

CONSTITUTION 2021 – Version 2 (May 2022)
PART 6 – PROCEDURE RULES (OTHER)
SECTION 3 – FINANCIAL PROCEDURES RULES (REGULATIONS)

PART 6 – PROCEDURE RULES (OTHER)
(SECTION 3 – FINANCIAL RULES)

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1. INTRODUCTION

Financial Regulations provide the internal framework for managing the Council's financial affairs. These regulations apply to every Member and officer of Arun District Council and anyone in the public or private sector who acts on behalf of the Council. It is imperative that the Council has a strong and usable set of Financial Regulations that are accessible to all who are dealing with its financial matters.

Under Section 151 of the Local Government Act 1972, the Council is required to make arrangements for the proper administration of its financial affairs and arrange for one of its officers to be responsible for the administration of those affairs. This officer is the Group Head of Corporate Support.

Throughout these Financial Regulations, the title Group Head of Corporate Support will be used to denote the designated Section 151 Officer of the Council; in the case of absence or non-availability, the Financial Services Manager will be the deputy Section 151 Officer.

The Group Head of Corporate Support is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Council for approval. He/she is also responsible, where appropriate, for reporting breaches of the Financial Regulations to the Audit and Governance Committee.

It is the responsibility of Corporate Management Team (CMT)/Group Heads to ensure that all officers in their service are aware of the existence and content of these Financial Regulations, as well as other internal regulatory documents, and also to confirm that they comply with them.

It is the responsibility of the Group Head of Corporate Support to provide advice and guidance regarding the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.

STATUTORY REFERENCES

- Local Government Act 1972
- Local Government Act 1999
- Local Government Act 2003
- Local Audit and Accountability Act 2014
- Accounts and Audit Regulations 2015

CODES OF PRACTICE

- Code of Practice on Local Authority Accounting in the United Kingdom
- Prudential Code for Capital Finance in Local Authorities
- Service Reporting Code of Practice for Local Authorities (CIPFA)
- Treasury Management Code of Practice (CIPFA)
- United Kingdom Public Sector Internal Audit Standards (PSIAS) as interpreted by CIPFA's Local Government Application Note

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2. FINANCIAL PLANNING

2.1 FORMAT OF THE BUDGET

Why is this important?

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.

Responsibilities of the Group Head of Corporate Support

- To advise the committee and sub-committees on the format of the budget that is approved by the Council.

Responsibilities of CMT/Group Heads

- To comply with accounting guidance provided by the Group Head of Corporate Support.

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Key controls

The key controls for the budget format are: -

- a) That the format complies with all legal requirements;
- b) That the format reflects the accountabilities of service delivery; and
- c) That, in published statements where it is required, the format complies with CIPFA's *Service Reporting Code of Practice for Local Authorities*.

2.2 BUDGETS AND MEDIUM-TERM PLANNING

Why is this important?

The Council needs to plan effectively and develop systems to enable limited resources to be allocated in accordance with priorities. The budget is the financial statement of the Council's plans and policies.

The revenue and capital budgets must be constructed to ensure that resource allocation properly reflects the Council's strategic priorities and objectives as set out in the Corporate Plan and service plans. Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit.

CMT/Group Heads shall prepare annually (normally for submission to the relevant committee each January), draft estimates of income and expenditure in a form agreed with the Group Head of Corporate Support together with any necessary explanations.

Responsibilities of the Group Head of Corporate Support

- To prepare and submit reports on budget prospects for Policy & Finance Committee in accordance with the Constitution, including resource constraints set by the Government. Reports should take account of medium-term prospects and review where appropriate.

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- To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Council, and following consultation with the Policy & Finance Committee and CMT/Group Heads.
- To prepare and submit reports to the relevant committees on the overall position, and Policy & Finance Committee on the aggregate spending plans of departments and resources available, identifying, where appropriate, the implications for the level of council tax to be levied.
- To advise on the medium-term implications of spending decisions.
- To encourage the best use of resources and value for money by working with CMT/Group Heads 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.
- To advise the Council on the Policy & Finance Committee's proposals on the robustness of the budget set and the adequacy of reserves in accordance with the Local Government Act 2003.

Responsibilities of CMT/Group Heads

- To prepare estimates of income and expenditure, in consultation with the Group Head of Corporate Support to be submitted to the appropriate committee.
- To prepare budgets consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Policy & Finance Committee. The format will be prescribed by the Group Head of Corporate Support in accordance with the Policy & Finance Committee's general directions.
- To integrate financial and budget plans into service planning.
- To ensure that budget proposals underpin the Council's strategic priorities and objectives as set out in the Corporate Plan.

Key controls

The key controls for budgets and medium-term planning are: -

- a) specific budget approval is given for all expenditure;
- b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the appropriate committee for their budgets and the level of service to be delivered; and
- c) a monitoring process is in place to regularly review the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

2.3 CAPITAL PROGRAMME

Why is this important?

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, equipment or vehicles.

Capital assets can shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running

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costs. Capital expenditure can also result in the creation of an intangible asset, for items such as software licenses which have no physical substance.

The Council is required to set its Capital Programme having regard to the CIPFA Prudential Code, ensuring that it is affordable, prudent and sustainable. This means that capital expenditure forms part of an investment strategy that is carefully prioritised in order to maximise the benefit of limited resources. The Council must also approve its Prudential Indicators which are used to monitor performance throughout the year.

Responsibilities of the Group Head of Corporate Support

To prepare a capital programme covering at least two future financial years. If an urgent and unforeseen need arises to undertake a project in excess of the current approved capital programme or to accelerate the preparation, commencement or completion of a scheme, the proposal will be considered by the Corporate Management Team and if agreed will then be reported to the relevant committee (and Full Council if a supplementary estimate is required) for final approval.

- To prepare and submit regular reports to the relevant committee on the projected income, expenditure and resources compared with the approved estimates. Also, to inform the relevant committee where estimated expenditure on any scheme exceeds the capital programme provision by more than 10% or £100,000 whichever is lower, unless the amount is not material.
- The definition of 'capital' will be determined by the Group Head of Corporate Support, having regard to government regulations and accounting requirements.

Responsibilities of CMT/Group Heads

- To comply with guidance concerning capital schemes and controls issued by the Group Head of Corporate Support.
- To ensure that all estimates and programmes prepared in connection with capital expenditure shall include reference to the estimated revenue implications in each of the development years and in a full cost year as agreed with the Group Head of Corporate Support.
- To review the capital programme provisions for their services and the estimated final costs of schemes in the approved capital programme.
- To ensure that adequate records are maintained for all capital contracts.
- To proceed with projects / contracts only when there is adequate provision in the capital programme and guarantees of any external funding are in place.
- To notify the Group Head of Corporate Support immediately if the total value of a contract or its annual sum is likely to be different from the original figure by more than the approved limits (the lower of 10% or £100,000 subject to materiality).

Key controls

The key controls for capital programmes are: -

- a) specific approval by the Council for the planned programme of capital expenditure;
- b) each capital project must be subject to a project appraisal in line with Programme and Project Management procedures and assessed against the Council's

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strategic objectives, prior to approval by the relevant committee, sub-committee or officer;

- c) proposals for improvements and alterations to buildings and land must be approved by the appropriate Director/Group Head;
- d) monitoring of progress in conjunction with expenditure and comparison with approved budget; and
- e) monitoring of Prudential Indicators throughout the year.

2.4 MAINTENANCE OF RESERVES

Why are these important?

The Council holds reserves for one of three purposes:

- working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing (general reserve);
- a contingency to cushion the impact of unexpected events or emergencies (general reserve); and
- a means of building up funds (earmarked reserve) to meet known or predicted liabilities.

It is the responsibility of the Section 151 Officer to advise the Council as to the level of general reserves.

Responsibilities of the Group Head of Corporate Support

- To advise the Policy & Finance Committee and/or the Council on prudent levels of reserves for the Council, having regard to advice from the external auditor.

Responsibilities of CMT/Group Heads

- To ensure that reserves are used only for the purposes for which they were intended.

Key controls

To maintain reserves in accordance with the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom* and agreed accounting policies.

For each reserve established the following must be provided:

- The reason for / purpose of the reserve
- How and when the reserve can be used
- Procedures for the reserve management and control
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

Authorisation and expenditure from reserves by the relevant Director/Group Head in consultation with the Group Head of Corporate Support.

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3. FINANCIAL MANAGEMENT

3.1 BUDGETARY CONTROL

Why is this important?

Budgetary control is the means by which the Council manages its finances and ensures their effective use in accordance with the approved budget. It is a continuous process, enabling the Council to monitor and review its financial performance during the financial year.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity.

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.

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.

Responsibilities of the Group Head of Corporate Support

- To administer an appropriate framework of budgetary management and control that ensures:
 - a) Budget management is exercised within annual cash limits
 - b) Each Director has available timely information on receipts and payments on each budget;
 - c) Expenditure is only committed against an approved budget
 - d) All officers responsible for committing expenditure comply with relevant guidance, and these Financial Regulations
 - e) Each budget heading has a single named manager, determined by the relevant Director/Group Head. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure
 - f) Significant variances from approved budgets are investigated and reported by budget managers regularly
- To administer the Council's Scheme of Virement (see 3.2.).
- To submit reports to the Policy & Finance Committee and to the Council, in consultation with the relevant Director/Group Head, where it is not possible to balance expenditure and resources within existing approved budgets under his/her control (see 3.2.5 supplementary estimates).
- To prepare and submit regular monitoring reports to relevant committee on the Council's projected income and expenditure compared with the budget.

Responsibilities of CMT/Group Heads

- To maintain budgetary control within their services and to ensure that all income and expenditure is recorded and accounted for properly.
- To ensure that an accountable budget manager is identified for each item of income and expenditure.
- To ensure that spending remains within the service's overall cash limit, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.

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- To prepare and submit to the Policy & Finance Committee, reports on the service's projected expenditure compared with its budget, in consultation with the Group Head of Corporate Support.
- To ensure compliance with the Scheme of Virement (see 3.2).
- To agree with the relevant Director/Group Head where it appears that a budget proposal, including a virement proposal, may impact materially on another service area.

Key controls

The key controls for managing and controlling the revenue budget are: -

- a) budget managers should be responsible only for income and expenditure that they can influence;
- b) there is a nominated budget manager for each budget heading;
- c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- d) all budgets are appropriately profiled through the financial year;
- e) budget managers follow an approved certification process for all expenditure;
- f) income and expenditure are recorded and accounted for properly.

3.2 SCHEME OF VIREMENT

A Scheme of Virement shall be prepared as a policy document by the Group Head of Corporate Support and approved by Policy and Finance Committee. A summary of the limits relating to virement as set out in the sections below will be provided as Appendix 1 to these Rules.

3.2.1. Virement

Why is this important?

Virement is the transfer of budget from one specific area to another. This can either be a transfer within revenue budgets or capital budgets. Restrictions may apply to transfers between capital and revenue budgets. Virement can be a temporary (in-year) or permanent transfer of budget.

The Scheme of Virement is intended to enable committees, together with CMT/Group Heads and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council

Responsibilities of the Group Head of Corporate Support

- To submit a report to the Corporate Management Team and Policy & Finance Committee where virements are proposed between directorate areas;
- To approve all virements between £50,001 and £500,000.
- To ensure that all virements over £500,000 are approved by the relevant committee.

Responsibilities of CMT/Group Heads

- CMT/Group Heads may exercise virement on budgets under their control of up to a maximum of £50,000, provided the Group Head of Corporate Support has given their approval.

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- To submit a report to the relevant committee for virements over £500,000, provided that the Group Head of Corporate Support has been notified.
- Salary budgets reflect the Council's approved establishment. As such the salary budgets cannot be vired to other areas of the budget. A favourable salary budget variance may be used to cover the additional temporary staffing costs incurred due to the vacant post subject to the corporate vacancy target.
- Virements against future anticipated fees and charges or other uncertain sources of income will not be allowed.
- Savings of a non-recurring nature (temporary) cannot be used to justify the incurring of expenditure with a continuing commitment into later years (permanent).
- Virement that is likely to impact on the level of service activity of another service should be implemented only after agreement with the relevant Director/Group Head.

Key controls

Key controls for the Scheme of Virement are: -

- a) it is administered by the Group Head of Corporate Support within guidelines set by the Council. Any variation to the scheme requires the approval of the Council;
- b) the overall budget is recommended by the Policy & Finance Committee and approved by the Council. CMT/Group Heads are authorised to incur expenditure in accordance with the estimates that make up the budget.
- c) virement does not create a net increase in budget. CMT/Group Heads are expected to exercise their discretion in managing their budgets responsibly and prudently.

3.2.2 SUPPLEMENTARY ESTIMATES

Why is this important?

Supplementary estimates are requests for additional resources (capital or revenue) over and above the approved budget. The Council has limited financial resources so expenditure needs to be carefully monitored. When a need to incur unavoidable or non-controllable expenditure is identified and the amount required cannot be met by virement, a request for a supplementary estimate shall be submitted to the Policy & Finance Committee and Full Council. Supplementary estimates can, in exceptional circumstances and with the approval of the Group Head of Corporate Support, be considered by Full Council when referral via the relevant committee and Policy & Finance Committee would cause unreasonable delay.

Responsibilities of the Group Head of Corporate Support

- To ensure that all supplementary estimates (where net expenditure cannot be contained within existing budget provision) are approved by Policy & Finance Committee and Full Council. The only exception to this rule is on the grounds of urgency.

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Responsibilities of CMT/Group Heads

- To submit estimates to the Group Head of Corporate Support at the earliest opportunity where unavoidable expenditure is likely and a specific source of funding cannot be identified.
- To submit a report to Policy & Finance Committee and Full Council when a supplementary estimate is proposed and net expenditure cannot be contained within existing budget provision.

Key controls

Key controls for supplementary estimates are:

- (a) It is administered by the Group Head of Corporate Support with a view to affordability, impact on the Councils overall financial position and existing and anticipated level of balances;
- (b) the overall budget is recommended to Policy & Finance Committee and approved by the Council. Any additional expenditure incurred must also be recommended to the Policy & Finance Committee (unless this is not practical) and approved by the Council; and
- (c) supplementary estimates create a net increase in budget. CMT/Group Heads are expected to exercise their discretion in managing their budgets responsibly and prudently and wherever possible meeting additional cost pressures by virement from within existing budgets. Supplementary estimates should only be requested under exceptional circumstances.

3.3 ACCOUNTING POLICIES

Why are these important?

The Council is required to follow proper practices in preparing its Statement of Accounts. The Council's Accounting Policies are a key part in ensuring that this is done, and these are detailed in the Statement of Accounts.

Responsibilities of the Group Head of Corporate Support

- To establish suitable accounting policies and to ensure that they are applied consistently.
- To ensure that the accounting policies are consistent with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, for each financial year.

Responsibilities of CMT/Group Heads

- To adhere to the accounting policies and guidelines approved by the Group Head of Corporate Support.

Key controls

The key controls for accounting policies are:

- a) Systems of internal control are in place to ensure that financial transactions are lawful;
- b) Suitable accounting policies are established and applied consistently;
- c) Proper accounting records are maintained;

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- d) Financial statements are prepared which present fairly the financial position of the Council and its expenditure and income; and
- e) Accounting policies are set out in the Statement of Accounts and are subject to external audit.

3.4 ACCOUNTING RECORDS AND RETURNS

Why are these important?

Maintaining proper accounting records is one way in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare annual accounts that present its operations during the financial year fairly. These annual accounts are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

Responsibilities of the Group Head of Corporate Support

- To determine the accounting policies, procedures and the method for recording transactions for the Council.
- To arrange for the compilation of all accounts and accounting records under his/her direction.
- To comply with the following principles when allocating accounting duties: -
 - a) Employees responsible for the calculation, checking and recording of income and expenditure should not be responsible for the collection and disbursement of such income and expenditure; and
 - b) Employees with the duty of examining or checking the accounts of cash transactions must not be engaged in those transactions.
- To make proper arrangements for the audit of the Council's annual accounts in accordance with the Accounts and Audit Regulations 2015.
- To ensure that all claims for funds (including grants) are made accurately and by the due date.
- To prepare and publish the audited annual accounts of the Council for each financial year, in accordance with the statutory timetable.
- To ensure the proper security and retention of financial documents in accordance with the requirements set out in the Council's Document Retention Policy.
- To ensure that an asset register is maintained, and assets are appropriately revalued and categorised in accordance with *Code of Practice on Local Authority Accounting in the United Kingdom*.

Responsibilities of CMT/Group Heads

- To ensure that a copy of any approved funding from a third party, including government grant, is immediately passed to the Group Head of Corporate Support.
- To ensure that all necessary service-related information is available to support all claims for funds, including government grants.

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- To maintain adequate records to provide a management/audit trail leading from the source of income/expenditure through to the accounting statements.
- To supply information required to enable the statement of accounts to be completed and published in accordance with the timetable and guidelines issued by the Group Head of Corporate Support.

Key controls

The key controls for accounting records and returns are:

- a) All committees, finance employees and budget managers operate within the required accounting standards and timetables;
- b) All the Council's transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
- c) Procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
- d) Reconciliation procedures are carried out to ensure transactions are correctly recorded;
- e) Prime documents are retained in accordance with legislative and other requirements, as set out in the Council's Document Retention Policy; and
- f) The central accounting system of the Council, administered by the Group Head of Corporate Support, is the prime system upon which the financial position of the council, or any part of the Council, will be assessed.

3.5 THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

The Council has a statutory responsibility to prepare its own accounts to present its operations during the financial year in a fair manner. The Council is responsible for approving the statutory annual statement of accounts, through delegation to the Audit & Governance Committee.

Responsibilities of the Group Head of Corporate Support

- To establish suitable accounting policies and to apply them consistently.
- To make judgements and estimates that are reasonable and prudent.
- To comply with the *Code of Practice on Local Authority Accounting in the United Kingdom*.
- To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the financial year.
- To draw up the timetable and requirements for final accounts preparation and to advise employees and the external auditor accordingly.

Responsibilities of CMT/Group Heads

- To comply with accounting guidance provided by the Group Head of Corporate Support and to supply the Group Head of Corporate Support with information when required.

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Key controls

The key controls for the annual statement of accounts are: -

- a) The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the Group Head of Corporate Support; and
- b) The Council's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom*.

4. RISK MANAGEMENT AND CONTROL OF RESOURCES

4.1 RISK MANAGEMENT AND INSURANCE

Why is this important?

Risk management is a planned and systematic approach to identifying, evaluating and controlling risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational wellbeing of the Council. It is, therefore, an integral and essential part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action needed to control these risks effectively.

It is the overall responsibility of the Audit & Governance Committee to approve the Council's Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council.

Responsibilities of the Group Head of Corporate Support

- To prepare and promote the Council's Risk Management Strategy.
- To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims, in consultation with other officers where necessary.

Responsibilities of CMT/Group Heads

- To notify the Group Head of Corporate Support immediately of any injury, loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Group Head of Corporate Support or the Council's insurers.
- To take responsibility for risk management and minimising exposure to loss, having regard to advice from the Group Head of Corporate Support and other specialist advisers (e.g. health and safety, emergency planning).
- To ensure that there are regular reviews of Corporate and Departmental risk registers to identify and evaluate risk and to determine the ways risk can be managed. The risks and the mitigating actions should be recorded and monitored.
- To notify the Group Head of Corporate Support promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

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- To consult the Group Head of Corporate Support on the terms of any indemnity that the Council is requested to give.

Key controls

The key controls for risk management are:

- a) Procedures are in place to identify risks, to evaluate their likely impact and probability of occurring, and to determine suitable risk reduction strategies. The risk management process operates continually to ensure that changes in circumstances and new risks are identified, evaluated and managed;
- b) Corporate and Departmental Risk Registers are produced and are regularly reviewed and action taken when appropriate;
- c) Risk management procedures are communicated effectively throughout the Council. Managers know that they are responsible for managing risks in their areas and are provided with relevant information on risk management initiatives;
- d) Acceptable levels of risk are determined and insured against where appropriate; and provision is made through balances or reserves for losses where insurance is not appropriate;
- e) The Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

4.2 AUDIT REQUIREMENTS

Internal Audit

The requirement for an internal audit function is implied by the Accounts & Audit Regulations 2015 which requires that the Council must each financial year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It will act in accordance with the internal audit charter and *UK Public Sector Internal Audit Standards (PSIAS)* and will undertake reviews that focus on areas of greatest risk to the Council, as agreed annually in consultation with CMT and approved by the Audit & Governance Committee. However, it is the responsibility of every manager to establish and maintain an effective system of internal control.

Internal audit shall have the authority to have unrestricted access to all records, assets, personnel and premises deemed necessary to review the activities of the Council and (where appropriate, subject to contractual arrangements) its contractors and operating partners. It also has authority to obtain from all employees and members such information and explanations as are considered necessary and direct access and freedom to report to CMT and Council committees (although its primary responsibility is to the Audit & Governance Committee).

Key controls

The key controls for Internal Audit are:

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- a) That it is independent in its planning and operation;
- b) the Internal Auditor has direct access to the Chief Executive, all levels of management and directly to elected members; and
- c) The internal auditors comply with the United Kingdom Internal Audit Standards as interpreted by CIPFA's Local Government Application Note.

4.3 PREVENTING FRAUD AND CORRUPTION

The Council takes the prevention of fraud, corruption and maladministration very seriously and has the following policies in place, which aim to prevent or deal with such occurrences: -

- Anti-Fraud, Corruption & Bribery Policy
- Whistleblowing Policy (in respect of the Public Interest Disclosure Act 1998)
- Anti-money laundering procedures
- HR policies regarding discipline of staff
- Registers of Interests for Members and staff
- Robust processes for the procurement of goods and services

The Council expects all Members and employees to act with propriety and accountability and also expects that individuals and organisations with whom the Council comes into contact (for example, suppliers, contractors and service providers) will act towards the Council with integrity and without thought or actions involving fraud and corruption.

Where financial or other impropriety is discovered or suspected it must immediately be reported to the Group Head of Corporate Support and/or the Chief Internal Auditor for appropriate investigation and action.

4.4 ASSETS – (LAND, BUILDINGS, FURNITURE, EQUIPMENT ETC.)

Acquisitions

Why are these important?

The Council is publicly accountable for the way that it spends its money. Value for money must be demonstrated. Therefore, the Council has to exercise control over its purchasing activity, including asset acquisition (e.g., property, vehicles, plant and equipment, furniture).

Responsibilities of the Group Head of Corporate Support

- To issue guidelines on the best practice in respect of asset acquisition.
- To periodically review all guidelines to ensure that they still reflect best practice.
- To ensure that all expenditure is properly recorded in the Council's accounts and records.

Responsibilities of CMT/Group Heads

- To ensure that the Council's policies and procedures are complied with.
- To ensure that the necessary separation of duties is observed.
- To ensure that assets purchased are necessary.

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Key controls

The key controls for asset acquisition are:

- a) Council policies in respect of the acquisition of assets are complied with at all times. This includes compliance with Contract Regulations for all asset acquisitions.
- b) There are at least two employees involved in the process of acquisition, with a separation of duties between employees involved in the different parts of the process.
- c) Procedures protect employees involved in the acquisition of assets from accusations of impropriety.

Asset disposal and transfer

Why is this important?

It would be uneconomic and inefficient for the cost of maintaining assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the Council's policies and procedures.

Assets are sometimes used by or transferred to an external party, for example as part of an outsourced contract or partnership arrangement. It is important that the legal and financial basis for the transfer is determined and properly documented, so that the interests of the Council are protected.

Responsibilities of the Group Head of Corporate Support

- To issue guidelines representing best practice for disposal of assets.
- To ensure appropriate accounting entries are made to remove the value of disposed or transferred assets from the Council's records and to include the sale proceeds, if appropriate.

Responsibilities of Directors/Group Heads

- To seek advice from the Group Head of Corporate Support on the disposal of surplus or obsolete materials, equipment and vehicles.
- To seek advice from the Group Head of Corporate Support where assets are to be transferred or predominantly used by an external party.
- To ensure that income received for the disposal of an asset is properly banked and coded.
- To authorise the write off and disposal of obsolete or surplus materials and equipment.
- To ensure that the disposal of obsolete or surplus materials and equipment, is by competitive quotation or auction, unless, following consultation with the Group Head of Corporate Support, the relevant Committee decides otherwise.

Specifically relating to the disposal or acquisition of land and buildings: -

To ensure that all disposals of land and buildings are in accordance with the Council's land sale policy current at the time. Where disposal of land and buildings is allowed, it shall be conducted in accordance with the provisions detailed in (a) (i) – (vi) below.

- (a) Approved methods of disposal shall be by:-
 - i. Private Treaty;
 - ii. Auction;

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- iii. Tender
 - iv. Sealed Offer;
 - v. Exchanges of land; or
 - vi. Compulsory Purchase Order
- (b) To ensure that where land is to be disposed of by the Council, the Group Head of Corporate Support shall ensure compliance with Financial Regulations and S123 of the Local Government Act 1972.

Key controls

- (a) assets for disposal or transfer are identified and are disposed of or transferred at the most appropriate time, and only when it is in the best interests of the Council, and the best price or contract terms are obtained, bearing in mind other factors, such as environmental issues – in accordance with an assets disposal policy to be approved by Finance and Policy Committee.
- (b) for items of significant value, disposal should be by competitive tender or public auction; and
- (c) procedures protect employees involved in the disposal of assets from accusations of personal gain.

Security (Including Inventories)

Why is this important?

The Council holds assets in the form of property, vehicles, equipment and other items worth many millions of pounds. Information held by the Council is also a key asset. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of assets. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

Responsibilities of the Group Head of Corporate Support

- To ensure that an asset register is maintained in accordance with good practice for all assets with a value in excess of £25,000. The function of the asset register is to provide the Council with information about fixed assets so that they are: -
 - safeguarded;
 - used efficiently and effectively;
 - adequately maintained; and
 - accounted for.
- To receive the information required for accounting, costing and financial records from each director/group head.
- To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.
- To maintain a central register of IT equipment.

Responsibilities of CMT/Group Heads

- To ensure the proper security of all employees, buildings and other assets under their control.
- To pass title deeds to the Group Head of Law and Governance who is responsible for custody of all title deeds.

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- To ensure the safe custody of vehicles, equipment, furniture, and other property belonging to the Council.
- To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- To ensure cash holdings on premises are kept to a minimum and that maximum limits are agreed by the Group Head of Corporate Support.
- To ensure that keys to safes and similar secure containers/cupboards are carried on the person of those responsible at all times; loss of any such keys must be reported to the Group Head of Corporate Support as soon as possible.
- To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Group Head of Corporate Support.
- To carry out an annual check of all items on the inventory in order to verify location, to review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly.
- To make sure that property is only used in the course of the Council's business, unless the Director/Group Head concerned has given permission otherwise.

Key controls

- (a) assets registers are accurately maintained, and all assets are accounted for; and
- (b) assets are valued in accordance with approved policies and appropriate values included in the Council's annual Accounts.

4.5 TREASURY MANAGEMENT

Why is this important?

Many millions of pounds pass through the Council's accounts each year. The scale of the local authority treasury activity and issues such as the Icelandic banking collapse has led to the development of CIPFA's *Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities (Prudential Code)*. These aim to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

Responsibilities of Group Head of Corporate Support To arrange the borrowing and investments of the Council, including bank overdrafts, in such a manner as to comply with the CIPFA Code of Practice on Treasury Management, the Prudential Code, the Council's Treasury Management Strategy and the Council's Treasury Management Practices.

- To report on treasury activities to the Audit & Governance Committee, with recommendations (including adoption of the Treasury Management Strategy Statement & Annual Investment Strategy) referred for approval by Full Council.
- To operate bank accounts as are considered necessary. All arrangements with the Council's approved bankers regarding the Council's bank accounts, and the terms on which they are conducted shall be made by the Group Head of Corporate Support.
- To ensure that detailed arrangements are made regarding the Council's bank accounts and for the issue of cheques and cards. All cheques or cards shall be

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ordered only on the authority of the Group Head of Corporate Support who shall advise on proper arrangements for their safe custody.

- All of the Council's bank accounts must be in the name of "Arun District Council".
- To ensure that all investments or utilisation of monies and other accumulations and the sale or realisation of investments are made in the name of the Council or in the name of nominees approved by the relevant committee.
- To effect all borrowings in the name of the Council.
- To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money and investment by the Council.
- To ensure that in circumstances where the Council has decided to finance capital expenditure by way of leasing, deferred purchase, or similar arrangements, the Group Head of Corporate Support or his/her authorised representative shall so far as possible, obtain competitive quotations from relevant funding sources and such arrangements shall be subject to approval by the relevant committee.

Responsibilities of CMT/Group Heads

- To follow the instructions on banking issued by the Group Head of Corporate Support.
- To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the relevant committee, following consultation with the Group Head of Corporate Support.
- To ensure that CMT/Group Heads advise the Group Head of Corporate Support of the disposal of any vehicle or item of equipment that is subject to a lease.

Key controls

- (a) the Treasury Management Strategy Statement & Annual Investment Strategy must be approved by Full Council by 31st March for the next financial year;
- (b) Council investments are only placed with approved institutions in line with the agreed strategies;
- (c) investment performance is monitored and reported to officers and Members;
- (d) funds transfers (e.g. by CHAPS) require dual authorisation by designated officers; and
- (e) investment and borrowing requirements are identified and planned for in short-term cashflow forecasting and longer-term financial strategies.

4.6 WORKFORCE

Why is this important?

The Council sees its employees as a valuable asset to running its business to provide the highest level of service, it is essential that the Council recruits and retains high calibre, knowledgeable employees, who are qualified to an appropriate level.

Responsibilities of the Group Head of Corporate Support

- To ensure that CMT/Group Heads have identified budget provision for all existing and new employees.

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- To act as an advisor to CMT/Group Heads on areas such as National Insurance and pension contributions, as appropriate.
- To develop a workforce strategy, policy and procedures and ensure they are disseminated and enforced.

Responsibilities of CMT/Group Heads

- To produce an annual workforce budget.
- To ensure that the workforce budget is an accurate forecast of workforce levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- To ensure that the workforce budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- To comply with, and ensure employees comply with, the Council's Human Resource policies (for example: recruitment, training and flexible working policies).

Key controls

The key controls for employees are: -

- (a) an appropriate workforce strategy and policy exists, in which employee requirements and budget allocation are matched;
- (b) procedures are in place for forecasting workforce requirements and cost;
- (c) controls are implemented that ensure that employee time is used efficiently and to the benefit of the Council; and
- (d) checks are undertaken prior to appointing new employees to ensure that they are appropriately qualified, experienced and trustworthy.

5. FINANCIAL SYSTEMS AND PROCEDURES

5.1 GENERAL

Introduction

The Council is governed by laws requiring that it makes proper arrangements for the administration, reporting and safeguarding of those funds and act in a way that is open and accountable as to how those funds are used.

Whilst all Council Officers and Members have a general financial responsibility, Section 151 of the Local Government Act 1972 requires that a suitably qualified officer must be responsible for the financial administration of the organisation. This officer is the Group Head of Corporate Support.

Group Head of Corporate Support

The Group Head of Corporate Support is responsible for the proper administration of the Council's financial affairs, prescribe appropriate financial systems, protocols, procedures and policies, maintain an internal audit service and report to the Council in the event of any decision or action leading to, or may lead to, unlawful expenditure, loss, deficiency or accounting entry and;

- (a) will be responsible for ensuring the final accounts are completed and published in accordance with statute and accepted public sector accounting requirements

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and the reporting to Members of any material amendments specified by external audit,

- (b) will have unrestricted access to all Council assets, systems, documents, information, data, employees and Members held by the Council,
- (c) issue guidance, advice or instruction on the application of these financial systems and procedures as appropriate,
- (d) recommend to the Council the addition, alteration or deletion of any financial regulation.

CMT/Group Heads (Senior Management Team)

CMT and Group Heads being the Senior Management Team of the Council;

- a) will manage budgets and financial activity within their area of responsibility including the planning and control of budgets and prevention of fraud and corruption to ensure efficient and effective use of resources,
- b) shall consult with the Group Head of Corporate Support and obtain approval on any matter that may have a material effect, advantageous or detrimental, on the Council's financial position or financial strategy,
- c) comply with any instruction given by the Group Head of Corporate Support regarding the form and method of financial record keeping or the operation of any financial procedures.

Committees and Sub-Committees

All Committees or Sub-Committees will ensure that decisions taken are within their remit and relevant budgets, are compliant with adopted policies, and consistent with achievement of the Council's service or corporate plans

Council

The Council will;

- approve the Medium Term Financial Strategy (MTFS)
- approve and annual budget and determine the level of local taxation and other statutory charges
- approve the Treasury Management Strategy (TMS) and prudential indicators
- approve changes to these financial procedures

Officers and Members

All Officers and Members will contribute to the general stewardship of the Council's financial affairs in compliance with this code and any systems, procedures, policies prescribed by law or the Group Head of Corporate Support relating to the Council's financial management. They will bring to the attention of the Group Head of Corporate Support any matter that is contrary to the provisions of these Regulations or the high standard of financial probity expected of the Council or may bring the Council into disrepute or legal challenge.

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5.2 INCOME

All employees receiving money or cashable instruments (including cash, cheques, credit/debit card payments, direct credits, etc.) or making arrangements for the collection of income must comply with the relevant procedures and instructions issued by the Group Head of Corporate Support to ensure that sums are properly recorded, receipted, and banked, and correct accounting entries made.

Cash, in coin or bank note, is only to be accepted in exceptional circumstances and every effort should be made to promote cashless payments.

Budget Holders

All officers with budget management responsibility are required to ensure that;

- invoices and credit notes are raised promptly,
- all enquiries relating to invoices raised and answered promptly,
- any matters that may affect recovery of an invoiced debt is made known to Accounts Receivable,
- any debts considered appropriate for write-off are notified to the Group Head of Corporate Support,
- income is regularly monitored and any irregularities are promptly notified to the Group Head of Corporate Support,
- a review of fees, charges and other income is undertaken at least annually and also as part of the budget setting cycle.

Write-off of irrecoverable debt

Once levied, debt may not be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt must only be issued to correct a factual inaccuracy or administrative error in the calculation or billing of the original debt. The Head of Corporate Support shall periodically submit a Debt Management and Write off Policy for adoption by Finance & Policy Committee

Disposal of Assets

CMT or Group Heads will notify the Group Head of Corporate Support of any proposal to dispose of any surplus assets within their control or responsibility. The Group Head of Corporate Support will assess in consultation with the Director or Group Head the value of the asset(s) and determine the most appropriate route for disposal. The prior approval of the relevant committee is to be sought for the disposal of any asset with a current value of more than £5,000 in the Asset Register.

Subject to any policy adopted by Finance and Policy Committee the Group Head of Corporate Support is approved to write-off a debt (or combination of debts) due from any individual debtor in any one financial year of not more than £8000 in aggregate.

Subject to any policy adopted by Finance and Policy Committee, debts greater than £8000 may only be written-off with relevant committee approval.

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5.3 EXPENDITURE

General

All purchases of goods and services are to be made in compliance with procedures in the Contract Standing Orders, as set out at Part 6 of this Constitution, or as otherwise instructed by the Group Head of Corporate Support. All Council purchases (other than those made by credit card) must be made and authorised by raising an Official Order in the Council's financial management system or property management system.

Purchases made using a Council credit card must be supported by a Payment Requisition signed by the purchasing employee and counter-signed by an authorised officer and forwarded promptly to the Group Head of Corporate Support.

The Group Head of Corporate Support will determine the authorised purchasing limits for all officers in consultation with the relevant Director or Group Head.

All purchases of goods and services must be supported by a valid invoice (in electronic or hard copy) that meets the requirements of the HM Revenue & Customs to support VAT recovery where appropriate.

Payments for goods and services will only be made where it can be referenced to an Official Order and will be by bank automated clearing system (BACS) or such other alternative method as may be approved by the Group Head of Corporate Support.

Acquisition of Assets

Assets purchased at a cost of more than £25,000 must be notified to the Group Head of Corporate Support for inclusion in a register of assets maintained to comply with public sector accounting requirements and best practice.

Employees and Members

All payments to employees and Members will be made through the Council's payroll or as otherwise authorised by the Group Head of Corporate Support in order that all statutory and regulatory requirements are met.

No payment will be made unless approved by a duly authorised officer. The Group Head of Corporate Support will determine the limit of authority for any officer in consultation with the relevant Director or Group Head.

5.4 TAXATION

The Council has a statutory duty for the proper administration of its tax affairs in pursuance of various legislation and directives.

All employees and Members will comply promptly with any request made by the Group Head of Corporate Support for information or documentation in relation to any direct

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or indirect tax matters that may impact upon the proper administration of such matters including;

- Pay As You Earn income tax (PAYE)
- National Insurance Contributions (NIC)
- Value Added Tax (VAT)
- Construction Industry Tax (CIS)
- Corporation Tax

5.5 INSURANCE

The Group Head of Corporate Support will arrange for all insurance covers and negotiate settlement of all claims made through such insurances in consultation with relevant officers of the Council.

CMT and Group Heads will ensure prompt notification to the Group Head of Corporate Support:

- of any incidents that may give rise to a claim against the Council the costs of which may be indemnified by the Council's insurances,
- of loss of or damage to any Council property or asset under its ownership, responsibility, custody or control,
- of any change in risk or ownership of or responsibility for any asset or property.

6. EXTERNAL ARRANGEMENTS

6.1 EXTERNAL FUNDING

Why is this important?

External funding is a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies provide additional resources to enable the Council to deliver services to the local community. However, in some instances, such funding is linked to tight specifications and may not link to the Council's aims and objectives.

Responsibilities of the Group Head of Corporate Support

- To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements, or an exit strategy is agreed.
- To ensure that audit requirements are met.
- To ensure that all claims are submitted by the due date.

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- for grants which have been awarded. To include progress updates on significant approved bids as part of the regular reporting process as and when required.

Responsibilities of CMT/Group Heads

- To ensure that the Group Head of Corporate Support is advised, at the earliest possible time, of all applications for external funding.
- To submit reports to the relevant Committee which are sufficiently developed to enable the use of the funds without any further reporting requirement.
- To give the Group Head of Corporate Support a copy of all approvals received from government departments or other sources of external funds.
- To ensure that all supporting information is kept to support claims for funds.
- To ensure that the project progresses in accordance with the agreed conditions and that all expenditure is properly incurred and recorded.

Key controls

The key controls for external funding are: -

- (a) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
- (b) To ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council;
- (c) To ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements, or an exit strategy is agreed;
- (d) To ensure risks are identified, within acceptable limits and are capable of being managed;
- (e) To ensure monitoring and reporting frameworks are established and followed; and
- (f) To ensure adequate controls and governance arrangements are in place and are followed.

7. GRANTS TO EXTERNAL ORGANISATIONS (INCLUDING RATE RELIEF)

Why is this important

Local groups and organisations make a significant contribution to the local community. However, this contribution is difficult to quantify in financial terms and it is therefore particularly important that any financial support the Council provides to these groups follows a clear and transparent process.

Responsibility of CMT/Group Heads

- To ensure that any grant payments and any discretionary awards are made in accordance with the procedure set out below and can be met from within existing budgetary provision. In addition, for any award of discretionary business rate relief, regard must be had for the implications for West Sussex County Council in respect of their share of Business Rate income.
- To ensure that an up-to-date Grants Register is maintained on the website to include;

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- Source of funding
- Grants awarded
- Any declaration of interest by Members and Officers

Procedure for making Grant payment and awarding discretionary business rate relief

Grant allocation to be based on criteria agreed in advance by relevant committee

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Subject to these criteria allocations to be made on the following basis:-

- Up to £10,000 (per organisation/individual) - Relevant Director, Chief Executive or Group Head
- Over £10,000 - Relevant committee

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APPENDIX 1: SCHEME OF VIREMENT AT A GLANCE (SECTION 3.2)