

Part 4 – Financial Rules

CONTENTS	Page
1. Introduction	DD3
2. Status of financial rules	DD4
Financial rules	
3. Financial management and control	DD5
4. Financial planning	DD10
5. Risk management and control of resources	DD13
6. Systems and procedures	DD17
7. External arrangements	DD19
Appendices	
Appendix A Financial Management and Control	DD21
1. Financial Management Standards	DD21
2. Managing and Controlling Spending and Income	DD22
Revenue Budget	DD22
Scheme of Virement	DD24
Treatment of Year End Balances	DD26
3. Accounting Policies	DD27
4. Accounting Records and Returns	DD27
5. Format of the Accounts	DD29
Appendix B Financial Planning	DD30
1. Strategic Plans	DD30
2. Budgeting	DD30
Format of the Budget	DD30
Revenue Budget Preparation, Monitoring and Control	DD31
Resource Allocation	DD33
Capital Programmes	DD34
Preparing Revenue Budgets and Medium Term Planning	DD37
3. Use of Reserves	DD39
Appendix C Risk Management and Control of Resources	DD40
1. Internal Controls	DD40
2. Audit Requirements	DD42
Internal Audit	DD42
External Audit	DD44

CONTENTS	Page
Preventing Financial Irregularities	DD45
3. Resources: Land, Buildings, Fixed Plant and Machinery	DD47
Security	DD47
Inventories	DD49
Stocks and Stores	DD50
Intellectual Property	DD51
4. Asset Disposal	DD54
5. Risk Management and Insurance	DD55
6. Treasury Management and Banking	DD57
7. Investments and Borrowing	DD58
8. Unofficial and Voluntary Funds held for Third Parties	DD59
General	DD59
Court of Protection and Guardian Ad Litem Administration	DD60
Imprest Accounts	DD60
9. Staffing, including Gifts and Hospitality	DD61
Appendix D Systems and Procedures	DD63
1. General	DD63
2. Income	DD65
3. Payments to Employees, former Employees and Members	DD68
4. Ordering and Paying for Work, Goods and Services	DD70
5. Taxation	DD75
6. Trading Accounts and Business Units	DD76
Appendix E External Arrangements	DD77
1. Partnerships	DD77
2. External Funding	DD77
3. Work for Third Parties	DD79
4. Accountable Bodies	DD80
5. Payments to Voluntary Organisations	DD81
Appendix F Table of Financial Limits	DD82
Appendix G Scheme of Virement Flowcharts Revenue and Capital	DD85
Appendix H Exemption Request Guidelines	DD87

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1. INTRODUCTION Financial Rules

- 1.1. To conduct its business efficiently, a local council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. This demonstrates to the public that proper safeguards and controls exist in relation to managing public money and assets. These Financial Rules including appendices provide the governance framework for managing the Council's financial affairs.
- 1.2. There are five areas covered by Financial Rules:
 - Financial management and control.
 - Financial planning.
 - Risk management and control of resources.
 - Systems and procedures.
 - External arrangements.
- 1.3. Financial Rules link with other internal regulatory documents forming part of the Council's Constitution. Detailed financial procedures and processes are also available on the Intranet and are an integral part of ensuring a high standard of financial management and control is maintained.

2. STATUS OF FINANCIAL RULES

- 2.1. Financial Rules apply to every member and officer of the Council and anyone acting on behalf of the Council. The rules apply equally where officers are undertaking work in partnership for external organisations.

The rules identify the financial responsibilities of the Full Council, Cabinet and Scrutiny Members, directors, managers,¹ the Head of Paid Service; the Head of Legal and Democratic in their capacity as Monitoring Officer; and the Head of Finance, Governance and Assurance². A written record will be maintained where these responsibilities have been delegated to members of staff, including seconded staff. Where responsibilities have been delegated or devolved to other responsible officers, such as the Chief Executive and school governors, references to the directors in the rules should be read as referring to them.

- 2.2. All members and staff have a personal responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value. This should be done whilst acting in accordance with these rules.
- 2.3. The Section 151 Officer is responsible for maintaining a continuous review of the Financial Rules and advising the Council of any additions or changes necessary. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Financial Rules to the Council and/or to Cabinet Members.
- 2.4. All dispensations from financial rules must be authorised in writing by the Section 151 Officer after consulting with the Leader of the Council. Any dispensation requested from financial rules must be supported by a briefing note detailing the dispensation required, the business case for doing so and outlining all implications arising from this action for the Council.
- 2.5. Directors and managers are responsible for ensuring that all staff in their service areas are aware of the Financial Rules and other internal regulatory documents and that they comply with them.
- 2.6. The Section 151 Officer is responsible for issuing advice and guidance to underpin the Financial Rules which members, officers and others acting on behalf of the Council are required to follow.

¹ Manager is the collective term used which incorporates heads of service and managers.

² Please note that the Head of Finance, Governance and Assurance, the Section 151 Officer and the Chief Finance Officer are the same role.

3. FINANCIAL RULE 1 – FINANCIAL MANAGEMENT AND CONTROL

3.1. PRINCIPLES

- 3.1.1. A transparent framework of financial management responsibilities and decision making is essential to the effective management of the Council's financial affairs.
- 3.1.2. All members and officers have a common duty to abide by the highest standards of integrity and propriety when making decisions about the use of public monies.

The Full Council

3.2. Is responsible for:

- a) Approving the budget and policy framework within which Cabinet operates;
- b) Approving and monitoring compliance with the Council's overall framework of accountability and control as set out in the Constitution;
- c) Monitoring compliance with policies and related Cabinet decisions;
- d) Agreeing procedures for virement of expenditure between budget headings
- e) Agreeing procedures for carrying forward under and overspending on year end budget headings;
- f) Approving the annual Statement of Accounts.

Cabinet

- 3.3. Is responsible for proposing the policy framework and budget to the Full Council and for discharging Cabinet functions in accordance with the policy framework and budget.
- 3.4. Cabinet decisions can be delegated to a Committee of Cabinet, an individual Cabinet Member, a Joint Committee or an officer within the rules set out in the Delegation to Officers
- 3.5. Together with the Council, Cabinet is responsible for monitoring compliance with policies, Cabinet decisions and the framework of accountability and control.

Committees of Cabinet

Scrutiny Committees

- 3.6. Are responsible for scrutinising Cabinet or individual decisions before or after they have been implemented and for holding Cabinet to account. These Committees are responsible for making recommendations on future policy options and reviewing the general policy and service delivery of the Council.

Performance Management Scrutiny Committee

- 3.7. Is an independent advisory body and reports to the Full Council. It has right of access to all the information it considers necessary and can consult directly with internal and external auditors.

Audit Committee

- 3.8. Is responsible for providing those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. It will review and monitor the robustness of the treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Standards Committee

- 3.9. Is established by the Full Council and is responsible for promoting and maintaining high standards of conduct amongst members. In particular, it is responsible for advising the Full Council on the adoption and revision of the code of conduct and for monitoring the operation of the code.

Pensions Committee

- 3.10. Is responsible for approving matters relating to the Shropshire County Pension Fund and reports into Full Council via the Chair / Vice Chair of the Pensions Committee.

Other Regulatory Committees

- 3.11. Planning, conservation and licensing are not Cabinet functions but are exercised through the multi-party Planning Committee which reports to the Full Council.

The Statutory Officers

Head of Paid Service

- 3.12. The Chief Executive is responsible for the corporate and overall strategic management of the council as a whole. The Head of Paid Service must report to and provide information for Cabinet, the Full Council, the Overview and Scrutiny Panels and other Committees. The Head of Paid Service is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to the Full Council's decisions.

Monitoring Officer

- 3.13. Is the Head of Legal and Democratic and is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. The Monitoring Officer is responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or to Cabinet and for ensuring that procedures for recording and reporting key decisions are operating effectively.

- 3.14. The Monitoring Officer is responsible for

- a) Ensuring that reports encompass the statutory obligations with regard to their legal and financial content;

- b) Ensuring that Cabinet decisions and the reasons for them are made public. They must also ensure that Council members are aware of decisions made by Cabinet and of those made by officers who have delegated Cabinet responsibility.
- c) Advising all members and officers about who has authority to take a particular decision.
- d) Advising Cabinet or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- e) Maintaining an up to date Constitution.

3.15. The Monitoring Officer together with the Section 151 Officer is responsible for advising Cabinet or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- a) Initiating a new policy;
- b) Committing expenditure 'in-year' above the revenue or capital budget level. Any proposal for expenditure in excess of the current year's budget requires the agreement of Full Council;
- c) Committing expenditure in future years to above the budget level;
- d) Incurring interdepartmental transfers above the virement limits.

3.16. It is recommended that approval is sought from the relevant Finance Business Partner in respect of all reports being put before Cabinet or Full Council.

The Chief Finance Officer

3.17. Is the Section 151 Officer. The Section 151 Officer³ has statutory duties in relation to the financial administration and stewardship of the council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- a) Section 151 of the Local Government Act 1972.
- b) Local Government Finance Act 1988.
- c) The Local Government and Housing Act 1989.
- d) The Local Government Act 2003.
- e) The Accounts and Audit Regulations 2015.

3.18. There are five principles that are critical to the achievement of the Section 151 Officer' statutory responsibilities:

- a) Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- b) Is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the council's overall financial strategy;
- c) Leads the promotion and delivery by the whole council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
- d) Must lead and direct a finance function that is resourced to be fit for purpose;
- e) Must be professionally qualified and suitably experienced.

³ See "Statement on the Role of the Director of Finance in Local Government" (CIPFA 2010) and Application Note to Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2010)

- 3.19. If different organisational arrangements are adopted, reasons should be explained publicly in the organisation's annual governance report, together with how these deliver the same impact ('comply or explain').
- 3.20. Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the Full Council and Cabinet and the external auditor of the council where the Council:
- a) Has made, or is about to make, a decision which involves incurring unlawful expenditure.
 - b) Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the council.
 - c) Is about to make an unlawful entry in the Council's accounts.
- 3.21. Section 114 of the 1988 Act also requires
- a) The Section 151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally.
 - b) The council to provide the Section 151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.
- 3.22. Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report to members on the robustness of estimates and the adequacy of reserves.
- 3.23. **Accounting Policies:** The Section 151 Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.
- 3.24. **Accounting Records and Returns:** The Section 151 Officer in consultation with directors and managers is responsible for determining the accounting procedures and records for the council. The Council is committed to maximise the benefits available from the introduction of e-commerce and the use of the Internet. Therefore all reference to documents and procedures for their use should be taken to allow for the use of electronic facilities instead of printed matter where appropriate and where approval has been given by the Section 151 Officer in advance.
- 3.25. **The Annual Statement of Accounts:** The Section 151 Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is reviewed and updated annually'.

Directors and Managers

- 3.26. It is the responsibility of the above to:
- a) Ensure that all Cabinet Members are advised of the financial implications of all proposals and that they are agreed by the Section 151 Officer;
 - b) Authorise which staff can sign contracts on behalf of the Council up to a contract value of £140,000;

- c) Consult with the Section 151 Officer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred;
- d) Agreeing in-year virements within delegated limits. Any virement between budget heads should only be made in order to cover any unavoidable overspending elsewhere and must be notified and agreed in advance with the Section 151 Officer. Full details are set out in Appendix A;
- e) Adhere to the accounting policies and guidelines approved by the Section 151 Officer.

4. FINANCIAL RULE 2 – FINANCIAL PLANNING

4.1. PRINCIPLES

- 4.1.1. The purpose of financial planning is to set out and communicate the Council's objectives, resource allocations and related performance targets, and to provide an agreed basis for subsequent management control, accountability and reporting.
 - 4.1.2. Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is unlawful for the Council to budget for a deficit.
 - 4.1.3. The Council's budget sets agreed parameters around the annual activities and functions of services and is constructed within the context of a financial strategy which reflects the priorities of the Council.
 - 4.1.4. The Capital Programme sets out the resource allocations to be made to capital schemes that have the approval of Full Council. Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the organisation, such as land, buildings, major items of plant, equipment of vehicles.
 - 4.1.5. To enable members to make informed decisions, all Cabinet and Committee reports must incorporate a separate section on 'financial implications'. Reports must show the costs or savings of proposals together with any approved budget provision, future commitments, potential risks, tax implications and any other financial consequences which may arise from the options and recommendations.
- 4.2. The Full Council is responsible for agreeing the council's policy framework and budget, which will be proposed by Cabinet. In terms of financial planning, the key elements are:
- a) The Corporate Plan;
 - b) The Revenue Budget, for both the General Fund and the Housing Revenue Account;
 - c) The robustness of estimates and the adequacy of reserves;
 - d) The Tax Base and Collection Fund;
 - e) The Capital Programme;
 - f) Prudential Indicators and Treasury Management Strategy;
 - g) The Financial Strategy.
- 4.3. In terms of the policy framework, it comprises of a number of statutory plans and strategies and each service area will also have their own.
- 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 the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the Full Council by the Monitoring Officer.
- 4.4. The Full Council is responsible for setting the level at which Cabinet may reallocate budget funds from one service to another. Cabinet is responsible for

taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

Preparation of the Corporate Plan

- 4.5. The Head of Paid Service is responsible for proposing the Corporate Plan to Cabinet for consideration before its submission to the Full Council for approval.

Budget Guidelines

- 4.6. Guidelines on budget preparation are issued to members, directors, managers and budget holders by Cabinet following advice from the Section 151 Officer. The guidelines will take account of:

- a) *Legal requirements;*
- b) *Medium term planning prospects;*
- c) *Forecasts of available resources externally;*
- d) *Forecasts of internal resources available;*
- e) *Spending pressures;*
- f) *Best value and other relevant Government guidelines;*
- g) *Cross cutting issues (where relevant);*
- h) *Impact assessments;*
- i) *Risk factors;*
- j) *Alternative budget proposals from Council Opposition Groups;*
- k) *Consultation with residents and businesses.*

Alternative Budgets

- 4.7 Alternative budgets will be invited from the political Opposition Group(s) within the Council from 31 October each year (NB - actual dates to be confirmed annually). Officers will support the development of alternative proposals in terms of financial estimates and operational consequences. Alternative budget proposals must be returned to the Section 151 Officer by 16 December (tbc annually). January PMSC will consider the alternative budget proposals before they are presented to Cabinet later in January. In February, Cabinet will receive the revised Medium Term Financial Strategy and associated detailed budget proposals for the coming year before these are considered by Full Council. Cabinet will have the opportunity to adopt the alternative budget proposals and incorporate them in to the February reports for Cabinet and Council.

Consultation with residents and businesses

- 4.8 Consultation with residents and business will be undertaken for 4-6 weeks from mid-December to the end of January each year (dates to be confirmed annually). Residents will be invited to comment on key budget proposals including proposed pressures funding and proposed efficiencies and the proposed council tax charge arising. The outcome of this consultation will be reported to Cabinet and Council in February, enabling the consideration of budget proposals alongside the outcomes of the consultation. (Consultation with members is undertaken via the alternative budget proposals, above, and the debate with Cabinet and in Full Council.

Budget Format

4.9 The general format of the budget will be approved by the Full Council and proposed by Cabinet on the advice of the Section 151 Officer. The draft budget should include allocations to different services and projects, forecasts of funding from central government, proposed taxation levels and contingency funds and the robustness of estimates and the adequacy of levels of reserves.

Budget Preparation

4.10 The Section 151 Officer is responsible for:

- a) Ensuring that a robust revenue budget is prepared on an annual basis for consideration by Cabinet, before submission to the Council. The Council may amend the budget or ask Cabinet to reconsider it before approving it;
- b) Ensuring that a capital programme and Treasury Management plan are prepared on an annual basis for consideration by Cabinet, before submission to the Council;
- c) Establishing the tax base for the council on an annual basis for the consideration by Cabinet and Council between 1 December and 31 January.

4.11 Cabinet is responsible for issuing guidance on cash limits and the general content of the budget on advice from the Section 151 Officer.

4.12 It is the responsibility of directors and managers to ensure that budget estimates reflecting agreed service plans and within the notified cash limits, are submitted to Cabinet.

Budget Monitoring and Control

4.13 The Section 151 Officer:

- a) is responsible for providing appropriate financial information to enable budgets to be monitored effectively;
- b) must monitor and control expenditure against budget allocations and report to Cabinet on the overall position on a regular basis, at least quarterly during the financial year.

4.14 It is the responsibility of directors and managers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Section 151 Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer to any problems.

4.15 The Section 151 Officer shall ensure the FS is agreed annually at Full Council, at the same time the budget is agreed. The FS should:

- a) Build on all the aspects of budget compilation;
- b) Be at least three years in duration;
- c) Take account of the Government's Spending Review and settlement for local government;

- d) Consider consultation with and take account of changes in the Shires demographics, underlying drivers and changes in policy;
- e) Consider the impact of measures to improve efficiency and value for money;
- f) Consider Government legislation plans;
- g) Consider the Administration's long term goals, priorities and approved policies;
- h) Consider the direction of the economy.

5. FINANCIAL RULE 3 – RISK MANAGEMENT AND CONTROL OF RESOURCES

5.1. PRINCIPLES

- 5.1.1. Sound systems of internal control are essential to the proper economic, efficient and effective use of resources, the achievement of objectives, and the safeguarding of public funds.
- 5.1.2. Legislation requires that the Council provides for both internal and external audit. External audit provides an independent assessment of the Council's financial statements and the adequacy of its arrangements for securing value for money. Internal audit objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources for the Council and their external clients.
- 5.1.3. There is a basic expectation that members and all officers will act with integrity and with due regard to matters of probity and propriety, and comply with all relevant rules, regulations, procedures and codes of conduct, including those in relation to receipt of gifts and hospitality and declaration of conflicts of interest.
- 5.1.4. The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by members, officers, customers of its services, third party organisations contracting with it, or other agencies or individuals with which it has any business dealings.
- 5.1.5. Risk management is an integral part of effective management and planning. It is concerned with identifying and managing key obstacles to the achievement of objectives.

Risk Management

- 5.2. Cabinet is responsible for approving the council's opportunity risk management strategy and for reviewing the effectiveness of risk management. This includes the adequacy of provisions, reserves and balances. Cabinet is responsible for ensuring that proper insurance exists where appropriate on the advice of the Head of Finance, Governance and Assurance.
- 5.3. The Head of Finance, Governance and Assurance is responsible for preparing the Council's Opportunity Risk Management Strategy and for promoting it throughout the council and for advising Cabinet on proper insurance cover where appropriate.

Internal Control

- 5.4. Internal control refers to the systems of control devised by management to help ensure the council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the council's assets and interests are safeguarded.
- 5.5. The Section 151 Officer, in conjunction with the Head of Audit, is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant

statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

- 5.6. It is the responsibility of directors and managers to establish sound 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.

Audit Requirements

- 5.7. The Accounts and Audit Regulations 2015 require every local council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 5.8. The Local Government Association (Public Sector Appointments Ltd) is currently responsible for appointing external auditors to each Local Council. The basic duties of the external auditor are governed by the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.
- 5.9. The council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs who have statutory rights of access.

Preventing Fraud and Corruption

- 5.10. The Section 151 Officer is responsible for the development and maintenance of a counter-fraud, bribery and anti-corruption policy.

Assets

- 5.11. Directors and managers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Treasury Management and the Pension Fund

- 5.12. This Council will create and maintain,
- a) A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - b) Suitable treasury management practices (TMPs), 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.
- 5.13. The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Code for Treasury Management, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

- 5.14. Full Council will receive reports on treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in the TMPs.
- 5.15. The Full Council is responsible for the implementation and regular monitoring of the treasury management policies and practices. The execution and administration of treasury management decisions is delegated to Section 151 Officer.
- 5.16. All money in the hands of the council is controlled by the officer designated for the purposes of Section 151 of the Local Government Act 1972 (the Section 151 Officer).
- 5.17. The Section 151 Officer is responsible for reporting to Cabinet a proposed treasury management strategy for the coming financial year at or before the start of each financial year, mid-year review and an annual review by 30th September of the succeeding financial year.
- 5.18. The Section 151 Officer is responsible for reporting to Cabinet not less than four times in each financial year on the performance of the treasury management operation.
- 5.19. The Council acts as Administering Authority for the Shropshire County Pension Fund. The Section 151 Officer is the designated Scheme Administrator for the Fund.
- 5.20. The Section 151 Officer (Scheme Administrator) is responsible for administering the Shropshire County Pension Fund in accordance with overriding pensions regulations and:
- a) Local Government Pension Scheme (Benefits, membership and contributions) Regulations 2007 (as amended).
 - b) Local Government Pension Scheme (Transitional provisions) Regulations 2008 (as amended).
 - c) Local Government Pension Scheme (Administration) Regulations 2008 (as amended).
 - d) Local Government Pension Scheme Regulations 1997.
 - e) Local Government Pension Scheme (Transitional provision) Regulations 1997 (as amended).
 - f) Local Government Pension Scheme Regulations 1995 (as amended).
 - g) Local Government Pension Scheme (Management and Investment of funds) Regulations 2009 (as amended).
 - h) Local Government Pension Scheme Regulations 2013 (as amended)
 - i) Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.
 - j) Public Service Pensions Act 2014
 - k) Disclosure Regulations 2013
 - l) The Pension Regulator Code of Practice 2015.
 - m) Any other overriding Pensions Legislation.
- 5.21. The Section 151 Officer (Scheme Administrator) is responsible for producing and maintaining a Governance Compliance Statement, Funding Strategy Statement,

Statement of Investment Principles, Communications Policy and Administration Strategy for the Fund.

5.22. The Pensions Committee is responsible for approving matters relating to the Shropshire County Pension Fund and reports into Full Council via the Chair / Vice Chair of the Pensions Committee.

5.23. The Pension Board is responsible for the oversight of these matters and assisting the Administering Authority (Shropshire Council) to secure compliance with requirements imposed in relation to the Local Government Pension Scheme by the Pensions Regulator and to ensure the effective and efficient governance and administration of the Fund.

5.24. The Section 151 Officer is responsible for ensuring employers within the Fund are aware of their responsibility in respect of the local government pension scheme regulations.

Staffing

5.25. The Council is responsible for determining how officer support for non-Cabinet roles within the Council will be organised.

5.26. The Head of Paid Service is responsible for providing overall management to staff. He/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.

5.27. Directors and managers are responsible for controlling total staff numbers by:

- a) Ensuring that an approved post exists and that budget provision has been made to cover the cost of filling the post for the period contemplated before commencing the recruitment process.
- b) Advising Cabinet on the budget necessary in any given year to cover estimated staffing levels.
- c) 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.
- d) The proper use of appointment procedures.

6. FINANCIAL RULE 4 – SYSTEMS AND PROCEDURES

6.1. PRINCIPLES

6.1.1. Good systems and procedures are essential to the effective management and administration of the Council's financial affairs. This includes:

- a) **Accounting** The main accounting system provides the prime source of financial data for management accounts, statutory accounts and government returns. It is essential that this system complies with legislation and proper accounting practice and that all information is recorded accurately, completely and in a timely manner, and that any errors detected promptly and rectified.
- b) **Income** Effective systems are necessary to ensure that all income due is collected, receipted, recorded and banked properly. Where possible income should be collected in advance to improve cash flow and avoid costs of debt collection. Debts should only be written off once all reasonable avenues have been exhausted or where it would prove uneconomical to pursue.
- c) **Expenditure** May only be incurred where budgetary provision is available and must comply with the Council's contract procedure rules and approved payment processes. Purchase orders must be raised to ensure that the expenditure is recorded as a commitment in the Council's main accounting system.
- d) **Banking** All transactions through the Council's bank accounts must be properly processed, recorded and reconciled.
- e) **Treasury management and the Pension Fund** Effective strategies must be maintained for the investment of cash balances and for borrowing to fund the Capital Programme.
- f) **Taxation** Effective systems must be in place to ensure that all tax liabilities and obligations are properly reported and accounted for and that losses, fines and penalties are avoided.
- g) **Asset management** The Council's assets must be properly recorded, safeguarded from loss/harm and utilised effectively, and any disposals undertaken in a controlled manner.
- h) **Insurance** Appropriate insurance cover is necessary to protect the Council from financial claims arising from unforeseen events such as damage to property or injury to employees or to the public.
- i) **Recharges and internal trading accounts** The Council is required to allocate all of its back-office costs to service areas in compliance with accounting codes of practice.

General

6.2. The Section 151 Officer is responsible for the operation of the council's accounting systems, the form of accounts and the supporting financial records. Any changes made by directors and managers to the existing financial systems or the establishment of new systems must be approved by the Section 151 Officer. However, directors and managers are responsible for the proper operation of financial processes in their own directorates.

6.3. Any changes to agreed procedures by directors and managers to meet their own specific service needs shall be agreed in advance with the Section 151 Officer.

- 6.4. Directors and managers should ensure that their staff receive relevant financial training.

Income and Expenditure

- 6.5. It is the responsibility of the directors and managers to ensure that a proper scheme of delegation has been established and is operating effectively. It should identify staff authorised to act on behalf of directors and managers or that of Cabinet, in respect of
- a) Placing orders together with the limits of their authority, within the precepts of good procurement practices and budgetary provision;
 - b) Payments for goods received;
 - c) The raising of income;
 - d) The collection of income and the annual writing off of bad debts.

The Council is responsible for approving procedures for the writing off debts as part of its overall control framework of accountability and control.

Taxation

- 6.6. The Section 151 Officer is responsible for advising on all taxation issues that affect the council maintaining the council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date.

7. FINANCIAL RULE 5 – EXTERNAL ARRANGEMENTS

7.1. PRINCIPLES

- 7.1.1. The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.
 - 7.1.2. All partnerships and joint working arrangements with outside bodies must be properly evaluated for risk before they are entered into, and be supported by clear governance, accounting and audit arrangements.
 - 7.1.3. External funding can prove an important source of income but funding conditions must be carefully examined before any agreement is entered into to ensure they are compatible with the aims and objectives of Council.
 - 7.1.4. Legislation enables the Council to trade and provide services to third parties. All such work must be within the legal powers of the council (intra vires) and the respective risks and financial benefits associated with such work must be properly considered and a business case approved before any trading activities take place.
- 7.2. Cabinet is responsible for approving delegations, including frameworks for partnerships. Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs. It is responsible for approving the contractual arrangements for any work for third parties or external bodies.
 - 7.3. The Section 151 Officer is responsible for ensuring that all funding notified by external bodies is accepted (or refused), received and properly recorded in the council's accounts.
 - 7.4. Cabinet can delegate functions, including those relating to partnerships to officers. They are set out in the Scheme of Delegation that forms part of the Council's Constitution. Where functions are delegated, Cabinet remains accountable for them to the Full Council.
 - 7.5. The Head of Paid Service or an officer nominated by him represents the council on partnership and external bodies in accordance with the Scheme of Delegation.
 - 7.6. The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial affairs in partnerships that apply throughout the council.
 - 7.7. The Section 151 Officer must ensure that the accounting and auditing arrangements to be adopted relating to partnerships, joint ventures and accountable bodies are satisfactory. They must also consider the overall corporate governance arrangements when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

- 7.8. Directors and managers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

APPENDIX A: FINANCIAL MANAGEMENT

In this Appendix:

- A1 Financial Management Standards.
- A2 Managing and Controlling Spending.
 - a) Revenue budget.
 - b) Scheme of virement.
 - c) Treatment of year end balances.
- A3 Accounting Policies.
- A4 Accounting Records and Returns.
- A5 Format of the Accounts.

A.1. FINANCIAL MANAGEMENT STANDARDS

Why is this important?

A.1.1. All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is achieved in part by ensuring that everyone is clear about the standards to which they are working, and the controls which are in place to ensure that these standards are met.

Key controls

A.1.2. The key controls for financial management standards are:

- a) Their promotion throughout the Council
- b) Having in place a monitoring system to review compliance with financial standards, and that regular comparisons of performance indicators and benchmark standards are reported to Cabinet and Full Council.

Responsibilities of Section 151 Officer

A.1.3. To ensure the proper administration of the financial affairs of the Council.

A.1.4. To set the financial management standards, and to monitor compliance with them.

A.1.5. To ensure proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council.

A.1.6. To advise on the key strategic controls necessary to secure sound financial management.

A.1.7. To ensure that financial information is available to enable accurate and timely reporting of comparisons of financial performance indicators.

Responsibilities of Directors and Managers

A.1.8. To promote the financial management standards set by the Section 151 Officer in their service areas and to monitor adherence to those standards and practices.

A.1.9. To promote sound financial practices in relation to the standards performance and development of staff in their service areas.

Key controls

A.2. MANAGING AND CONTROLLING SPENDING AND INCOME

a) Revenue Budget

Why is this important?

A.2.1. Budget management ensures that resources allocated by members are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continual process enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget.

A.2.2. By identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved in setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash limited budget allocated to it.

A.2.3. For the purposes of budgetary control by managers, a budget head will normally be a cost centre. However, it may be at a more detailed level in the standard coding structure if this is required by the directors or managers scheme of delegation.

Key controls

A.2.4. The key controls for managing and controlling the revenue budget are:

- a) Budget holders should be responsible only for expenditure and income which they can influence.
- b) Each "£" of budgeted expenditure is allocated to a named budget holder.
- c) Budget holders accept accountability for their budgets and the level of service to be delivered.
- d) Budget holders follow an approved certification process for all expenditure.
- e) Income and expenditure is properly recorded and accounted for.
- f) Performance levels/levels of service are monitored in conjunction with the budget and necessary action taken to align service outputs and budget.

Responsibilities of Section 151 Officer

- A.2.5. These responsibilities are carried out through the Finance Officers reporting to the Section 151 Officer. To establish an appropriate framework of budgetary management and control this ensures that:
- a) Budget management is exercised within the annual cash limits agreed by Council.
 - b) Each director and manager has available timely information on income and expenditure on each budget heading, to enable budget holders to fulfil their budgetary responsibilities.
 - c) Expenditure is committed only against an approved budget.
 - d) All officers responsible for committing expenditure comply with relevant guidance, including Financial Rules.
 - e) Each budget has a single named manager, determined by the director and managers. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making which commits expenditure.
 - f) Significant variances from approved budgets are investigated and reported by managers regularly.
 - g) Procedures are in place for corrective action to be taken to manage significant variances.
- A.2.6. To administer the Council's scheme of virement.
- A.2.7. To submit regular reports to Cabinet and to Council, in consultation with the directors or managers, where a director or manager is unable to balance expenditure and resources within existing approved budgets under his or her control.
- A.2.8. To prepare and submit regular budget monitoring reports on the Council's projected expenditure compared with the budget.

Responsibilities of directors and managers

- A.2.9. To maintain budgetary control within the Service, in adherence to the principles in A2.5 and to ensure that all income and expenditure is properly recorded and accounted for.
- A.2.10. To ensure that a single accountable budget officer is identified for each item of expenditure under the control of the director or managers. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making who commits expenditure.
- A.2.11. To ensure that spending remains within the service's overall cash limit, and that individual budgets are not overspent, by monitoring the budget and, where it appears that areas of the budget are likely to be over or underspent, taking appropriate corrective action.
- A.2.12. To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and that any necessary action is taken.

- A.2.13. To prepare and submit to Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer.
- A.2.14. To advise the Section 151 Officer immediately where it is clear that they are unable to balance expenditure or income (when a loss of income arises) within existing approved budgets under their control.
- A.2.15. To ensure prior approval by the Council for new proposals⁴, of whatever amount, which:
- a) Creates financial commitments in future years.
 - b) Initiates new policy or ceases existing policies.
 - c) Materially extends or reduces the Council's services.
- A.2.16. To ensure compliance with the Council's scheme of virement.
- A.2.17. To consult with the relevant director or managers and Section 151 Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service, directors or managers level of service activity.

b) Scheme of virement

Why is this important?

- A.2.18. The scheme of virement is intended to enable directors, managers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, whilst maintaining a corporate system of overview to ensure best use of resources.

Key Controls

- A.2.19. Key controls for the scheme of virement are:
- a) That it is administered by the Section 151 Officer within guidelines set by Council. Any variation from this scheme requires the approval of Council.
 - b) That the overall budget is agreed by Cabinet and approved by Council. Directors, managers and budget holders are therefore authorised to incur expenditure in accordance with those estimates. The rules below cover virement that is switching resources between budget heads. For the purposes of these Rules a budget head is considered to be a line in the Council's budget book which, as a minimum, is at an equivalent level to the standard service sub-division as defined by CIPFA. The scheme applies equally to a reduction in income as to an increase in expenditure.
- A.2.20. Directors and managers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should avoid supporting recurring expenditure from one-off sources of

⁴ A report on new proposals should explain the full financial implications, after consultation with the Section 151 Officer. Unless the Council has agreed otherwise, directors and managers must plan to contain the financial implications of such proposals within their cash limit.

savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Directors and managers must plan to fund such commitments from within their own budgets.

Responsibilities of Section 151 Officer

A.2.21. To prepare jointly with the appropriate manager and/or director a report to the Council where virements in excess of £1,000,000 are proposed. To report to Cabinet where virements:

- a) In excess of £500,000 and below £1,000,000 are proposed.
- b) From salaries budgets are proposed.

A.2.22. To maintain a register of all virements.

A.2.23. To report all virements over £140,000 and below £500,000 to Cabinet for information.

Responsibilities of directors and all managers

A.2.24. A manager or director, with the approval of the Section 151 Officer, may exercise virements on budgets within or outside of their own area for amounts below £500,000. There shall be full agreement between the manager(s) and, or director(s) with responsibility for the policy area.

A.2.25. No virement relating to a specific financial year should be made after 31 March in that year.

A.2.26. Any virements undertaken in housing must not have any overall effect on the HRA.

A.2.27. No virement should occur from salaries budgets to non-salary budgets without prior approval of the Section 151 Officer and Cabinet.

A.2.28. A school's governing body may transfer budget provision between heads of expenditure within the delegated schools' budgets.

A.2.29. Where an approved budget heading is a contingent sum intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- a) The amount is used in accordance with the purposes for which it has been established.
- b) Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to Cabinet.

c) Treatment of year end balances

Why is this important?

A.2.30. The rules below cover arrangements for the transfer of resources between accounting years i.e. a 'carry forward'. For the purposes of this scheme a budget heading is a line in the Council's budget book.

Key controls

A.2.31. Appropriate accounting procedures are in operation to ensure that carried forward totals are correct.

Responsibilities of Section 151 Officer

A.2.32. To approve 'carry forward' schemes and administer the scheme of 'carry forward' within the guidelines set by Council.

A.2.33. To report the extent of overspending and underspending on service estimates carried forward to Cabinet and to Council.

Responsibilities of directors and managers

A.2.34. Any overspending on service estimates in total on budgets under the control of the director or managers must be carried forward to the following year, unless it falls into an exception category as defined by the Section 151 Officer and will constitute the first call on service estimates in the following year.

A.2.35. Net underspending on service estimates, under the control of the director or managers, may be carried forward, subject to the annual report to Cabinet on the source of underspending or additional income and the proposed application of those resources. For example, if the underspend is a result of a project slipping the funds may be carried forward any general underspend which have no future commitment will be transferred into balances.

A.2.36. All internal business unit surpluses shall be retained for the benefit of the Council and their application shall require the approval of Cabinet (or other locally determined rules).

A.2.37. Schools' balances shall be available for carry forward to support the expenditure of the school concerned. Any school wishing to operate a licensed deficit shall notify the Council of its intent by 1st February preceding the start of the first financial year to which the deficit would apply. The Director of Children's Services, the Head of Finance, Governance and Assurance or their representative will meet with the finance committee of the governing body, to agree the basis of the licensed deficit.

A.2.38. The maximum length over which schools may repay the deficit shall be five years. A school operating a licensed deficit will be required to report to the Head of Finance, Governance and Assurance on an annual basis as to the position in relation to the agreed staging for repaying the deficit.

Failure to keep to the agreed plan, or negotiate variations to it with the Council, may lead to the withdrawal of delegation.

A.3. ACCOUNTING POLICIES

Why is this important?

A.3.1. The Section 151 Officer is responsible for the preparation of the Council's statement of accounts in the format required by the CIPFA Code of Practice on Local Authority Accounting in United Kingdom (a statement of recommended practice), for the financial year ending 31 March.

Key controls

A.3.2. The key controls for accounting policies are:

- a) Suitable accounting policies are selected and applied consistently.
- b) Judgements are made and estimates prepared which are reasonable and prudent.
- c) Statutory and other professional requirements are observed to maintain proper accounting records.
- d) All reasonable steps have been taken for the prevention and detection of fraud and other irregularities.

Responsibilities of Section 151 Officer

A.3.3. To adopt suitable accounting policies and to ensure that they are applied consistently. The accounting policies will be set out in the statement of accounts which is prepared at 31 March each year.

Responsibilities of directors and managers

A.3.4. To adhere to the accounting policies approved by the Section 151 Officer.

A.4. ACCOUNTING RECORDS AND RETURNS

Why is this important?

A.4.1. Proper accounting records are one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has statutory responsibility to prepare its annual accounts to present a true and fair view of the financial position and the Council's operations during the year. These are subject to external audit. This provides assurance that the accounts are properly prepared and proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the council's resource.

Key controls

A.4.2. The key controls for accounting records and returns are:

- a) All Cabinet Members, finance staff and budget holders operate within the required accounting standards of the Council.
- b) All the council's transactions, material commitments and contracts and other essential accounting information have been recorded completely, accurately and on a timely basis.
- c) Procedures are in place to enable accounting records to be reconstituted in the event of failure.
- d) Balances and reconciliation procedures are carried out to ensure transactions are correctly recorded.

Responsibilities of Section 151 Officer

A.4.3. To determine the accounting procedures and records for the Council. Where these are maintained in a Directorate other than that of the Section 151 Officer, they shall, before making any determination, consult the Director of Adult Services, Children's Services, Place and Enterprise, Public Health, Legal, HR or IT.

A.4.4. To compile all accounts and accounting records or ensure they are compiled under his direction.

A.4.5. To comply with the following principles when allocating accounting duties:

- a) Separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums, from the duty of collecting or disbursing them.
- b) Employees with the duty of examining or checking the accounts of cash transactions shall not themselves be engaged in these transactions.

A.4.6. To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations.

A.4.7. To prepare and publish the audited accounts of the Council, with no qualifications, for each financial year, and with the requirement for the Council to approve the audited Statement of Accounts and to publish this document in accordance with the statutory timetable.

A.4.8. To administer the Council's arrangements for under and overspending to be carried forward to the following financial year.

A.4.9. To ensure the proper retention of financial documents. The periods for which documents are to be retained will be specified separately to these financial procedures in the Corporate Retention Schedule.

A.4.10. To complete all statutory financial returns to government departments.

Responsibilities of directors and managers

- A.4.11. To consult and obtain the approval of the Section 151 Officer before making any changes to accounting records and procedures.
- A.4.12. To comply with the principles outlined in paragraph A4.5 when allocating accounting duties.
- A.4.13. To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.
- A.4.14. To supply information required to enable the Statement of Accounts to be completed, in accordance with guidelines issued by the Section 151 Officer.
- A.4.15. To observe such accounting instructions as may be made from time to time.
- A.4.16. To maintain the corporate register of specific grants supported by detailed records to support claims submitted.
- A.4.17. To supply information required to enable all statutory financial returns to be submitted within timescales.

A.5. FORMAT OF THE ACCOUNTS

Why is this important?

- A.5.1. The format of the budget will determine the level of detail on which financial control and management will be exercised. The format will shape how the rules around virement will operate, the operation of cash limits and set the level at which funds may be re-allocated within budgets.

Key controls

- A.5.2. The key controls for the budget format are:
 - a) The format complies with all legal requirements.
 - b) The format complies with CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (a statement of recommended practice).
 - c) The format meets the requirements of Service Reporting Code of Practice issued by CIPFA.

Responsibilities of Section 151 Officer

- A.5.3. To advise Council on the format of the budget.

Responsibilities of directors and managers

- A.5.4. To comply with accounting guidance provided by the Section 151 Officer.

APPENDIX B: FINANCIAL PLANNING

In this Appendix:

- B1 Strategic Plans.
- B2 Budgeting.
 - a) Format of the budget
 - b) Revenue Budget Preparation, Monitoring and Control
 - c) Resource allocation.
 - d) Capital programmes
 - e) Preparing revenue budgets and medium term planning
- B3 Use of Reserves.

B.1. STRATEGIC PLANS

Why is this important?

B.1.1. Each local council has a statutory responsibility to publish various strategic plans.

Key controls

B.1.2. The key controls for strategic plans are:

- a) To ensure that all relevant plans are produced and that they are consistent with each other;
- b) To produce plans in accordance with statutory requirements;
- c) To meet the timetables set.

Responsibilities of the Section 151 Officer

- a) To advise the Council and supply the financial information that needs to be included in strategic plans in accordance with statutory requirements and agreed timetables;
- b) To contribute to the development of corporate and service targets and objectives and performance information.

Responsibilities of the directors and managers

- a) To contribute to the development of strategic plans in line with statutory requirements;
- b) To contribute to the development of corporate and service targets and objectives and performance information.

B.2. BUDGETING

a) Format of the Budget

Why is this important?

B.2.1. The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the

rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

Key controls

B.2.2. The key controls for the budget format are:

- a) The format complies with all legal requirements;
- b) The format complies with CIPFA's "Reporting Code of Practice";
- c) The format reflects the accountabilities of service delivery.

Responsibilities of Section 151 Officer

B.2.3. To advise Cabinet on the format of the budget that is approved by the Full Council.

Responsibilities of directors, managers and budget holders

B.2.4. To comply with accounting guidance provided by the Section 151 Officer.

b) Revenue Budget Preparation, Monitoring and Control

Why is this important

B.2.5. Budget management ensures that once the budget has been approved by the Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

B.2.6. By continuously identifying and explaining variances against budgetary targets, the council can identify changes in trends and resource requirements at the earliest opportunity. The council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

B.2.7. For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required.

Key controls

B.2.8. The key controls for managing and controlling the revenue budget are:

- a) Budget holders should be responsible only for income and expenditure that they can influence.
- b) There is a nominated Budget holder for each cost centre heading.
- c) Budget holders accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.

- d) Budget holders shall order in accordance with these Financial Rules and Contract Procedure Rules.
- e) Budget holders follow an approved certification process for all expenditure.
- f) Income and expenditure are properly recorded and accounted for.
- g) Performance levels and levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

Responsibilities of Section 151 Officer

B.2.9. To establish an appropriate framework of budgetary management and control to ensure that:

- a) Budget management is exercised within annual cash limits unless the Full Council agrees otherwise.
- b) Each director or manager has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
- c) Expenditure is committed only against an approved budget head.
- d) All officers responsible for committing expenditure comply with relevant guidance, and the Financial Rules.
- e) Each cost centre has a single named manager, determined by the relevant director or manager. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
- f) Significant variances from approved budgets are investigated and reported by budget holders regularly.

B.2.10. To administer the council's scheme of virement.

B.2.11. To submit reports to Cabinet and to the Full Council, in consultation with the relevant director or managers, where a director or manager is unable to balance expenditure and resources within existing approved budgets under his or her control.

B.2.12. To prepare and submit reports on the council's projected income and expenditure compared with the budget on a quarterly basis to Cabinet.

Responsibilities of Directors and Managers

B.2.13. To maintain budgetary control within their Service Area in adherence to the principles in B2.9 and to ensure that all income and expenditure are properly recorded and accounted for.

B.2.14. To ensure that an accountable budget holder is identified for each item of income and expenditure under the control of the director or managers (grouped together in a series of cost centres). As a general principle, budget responsibilities should be aligned as closely as possible to the decision-making that commits expenditure.

B.2.15. To use accredited suppliers in the purchase of goods, supplies and services.

- B.2.16. To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- B.2.17. To ensure that a monitoring process is in place to review performance levels and levels of service in conjunction with the budget and is operating effectively.
- B.2.18. To prepare and submit to Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer.
- B.2.19. To ensure prior approval by the Full Council or Cabinet (as appropriate) for new proposals of whatever amount, that:
- a) Create financial commitments in future years.
 - b) Change existing policies, initiate new policies or cease existing policies.
 - c) Materially extend or reduce the council's services.
- B2.20 To ensure compliance with the scheme of virement.
- B2.21 To agree with the relevant director or manager where it appears that a budget proposal, including a virement proposal, may impact materially on another service area.

c) Resource Allocation

Why is this important?

- B.2.20. A report on new proposals should explain the full financial implications, following consultation with the Section 151 Officer. Unless the Full Council or Cabinet has agreed otherwise, director and managers must plan to contain the financial implications of such proposals within their cash limit.
- B.2.21. A mismatch often exists between available resources and required resources.
- B.2.22. A common scenario is that available resources are not adequate to fulfil need and desire. It is therefore imperative that resource allocation is carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

Key controls

- B.2.23. The key controls for resource allocation are:
- a) Budget holders obtain appropriate resources for the specified level of service delivery.
 - b) Resources are acquired using an approved authorisation process.

- c) Resources are only used for the purpose intended by the Council, to achieve the approved policies and objectives, and are properly accounted for.
- d) Resources are secured for use when required.
- e) Resources are used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities of Section 151 Officer

- B.2.24. To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- B.2.25. To prepare a Financial Strategy which is reviewed annually to identify new service pressures, developments and likely levels of resource available. To assist in the allocation of resources to managers.

Responsibilities of directors, managers and budget holders

- B.2.26. To work within budget limits and to utilise resources allocated and further allocate resources in the most efficient, effective and economic way.
- B.2.27. To identify opportunities to minimise or eliminate resource requirement or consumption without a detrimental effect on service delivery.

d) Capital Programmes

Why is this important?

- B.2.28. Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the council, such as land, buildings and major items of plant and equipment or vehicles. Capital assets shape the way services are delivered for the long-term and create financial commitments for the future in the form of financing costs and revenue running costs. They may also generate income.
- B.2.29. The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.
- B.2.30. The Council wishes to minimise prudential borrowing unless it is self-funding and maximise its capital receipts.

Key controls

- B.2.31. The key controls for capital programmes are:
 - a) Specific approval by the Full Council for the programme of capital expenditure and its funding streams.
 - b) Expenditure on capital schemes is subject to the approval of the Section 151 Officer.
 - c) A scheme appraisal, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by Cabinet.

- d) Proposals for improvements and alterations to buildings must be approved by the appropriate director or managers
- e) Schedules for individual schemes within the overall budget approved by the Full Council must be submitted to Cabinet for approval (for example, minor works), or under other arrangements approved by the Full Council.
- f) The development and implementation of asset management plans.
- g) Accountability for each proposal is accepted by a named manager.
- h) Monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of Section 151 Officer

- B.2.32. To prepare capital estimates jointly with directors and managers and to report them to Cabinet for approval at the same time as the revenue budget is agreed and approved. Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council. Cabinet Member approval is required where a director or manager proposes to bid for or exercise additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
- B.2.33. To prepare and submit reports to the Council on the projected expenditure and resources compared with the approved estimates.
- B.2.34. To issue guidance concerning capital schemes and controls for example on project appraisal techniques. The definition of 'capital' will be determined by the Section 151 Officer, having regard to Government rules and accounting requirements.
- B.2.35. To obtain authorisation by Cabinet for individual schemes where the proposed expenditure exceeds the capital programme provision by more than 5% of the scheme budget or £5,000 whichever is the greater.
- B.2.36. To prepare and submit monthly monitoring reports to Cabinet comparing expenditure to estimates, clearly identifying variances plus or minus, with explanations for the variances and recommendations for any actions to be taken.
- B.2.37. To report to Cabinet on capital expenditure compared to estimates, including all contracts where the final expenditure exceeds the approved estimate by more than the prescribed amount of 5% of the scheme budget or £5,000 whichever is the greater.
- B.2.38. The Chief Officers' Capital Steering Group has overall responsibility for monitoring the capital programme in conjunction with Council Management Team. The Section 151 Officer is responsible for agreeing and approving variations up to £500,000 and jointly with the appropriate director or manager reporting; variations in excess of £500,000 and below £1,000,000 to Cabinet for approval; variations in excess of £1,000,000 to Full Council for approval.
- B.2.39. To maintain a register of all virements and report all those over £140,000 and below £500,000 to Cabinet for information.

Responsibilities of directors, managers and budget holders

- B.2.40. To comply with guidance concerning capital schemes and controls issued by the Section 151 Officer.
- B.2.41. To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Section 151 Officer.
- B.2.42. To prepare regular reports reviewing the capital programme provisions for their services and to prepare a monthly return of estimated final cost of schemes in the approved capital programme for submission to the Section 151 Officer.
- B.2.43. To ensure that adequate records are maintained in respect of all capital contracts.
- B.2.44. To proceed with projects only when there is adequate provision in the capital programme, and with the agreement of the Section 151 Officer where required.
- B.2.45. To ensure that any variation that results in a revenue increase has a funding source identified and is approved by the Section 151 Officer and Cabinet.
- B.2.46. A manager or director, with the approval of the Section 151 Officer, may approve variations on the capital programme within or outside of their own area for amounts up to and including £500,000 on any one project area during the year where they have agreed the variation with the other manager(s) or director(s) with responsibility for the area to be impacted upon.
- B.2.47. To prepare and submit monthly monitoring reports, jointly with the Section 151 Officer, to Cabinet and of any variation in contract costs greater than the approved limits. Cabinet will consider all variations in excess of 5% of the current scheme budget or £5,000, whichever is greater.
- B.2.48. To prepare and submit reports, jointly with the Section 151 Officer, to Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than 5% of the current scheme budget of £5,000, whichever is the greater.
- B.2.49. To ensure that they do not enter into credit arrangements, such as leasing agreements, without the prior approval of the Section 151 Officer and, if applicable, approval of the scheme through the capital programme.
- B.2.50. To consult with the Section 151 Officer and to seek Cabinet approval where the director or managers proposes to bid for additional borrowing approvals to be issued by Government departments to support expenditure which has not been included in the current year's capital programme.

b) Preparing revenue budgets and medium term planning

Why is this important?

- B.2.51. The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.
- B.2.52. The revenue budget must be constructed so as to ensure that resource allocation properly reflects the spending plans and priorities of the Council. Budgets (spending plans), are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent.
- B.2.53. Medium term planning (or a three to five year planning system) involves a planning cycle in which each manager develops their own plans. As each year passes, another future year will be added to the medium term plan. Medium term planning ensures that the Council is always preparing for events in advance.

Key controls

B.2.54. The key controls for budget preparation are:

- a) Specific budget approval for all expenditure.
- b) Budget holders accept accountability within delegations set by Cabinet for their budgets and the level of service to be delivered.
- c) A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and that any corrective action is taken.
- d) Proper accounting practices and policies are adhered to.

Responsibilities of Section 151 Officer

- B.2.55. To prepare and submit reports and provide advice on budget strategy for Cabinet, including base budget build up and resource constraints set by the Government. Reports should take account of medium term prospects, where appropriate.
- B.2.56. To determine the detailed form of revenue estimates, consistent with the general directions of the Council, and after consultation with Cabinet and Directors and Managers.
- B.2.57. To prepare and submit reports to Cabinet on the aggregate spending plans of Directorates and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.
- B.2.58. To advise on the medium term implications of Government statements on public spending and distribution of central government resources.

- B.2.59. To encourage best use of resources and value for money by working with directors and managers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- B.2.60. To advise Council on Cabinet proposals in accordance with his or her responsibilities under Section 151 of the Local Government Act 1972.

Responsibilities of directors, managers and budget holders

- B.2.61. To prepare estimates of income and expenditure, in consultation with the Section 151 Officer, to be submitted to Cabinet.
- B.2.62. To prepare budgets which are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by Cabinet. The format should be prescribed by the Section 151 Officer in accordance with the Council's general directions.
- B.2.63. To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- B.2.64. To consult with Cabinet Members and relevant directors and managers, where it appears that a budget proposal is likely to impact on another service or level of service activity.
- B.2.65. In consultation with the Section 151 Officer and in accordance with the laid down guidance and timetable to prepare detailed draft revenue and capital budgets for consideration by Cabinet and Full Council.
- B.2.66. To have regard to:
- a) Spending patterns and pressures revealed through the budget monitoring process.
 - b) Legal requirements.
 - c) Policy requirements as defined by the Council.
 - d) Initiatives already underway when drawing up draft budget requirements.

B.3. USE OF RESERVES

Why is this important?

B.3.1. Reserves are maintained as a matter of prudence.

Key controls

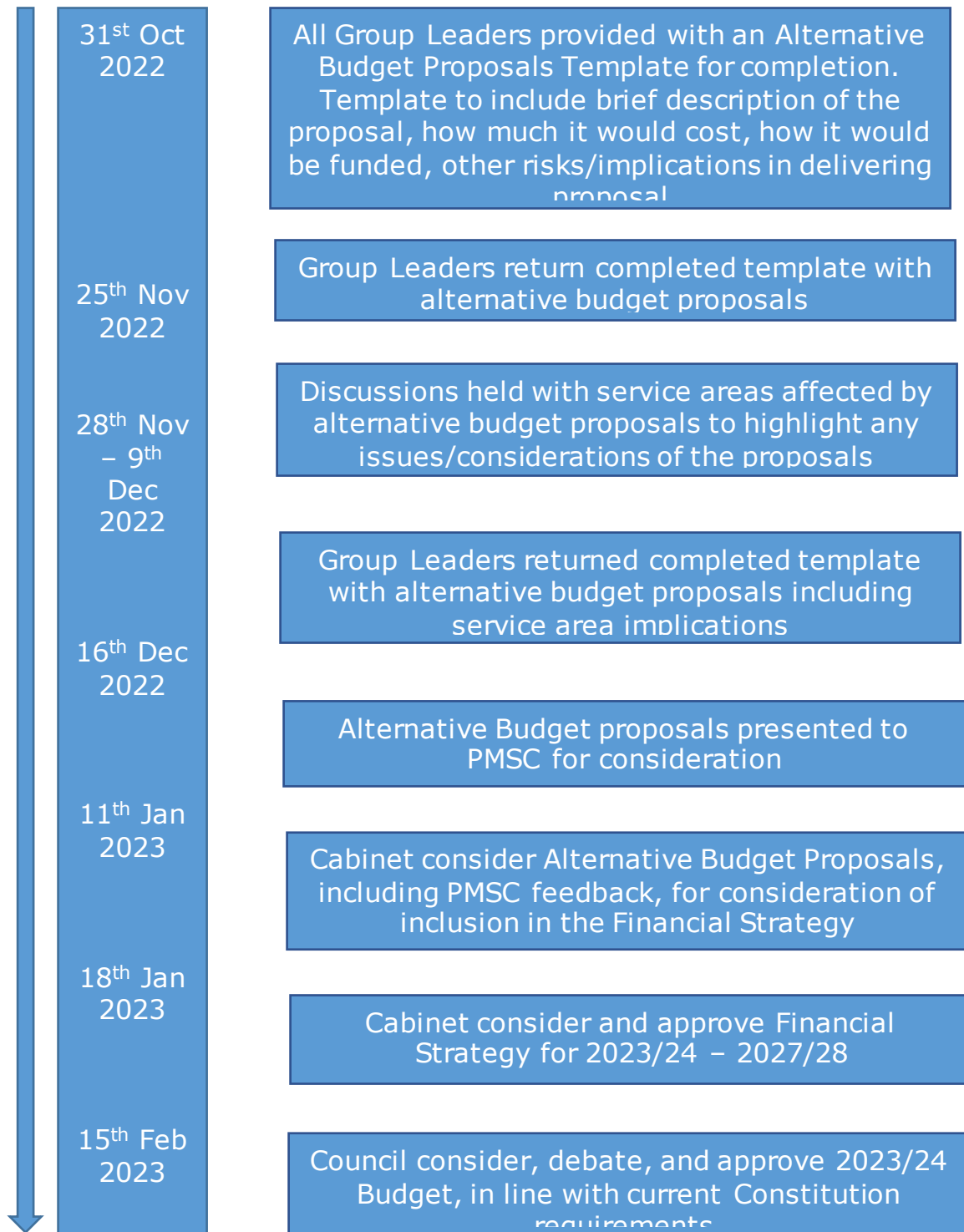
B.3.2. To maintain reserves on a risk basis over a three year period and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies.

Responsibilities of Section 151 Officer

B.3.3. To advise on prudent levels of reserves for the Council, and to act on the advice of external audit in this matter.

B.4. ALTERNATIVE BUDGET PREPARATION – INDICATIVE TIMETABLE AND TEMPLATE FOR PROPOSALS

B.4.1. The proposed process for the consideration of Alternative Budget Proposals is as follows:



B.4.2. KEY DATA TO BE COLLECTED FOR ALTERNATIVE BUDGET PROPOSALS

The proposed data to be collected for the consideration of Alternative Budget Proposals will include but not be limited to:

Name of Councillor making the proposal	
Political Group	
Political Group leader	
Financial year/s affected	
Summary of proposal	
What will need to change to deliver this proposal	
Financial implications of the proposal <ul style="list-style-type: none"> - Implementation costs - Running costs - Funding source 	
Service delivery implications of the proposal	
Risk assessment of the proposal	
Proposal implications reviewed for accuracy by	
- Executive Director of Resources (s151 officer)	
- Service Executive Director	
Proposal endorsed by political group leader	

APPENDIX C: RISK MANAGEMENT AND CONTROL OF RESOURCES

In this Appendix:

- C1 Internal Controls
- C2 Audit Requirements.
 - a) Internal audit
 - b) External audit
 - c) Preventing financial irregularities.
- C3 Resource: Land, Buildings, Fixed Plant and Machinery
 - a) Security
 - b) Inventories
 - c) Stocks and stores
 - d) Intellectual property
- C4 Asset Disposal
- C5 Risk Management and Banking
- C6 Treasury Management and Banking
- C7 Investments and Borrowing
- C8 Unofficial and Voluntary Funds and Funds held for Third Parties
 - a) General
 - b) Court of Protection and Guardian ad Litem Administration
 - c) Imprest Accounts
- C9 Staffing; including Gifts and Hospitality

C.1. INTERNAL CONTROLS

Why is this important?

- C.1.1. The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to:
 - a) facilitate the effective exercise of its functions and the achievement of its aims and objectives;
 - b) ensure that the financial and operational management of the council is effective; and
 - c) include effective arrangements for the management of risk.
- C.1.2. The Council has statutory obligations to meet and requires internal controls to identify, meet and monitor compliance with these obligations.
- C.1.3. The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of their objectives. Internal controls are necessary to identify, evaluate and control these risks.
- C.1.4. The system of internal controls is established in order to provide measurable occurrence of:
 - a) Efficient and effective operations.
 - b) Reliable financial information and reporting.
 - c) Compliance with laws and rules.

Key controls

- C.1.5. Effective review on a regular basis and at least annually.
- C.1.6. Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance, and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
- C.1.7. Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- C.1.8. An effective internal audit function which operates in accordance with the principles embroiled in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, and with any other statutory obligations and rules.

Responsibilities of S151 Officer

- C.1.9. Assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, internal financial controls and compliance with laws and rules.
- C.1.10. Ensure that the Council puts in place effective internal financial controls covering codified guidance, budgetary systems, supervisions, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes.

Responsibilities of directors, managers and budget holders

- C.1.11. To ensure they have adequate internal control systems in place covering all aspects of their operations, both financial and non-financial.
- C.1.12. To manage processes to check that established controls are being adhered to, and to evaluate their effectiveness, in order to be confident in the proper use of resources.
- C.1.13. To provide an annual assurance statement to the Section 151 Officer in respect of the adequacy and effectiveness of the internal control environment within their areas of operations, and to identify any material weaknesses and how these are being addressed. This annual assurance statement will form part of the evidence to support the Annual Governance Statement
- C.1.14. To up-date existing controls and establish and implement new ones and keep the Section 151 Officer informed of all changes.
- C.1.15. To ensure staff have a clear understanding of the consequences of a lack of control in the areas within which they work and the consequences of these not being followed.

C.2. AUDIT REQUIREMENTS

a) Internal Audit

Why is this important?

- C.2.1. The Section 151 Officer has a statutory responsibility for the overall financial administration of the Council's affairs and is responsible for maintaining an adequate and effective continuous internal audit.
- C.2.2. Internal audit is an independent objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards (PSIAS) 2013).
- C.2.3. Internal Audit has a key role to play in independently reviewing the effectiveness of the Council's entire internal control environment in respect to the processes for governance, risk management and control. It contributes an objective opinion to the council's Annual Governance Statement

Key controls

- C.2.4. The key controls for internal audit are:
- a) The Head of Audit is the Council's Chief Audit Executive as defined under the Standards and is the Chief Internal Auditor as defined in CIPFA's Statement on the Role of the Chief Internal Auditor who reports to the Section 151 Officer and ensures that Internal Audit remains independent in its planning and operation.
 - b) The Head of Audit has direct access to the Head of Paid Service, all levels of management and to elected members including the Council's Audit Committee.
 - c) Internal auditors comply with the Public Sector Internal Audit Standards (PSIAS) including the Definition of Internal Auditing and the Code of Ethics, and other relevant guidance as set out in the Internal Audit Charter.
 - d) The Head of Audit is responsible for maintaining periodic audit plans which have due regard to the key priorities and associated risks of the council, the objectives and risks for each service areas in delivering their services and the requirements of the external auditor.
 - e) The Head of Audit must report to the s151 Officer or the Audit Committee if there are insufficient resources or limitations in the scope of their work to provide reasonable assurance or a service consistent with the definition of Internal Audit.

Responsibilities of Section 151 Officer

- C.2.5. The Section 151 Officer has been delegated with maintaining an adequate and effective system of internal audit. He or she must ensure that internal auditors have the authority to:
- a) Access at reasonable times, premises or land used by the Council.
 - b) Access all Council and partner assets, records, documents, correspondence and control systems except for those from which they are statutorily prevented.
 - c) Require and receive any information and explanation considered necessary concerning any matter under consideration from any employee, member, partner or third party.
 - d) Require any employee of the Council or any partner/ third party to account for cash, stores or any other Council property under their control and produce for inspection if required.
 - e) Access records belonging to third parties, such as contractors, when required.
 - f) Report directly to the Head of Paid Service, all levels of management and to elected members including the Council's Audit Committee.
 - g) Evaluate the adequacy effectiveness of internal controls in responding to risks within the organisations governance operations and information systems designed to secure assets and data to assist management in preventing and deferring fraud.
- C.2.6. The Head of Audit should maintain an Internal Audit Charter and annual risk based audit plan in conjunction with the Section 151 Officer which takes account of the characteristics and relative risks of the activities involved. She should liaise with the Head of Paid Service and Managers on the audit plans and cover required. In addition to the statutory requirement, this takes account of the need to seek added value, effective use of resources, improved performance and cost-effective controls.
- C.2.7. Where an appropriate response to audit recommendations has not been made within a reasonable period, the S151 Officer and, or the Head of Audit may refer the matter to the Head of Paid Service and, or the Audit Committee.
- C.2.8. Internal Audit has specific fraud related responsibilities which are set out in the Counter Fraud, Bribery and Anti-Corruption Strategy. To investigate promptly any fraud or irregularity of which they become aware of and to report to the Head of Paid Service who will consider any legal proceedings and disciplinary action in consultation with the appropriate director or manager.
- C.2.9. To report annually to the Head of Paid Service and to the Audit Committee on the main issues raised by Internal Audit during the year.
- C.2.10. Internal Audit will define and manage consultancy assignments as set out in the PSIAS.

Responsibilities of directors and managers

- C.2.11. To ensure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets which the auditors consider necessary for the purposes of their work.
- C.2.12. To ensure that auditors are provided promptly with any information and explanations which they seek in the course of their work.
- C.2.13. To consider and respond promptly to recommendations in audit reports.
- C.2.14. To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- C.2.15. To notify the Section 151 Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Director or Managers should take all necessary steps to prevent further loss and to secure records and documentation against removal, destruction or alteration.
- C.2.16. To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Audit prior to implementation.
- C.2.17. To ensure that all employees within their services are aware of the Council's 'Speaking up about Wrongdoing Policy' and the Counter Fraud, Bribery and Anti-Corruption Policy.

b) External Audit

Why is this important?

- C.2.18. The Local Government Association (Public Sector Appointments Ltd) is responsible for appointing external auditors to each local council. The Section 151 Officer is responsible for working with the external auditor and for advising the Council, Cabinet, directors and managers on their responsibilities in relation to external audit. The external auditor has the same rights of access as the internal auditor to all documents which are necessary for audit purposes.
- C.2.19. The basic duties of the external auditor are governed by the Local Audit and Accountability Act 2014, under which auditors need to satisfy themselves that:
 - a) The accounts are prepared in accordance with rules made under Section 23 of the 1982 Act and comply with the requirements of all statutory provisions applicable to the accounts.
 - b) Proper practice has been observed in compilation of accounts.
 - c) The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

C.2.20. The Council's accounts are scrutinised by external auditors, appointed by the Local Government Association (Public Sector Appointments Ltd), who must be satisfied that the statement of accounts present 'a true and fair view' of the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

C.2.21. External auditors are appointed by the Local Government Association (Public Sector Appointments Ltd) normally for a minimum period of five years. The National Audit Office prepares guidelines which the external auditors follow when auditing the Council's statement of accounts. Under ISA (UK and I 265 (Communicating Deficiencies in Internal Control to those charged with Governance and Management)). External Audit can identify and report significant deficiencies in any internal controls directly to the Audit Committee and those charged with governance.

Responsibilities of Section 151 Officer

C.2.22. To draw up the timetable and issue guidance for final accounts purposes and to advise staff and external auditors accordingly.

C.2.23. To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

C.2.24. To ensure there is effective liaison between internal and external audit services.

Responsibilities of directors and managers

C.2.25. To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purpose of their work.

C.2.26. To ensure that all paperwork and systems are up-to-date and available for inspection.

c) Preventing Financial Irregularities

Why is this important?

C.2.27. The Council will not tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside the Council.

C.2.28. The Council's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

C.2.29. The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) that it comes into contact with,

will act towards the Council with integrity and without thought or actions involving fraud and corruption.

Key controls

- C.2.30. The key controls regarding the prevention of financial irregularities are:
- a) The Council's Counter Fraud, Bribery and Anti-Corruption Strategy.
 - b) The culture and tone of the council is one of honesty and opposition to fraud and corruption.
 - c) That all members and staff act with integrity, and lead by example
 - d) That all individuals and organisations associated in any way with the Council will act with integrity.
 - e) That senior managers are required to deal swiftly and firmly with those who defraud the Council or who are corrupt.

Responsibilities of Section 151 Officer

- C.2.31. To maintain adequate and effective internal and external audit arrangements for the Council.
- C.2.32. To ensure that financial irregularities are reported to the Head of Paid Service, Cabinet and the Council's Audit Committee.
- C.2.33. To determine, in conjunction with the Head of Audit the scope of any internal enquiries or investigations, subject to consultation with the appropriate director or managers.
- C.2.34. To decide, in consultation with the appropriate director or manager, whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.
- C.2.35. To keep the Head of Paid Service informed if a suspected irregularity occurs involving staff who are the responsibility of the Section 151 Officer.
- C.2.36. To ensure in conjunction with the appropriate director managers, that the council's disciplinary procedures are followed where the outcome of an audit or other investigation indicates fraud or irregularity

Responsibilities of directors and managers

- C.2.37. To ensure that all suspected irregularities are reported to the Section 151 Officer and Head of Audit.
- C.2.38. To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

C.3. RESOURCES: LAND, BUILDINGS, ICT, FIXED PLANT AND MACHINERY

a) Security

Why is this important?

C.3.1. The Council holds assets in the form of property, vehicles, equipment, and other items worth many millions of pounds. It is important that assets should be safeguarded and used efficiently in the delivery of services and that there should be arrangements for the security of both assets and service operations.

Key controls

C.3.2. The key controls for the security of resources, such as land, buildings, fixed plant, ICT and machinery are:

- a) Budget holders obtain appropriate resources for the specified level of service delivery.
- b) Resources are acquired using an approved procurement process.
- c) Resources are used only for the purposes of the Council and properly accounted for.
- d) Resources are secured to be available for use when required.
- e) Resources no longer required are disposed of in accordance with the law and the rules of the Council so as to maximise benefits.

Responsibilities of Section 151 Officer

C.3.3. The S151 Officer shall keep an Asset Register which shall record all of the material capital assets owned by the Council together with their values. Assets shall be valued in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom (published by CIPFA). The Asset Register shall be kept up to date and in accordance with the requirements of the S151 Officer. Directors shall supply any information required in order to maintain the Register.

C.3.4. The S151 Officer shall maintain an up to date terrier of all land owned, leased or licensed by the Council and of land sold or leased off. The terrier must:

- a) record the purpose for which the land is held and;
- b) record the location, extent and plan reference of the land.

C.3.5. Directors shall supply any information required in order to maintain the Register.

C.3.6. To receive information from each budget holder required for accounting, costing and financial records.

C.3.7. To assist and advise, in consultation with the appropriate budget holder, the records to be maintained to ensure proper security and control of

premises, stocks, stores, equipment, cash and other items of significant value

Responsibilities of directors, managers and budget holders

- C.3.8. The Head of Business Enterprise and Commercial Services shall maintain a property database for all properties. Any use of property by a budget holder other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of the use.
- C.3.9. To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Head of Business Enterprise and Commercial Services, in consultation with the Section 151 Officer and Head of Legal and Democratic, has been established as appropriate.
- C.3.10. To ensure the proper security of all buildings and other assets under their control.
- C.3.11. To periodically review land and buildings in order to identify any that may be surplus to business requirements.
- C.3.12. Where land or buildings are identified as surplus to requirements, a recommendation for the sale of land should be the subject of a report by the appropriate Director following advice from legal and financial services.
- C.3.13. Asset sales are required to follow the Disposals Protocol adopted by Property Services. Should a disposal of an asset not follow this standardised process, any request for disposal should be referred to the Section 151 Officer.
- C.3.14. Where the use of buildings or land is subject to appropriation between services, to refer the appropriation for approval by Cabinet, taking into account the alternative possible uses of the land.
- C.3.15. To pass the deeds to the Head of Legal and Democratic, who is responsible for custody of all title deeds.
- C.3.16. To ensure that no Council asset is subject to third party or personal use by an employee without proper authority.
- C.3.17. To ensure that the safe custody of vehicles, equipment, stock, stores and other property belonging to the Council.
- C.3.18. To ensure that the Directorate maintains a register of moveable assets in accordance with arrangements defined by the Section 151 Officer.
- C.3.19. To ensure that assets are identified, their location recorded and that they are appropriately security marked and insured.

- C.3.20. To consult the Section 151 Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- C.3.21. To ensure cash holdings on premises are kept to a minimum and do not exceed insurance limits, and to advise the Section 151 Officer where there may be an exception to this case.
- C.3.22. The disposal of all surplus equipment, stocks or stores expected to realise in excess of £5,000 should normally be by competitive tender or public auction unless, following consultation with the Section 151 Officer, Cabinet agrees otherwise. A record of all such disposals should be maintained.
- C.3.23. To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Section 151 Officer.
- C.3.24. To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Section 151 Officer.
- C.3.25. To ensure that all their employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

b) Inventories

Why is this important?

- C.3.26. The Council holds many different assets. It is important that these assets should be safeguarded and used efficiently in the delivery of services and that there should be arrangements for the security of both assets and service operations. Material capital assets shall be recorded in the asset register other significant assets shall be subject to inventory.

Key Controls

- C.3.27. The key controls for the inventory of resources, such as land, buildings, fixed plant, ICT and machinery are:
- a) Inventories are maintained to record all significant resources that are not recorded in appropriate registers elsewhere.
 - b) Inventories are regularly reviewed and updated.

Responsibilities of Section 151 Officer

- C.3.28. To advise on the form, layout and content of inventory records to be maintained by the Council.

Responsibilities of directors, managers and budget holders

- C.3.29. To maintain inventories in a form approved by the Section 151 Officer to adequately record and describe fittings and equipment, plant and machinery under their control.
- C.3.30. To carry out an annual check of all items on the inventory in order to take action in relation to surpluses or deficiencies, annotating the inventory accordingly and reporting any material discrepancies to the Section 151 Officer.
- C.3.31. Attractive and portable items, such as computers, cameras and video recorders, should be identified with security markings as belonging to the Council and appropriately controlled and secured.
- C.3.32. To make sure that property is only used in the course of the Council's business unless the director or manager concerned has given permission otherwise.
- C.3.33. To seek Cabinet approval to the write-off of redundant equipment where individual items are valued in excess of £100,000.

c) Stocks and Stores

Why is this important?

- C.3.32. The Council holds stocks and stores of goods in various locations throughout the authority. These stocks and stores are assets of the council which must be appropriately safeguarded from theft and spoiling.

Key Controls

- C.3.33. The key controls for the stocks and stores of resources are:
- a) Stocks and stores are held in environments appropriate to their value and type
 - b) Stocks and stores should be held at reasonable levels
 - c) Stocks and stores should be subject to independent checks, at least annually, and any discrepancies investigated.

Responsibilities of Section 151 Officer

- C.3.34. To advise on the arrangements for the care and custody of stocks and stores.

Responsibilities of directors, managers and budget holders

- C.3.35. To make arrangements for the care and custody of stocks and stores in their areas.
- C.3.36. To ensure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.

C.3.37. To write-off discrepancies of up to £5,000.

C.3.38. To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and stores should be by competitive quotations or auction unless, following consultation with the Section 151 Officer, Cabinet decides otherwise in a particular case.

C.3.39. To seek advice from Internal Audit on discrepancies above £5,000.

C.3.40. A manager or director, with the agreement of the Section 151 Officer, can write off redundant stocks and stores between £5,001 and £100,000. Write off's over £100,000 require approval by Cabinet.

d) Intellectual Property

Why is this important?

C.3.41. Intellectual property is a generic term that includes inventions and writings. If these are created by the employee during the course of employment, then as a general rule they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.

C.3.42. Certain activities undertaken within the Council may give rise to items which may be patentable. These are collectively known as intellectual property.

Key controls

C.3.43. In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's intellectual property procedures.

Responsibilities of Section 151 Officer

C.3.44. To develop and disseminate good practice through the Council's intellectual property procedures.

Responsibilities of all managers

C.3.45. To ensure that there are no conflicts concerning staff conducting private work in Council time.

C.4. ASSET DISPOSAL

Why is this important?

C.4.31. It would be unsatisfactory and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and rules of the Council.

Key controls

C.4.32. Assets are disposed of at the most appropriate time, and only when it is in the best interests of the Council, and that the best price is obtained. For items of significant value, disposal should be by competitive tender or public auction and any funds realised should be corporately retained.

Responsibilities of Section 151 Officer

C.4.33. To advise on best practice for disposal of assets.

C.4.34. To ensure appropriate accounting entries are made.

Responsibilities of directors and managers

C.4.35. To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.

C.4.36. To ensure that income received for disposal of an asset is properly collected, banked and accounted for.

C.5. RISK MANAGEMENT AND INSURANCE

Why is this important?

C.5.31. All organisations, whether they are in the private or public sectors, face risks to people, property and continued operations. Risk is defined as the chance or possibility of loss, damage or injury caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk.

C.5.32. Insurance has been the traditional means of risk transfer and protecting against loss, but this cannot be seen as the complete answer. By reducing or even preventing the incidence of losses (whether they result from crime or accident), the Council will benefit from reduced costs of providing insurance cover and will also avoid the disruption and wasted time caused by losses and insurance claims.

C.5.33. It is the overall responsibility of Cabinet, jointly with the Council, to approve the Council's Opportunity Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council. Monitoring of, and reporting on, the effectiveness of the Strategy is an essential part of the process.

Key controls

C.5.34. The key controls for risk management and insurance are:

- a) Robust systems are in place to identify, assess, prevent or contain significant operational risks on an integrated basis, and these systems are promoted throughout the Council.

- b) Acceptable levels of retained risk are identified and evaluated and arrangements are in place for their funding, either by internal provision or external insurance as appropriate.
- c) Managers know that they are responsible for managing relevant risks and are provided with appropriate and timely information on claims experience and risk management initiatives relating to their areas of responsibility.
- d) Procedures are in place to investigate and process claims within required timescales.
- e) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- f) All reports shall contain reference to any major risks which the item reported may have for the Council.

Responsibilities of Section 151 Officer

- C.5.35. To prepare and promote the Council's Opportunity Risk Management Strategy and to advise Cabinet, directors and managers on risk management matters.
- C.5.36. Subject to any legal advice of the Monitoring Officer, to determine and effect appropriate corporate insurance cover, through external insurance and, or internal funding, and to negotiate all claims, in conjunction with other officers as necessary.
- C.5.37. To provide advice to the Council and Council Management Team on insurance matters.
- C.5.38. To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
- C.5.39. To offer insurance cover to schools in accordance with Fair Funding arrangements.
- C.5.40. To develop and implement risk management controls, monitoring and reporting arrangements in conjunction with other directors and managers.
- C.5.41. To oversee and ensure the preparation of the Council's Opportunity Risk Management Strategy in agreement with the Section 151 Officer and promote the Strategy throughout the Council.
- C.5.42. To review and report to Cabinet, directors and managers on the robustness of the financial arrangements of risk management and insurance.

Responsibilities of directors and managers

- C.5.43. To notify the Section 151 Officer promptly of all new or increased risks, activities, properties or vehicles which require insurance and of any alterations affecting existing insurances.

- C.5.44. To notify the Section 151 Officer and the Monitoring Officer immediately, in writing or electronically, of any loss, liability or damage, or of any event, likely to lead to a claim against the Council, together with any information or explanation required by the Section 151 Officer or the Council's insurers.
- C.5.45. To consult the Section 151 Officer and Monitoring Officer in respect of the terms of any indemnity which the Council is requested to give.
- C.5.46. To ensure that Council employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation which may prejudice the assessment of liability in respect of any claim against the council.
- C.5.47. To take responsibility for, and promote risk management, having regard to advice from the Section 151 Officer and other specialist officers (e.g. Risk and Insurance Manager, Risk Management Officer, Crime Prevention, Fire Prevention, Health and Safety).
- C.5.48. To ensure that there are regular reviews of risk within their Directorates / Services and to report at regular intervals (at least twice per year) to Cabinet, in conjunction with the Section 151 Officer, on the implementation and effectiveness of the Opportunity Risk Management Strategy.

C.6. TREASURY MANAGEMENT AND BANKING

Why is this important?

- C.6.31. Many millions of pounds pass through the Council's books each year. A few Councils have suffered high profile losses through inappropriate treasury management procedures. This led to the establishment of Codes of Practice. These aim to provide assurances that the Council's money is properly managed in a way which balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.
- C.6.32. The Council has adopted a Treasury Policy Statement based on the CIPFA Code of Practice for Treasury Management. All treasury operations are carried out in accordance with this Statement and the Code.

Responsibilities of Section 151 Officer

- C.6.33. To arrange the borrowing and investment activities of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's Treasury Policy Statement.
- C.6.34. To prepare an Annual Treasury Strategy, for the forthcoming financial year, for approval by Council prior to the start of that financial year, including the determination of prudential indicators in accordance with the Prudential Code for Capital Finance 2003 (as amended). To report a Mid-Year Treasury Strategy and Annual Treasury Report to Council outlining the implementation and effectiveness of the Treasury Strategy.

Subject to the foregoing, the Section 151 Officer is responsible for the management of the Council's loan debt and for the investment of surplus funds.

- C.6.35. To manage, control and monitor the council's banking arrangements, including the opening and closing of such bank accounts as are considered necessary within the terms of the overall banking arrangement. Opening or closing any bank account shall only be undertaken by, or with the approval of, the Section 151 Officer. The title of any such bank accounts shall include the words "Shropshire Council".
- C.6.36. Cheques drawn on authorised imprest accounts, shall be ordered only on the authority of the Section 151 Officer, who shall make proper arrangements for their safe custody.

Responsibilities of directors and managers

- C.6.37. To comply with financial rules relating to banking arrangements and to follow the guidance on banking issued by the Section 151 Officer. To advise the Section 151 Officer of material amounts due to be credited or debited to the Council's bank accounts in order to enable efficient cash flow management.

C.7. INVESTMENTS AND BORROWING

Responsibilities of the Section 151 Officer

- C.7.31. To ensure that all borrowings and investments are made in the name of the Council.
- C.7.32. To ensure that all securities in support of investments which are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in accordance with arrangements approved by the Section 151 Officer.
- C.7.33. To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council. They may also authorise the premature repayment of individual bonds and mortgages.
- C.7.34. All money in the hands of the Council shall be aggregated for the purpose of treasury management and shall be under the control of the Section 151 Officer as the officer designated for the purposes of Section 151 of the Local Government Act 1972.

Responsibilities of directors and managers

- C.7.35. To ensure that no loans are made to third parties and no interests are acquired in companies, joint ventures, or other enterprises without the approval of Council, following consultation with the Section 151 Officer.

C.8. UNOFFICIAL AND VOLUNTARY FUNDS AND FUNDS HELD FOR THIRD PARTIES

a) General

C.8.31. An unofficial or voluntary fund is defined, for the purpose of this rule, as any fund, other than an official fund of the Council, which is controlled, wholly or in part, by an officer by reason of their employment by the Council, or by the managers or governors of a school maintained by the Council.

Responsibilities of Section 151 Officer

C.8.32. To arrange that all such funds are, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities or similar documents relating to the trust with the Section 151 Officer unless the deed otherwise provides. And to ensure that the Council has the right to inspect and audit such funds and the administrative systems underlying them and report on them as it sees fit.

C.8.33. To arrange, where funds are held on behalf of third parties, for their secure administration and maintain written records of all transactions and to ensure that the Council has the right to inspect and audit such funds and the administrative systems underlying them and report on them as it sees fit.

C.8.34. To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

C.8.35. Private fund monies should be kept separate from Council money. A separate bank account should be set up for each in the name of the fund, not that of an individual or the Council.

C.8.36. To maintain an up to date record of all voluntary funds administered by officers of the Council excluding school funds.

Responsibilities of directors and managers

C.8.37. To ensure that all such funds are declared to them by the controlling officer(s) and that annual accounts, audited by suitably qualified auditors, are submitted within a reasonable time after the end of each accounting period, to the body responsible for the management or control of each fund.

C.8.38. To ensure that all officers acting as trustees by virtue of their official position shall deposit securities or similar documents relating to the trust with the Head of Legal and Democratic unless the deed otherwise provides.

C.8.39. To inform the Section 151 Officer of the names of all such funds and of their controlling officer(s) and managing body. Where the director or managers so request, the Section 151 Officer shall advise on the suitability of the form of accounts and of the audit arrangements.

b) Court of Protection and Guardian ad Litem Administration

Responsibilities of Section 151 Officer

- C.8.40. To ensure there are appropriately documented processes and procedures in place to securely administer clients Court of Protection, Appointeeship or Guardian ad Litem accounts.
- C.8.41. To arrange for the system of administration and operation of these funds to be inspected and reported upon by Internal Audit.

Responsibilities of Director of Adult Services

- C.8.42. To ensure a nominated chief officer has been identified to act as the Deputy to the Office of the Public Guardian.
- C.8.43. To ensure appropriate accounts are set up and managed in the name of the individual clients and that an annual statement of account is provided to the Court of Protection, Office of the Public Guardian where required and independently verified.
- C.8.44. To ensure that all accounts are administered in the most economical way for the benefit of the clients, this to include dealing with all income tax matters and other related issues such as welfare benefits.
- C.8.45. To deal with all property related matters for the absolute benefit of the client and to ensure that appropriate systems and procedures are in place to ensure client welfare.

c) Imprest Accounts

Responsibilities of Section 151 Officer

- C.8.46. Following consultations with directors and managers as appropriate, to provide officers of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. These accounts must be operated in accordance with instructions issued by the Section 151 Officer. Minor items of expenditure should not exceed the prescribed amount.
- C.8.47. To maintain a record of all petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances. Requests to vary the advance must be put in writing or electronically by the director or manager to the Section 151 Officer.
- C.8.48. To reimburse imprest holders as often as necessary to restore the imprest balance but normally not more than monthly.

Responsibilities of directors and managers

- C.8.49. To ensure that all officers operating an imprest account:

- a) Obtain and retain vouchers to support each payment from the imprest account. Where appropriate an official receipted VAT invoice must be obtained.
- b) Make adequate arrangements in their office for the safe custody of the supporting records and cash.
- c) Produce upon demand by the Section 151 Officer and Head of Audit, cash and all vouchers to the total value of the imprest account
- d) Record transactions promptly.
- e) Reconcile and balance the account at least monthly, reconciliation sheets to be signed and retained by the imprest holder.
- f) Provide the Section 151 Officer with a certificate of the value of the account held at 31 March each year.
- g) Ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the imprest and change relating to purchases where an advance has been made.
- h) Ensure income due to the Council is banked or paid to the Council as provided elsewhere in these rules and not into the imprest account.
- i) On leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, account to the Section 151 Officer for the amount advanced to them.
- j) Do not allow any bank imprest account to become overdrawn.

C.9. STAFFING, INCLUDING GIFTS AND HOSPITALITY

Why is this important?

C.9.31. In order to provide the highest level of service, it is crucial that the council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level. An appropriate staffing strategy and policy should exist, in which staffing requirements and budget allocation should be matched.

Key controls

C.9.32. The key controls for staffing are that:

- a) Procedures are in place for forecasting staffing requirements and cost.
- b) Procedures are in place for monitoring staffing expenditure against budget.
- c) Controls are implemented that ensure that staff time is used efficiently and benefit the Council.
- d) Every employee has a personal responsibility to be aware of and comply with the council's Official Gifts and Hospitality Policy set out in the Employees' Handbook.

Responsibilities of Section 151 Officer

C.9.33. To ensure that budget provision exists for all existing and new employees.

C.9.34. To act as an advisor to directors and managers on areas such as National Insurance, pension contributions as appropriate.

Responsibilities of directors and managers

- C.9.35. To produce an annual staffing budget.
- C.9.36. To ensure that the staffing budget is an accurate forecast of their staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- C.9.37. To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- C.9.38. To ensure that the staffing budget is not exceeded and that it is managed to enable the agreed level of service to be provided within the directorate's services cash limit.
- C.9.39. To ensure that the Section 151 Officer is immediately informed if the staffing budget is likely to be materially over (or under) spent and costs cannot be controlled within cash limits.
- C.9.40. To ensure that they and their officers complete the register of interests maintained by the Monitoring Officer.
- C.9.41. To follow the Council's recruitment procedures
- C.9.42. To apply the Council's Capability procedures as appropriate.

APPENDIX D: SYSTEMS AND PROCEDURES

In this Appendix:

D1	General
D2	Income.
D3	Payments to Employees, former Employees and Members
D4	Ordering and Paying for Work, Goods and Services
D5	Taxation
D6	Trading Accounts/Business Units

D.1. SYSTEMS AND PROCEDURES: GENERAL

Why is this important?

- D.1.1. The Council has many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Directors, managers and budget holders are reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions and data are properly processed and errors detected promptly.
- D.1.2. The Section 151 Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be consulted in advance of any new developments or changes to systems and procedures.

Key controls

- a) Basic data exists to enable the council's objectives, targets, budgets and plans to be formulated.
- b) Performance is communicated to the appropriate managers on an accurate, complete and timely basis.
- c) Early warning is provided of deviations from target, plans and budgets that require management attention.
- d) Operating systems and procedures are secure.

Responsibilities of Section 151 Officer

- D.1.3. To make arrangements for the proper administration of the Council's financial affairs, including to:
- a) Issue advice, guidance and procedures for the Council's officers and others acting on its behalf.
 - b) Determine the accounting systems, form of accounts and supporting financial records.
 - c) Establish arrangements for audit of the Council's financial affairs.
 - d) Approve any changes to be made to existing financial systems or new systems introduced.

Responsibilities of directors, managers and budget holders

- D.1.4. To ensure that accounting records are properly maintained and held securely.
- D.1.5. To ensure that vouchers and documents with financial implications are not destroyed except in accordance with the Corporate Retention Policy
- D.1.6. To ensure that a complete management trail, allowing financial transactions to be traced from the original document to the accounting records, and vice versa, is maintained.
- D.1.7. To incorporate appropriate controls to ensure that, where relevant:
 - a) All input is genuine, complete, accurate, timely and not previously processed.
 - b) All processing is carried out in an accurate, complete and timely manner.
 - c) Output from the system is complete, accurate and timely.
- D.1.8. To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise the risk of fraud or other malpractice.
- D.1.9. To ensure that there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- D.1.10. To ensure that systems are documented and staff trained in operations.
- D.1.11. To consult with the Section 151 Officer and Head of Audit before changing any existing system or introducing new systems.
- D.1.12. To consult with the Section 151 Officer and seek a departure from Financial Rules. This should be reported to the next meeting of Cabinet.
- D.1.13. To establish a scheme of delegation identifying officers authorised to act upon the directors' or managers behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- D.1.14. To supply lists of authorised officers, with specimen signatures and delegated limits to the Section 151 Officer, together with any subsequent variations.
- D.1.15. To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off-site, or in an alternative location within the building.
- D.1.16. To ensure that, where appropriate, computer systems are registered in accordance with the Data Protection legislation and that staff are aware of their responsibilities under the legislation.

D.1.17. To ensure that relevant standards and guidelines for computer systems issued by the appropriate director and managers are observed.

D.1.18. To ensure that computer equipment and software are protected from loss and damage through theft, vandalism etc.

D.1.19. To comply with the copyright, designs and patents legislation and, in particular, ensure that:

- a) Only software legally acquired and installed by the Council is used on its computers.
- b) Staff are aware of legislative provisions.
- c) In developing systems, due regard is given to the issue of intellectual property rights.

D.2. INCOME

Why is this important?

D.2.1. Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all of the income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and also avoids the time and cost of administering debts.

Key controls

D.2.2. The key controls for income are:

- a) All income due to the Council is identified and charged correctly in accordance with the approved scale of fees and charges.
- b) All income is collected in advance or at the point of service, unless the approval of the Section 151 Officer is given.
- c) All income is collected from the correct person, at the right time using the correct procedures and the appropriate stationery.
- d) All money received by an employee on behalf of the Council is paid intact and without delay to the Section 151 Officer or as he/she directs, to the Council's bank account, and is properly recorded.
- e) Effective action is taken to pursue non-payment within defined timescales
- f) Formal approval for write-off is obtained.
- g) Appropriate write-off action is taken within defined timescales.
- h) Appropriate accounting adjustments are made following write-off action.
- i) All appropriate income documents are retained and stored for the defined period in accordance with the "Corporate Retention Schedule"

Responsibilities of Section 151 Officer

D.2.3. To agree arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection.

- D.2.4. To order and supply to departments all receipt forms, books or tickets and similar items and satisfy themselves regarding the arrangements for their control.
- D.2.5. To ensure that appropriate arrangements and guidance is in place to ensure the security and confidential destruction of all income collection records via credit, debit cards and purchase cards and to ensure the Council is complying with the latest Payment Card Industry Security Standards.
- D.2.6. To agree the write-off of bad debts up to £100,000 in each case and to refer larger sums to the appropriate Council bodies.
- D.2.7. To approve all debts to be written off and keep a record of all sums written off up to the approved limit.
- D.2.8. To obtain the approval of the Council body in consultation with the relevant Director or Head of Legal and Democratic, for writing off debts in excess of the approved limit.

Responsibilities of directors and managers

- D.2.9. To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and review it regularly, within corporate policies.
- D.2.10. To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable. This also to include ensuring the security and confidentiality of income received via credit and debit cards. Collection of income via credit and debit cards shall be in line with guidance issued by the Head of Finance, Governance and Assurance and in compliance with the Payment Card Industry Security Standards.
- D.2.11. To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts which are not paid promptly.
- D.2.12. To issue official receipts or maintain other documentation for income collection.
- D.2.13. To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- D.2.14. To hold securely receipts, tickets and other records of income, for the appropriate period.
- D.2.15. To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- D.2.16. To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying in slips to provide an audit trail.

- D.2.17. To ensure income is not used to cash personal cheques or make other payments.
- D.2.18. To supply the Section 151 Officer with details relating to work done, goods supplied or services rendered or other amounts due, to enable the Section 151 Officer to record correctly the sums due to the Council and to ensure accounts are sent out promptly. Directors and managers have a responsibility to assist the Section 151 Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- D.2.19. To keep a record of every transfer of official money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- D.2.20. To recommend to the Section 151 Officer all debts to be written off and keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and, or billing of the original debt.
- D.2.21. To include in the regular Revenue Budget Monitoring report a schedule showing all the amounts written off.
- D.2.22. To write off and keep a record of all sums written off up to £5,000.
- D.2.23. In agreement with the Section 151 Officer, to approve the write off of individual amounts between £5,001 and £100,000, and amounts for an individual debtor that in total fit within this sum.
- D.2.24. To ensure that appropriate accounting adjustments are made following write-off action.
- D.2.25. To raise and authorise credit notes for factual inaccuracies or administrative errors in the calculation and/or billing of the original debt. It should be noted that credit notes will not be issued:
- for irrecoverable debts, as the formal write off procedure should be followed;
 - where the debtor cannot afford to pay at that time. The debt should remain, and revised payment terms agreed, as appropriate;
 - where a debt is to be recovered through deductions from payments. In such circumstances, the deductions made should be offset against the debtor.
- D.2.26. To notify the Section 151 Officer of any instalment plan agreed with debtors that will continue to accrue debt and hold the existing debt in abeyance.
- D.2.27. To notify the Section 151 Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Section 151 Officer and not later than 30 April.

D.2.28. Schools have full powers of virement within the budgets delegated to them in accordance with the Council's Fair Funding Scheme.

D.3. PAYMENTS TO EMPLOYEES, FORMER EMPLOYEES AND MEMBERS

Why is this important?

D.3.1. Employee costs are the largest item of expenditure for most Council services. It is therefore important that there should be controls in place to ensure that payments are made only where they are due for services to the Council and that payments accord with individual's contracts of employment and conditions of service.

Key controls

D.3.2. The key controls for payments to existing and former employees and members are:

a) Proper authorisation procedures and adherence to corporate timetables for:

- Starters.
- Leavers.
- Variations.
- Enhancements.

b) Frequent reconciliation of payroll expenditure against approved budget.

c) All appropriate payroll documents are retained and stored for the defined period in accordance with the "Corporate Retention Schedule".

Responsibilities of the Head of Human Resources

D.3.3. To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to eligible existing and former employees in accordance with procedures prescribed by him/her on the due date.

D.3.4. To record and control tax and other statutory and voluntary deductions.

D.3.5. To make arrangements for payment of all travel and subsistence claims or financial loss allowance

D.3.6. To make arrangements for paying members travel or other allowances upon receiving the prescribed form duly completed and authorised.

D.3.7. To provide advice and encouragement to secure payment of salaries and wages by most economical means.

Responsibilities of directors and managers

- D.3.8. To ensure appointments are made in accordance with the rules of the Council and approved establishments, grades, scales of pay and that adequate budget provision is available for the current financial year and subsequent years.
- D.3.9. To notify the Head of Human Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Head of Human Resources.
- D.3.10. To ensure that adequate and effective systems and procedures are operated for personnel and payroll aspects, so that:
- a) Payments are only authorised to bona fide employees.
 - b) Payments are only made where there is a valid entitlement.
 - c) Conditions, service and contracts of employment are correctly applied.
 - d) Employees' details listed on the payroll are checked at regular intervals to verify accuracy and completeness.
 - e) There is an effective system of checking and certifying payroll forms.
 - f) Payroll forms are submitted in advance of payroll deadlines.
- D.3.11. To send an up-to-date list of the names of officers that can authorise records to the Head of Human Resources, together with specimen signatories.
- D.3.12. To ensure that payroll transactions are processed only through the payroll system. Directors and managers should give careful consideration to the employment status of individuals employed on a "self employed consultant or sub-contract" basis. The HM Revenue and Customs applies clear guidelines for employee status and in cases of doubt, advice should be sought from the Section 151 Officer.
- D.3.13. To certify travel and subsistence claims and other allowances on a monthly basis. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and the Section 151 Officer is informed where appropriate.
- D.3.14. To ensure that the details of any employee benefits in kind are notified to the Section 151 Officer to enable full and complete reporting within the Income Tax Self-Assessment system.
- D.3.15. To ensure that all appropriate payroll documents are retained and stored securely for the defined period in accordance with the "Corporate Retention Schedule".

Responsibilities of Members

- D.3.16. To submit claims for members' travel and subsistence allowances on a monthly basis.

Responsibilities of Officers

D.3.17. To submit claims for Officers' travel and subsistence allowances on a monthly basis.

D.4. ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Why is this important?

D.4.1. Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council's procedures should help to ensure that services can receive value for money in their purchasing arrangements. These procedures should be read in conjunction with the Council's Procurement Strategy and Contract Standing Orders.

General

D.4.2. Every officer and member of the Council has a responsibility to declare any links or personal interests which they may have with purchasers or suppliers and, or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council. The Monitoring Officer maintains a Register of Members' Interests for this purpose and further advice is given in the Council's Constitution (Part 5).

D.4.3. Official orders must be in a form approved by the Section 151 Officer. Official orders must be issued for all work, goods or services to be supplied to the Council except for supplies of utilities, periodic payments such as rent or rates and petty cash purchases.

D.4.4. Each order must conform with the directions of the Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior written approval of the Section 151 Officer and Head of Legal and Democratic.

D.4.5. Apart from petty cash and schools' own bank accounts, the normal method of payment of money due from the Council shall be by BACS or other instrument drawn on the Council's bank account by the Section 151 Officer. The use of direct debit shall require the prior agreement of the Section 151 officer.

D.4.6. Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of Council contracts.

D.4.7. Requisitions, orders and associated terms and conditions shall be issued for all works, supplies and services except for:

- a) Supplies of public utility services;
- b) Periodical payments, e.g. rent;
- c) Petty cash purchases;
- d) Software licences and insurances
- e) Other exceptions applied for via the exemption request guidelines and agreed and authorised in writing by the Section 151 Officer.

D.4.8. The use of purchase cards is only permitted through the Council's Procurement Card Scheme. No other form of purchase card is permitted.

Key controls

D.4.9. The key controls for ordering and paying for work, goods and services are:

- a) All goods and services are ordered only by appropriate persons and recorded.
- b) All goods and services shall be ordered in accordance with the Council's Procurement Strategy and Contract Procedure Rules unless they are purchased from internal sources within the Council.
- c) Goods and services received are checked to ensure they are in accordance with the order.
- d) Payments are authorised by officers who can certify that goods have been received to price, quantity and quality.
- e) All payments are made to the correct person or entity, for the correct amount and are properly recorded.
- f) All appropriate payment documents are retained and stored for the defined period in accordance with the Council's 'Corporate Retention Schedule'.
- g) All expenditure including VAT, is accurately recorded against the right budget and any exceptions corrected.
- h) In addition, the effect of e-business, e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of Section 151 Officer

D.4.10. To ensure that all of the Council's financial systems and procedures are sound and well administered.

D.4.11. To approve any changes to existing financial systems and to approve any new systems before they are introduced.

D.4.12. To approve the form of official orders, and associated terms and conditions.

D.4.13. To make payments from the Council's funds on the directors or managers authorisation that the expenditure has been duly certified in accordance with Financial Rules.

D.4.14. To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.

D.4.15. To make payments where electronic matching of invoices within the Financial system has taken place once the authorised officer has approved and updated the system for receipt of the goods and services and the price matches or is below the order price.

- D.4.16. To make payments to contractors on the certificate of the appropriate director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- D.4.17. To provide advice and encouragement on making payments by the most economic means.
- D.4.18. To approve, in exceptional circumstances advance payments to a supplier/ contractor for supplies or work. Following receipt of an Exemption Request (Appendix H) demonstrating why advanced payments are considered the only viable option in order to achieve service delivery. In addition to the requirements of the Exemption Request Guidance the request should cover how:
- a) Outcomes will be achieved, showing clear accountability for the outcomes and the management of the contract.
 - b) Sound, regular and effective financial management, governance and sustainability of the delivery body is to be reported upon and managed throughout the contract.
 - c) The body receiving the funds will demonstrate that it is using the money in a sustainable and transparent manner.
- D.4.19. To maintain a record of advanced payments and conduct periodic checks on them.

Responsibilities of directors and managers

- D.4.20. To ensure that written and uniquely numbered orders are used for all goods and services other than the exceptions specified in D4.3 or where the Council's procurement card is used.
- D.4.21. To ensure that orders are only used for goods and services provided to the Council. Individuals must not use official orders to obtain goods or services for their private use.
- D.4.22. To ensure that only those staff authorised by them authorise orders and to maintain an up-to-date list of such authorised staff, identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained in accordance with Contract Procedure Rules. Value for money should always be taken into consideration in accordance with the Council's Procurement Strategy.
- D.4.23. To ensure that the budgetary control system (SAMIS) is maintained and enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports. Where Services maintain details of commitments on other systems, those systems must be reconciled with SAMIS on a monthly basis so as to protect the integrity of the Council's financial records.
- D.4.24. To ensure that goods and services are checked on receipt to ensure they are in accordance with the order. This check should, where

possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.

- D.4.25. To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment confirming:
- a) Receipt of goods or services (any evidence of receipt should be retained for 12 months).
 - b) That the invoice is addressed to Shropshire Council or the appropriate establishment such as a school.
 - c) That the invoice has not previously been paid, that expenditure has been properly incurred and is within budget provision.
 - d) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices.
 - e) Correct accounting treatment of tax.
 - f) The invoice is correctly coded.
 - g) Discounts have been taken where available.
 - h) That appropriate entries will be made in accounting records.
- D.4.26. To ensure that an approved Exemption Request is in place for advance payments to a supplier/ contractor for supplies or work and that adequate records are maintained and scrutinised to justify the payments made.
- D.4.27. To ensure that an authorised member of staff, if possible a different officer from the person who authorised the order and in every case a different officer from the person certifying the invoice, authorises invoices.
- D.4.28. To ensure that the directors and managers maintain and review periodically a list of staff approved to certify and authorise invoices. Names of authorising officers together with details of the limits of their authority shall be forwarded to the Section 151 Officer.
- D.4.29. Payment should not be made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the Head of Audit.
- D.4.30. To encourage suppliers of goods and services to receive payment by the most economical means for the Council. Payments should, however, not be made by direct debit unless essential and with the prior approval of the Section 151 Officer.
- D.4.31. To ensure that the Council obtain best value for money from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the guidelines and best practices set out in the Council's Procurement Strategy and Contract Procedure Rules. These documents cover:
- a) Authorised officers and the extent of their authority.
 - b) Advertisement for tenders.

- c) Procedure for creating, maintaining and revising a standard list of contractors.
- d) Selection of tenderers.
- e) Compliance with UK and EC legislation and rules.
- f) Procedures for the submission, receipt, opening and recording of tenders.
- g) The circumstances where financial or technical evaluation was necessary.
- h) Procedures for negotiation.
- i) Acceptance of tenders.
- j) The form of contract documentation.
- k) Cancellation clauses in the event of corruption or bribery.
- l) Contract records.

- D.4.32. To ensure that employees are aware of the national code of conduct for local government employees and any locally adopted codes or rules relevant to employees' conduct.
- D.4.33. To ensure that no loans, leasing or rental arrangements are entered into without prior agreement from the Section 151 Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure value for money is being obtained.
- D.4.34. To notify the Section 151 Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Section 151 Officer and, in any case, not later than 30 April.
- D.4.35. With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Section 151 Officer and the appropriate director or manager, the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub-contractors' tax status.
- D.4.36. To notify the Section 151 Officer immediately of any expenditure to be incurred as a result of statute or court order where there is no budgetary provision.
- D.4.37. To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the "Corporate Retention Schedule".
- D.4.38. Where directors wish to initiate a payment to a third party without a supporting invoice, an official request for payment must be submitted in a form approved by the Section 151 Officer. Any such request must be authorised by an officer designated with an appropriate approval limit in the relevant service Scheme of Financial Delegation. They are responsible for ensuring that all payment details provided are accurate and that supporting records and documentation are available to substantiate the payment, including an official VAT receipt to all for the reclaim of any VAT element.

D.4.39. Non-invoice payments should be requested on an exceptional basis only. Where payments of this type need to be made on a regular basis directors and senior managers must consider, in conjunction with the Section 151 Officer, other alternative options which may be more appropriate.

D.4.40. Payments or reimbursements in respect of salaries and wages, travelling expenses or other employment allowances must be processed through the Payroll system and not treated as a non-invoice payment.

D.5. TAXATION

Why is this important?

D.5.1. Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

Key controls

D.5.2. The key controls on taxation are:

- a) Budget holders are provided with relevant information and kept up-to-date on tax issues.
- b) Budget holders are instructed on required record keeping.
- c) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- d) Records are maintained in accordance with instructions.
- e) Returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of Head of Human Resources

D.5.3. To complete all HM Revenue and Customs returns regarding PAYE.

Responsibilities of Section 151 Officer

D.5.4. To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.

D.5.5. To provide details to the HM Revenue and Customs regarding the Construction Industry Tax Deduction Scheme. To maintain up-to-date guidance for Council employees on taxation issues in the 'Accounting Manual' and the 'Tax Manual'. Responsibilities of directors and managers

Responsibilities of directors, managers and budget holders

D.5.6. To ensure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Revenue and Customs and Regulations.

- D.5.7. To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry requirements.
- D.5.8. To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- D.5.9. To follow the guidance on taxation issued by the Section 151 Officer

D.6. TRADING ACCOUNTS/BUSINESS UNITS

Business Units

Why is this important?

- D.6.1. Compulsory competitive tendering led to the establishment of business units who operate on a fully commercial basis in accordance with statutory requirements. The Council has also established business units to enable staff to prepare for future competition and to demonstrate explicitly that services are valued and provide value for money. Financial Rules apply equally to the Council's Business Units.

Responsibilities of directors and managers

- D.6.2. To consult with the Section 151 Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they are capable of being terminated within the main contract period without penalty.
- D.6.3. To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and an annual report in support of the final accounts.
- D.6.4. To ensure that similar accounting principles are applied in relation to trading accounts of other services or Business Units.
- D.6.5. To ensure that each Business Unit prepares an annual business plan.

APPENDIX E: EXTERNAL ARRANGEMENTS

In this Appendix:

E1	Partnerships
E2	External Funding
E3	Work for Third Parties
E4	Accountable Bodies
E5	Payments to Voluntary Organisations
E6	Trading Accounts/Business Units

E.1. PARTNERSHIPS

Why is this important?

E.1.1. The days of the all-purpose council that plans and delivers everything are over. It is in partnership with others - public agencies, private companies, community groups and voluntary organisations - that the future of local government lies. Local authorities will deliver some services, but their distinctive leadership role will be to bring together the contributions of the various stakeholders. They will need to deliver a shared vision of services by bringing cohesion and co-ordination to the fragmentation of local interests.

E.1.2. Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what, in partnership with others, they achieve.

PARTNERSHIPS - GENERAL

E.1.3. The main reasons for entering into a partnership are:

- a) The desire to find new ways to share risk.
- b) The ability to access new resources.
- c) To forge new relationships.

E.1.4. A partner is defined as either:

- a) An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project
or
- b) A body whose nature or status gives it a right or obligation to support the project.

E.1.5. Partnerships can exist in varying forms:

- a) Formal Partnerships.
- b) Non-Formal Partnerships.
- c) Statutory or Obligatory Partnerships.
- d) Joint Commissioning.

E.1.6. Partners participate in projects by:

- a) Acting as a project deliverer or sponsor, solely or in concert with others.
- b) Acting as a project funder or part funder.
- c) Being the beneficiary group of the activity undertaken in a project.

E.1.7. Partners have common responsibilities:

- a) To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation.
- b) To act in good faith at all times and in the best interests of the partnership's aims and objectives.
- c) Be open about any conflict of interests which might arise.
- d) To encourage joint working between themselves, promote the sharing of information, resources and skills between public, private and community sectors.
- e) To hold confidentially any information received, as a result of partnership activities or duties, that is of a confidential or commercially sensitive nature.
- f) To act wherever possible as ambassadors for the project.

Key controls

E.1.8. The key controls for Council partners are:

- a) To be aware of their responsibilities under the Council's Financial Rules and Contract Procedure Rules.
- b) To ensure risk management processes are in place to identify and assess all known risks.
- c) To ensure project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- d) To agree the roles, responsibilities and accountabilities of each of the partners involved in the project before the project commences.
- e) To communicate regularly with other partners throughout the project so that problems can be identified and resolved.
- f) A statement of the aims and objectives of the partnership.
- g) A shared ownership of strategy.
- h) Sound financial management, with clear procedures for determining the financial liabilities of each partner.
- i) Performance management arrangements between individual organisations and the partnership.
- j) A clear operational timescale with a clear exit strategy that allows the partnership to be discontinued or, if exit is not appropriate, a continuation strategy.

Responsibilities of Section 151 Officer

E.1.9. To advise on effective controls which will ensure that resources are not wasted.

E.1.10. To advise on the key elements of funding a project:

- a) Scheme appraisal for financial viability.
- b) Resourcing, including taxation issues.
- c) Carry forward arrangements.
- d) Risk appraisal.
- e) Audit requirements.

Responsibilities of directors and managers

- E.1.11. To ensure that the approval of Cabinet is obtained before any negotiations are concluded on partnership arrangements.
- E.1.12. To maintain a register of all partnership arrangements entered into in accordance with procedures specified by the Section 151 Officer.
- E.1.13. To provide appropriate information to the Section 151 Officer to enable a note to be entered into the statement of accounts.

E.2. EXTERNAL FUNDING

Why is this important?

- E.2.1. As local authorities are encouraged to provide 'seamless' service delivery through working closely with other agencies and private service providers, the scope for external funding has increased.

Key controls

- E.2.2. To ensure that key conditions of funding and that any statutory requirements are complied with. To ensure that external funding is only accepted where the financial implications of the agreement are clear and where the agreement provides value for money for the council.

Responsibilities of Section 151 Officer

- E.2.3. To sign off any external funding agreements with the funding body, with due regard to key controls. To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

Responsibilities of directors and managers

- E.2.4. To ensure that the Section 151 Officer has signed off funding agreements before any monies are received and applied.
- E.2.5. To ensure that all claims for funds meet key conditions and are made by the due date.

E.3. WORK FOR THIRD PARTIES

Why is this important

E.3.1. Current legislation enables the Council to provide a range of services to other bodies. Such work may enable the unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risk associated with this work is minimised.

Key controls

E.3.2. To ensure that proposals are properly costed in accordance with guidance provided by the Section 151 Officer.

E.3.3. To ensure that contracts are drawn up using guidance provided by the Section 151 Officer and that the formal approvals process is adhered to.

Responsibilities of directors and managers

E.3.4. To ensure that the approval of Cabinet is obtained before any negotiations are concluded to work for third parties.

E.3.5. To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Section 151 Officer.

E.3.6. To ensure that appropriate insurance arrangements are made.

E.3.7. To ensure that the Council is not put at risk from any bad debts.

E.3.8. To ensure that no contract is subsidised by the Council.

E.3.9. To ensure that, wherever possible, payment is received in advance of the delivery of the service.

E.3.10. To ensure that the Directorate has the appropriate expertise to undertake the contract.

E.3.11. To ensure that such contracts do not impact adversely upon the services provided for the Council.

E.3.12. To ensure that all contracts are properly documented.

E.3.13. To provide appropriate information to the Section 151 Officer to enable a note to be entered into the statement of accounts.

E.4. ACCOUNTABLE BODIES

Why is this important

E.4.1. Where the Council is involved in delivering services jointly with other groups or partnerships, either the Council or one of the partner members (if it is a legal entity) can act on behalf of the partnership as the accountable body. The Council is currently the accountable body for a number of partnerships including the Marches Local Enterprise Partnership. Where the Council is the accountable body proper systems of financial administration and control should be put in place for administering and accounting for any funds received and distributed.

Key Controls

E.4.2. To ensure that the Section 151 Officer approves all instances where the Council is to become the accountable body, that full details are provided of what this work actually involves and that Cabinet grants approval to become the accountable body.

E.4.3. That a record is maintained of all activities where the Council is acting as the accountable body.

Responsibilities of the Section 151 Officer

E.4.4. To provide guidance and advice on the setting up and accounting arrangements to be put in place for all activities where the Council has taken on responsibility of acting as the accountable body.

Responsibilities of directors and managers

E.4.5. To advise and seek the approval of the Section 151 Officer where the Council commits or agrees to be the accountable body and ensure that a report is produced for Cabinet approval.

E.4.6. To ensure that any funding received and expenditure made is administered and accounted for in line with the financial and contract procedure rules.

E.4.7. To ensure that the Council does not enter into any commitments or contracts until all funding for the project/activity is fully received.

E.4.8. To establish and maintain effective systems for auditing and monitoring expenditure.

E.4.9. To ensure that in the cases where an independent audit certificate is required that the funds made available to the accountable body have been spent in accordance with the terms of the grant agreement and that a proper audit trail is maintained with appropriate records and copy invoices to support the grant claim.

E.4.10. To ensure all supporting records are maintained in line with the guidance issued in the Corporate Retention Schedule.

E.5. PAYMENTS TO VOLUNTARY ORGANISATIONS

Why is this important

E.5.1. The Council works with a number of voluntary, community and social enterprise (VCSE) providers to deliver Council services. However many VCSE providers do not carry sufficient reserves, either at all or permitted to be used, to fund working capital to enable them to deliver the service they are contracted to do prior to receiving payment.

Key controls

E.5.2. To ensure that payments in advance for VCSE providers are only made where a service contract is drawn up and approved by a director in liaison with the Section 151 Officer.

E.5.3. Payments in advance for VCSE providers must only be made for service delivery costs and payments agreed for no more than five working days in advance of the VCSE incurring the service delivery costs.

Responsibilities of the Section 151 Officer

E.5.4. To provide guidance and advice on the setting up and accounting arrangements to be put in place for all approved payments to voluntary providers.

Responsibilities of directors and managers

E.5.5. To ensure that advance payments made to VCSE providers are only made to organisations that are operating in Shropshire and that are signed up to the Shropshire Compact through membership of the Shropshire VCSA.

E.5.6. Any payments to VCSA providers not covered under the provisions of E.4.5 must be referred to the Section 151 Officer for consideration.

E.5.7. To ensure that the VCSA provider submits evidence of expenditure incurred and documentation is retained in line with the Corporate Retention Schedule.

Appendix F Table of Financial Limits

Financial Rules

This table shows at a glance the amounts presently approved in Financial Rules. Application of these amounts shall be made in compliance with the Financial Rules.

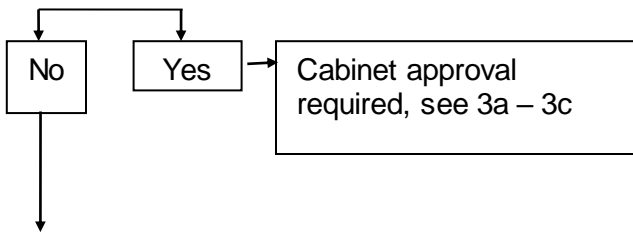
Ref.	Rule	Present Amount
3.26	The value up to which nominated staff are authorised to sign contracts on behalf of the Council	£140,000
A2.21	Where proposed virements are expected to exceed this figure, to prepare jointly with the Section 151 Officer a report to Council	£1,000,000
A2.21	Where proposed virements are expected to be between these figures, the director or manager must prepare jointly with the Section 151 Officer a report to Cabinet	Over £500,000 to £1m
A2.21	Where proposed virements are expected to be from salaries budgets, the director or manager must prepare jointly with the Section 151 Officer a report to Cabinet	All
A2.23 B2.39	To formally report all virements to the Section 151 Officer for inclusion on a register and for their reporting to Cabinet for information	£140,000 to £500,000
A2.24 B2.46	The amount up to which a director or manager with the approval of the Section 151 Officer, may exercise virements on budgets within or outside of their control within a policy area, on any one budget head during the year subject to conditions set out in Financial Rules.	£500,000
B2.47	The amount above which the director or manager, shall prepare and submit monthly joint reports with the Section 151 Officer for Cabinet's approval of variations in capital project contract costs	In excess of 5% of the current scheme budget or £5,000, whichever is

Ref.	Rule	Present Amount
		greater.
B2.48	The amount above which the director or manager, shall prepare and submit joint reports with the Section 151 Officer for Cabinet's approval of capital projects , where the final expenditure exceeds the approved contract sum.	In excess of 5% of the current scheme budget or £5,000, whichever is greater.
C3.22	Level above which disposal of surplus equipment, stocks or stores should be by competitive tender or public auction and records maintained.	£5,000
C3.38	Level above which the individual disposal of redundant surplus equipment should be approved by Cabinet.	£100,000
C3.35	Level below which discrepancies can be written off .	£5,000
C3.37	Level above which Internal Audit advice shall be sought on discrepancies.	£5,000
C3.38	Levels between which approval is sought to write off redundant stocks and stores with the agreement of the Section 151 Officer.	£5,000 to £100,000
D2.6	Level up to which the write off of bad debts is agreed by the Section 151 Officer.	£100,000
D2.6	Level above which the write off of bad debts is referred to the appropriate Council body by the Section 151 Officer.	£100,000
D2.22	Level below which write offs can be undertaken.	£5,000
D2.23	Levels between which approval of the Section 151 officer is required to write off individual amounts, or totalled amounts of an individual debtor.	£5,000 to £100,000

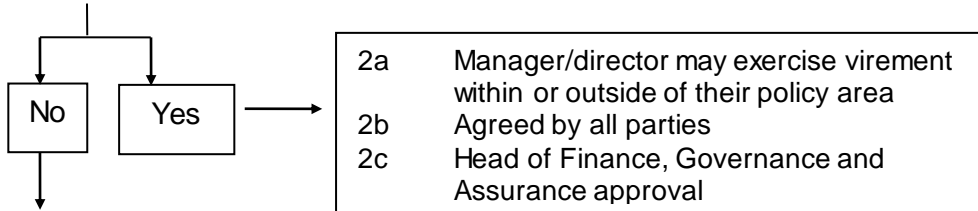
Appendix G: Scheme of Virement flowcharts Revenue and Capital

Proposed

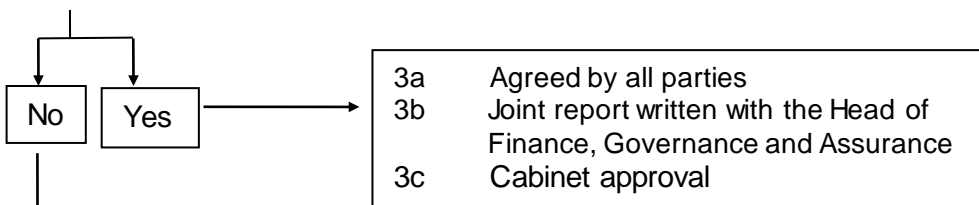
1. Is it from a salaries budget?



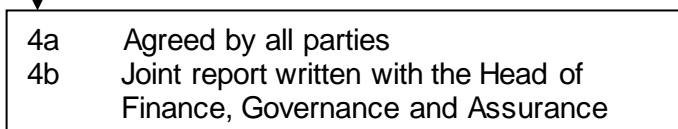
2. Is it less than £500,000?



3. Is it greater than £500,000 but less than £1m?



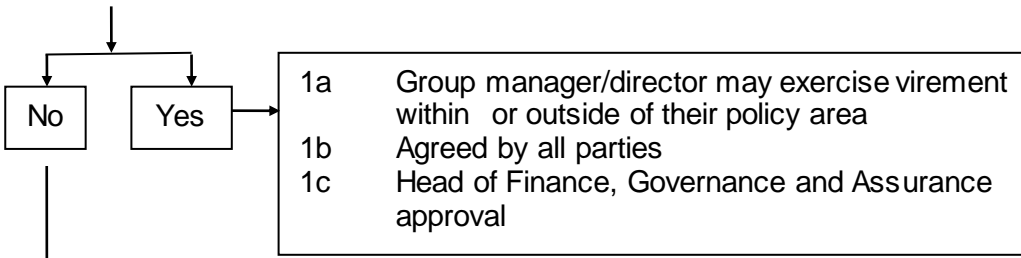
Greater than £1m



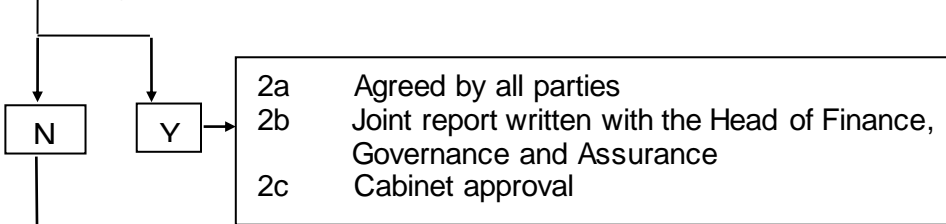
SCHEME OF VIREMENT
(CAPITAL)

Proposed Virement

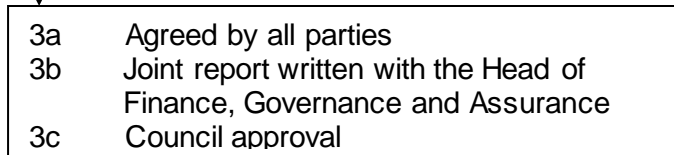
1. Is it less than £500,000?



2. Is it greater than £500,000 but less than



3. Greater than



Appendix H: Exemption Request Guidelines

Periodical review of the Financial Rules helps to ensure that they are robust and appropriate in our ever changing work environment. However, situations may arise where an exemption is appropriate.

If you require an exemption to the rules to be considered then the following procedure should be followed.

An email entitled "FINANCE RULES – EXEMPTION REQUEST" should be sent to the S151 officer (copied to the deputy S151 Officer and corporate.finance@shropshire.gov.uk) with the following content:

The Relevant Rule(s):

A note of the relevant rule(s) against which an exemption is requested

The Situation:

An explanation of the situation which is giving rise to the exemption request

The Exemption Scope:

A description of the extent to which the exemption is requested.

Implications of not granting an exemption:

A description of the consequences of not granting an exemption.

Benefits to granting the exemption:

A description of the benefits to the authority as a result of granting the request.

Risks to granting the exemption:

A note of the risks arising from granting the exemption.

Ongoing accountability and assurance:

An explanation of how the risks noted above will be mitigated and how accountability will be upheld in the event that the exemption is granted.

Unless all of the above points have been addressed, it is unlikely that your request will be considered. You should expect to receive a response to your request within four weeks.