with the Council's overall ICT strategy and ICT contractual arrangement.
- 5.9.15 The Corporate Director – Organisational Development will also keep under review possible methods of collecting payroll data from employing departments for payment purposes (and recording and allocation of costs), and in this context may consider any proposals by Corporate Directors for devolving tasks required for input of data via computer file for transmission to the payroll services contractor by electronic means for central processing and payment. Such proposals should be routed via the Finance Director in the first instance.
- 5.9.16 The Corporate Director – Organisational Development will ensure the effective supply of information about employee costs to Corporate Directors and Unit managers to assist the monitoring and control of this expenditure. Corporate Directors are responsible for establishing and maintaining effective ongoing systems and routines to record and monitor employee costs, including the detailed modelling and projection of commitments in relation to the approved budget for this expenditure.

5.9.17 Separate guidance on workforce policies is issued by the Corporate Director - Organisational Development. Compliance with policies and guidance will not only reduce the health and safety risks, but will also ensure that the Council is not put at risk from claims by its employees relating to equal opportunities / disability, racial or religious discrimination and unfair or wrongful dismissal, etc.

5.10 **Taxation**

5.10.1 The Finance Director and Corporate Director – Organisational Development are responsible for ensuring that appropriate advice is available to Corporate Directors (through the Council's finance services contractor if necessary) on all taxation issues that affect the authority, having regard to guidance issued by appropriate bodies and relevant/applicable legislation.

5.10.2 The Finance Director is responsible for ensuring that the authority's tax records are maintained and that all tax payments are made, tax credits received, and tax returns submitted by their due date as appropriate.

5.10.3 Corporate Directors should consult with the Corporate Director - Organisational Development before appointing consultants and interim managers to confirm that there are no taxation implications.

5.11 **Trading accounts/business units**

5.11.1 The Council has business units which are financed by either trading income, funding partners or by direct government finance. Their role is to:

- a) achieve targets and requirements prescribed by government and the Council
- b) meet operating costs within trading income generated or funds received
- c) report as required to the Cabinet and the Council on performance of individual units
- d) monitor or comply with main County Council contracts
- e) manage the unit in accordance with any external conditions imposed.

5.11.2 The Corporate Director should ensure that monthly trading results for each Business Unit are summarised and evaluated each month. The Chief Executive, or Cabinet will determine how frequently they will require reports on trading performance and actual results against the Service Plan.

5.11.3 Business Units will normally operate within a full trading account approach and will not receive any allocation of resources directly from the Council. Those financial regulations which refer to the *budget process*, the *revenue budget*, *virement* and the *capital budget* will therefore not be relevant to business units,

however business units will be asked to consider how costs to the Council can be reduced as part of the *budget process*.

- 5.11.4 The Corporate Director responsible for a business unit is responsible for pursuing a pricing strategy to achieve the targets and rate of return determined by the Council, and will ensure that the charges to be applied under contracts and service agreements are reviewed at regular intervals.
- 5.11.5 Business Units shall maintain assets and update equipment and systems essential to the service or business activity involved. Expenditure on the maintenance and renewal of assets will be met from resources available within the accounting year in which the need arises. Where resources are insufficient to fully meet expenditure the Finance Director may transfer surpluses to an earmarked reserve relating to the business unit concerned, in accordance with Council policy, to enable planned replacement or updating of specific assets, systems or equipment. The balances held in such reserve funds shall be reported to Cabinet by the Finance Director at least annually.
- 5.11.6 Should a business unit require any capital resources (which would need to be considered as part of the Budget and Policy Framework as part of the Council's overall capital programme) an application supported by a statement as to the likely surplus on the operation of the business unit will be provided. All expenditure by business units will be regarded as revenue expenditure for the purposes of planning, monitoring, control, authorisation and accounting unless excepted by agreement between the responsible Corporate Director and the Finance Director.
- 5.11.7 Expenditure and income of business units remain part of the overall accounts of the Council, and all accounting procedures, systems, records and accounts will be determined by, or subject to approval by, the Finance Director. A separate trading account will be maintained for each type of work undertaken, in accordance with the CIPFA code of accounting practice.
- 5.11.8 It is the responsibility of the Corporate Director to seek advice from the Finance Director on the establishment and operation of trading accounts and business units.

6. EXTERNAL ARRANGEMENTS including Voluntary Funds, Trust Funds and Accountable Bodies

Why is this important? *Increasingly, local authorities will be measured by what they achieve in partnership with other bodies, by mobilising investment, bidding for funds, championing the needs of their areas and harnessing the energies of local people and community organisations. External funding is potentially an important source of income but funding conditions must be carefully considered to ensure they are compatible with the aims and objectives of the authority and that the conditions are achieved to avoid repayment of any funds. Work for third parties can involve some risks which should be minimised and such work must be intra vires.*

6.1 Introduction

6.1.1 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 or social or environmental well-being of its area.

6.2 Voluntary Funds and Trust Funds

6.2.1 Voluntary Funds and Trust Funds must be managed and administered in accordance with any statutory requirements (for instance, Charities Act 1992) and to the same standards as those applicable to the Council.

6.2.2 In respect of Voluntary Funds and Trust Funds the responsible Corporate Director and/or Trustee/Fund Managers shall ensure that the Finance Director is notified of the establishment of any Trust for which Cumbria County Council is to act as trustee or otherwise manage, and that as a minimum:

- a) a treasurer and an independent auditor are appointed
- b) secure and reliable accounting systems and procedures are operated, including signatory and reporting arrangements
- c) a formal investment policy statement is in place
- d) financial transactions are subject to a regular audit (including statutory annual audit where applicable) and the annual statement of accounts is formally audited and certified by the auditor
- e) the accounts for each year are submitted to the Trustees/Fund Managers each year, promptly after audit
- f) that any statutory requirements of the Charity Commissioners are met

If it is not apparent from the Trust Deeds or approved otherwise by the trustees, the Finance Director will act as Treasurer of that voluntary fund or trust fund.

6.2.3 Where a trust funds is external to the Council and may be involved in the operating and/or provision of services and/or facilities which involve the Council or its employees, Corporate Directors will ensure that in advance of such arrangements that legal and financial advice is obtained, and the respective responsibilities of the Council and the Trust are clarified and formally agreed.

6.3 External Funding / Accountable Body arrangements

6.3.1 The Council may be involved in attracting external funding into the County, projects may be delivered directly in total or in part by the Council. Also the Council may be asked to act as the accountable body for projects delivered by external parties.

6.3.2 In respect of any external funding arrangements, whether the Council is the accountable body or not, it is the responsibility of the relevant Corporate Director, in consultation with their Finance Manager, to ensure that adequate arrangements are in place prior to entering the Council into an external funding arrangement, as a minimum:

- a) an agreed strategy and proper evaluation will be prepared for approval, to ensure that it is integrated with the Council's aims and priorities and revenue and capital budgets
- b) the Council, or delivery body, can meet the terms of the arrangement
- c) there are secure and reliable accounting systems and procedures in place, including signatory and reporting arrangements. Where the Council is not the delivery body adequate accounting systems and procedures exist
- d) adequate arrangements exist to ensure specific audit requirements are met
- e) where necessary a formal investment policy statement is in place
- f) Where possible, bids should be made to the funder to ensure that the Council's running costs of the scheme are covered

6.3.3 Following acceptance of the external funding arrangement it is the responsibility of the relevant Corporate Director, in consultation with their Finance Manager, to ensure that adequate arrangements are in place prior to entering the Council into an arrangement, as a minimum:

- Funding streams are appropriately coded so that they can be identified.
- Meet the appropriate grant conditions.
- All expenditure or matched funding is supported by documentation.
- All assets over an agreed level are recorded.

- All performance targets are regularly monitored to verify the accuracy of information and whether the agreed outputs are being achieved.
- There is regular reporting of expenditure and outputs, and the risk of funds being repaid are identified.
- Proper arrangements are made for annual and final claim returns, and external inspection requirements.
- Ensure that VAT arrangements for each partnership are properly registered.
- The need to set up arrangements for monitoring visits.
- Ensure that records are retained long enough to meet the grant conditions.

6.3.4 Where the Accountable Body arrangements involve the Council in any contingent liability, in respect of future payments or stewardship of assets, a report must first be made by the relevant Corporate Director in liaison with the Finance Director, to the Cabinet for submission to the Council seeking approval for such arrangements.

6.3.5 The Finance Director is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts, and Corporate Directors are responsible for providing him with all necessary information to enable this to be achieved.

6.3.6 Corporate Directors will follow any further guidance or Policies agreed by the Council in relation the External Funding; for any project of the Council which involves a bid for external funding; and for processing any requests by other organisations for the Council's support for a project which they are pursuing.

6.3.7 External organisations may also bid for resources from the Council, in addition to the above it is essential to ensure that the Council's resources are not committed to pursue the priorities of another body (which may not coincide with the Council's aims and priorities) unless the matter has first been properly evaluated, considered and approved.

6.4 Recovery of Costs

6.4.1 The costs of operating trusts or funds for other bodies, or accepting that the Council will become an Accountable Body can be significant, and responsibility for financial management should not be accepted without the approval of the Finance Director, and the Corporate Director being satisfied that these can be met. Where appropriate these costs should be recovered from the Voluntary Funds, Trust Fund and Accountable Body resources.

6.5 Partnerships

- 6.5.1 The executive is responsible for overseeing an effective partnership approach throughout the County Council. The executive is responsible for approving protocols, delegations, including frameworks to inform decisions around partnership engagement and/or disengagement. The executive should ensure that for each significant partnership effective governance arrangements are set up.
- 6.5.2 The executive can delegate functions – including those relating to partnerships – to officers. These are set out in the Responsibility for Functions section in Part 3 of the constitution. Where functions are delegated, the executive remains accountable for them to the full Council.
- 6.5.3 Members and officers will represent the authority on partnerships and external bodies in accordance with the scheme of delegation (Responsibility for Functions).
- 6.5.4 Corporate Directors are responsible for ensuring that appropriate approvals are obtained before negotiations are concluded in relation to work with external bodies.
- 6.5.5 The monitoring officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority.
- 6.5.6 The Finance Director must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory, and he will provide such guidance to Corporate Directors and Members as may be required. The Chief Executive and other Corporate Directors must also consider the overall corporate governance arrangements and legal issues (having regard to advice from the Chief Legal Officer) when arranging contracts with external bodies, and in liaison with the Finance Director they must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- 6.5.7 Corporate Directors are responsible for ensuring that appropriate approvals are obtained from the Council or the executive (as applicable in any particular case) before any negotiations are concluded in relation to work with external bodies, including companies. Corporate Directors are responsible for the management and integration of all partnership activity within the Directorate.
- 6.5.8 For each partnership arrangement Corporate Directors must ensure that the following arrangements are put in place:
- Registering each partnership, according to the agreed definition, on the central database.
 - Recording the contribution that each partnership makes to the County Council's Corporate Strategy and Directorate Service Plans.

- To undertake a self-assessment of all partnerships to ensure that they are properly risk assessed, set up correctly and regularly monitored. Significant risks should be included in the Risk Register.
- Ensure that where appropriate, proper arrangements are set up for governance, reporting, procurement and auditing partnership activity.
- Confirming whether the partnership is required to produce separate financial statements. All partnership activity should be included in overall monthly financial reports.
- Ensuring that these financial regulations are followed.

6.6 Work for third parties

- 6.6.1 The Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies. Corporate Directors should evaluate whether any such work needs to be covered by indemnity insurance (to be arranged via the Finance Director).