

Sefton Council 

Sefton Metropolitan Borough Council

# Constitution

DECEMBER 2023

## CHAPTER 10 – FINANCIAL PROCEDURE RULES

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## SECTION A - INTRODUCTION TO THE FINANCIAL PROCEDURE RULES

- A.1 The Financial and Contract Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on its behalf, including School Governors operating under local delegation arrangements. All decision makers need to ensure that they are not only empowered under the Constitution to make every decision that they propose to make, but that they are also authorised under these Rules to incur the financial consequences of every decision that they make.
- A.2 The Rules identify the financial responsibilities of the full Council, Cabinet, Overview and Scrutiny Members, statutory officers and the Executive Directors and Assistant Directors. A written record shall be kept of all decisions taken under these Rules which are taken using delegated powers.
- A.3 All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is warranted, properly authorised, provides value for money and achieves best value and is in the interest of the Council's citizens.
- A.4 The Section 151 Officer is responsible for maintaining a regular review of the Financial Procedure Rules and submitting any additions or changes necessary to the full Council for approval. The Assistant Director Corporate Resources and Customer Services (Strategic Support) is responsible for maintaining a regular review of the Contract Procedure Rules and submitting any additions or changes necessary to the full Council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Financial and Contract Procedure Rules to Audit and Governance Committee.
- A.5 Executive Directors and Assistant Directors are responsible for ensuring that all staff in their Services are aware of the existence and content of the Council's Financial and Contract Procedure Rules and other internal regulatory documents and that they comply with them, as required by the Council's Code of Conduct for Employees and this Constitution. Failure to comply with the Code of Conduct will be dealt with in accordance with the Council's Disciplinary Policy and Procedure. These documents will be located on the Sefton intranet for reference. Where staff do not have access to the intranet, Executive Directors and Assistant Directors must ensure that an adequate number of copies of the relevant policies are available for reference within their Services.
- A.6 The Section 151 Officer, is responsible for issuing advice and guidance to underpin the Financial and Contract Procedure Rules that Members,

officers and others acting on behalf of the Council are required to follow.

- A.7 The Rules are not intended to cover every eventuality, but the spirit of the Rules must always be followed. Where there is any uncertainty in matters of interpretation, advice should be sought from the Section 151 Officer before decisions or actions are taken.

## SECTION B - FINANCIAL MANAGEMENT

### WHY THIS IS IMPORTANT

B.1 Financial Management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget. Members and Officers have a responsibility to abide by the highest standards of probity in dealing with financial issues, understanding their respective roles and responsibilities and other key financial accountabilities regarding financial management.

### WHAT IS COVERED IN THIS SECTION

B.2 The roles and responsibilities of:

- The full Council
- The Cabinet
- The committees delegated by Cabinet
- Statutory officers; and
- Executive Directors and Assistant Directors

B.3 Other financial accountabilities:

- Virement
- Supplementary estimates
- Section 106
- Treatment of year end balances
- Accounting policies
- Accounting records and returns
- The Annual Statement of Accounts

### THE FULL COUNCIL

B.4 The responsibilities of the full Council are set out in Chapter 4 of the Constitution. In respect of financial matters, this includes approving the Budget within which the Cabinet operates.

B.5 The Budget comprises the allocation of financial resources to different services and projects, proposed contingency funds, the Council Tax base and Council Tax rate, and decisions relating to the control of the Council's borrowing requirement, and the allocation and control of capital expenditure.

## THE CABINET

- B.6 The Cabinet's responsibilities, in respect of financial matters include:
- a. developing and reviewing the Council's plans and policies
  - b. advising on budget setting
  - c. ensuring proper arrangements exist for the effective and efficient management of the Council's executive affairs
  - d. monitoring and auditing the lawful, proper and efficient conduct of the Council's financial affairs, including the extent to which budgets and financial policies are being met and any appropriate remedial action; and
  - e. ensuring officers exercising delegated powers on behalf of the Cabinet discharge their responsibilities efficiently and effectively.

## CABINET MEMBERS

- B.7 Individual Cabinet Members have specific decision-making powers which are set out in Chapter 5 of the Council's Constitution. Cabinet Members responsibilities in respect of financial matters include:
- a. the proper administration of the Council's services
  - b. ensuring adequate staffing, premises and other resources are in place to secure agreed standard and target outcomes within the scope of their portfolio
  - c. ensuring budget control and financial monitoring within the scope of their portfolio
  - d. making recommendations to the Cabinet in respect of strategic policy concerning matters within their portfolio.
- B.8 Cabinet Members must consult with relevant officers before exercising their delegated decision-making powers. In doing so, the individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision and that they have authority to incur the financial consequences of that decision.

## COMMITTEES

### OVERVIEW AND SCRUTINY COMMITTEES

- B.9 Overview and Scrutiny Committees are responsible for discharging the Council's functions under Section 9F to 9FU of the Local Government Act 2000, including:
- a. scrutinising Cabinet decisions before or after they have been implemented; and
  - b. establishing task and finish reviews as they see fit.



## AUDIT AND GOVERNANCE COMMITTEE

- B.10 The Audit and Governance Committee has right of access to all of the information necessary to effectively discharge its responsibilities and can consult directly with internal and external auditors.
- B.11 The committee responsibilities are detailed in Chapter 7 of the Constitution.

## STATUTORY OFFICERS

### CHIEF OFFICERS

- B.12 Chief Officers are the Chief Executive, Executive Directors or any Assistant Directors to whom there has been specific delegation in writing by the Council or the Chief Executive.
- B.13 In accordance with the management structure of the Council, Chief Officers will be referred to as follows:
- a. Chief Executive (Head of Paid Service)
  - b. Executive Directors
  - c. Assistant Directors
- B.14 The Chief Executive is the Head of the Council's Paid Service. The responsibilities of the Chief Executive include:
- a. leading and directing the strategic management of the Council
  - b. ensuring the effective pursuit and achievement of the Council's objectives
  - c. ensuring the Council's activities are carried out with maximum effectiveness and efficiency.
- B.15 The Chief Executive must report to and provide information for full Council, the Cabinet, the Overview and Scrutiny Committees and other committees.

### MONITORING OFFICER

- B.16 The Council's Monitoring Officer pursuant to Section 5 and 5A of the Local Government and Housing Act 1989 (as amended) is responsible for exercising the functions of that role. This includes reporting, in consultation with the Chief Executive and Section 151 Officer to the full Council (or to the Executive in relation to an Executive function), if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to a finding of maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been

considered by Cabinet.

- B.17 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. They must also ensure that Council Members are aware of decisions made by the Cabinet and of those made by officers who have delegated responsibility.
- B.18 The Monitoring Officer is responsible for advising all Members and officers about who has authority to take a particular decision.
- B.19 The Monitoring Officer is responsible for advising the Cabinet or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the Policy Framework.
- B.20 The Monitoring Officer (together with the Section 151 Officer) is responsible for advising the Cabinet or full Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- a. initiating a new policy which may have financial implications that cannot be contained within existing budgets
  - b. committing expenditure in future years that exceeds Medium Term Financial Plan assumptions
  - c. agreeing budget transfers that exceed approved virement limits
  - d. causing the total expenditure financed from Council tax, grants and corporately held reserves to increase, or to increase by more than a significant amount ("Significant" to be defined by the Section 151 Officer or their representative).
- B.21 The Monitoring Officer is responsible for maintaining an up-to-date Constitution.

#### RESPONSIBLE FINANCIAL OFFICER (SECTION 151 OFFICER)

- B.22 The Section 151 Officer is the financial adviser to the Council, the Cabinet and officers and is the Council's 'responsible financial officer' under the Accounts and Audit Regulations. They are responsible for the proper administration of the Council's affairs as specified in, and undertaking the duties required by, Section 151 of the Local Government Act 1972, Section 114 of the Local Government Finance Act 1988, the Local Government and Housing Act 1989, the Local Government Act 2003 and all other relevant legislation.
- B.23 The Section 151 Officer is responsible generally, for discharging, on behalf of the Council, the responsibilities set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government, including:

- a. in conjunction with the Executive Directors and Assistant Directors, the proper administration of the Council's financial affairs
  - b. setting and monitoring compliance with financial management standards
  - c. advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
  - d. providing financial information
  - e. preparing the revenue budget and capital programme
  - f. treasury management.
- B.24 Section 114 of the Local Government Finance Act 1988 includes a requirement for the Section 151 Officer to report to the full Council, Cabinet and external auditor if the Council or one of its officers:
- 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
- B.25 Section 114 of the 1988 Act also requires:
- a. the Section 151 Officer to nominate a properly qualified Member of staff to deputise should they be unable to perform the duties under section 114 personally. The designated deputy for this purpose is the Service Manager (Finance).
  - b. the Authority 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 of the Local Government Finance Act 1988.

#### MONEY LAUNDERING REPORTING OFFICER

- B.26 The Section 151 Officer is appointed as the Council's Money Laundering Reporting Officer and will maintain and advise on Anti-Money Laundering procedures.
- B.27 They will be responsible for notifying the National Crime Agency (NCA) of any suspected cases of money laundering committed within the accounts of the Council as soon as possible and fulfil other duties as defined by legislation or regulation related to the post. Simultaneously, the Cabinet Member for Regulatory Compliance and Corporate Services will be kept informed of any notifications to NCA and of any issues arising from them.

## EXECUTIVE LEADERSHIP TEAM AND STRATEGIC LEADERSHIP BOARD

- B.28 The officer management arrangements for the Council are overseen by an Executive Leadership Team comprising the Chief Executive and Executive Directors including the Section 151 Officer. Each member of the Executive Leadership Team is accountable to the Chief Executive for ensuring that Council Services are managed in accordance with the objectives, plans, policies, programmes, budgets and processes of the Council.
- B.29 The Strategic Leadership Board includes the Executive Leadership Team and all of the Executive Directors and Assistant Directors. The Strategic Leadership Board is responsible for ensuring that the Council's Services are managed in accordance with the Council's strategic objectives and within the agreed policy and budget framework.

## EXECUTIVE DIRECTORS AND ASSISTANT DIRECTORS

- B.30 Powers are delegated to Executive Directors and Assistant Directors, who will establish, operate and keep under review Schemes of Financial Delegation, to cascade powers and responsibilities to Service Managers and other subordinate officers. Every such sub-delegation will be recorded in writing within a Scheme of Financial Delegation. The sub-delegation of functions shall not in any way diminish the overall responsibility and accountability of the delegator. Executive Directors, Assistant Directors and their managers should provide leadership, act with integrity, be open and transparent as possible, regarding financial performance and risks.
- B.31 Executive Directors and Assistant Directors are responsible for and accountable for the financial management arrangements within their service area. They shall manage the development of budget policy options with a detailed assessment of financial implications within the budget process and resource framework agreed by the Council.
- B.32 Executive Directors and Assistant Directors will establish, operate and annually review Schemes of Financial Delegation, in consultation with the Section 151 Officer, to ensure that:
- a. the day to day financial management of services within their directorate is carried out in a secure, efficient and effective manner, and in accordance with the Financial Procedure Rules and associated relevant guidance.
  - b. expenditure is contained within the service's overall approved budget and that individual budget heads are not overspent, by

monitoring the budget and taking appropriate and timely corrective action where significant variances are forecast and if necessary, seeking specific in year approval for the transfer of resources between budgets.

- c. regular reports in an approved format are made to Cabinet on projected expenditure against budget and performance against service outcome targets.
- d. prior approval is sought at the appropriate level for new proposals that create financial commitments in future years, change existing policies, initiate new policies or materially extend or reduce the Council's services.
- e. resources are only used for the purposes for which they were intended.
- f. compliance with the scheme of virement (as set out in the following section "MANAGING EXPENDITURE: SCHEME OF VIREMENT").
- g. risks are appropriately assessed, reviewed and managed.
- h. all members of staff are fully trained, aware of and comply with the requirements of Financial Procedure Rules, including the Contract Procedure Rules.
- i. all allegations of suspected fraud, corruption and financial irregularity are promptly reported to the Section 151 Officer and Chief Internal Auditor and that any local investigations are undertaken thoroughly, consistently and impartially.

B.33 Schemes of Financial Delegation will set out all financial responsibilities and approval limits as delegated by the Executive Directors and Assistant Directors to Service Managers, and any sub-delegations within services. Authorised Officers are those officers given specific delegated authority by their Executive Directors and Assistant Director as documented in that service's Scheme of Financial Delegation. The financial limits specified in the Scheme of Financial Delegation will be used to control access to financial systems and on-line transaction approvals. The Section 151 Officer will provide advice and prescribed format to Executive Directors and Assistant Directors to facilitate the completion of the Schemes of Financial Delegation. The Section 151 Officer to review and approve all Schemes of Financial Delegation on an annual basis.

## MANAGING EXPENDITURE

### SCHEME OF VIREMENT

- B.34 A virement constitutes the movement of existing approved budgets from one area to another and is not an increase in overall budgets through the addition of new monies.
- B.35 The Scheme of Virement is intended to enable the Cabinet, Executive Leadership Team and Strategic Leadership Board and their staff to

manage budgets with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources.

- B.36 The full Council is responsible for agreeing limits for virement of expenditure between budget headings.
- B.37 Executive Directors and Assistant Directors are responsible for agreeing in-year virements within delegated limits; in consultation with the Section 151 Officer where required and ensuring that written records of any changes are maintained.
- B.38 Key controls for the scheme of virement are:
- a. it is administered by the Section 151 Officer within guidelines set by the full Council. Any departure from this scheme requires the approval of the full Council.
  - b. the overall budget is agreed by the Cabinet and approved by the full Council. Executive Directors, Assistant Directors and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. Income received cannot be used to defray expenditure.
  - c. for the purposes of this scheme, a budget head is considered to be a division of service as identified in the approved Budget Report, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis
  - d. virement does not create additional overall budget liability
  - e. no virements are permitted from ring fenced budgets
- B.39 Some revenue virements are essentially of an administrative nature, for example, implementation of restructuring and reorganisation proposals that have already received the appropriate level of officer and Member approval; routine changes to the structure of the chart of accounts or changes to notional accounting budgets which are required for reporting purposes but which do not impact on the Councils cash expenditure. Where the virement is of an administrative nature, Member approval is not required and approval limits will be based on the Scheme of Financial Delegation. Administrative virements that exceed these limits will be approved by the Section 151 Officer.
- B.40 Executive Directors and Assistant Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of 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. Executive Directors and Assistant Directors must plan to fund such commitments from within their own budgets.

- B.41 Where transfers are a single transaction they must be affected as such and must not be undertaken as two or more smaller transactions.  
Approval limits for virements are as follows:

## REVENUE AND CAPITAL VIREMENTS

### VIREMENT WITHIN A PORTFOLIO

Virement Amount (within portfolio)	Approval Level
Up to and including £100,000	The relevant Executive Director or Assistant Director
In excess of £100,000 up to and £250,000	The relevant Executive Director or Assistant Director in consultation with the Cabinet Member and the Section 151 Officer
In excess of £250,000 up to and including £1,000,000	The relevant Cabinet Member in consultation with Cabinet Member for Regulatory, Compliance and Corporate Service (or the Leader of the Council if the matter concerns the Cabinet Member Regulatory, Compliance and Corporate Services)
Over £1,000,000 (where virement is within budget framework)	Cabinet
Over £1,000,000 (where virement is outside budget framework)	Council

VIREMENT BETWEEN PORTFOLIOS

Virement Amount (between portfolios)	Approval Level
Up to and including £250,000	The relevant Executive Director or Assistant Director in consultation with the Cabinet Members and the Section 151 Officer
In excess of £250,000 up to and including £1,000,000	The relevant Cabinet Members in consultation with Cabinet Member for Regulatory, Compliance and Corporate Service (or the Leader of the Council if the matter concerns the Cabinet Member Regulatory, Compliance and Corporate Services Portfolio).
Over £1,000,000 (where virement is within budget framework)	Cabinet

SUPPLEMENTARY REVENUE ESTIMATES

B.42 Where services wish to undertake an activity not originally identified in the budget or incur additional revenue expenditure on an existing activity where this is fully funded (for example through additional specific grant allocations), approval must be sought for a supplementary revenue estimate in accordance with the following table. The Section 151 Officer must be consulted to establish that any additional grant funding identified can be legitimately linked to the expenditure in question and the net impact of the proposal must be neutral on the Councils overall budget.

B.43 Approval limits for fully funded supplementary revenue estimates are as follows:



Supplementary Estimate Amount	Approval Level
Up to and including £100,000	The relevant Executive Director or Assistant Director
In excess of £100,000 up to and including £250,000	The relevant Executive Director or Assistant Director in consultation with the Cabinet Member and the Section 151 Officer
In excess of £250,000 up to and including £500,000	The relevant Cabinet Member in consultation with Cabinet Member for Regulatory, Compliance and Corporate Service (or the Leader of the Council if the matter concerns the Cabinet Member Regulatory, Compliance and Corporate Services) and the Section 151 Officer
In excess of £500,000 up to and including £1,000,000	Cabinet
Over £1,000,000	Council

B.44 During the financial year, all earmarked reserves and contingencies will be reviewed at least once. In the event that funding can be released the approval limits for the utilisation of this funding for either a supplementary revenue or capital estimate are as follows:

Supplementary Estimate Amount	Approval Level	
	From Earmarked Reserves	From Contingencies
Up to and including £250,000	Section 151 Officer	Section 151 Officer
In excess of £250,000 up to and including £500,000	Section 151 Officer in consultation with the Chief Executive	Section 151 Officer in consultation with the Chief Executive
In excess of £500,000 up to and including £1,000,000	Cabinet	Section 151 Officer in consultation with the Cabinet Member for Regulatory Compliance and Corporate Services
Over £1,000,000	Council with recommendation from Cabinet	Cabinet

B.45 Supplementary revenue estimates which are to be funded wholly or in part from general reserves or general purpose funding (i.e. Council Tax or non-ring fenced grant) must be approved by Council regardless of value.

#### SUPPLEMENTARY CAPITAL ESTIMATES

B.46 Council approves the inclusion of capital block grant allocations within the capital programme. The respective Cabinet Members in conjunction with the Council's Section 151 Officer have delegated authority to allocate capital grants to capital projects to be included within the capital programme up to a level of £1m per individual scheme. Schemes above this threshold will require approval by Council.

- B.47 Supplementary capital estimates which are fully funded from external resources (e.g. specific grant; developer’s contributions) must be approved in accordance with following table.
- B.48 Capital budget increases funded wholly or in part from additional Council resources such as capital reserves, borrowing and capital receipts, regardless of value, must be approved by Council. Council approval is also required where there are significant revenue implications for future year’s budgets.
- B.49 Approval limits for supplementary capital estimates are as follows:

Supplementary Estimate Amount	Approval Level
Up to and including £100,000	Section 151 Officer in consultation with the Chief Executive
In excess of £100,000 up to and including £250,000	Section 151 Officer in consultation with Cabinet Member for Regulatory Compliance and Corporate Services
In excess of £250,000 up to and £1,000,000	Cabinet
Over £1,000,000	Council with recommendation from  Cabinet

SECTION 106

- B.50 Full delegation with respect of the allocation of Neighbourhoods Section 106 balances is given to the Assistant Director of People (Communities).

- B.51 The Assistant Director of People (Communities) will ensure that any expenditure commitments are in accordance with each individual agreement and the associated legislative requirements. The Assistant Director of People (Communities) will make arrangements for adequate records to be kept to meet the reporting requirements of the Annual Infrastructure Funding Statement.
- B.52 Approval limits will be set by the Assistant Director of People (Communities) and agreed with the Section 151 Officer and will be recorded within the Schemes of Financial Delegation for the service area.
- B.53 Reporting will be in accordance with the Council's normal and established monthly monitoring process.

#### TREATMENT OF YEAR END BALANCES

- B.54 The full Council is responsible for agreeing procedures for carrying forward under- and overspendings on budget headings.
- B.55 A budget heading is considered to be a division of service as identified in the approved Budget Report, or, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis.
- B.56 Any revenue underspending at the year-end may be carried forward, subject to the agreement of the Cabinet. The Section 151 Officer will identify and make recommendations about the carry forward of underspends to Cabinet as part of the budget monitoring reporting process. All carry forward proposals must be supported by an appropriate business case demonstrating that the underspend was planned and that the resources carried forward will be earmarked for a specific and appropriate purpose. Executive Directors and Assistant Directors should include provisional indications of likely carry forward requests as part of their in year budget and performance monitoring. Before approval is sought for a carry forward, Executive Directors and Assistant Directors should ensure that there are no unfunded overspends within their service. It is extremely unlikely that proposed carry forwards will be approved if there are unfunded overspends elsewhere within the service.
- B.57 Capital block provisions are allocations within which the full cost value of approved schemes must be contained. Any uncommitted sum at the year-end may be carried forward subject to consideration by Cabinet. Any uncommitted sum which is not justified on this basis will be returned to Council balances. Equally, any overspending will be carried forward as the first call on the following year's provision.

## ACCOUNTING POLICIES

- B.58 The Section 151 Officer is responsible for selecting appropriate accounting policies; exercising oversight of financial and accounting records and systems; and preparing and publishing reports containing statements on the overall finances of the Council including the annual statement of accounts.
- B.59 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 selected and applied consistently
  - c. accurate and complete accounting records are maintained
  - d. financial statements are prepared which present fairly the financial position of the Council and its expenditure and income
- B.60 The Section 151 Officer is responsible for:
- a. selecting suitable accounting policies and ensuring that they are applied consistently
  - b. exercising supervision over financial and accounting records and systems
  - c. preparing and publishing reports containing the statements on the overall finances of the Council including the Council's Annual Report and Accounts
- B.61 Executive Directors and Assistant Directors are responsible for ensuring that all staff within their directorates receive any relevant financial training which has been approved by the Section 151 Officer, and that they are aware of and adhere to the accounting policies, procedures and guidelines set by down by the Section 151 Officer.

## ACCOUNTING RECORDS AND RETURNS

- B.62 The Section 151 Officer is responsible for determining and approving the accounting procedures and records for the Council.
- B.63 All accounts and accounting records will be compiled by the Section 151 Officer or under his/her direction. The form and content of records maintained in other directorates will be approved by the Section 151 Officer.
- B.64 The key controls for accounting policies are:
- a. calculation, checking and recording of sums due to or from the Council will be separated as completely as possible from their collection or payment

- b. officers responsible for examining and checking cash transaction accounts will not process any of these transactions themselves
- c. reconciliation procedures are carried out to ensure transactions are correctly recorded
- d. procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- e. prime documents are retained in accordance with legislative and other requirements.

## THE ANNUAL STATEMENT OF ACCOUNTS

- B.65 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 Council Accounting in the United Kingdom (CIPFA/LASAAC) and signing them in accordance with the Accounts and Audit Regulation 2015. Approval of the statutory accounts has been delegated by Council to the Audit and Governance Committee.

## SECTION C - FINANCIAL PLANNING

### WHY THIS IS IMPORTANT

- C.1 Financial planning is the development of effective systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. Preparing a policy framework, comprehensive budgets and robust business and performance plans are the key elements to achieving this. By regular monitoring, the Council can ensure that legal requirements and other relevant government guidelines are met and that variances and spending pressures are identified and dealt with promptly.
- C.2 The full Council is responsible for agreeing the Council's Budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:
- a. the Medium Term Financial Plan – sets out:
    - what the Council wants to achieve in the short and medium term
    - how services will change in the light of priorities, performance, resources, workforce planning needs and consideration of risks
    - investment required to deliver change
    - how much services will cost in overall terms and to service users
  - b. the Budget – this is the financial expression of the Council's Business Plan. It sets out the allocation of resources to services and projects, the level of contingency funding, the Council Tax base and Council Tax rate, borrowing limits and capital financing requirements.
  - c. the Capital Programme – 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 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 costs.
  - d. the Capital Strategy and Treasury Management Strategy – which sets out the arrangements for the management of the Council's borrowing, lending, cash flows and investments
  - e. specific Strategies which have a financial implication

## WHAT IS COVERED IN THIS SECTION

- C.3 The following aspects of Financial Planning are covered in this section:
- Policy Framework
  - Budget Plan
  - Revenue Budget Monitoring and Control of Revenue Expenditure
  - Monitoring and Control
  - Contingent Liabilities
  - Determination, Monitoring and Control of Affordable Borrowing
  - Resource Allocation
  - Capital Expenditure
  - Capital Monitoring, Approvals and Amendments to the Capital Programme
  - Capital Receipts
  - Leasing and Rental Agreements
  - Commercial Activity
  - Maintenance of Reserves
  - Reporting

## POLICY FRAMEWORK

- C.4 The full Council is required by law, to agree a Policy Framework. The Policy Framework is comprised of the plans and strategies as set out in Chapter 4 of the Constitution.
- C.5 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the Policy Framework.
- C.6 The full Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the Policy Framework within the financial limits set by the Council.

## BUDGET PLAN

- C.7 Each year the Section 151 Officer is responsible for preparing a budget plan for the Council including an approved revenue budget, capital programme, treasury management strategy (new capital strategy) and reserves strategy detailing the financial and service scenario and the policy and expenditure changes required to respond to this scenario.
- C.8 Executive Directors and Assistant Directors will support this process by assessing and advising on the service scenario and policy and



expenditure options for revenue and capital, in their area of responsibility, in a form determined by the Section 151 Officer.

- C.9 The Cabinet, advised by the Section 151 Officer, Executive Directors and Assistant Directors, will develop a budget package including financing options, policy and expenditure options and capital programme. This will be subject to scrutiny by the Overview and Scrutiny Committee before the Cabinet finalises its recommendations to Council. The final Budget policy and Council Tax will be determined by Council.

## REVENUE BUDGET MONITORING AND CONTROL REVENUE EXPENDITURE

- C.10 Revenue expenditure is broadly defined as any expenditure incurred on the day to day running of the Council. Examples of revenue expenditure include salaries, energy costs, and consumable supplies and materials.

## MONITORING AND CONTROL

- C.11 The Section 151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must monitor and control expenditure against budget allocations at a corporate level and report to the Cabinet on the overall position on a regular basis.
- C.12 It is the responsibility of Executive Directors and Assistant Directors to control income and expenditure within their area and to monitor performance, taking account of financial information and guidance provided by the Section 151 Officer. They must report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer to any potential overspending or under-achievement of income budgets in a timely manner.
- C.13 The Section 151 Officer is responsible for the following:
- a. Establishing an appropriate framework of budgetary management and control which ensures that:
    - budget management is exercised within annual budget allocations unless the full Council agrees otherwise
    - timely information on receipts and payments is made available, which is sufficiently detailed to enable officers to fulfil their budgetary responsibilities

- expenditure is committed only against an approved budget head
  - all officers responsible for committing expenditure comply with relevant guidance, and the Financial and Contract Procedure Rules
  - each cost centre has a single named manager, determined by the relevant Executive Director and Assistant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
  - significant variances from approved budgets are investigated and reported by budget managers regularly
- b. Administering the Council's scheme of virement
  - c. Submitting reports to the Cabinet and to the full Council, in consultation with the relevant Executive Director or Assistant Director, where they are unable to balance expenditure and resources within existing approved budgets under their control
  - d. Preparing and submitting reports on the Council's projected income and expenditure compared with the budget on a regular basis.

C.14 Executive Directors and Assistant Directors are responsible for the following:

- a. Maintaining budgetary control within their Services and ensuring that all income and expenditure is properly recorded and accounted for
- b. Ensuring that an accountable budget manager is identified for each item of income and expenditure under their control. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- c. Ensuring that spending remains within the service's overall approved budget, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate and timely corrective action where significant variations from the approved budget are forecast.
- d. Ensuring that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively
- e. Preparing and submitting to the Cabinet regular reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer
- f. Ensuring prior approval by the full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:
  - create financial commitments in future years
  - change existing policies, initiate new policies or cease existing policies or materially extend or reduce the Council's services.
- g. Ensuring compliance with the scheme of virement
- h. Agreeing with the appropriate Executive Director or Assistant Director any budget proposal, (including a virement proposal) which impacts their respective service areas, after having

consulted with the Section 151 Officer and the Cabinet Member Regulatory and Compliance and Corporate Resources

- i. Ensuring Schemes of Financial Delegation are maintained for all within their area of responsibility
- j. Ensuring best value is obtained.

## CONTINGENT LIABILITIES

C.15 Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events which are not wholly within the control of the Council.

C.16 The S151 Officer is responsible for:

- a. reviewing at least annually in consultation with Executive Directors and Assistant Directors the existing contingent liabilities and ensuring that a balance sheet provision is made where necessary, in accordance with CIPFA guidance.
- b. taking steps wherever possible, in consultation with the Chief Executive, Executive Directors and Assistant Directors, to minimise the risk of contingent liabilities.

C.17 The Chief Executive, Executive Directors and Assistant Directors are responsible for:

- a. setting up procedures and processes to minimise the risk of creating contingent liabilities
- b. reviewing at least annually their service areas for contingent liabilities
- c. informing the Section 151 Officer of any new contingent liabilities and of any changes in the circumstances of existing contingent liabilities.

C.18 These regulations may be modified by any Delegation Scheme which the Council may approve from time to time.

## DETERMINATION, MONITORING AND CONTROL OF AFFORDABLE BORROWING

C.19 Under the Local Government Act 2003 the Council is required by regulation to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. The key objectives of the Prudential Code are to ensure that within a clear framework, the capital investment plans

of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management supports prudence, affordability and sustainability. The Code explicitly states that authorities must not borrow to invest primarily for a financial return.

- C.20 The Council is responsible for approving prior to the commencement of the financial year the prudential indicators for the forthcoming financial year and subsequent financial years as required by the Code. The indicators required as a minimum are:
- a. Estimates of capital expenditure
  - b. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)
  - c. Authorised limit for external debt
  - d. Operational boundary for external debt
  - e. Estimate of gross debt to CFR
  - f. Estimated Liability benchmark
  - g. Estimates of the ratio of financing costs to net revenue stream
  - h. Estimate of net income from commercial and service investments to net revenue stream

After the year end actual values are to be calculated for:

- a. Capital expenditure
- b. Capital financing requirement
- c. External debt
- d. Liability benchmark
- e. Ratio of financing costs to net revenue stream
- f. Ratio of net income from commercial and service investments to net revenue stream

- C.21 The Section 151 Officer is responsible for:
- a. establishing procedures to both monitor performance against all forward looking prudential indicators and for ensuring that net external borrowing does not exceed the capital financing requirement.
  - b. reporting to Council any significant deviations from expectations.
  - c. ensuring that regular monitoring is undertaken in year against the key measures of affordability and sustainability, by reviewing estimates of financing costs to revenue and the capital financing requirement.
  - d. reporting to Council, setting out management action, where there is significant variation in the estimates used to calculate these prudential indicators, for example caused by major overruns of expenditure on projects or not achieving in-year capital receipts.

## RESOURCE ALLOCATION

- C.22 The Section 151 Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's Policy Framework.
- C.23 The Section 151 Officer is responsible for:
- a. advising on methods available for the funding of resources, such as grants from central government and borrowing requirements
  - b. assisting in the allocation of resources to budget managers
- C.24 Executive Directors and Assistant Directors are responsible for:
- a. working within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way
  - b. identifying opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery

## CAPITAL EXPENDITURE

- C.25 Capital expenditure is broadly defined as expenditure on the acquisition of a tangible asset, or expenditure which enhances (rather than merely maintains), the value of an existing asset and/or extends the useful life of an asset and increasing usability, provided that the asset yields benefits to the Council and the services it provides is for a period of more than one year. Sefton's de minimis level for new assets is currently £10,000. This limit can be varied at the discretion of the Section 151 Officer.

## CAPITAL MONITORING, APPROVALS AND AMENDMENTS TO THE CAPITAL PROGRAMME

- C.26 The Section 151 Officer is responsible for preparing and submitting reports to Cabinet on the Council's projected capital expenditure and resources compared with the budget on a regular basis, as well as an annual outturn report after the close of the financial year.
- C.27 The Section 151 Officer is responsible for establishing procedures to monitor and report on performance compared to the prudential indicators set by the Council.

- C.28 The Section 151 Officer in conjunction with the Chief Executive is responsible for:
- a. Setting up procedures under which capital expenditure proposals are evaluated and appraised to ensure that value for money is being achieved, are consistent with service and are achievable
  - b. Compiling a capital programme for approval by Council
  - c. Setting up procedures for corporate monitoring of external sources of capital funding
  - d. Ensuring that expenditure treated as capital expenditure by the Council is in accordance with the best accounting practice
- C.29 Executive Directors and Assistant Directors are responsible for:
- a. liaising with the Section 151 Officer ensuring that estimated final costs of schemes in the approved capital programme are included within the reports to Cabinet of the overall capital programme position
  - b. reporting to the Section 151 Officer circumstances when it is considered that additional Council capital resources will be required to implement a project that has previously been given approval to spend, where such additional resources cannot be identified from within the portfolio programme concerned
  - c. reporting to the Section 151 Officer on any proposed variations to the capital programme during a financial year
  - d. seeking authority for a capital scheme which is not in the capital programme agreed by Council or changes to capital programme
- C.30 Any 'in year' approval sought for capital schemes, must be supported by a completed, detailed Business Case template, in a format approved by the Section 151 Officer, prior to submission through the appropriate decision-making route.

## CAPITAL RECEIPTS

- C.31 The Section 151 Officer must be informed of all proposed sales of land and buildings so that the effect on financial and property management can be assessed.
- C.32 On the advice of the Section 151 Officer, the Council will determine how capital receipts will be applied when setting the annual revenue and capital budget.

## LEASING AND RENTAL AGREEMENTS

- C.33 Leasing or renting agreements must not be entered into unless the service has established that they do not constitute a charge against the Council's prudential borrowing limits. The Section 151 Officer is responsible for issuing any financial procedures /guidance in relation to Leases and Lease agreements including, but not limited to, those leases and lease arrangements relating to schools, commercial and general leasing activity. Leases, including land or property, of less than 20 years can be agreed by the Section 151 Officer via a Chief Officers Report. Leases, including land and property, of 20 years or more will require Cabinet Member approval in addition to the Section 151 Officer.
- C.34 Leases relating to land or property following the approval process can only be signed by the Monitoring Officer or his/her authorised deputies, or persons specifically authorised by the Service Scheme of Financial Delegation, may sign such agreements. The Chief Executive, Executive Directors and Assistant Directors are responsible for ensuring all procedures / guidance issued by the Executive Director of Corporate Resources and Customer Services in regard to Leases and Lease arrangements are complied with.

## COMMERCIAL ACTIVITY

- C.35 The Council holds a selection of assets that support the Council's Core Purpose and operate on a more commercial basis than other elements of the Council's General Fund. These include the Council's wholly owned companies – Sandway Homes Limited, Sefton Hospitality Operations Limited and Sefton New Directions Limited – together with Bootle Strand Shopping Centre.
- C.36 For such defined assets, detailed business plans outlining forecast income and expenditure over a determined period are produced for approval by Cabinet. Business plans should be reviewed and refreshed annually and presented to Cabinet for approval. Where the business plans require budgetary approval – including revenue or capital expenditure– this is approved in line with the requirements of the Financial Procedure Rules.
- C.37 In order to support the management of these assets, appropriate governance via officer boards – for Council assets – or shareholder meetings – for Council companies – will be established to provide strategic direction, monitor progress against the delivery of Council objectives, monitor the delivery of the business plan and record any decisions required to be taken in respect of the delivery of the business plan. The approval of these business plans will include provision that all financial (capital and



revenue) and operational decisions will be delegated to the officer boards or shareholder meetings (as appropriate) with Cabinet informed of any material variations in accordance with the Council's normal reporting processes and the governance arrangements between the Council and Company as appropriate.

- C.38 The approach to the management of wholly owned companies will reflect best practice guidance within the sector. This is an area in local government that is continually updated to reflect developments in the sector and to take on learning to ensure governance and management of such companies complies with best practice. As such Cabinet as the Council's executive and shareholder will be informed of this best practice guidance and any subsequent changes or developments in order that they can execute their role as shareholder effectively. Overview and Scrutiny management board will also receive this report. This will ensure that there is a fully transparent and up to date approach to governance and management within the Council.
- C.39 Any loan arrangements between the Council and the specific Company will be in accordance with the requirement of the Financial Procedure Rules.
- C.40 For Council assets, officer boards will review monitoring reports on financial and operational performance on a monthly basis and will escalate any material variations to Cabinet as part of the Council's normal monthly budget monitoring process or via standalone reports where appropriate. For Council owned companies, any material variations will be escalated from shareholder meetings to Cabinet as shareholder at the earliest opportunity in accordance with the agreements between the Council and the Company.
- C.41 Where there are requirements for additional financial resources in year for additional activity not included within the approved business plans – such as additional revenue or capital expenditure – approval should be sought in line with the requirements of the Financial Procedure Rules for supplementary revenue or capital estimates. The write-off of any assets or unrecoverable bad debts associated with these commercial assets should be approved as outlined under the Asset Disposal / Write-Off section of the Financial Procedure Rules.
- C.42 Business plans should be reviewed and refreshed annually and presented to Cabinet for approval each Autumn to allow for the financial implications to be included within the budget each Spring. Annual reports on financial and operational performance should also be presented to Overview and Scrutiny Committee.
- C.43 Cabinet will continue to have executive leadership of commercial assets and will monitor performance through the approval and monitoring of business plans, ensuring that capital expenditure is in accordance with the Councils Treasury Management Strategy and Prudential Indicators. Performance will be reported on a quarterly basis.



## MAINTENANCE OF RESERVES

- C.44 It is the responsibility of the Section 151 Officer to advise the Cabinet and/or the full Council on prudent levels of reserves for the Council.
- C.45 The key controls are:
- a. Professional standards as set out in the Code of Practice on Local Authority Accounting in the United Kingdom: and agreed accounting policies
  - b. Clear agreement of the purpose for which reserves are held and the type of expenditure which they may be used to fund
  - c. Clear processes for the authorisation of Appropriations (transfers between accounts to and from reserves)
- C.46 The Section 151 Officer is responsible for advising the Cabinet and/or the full Council on prudent levels of reserves for the Council, having due regard to any advice that may be offered by the Council's external auditor and other professional bodies (e.g. CIPFA) in this matter.
- C.47 Executive Directors and Assistant Directors are responsible for ensuring that resources are used only for the purposes for which they were intended.

## REPORTING

- C.48 Executive Directors and Assistant Directors are responsible for preparing reports on overall financial and non-financial performance for their Services and for submitting these to the Cabinet, and the Overview and Scrutiny Committee after consulting the Section 151 Officer in accordance with procedures agreed from time to time. These reports must include specific reference to the implementation of policy changes and new developments agreed as part of the budget setting process and other specific requirements as notified in the reporting guidance. Executive Directors and Assistant Directors will also be required to support the Section 151 Officer in reporting on the progress and forecast of all capital expenditure and income against the approved programme.
- C.49 Any reports are to include specific reference to Service performance against the expected non-financial outcomes in the form of key performance targets. Executive Directors and Assistant Directors are expected to achieve value for money in the delivery of services and the reports should demonstrate how this has been achieved together with an analysis of how key policy and expenditure proposals have been

implemented.

C.50 The key reporting stages are:

- a. Approval of the Business Case, which will be in a form prescribed by the Section 151 Officer before it can be included in the Capital Programme
- b. Monthly reviews of revenue and capital expenditure produced by the Section 151 Officer in consultation with Executive Directors and Assistant Directors
- c. Final outturn reports for both revenue and capital expenditure, including full post-implementation review, on all major capital schemes completed during the year.

C.51 In addition, the reports will be specifically required to give details in respect of the following:

- a. Potential overspends and proposed remedial action, including any impact on balances and future year's budgets which may need to be factored in to future financial scenario planning
- b. Amendments to approved budgets (virements, supplementary capital estimates etc.) where Member approval is required.

## SECTION D - RISK MANAGEMENT AND CONTROL OF RESOURCES

### WHY THIS IS IMPORTANT

D.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

### WHAT IS COVERED IN THIS SECTION

D.2 The following aspects of Risk Management and Control of Resources are covered in this section:

- Risk Management and Insurance
- Operational Risk
- Business Continuity
- Internal Controls
- Audit Requirements (Internal and External)
- Preventing Fraud and Corruption
- Assets (Property, Inventory, Stocks, Cash, Disposal / Write Off and Intellectual Property)
- Treasury Management
- Banking
- Investments and Borrowing
- Loans to Third Parties and Acquisition of Third Party Interests
- Trust Funds and Funds Held for Third Parties
- Staffing (Salaries and Wages, Early Retirement/Severance, Travelling and Subsistence, Code of Conduct, Third Party Funds and Retention of Records)

### RISK MANAGEMENT AND INSURANCE

D.3 The Cabinet is responsible for advising Council on an appropriate risk management policy statement and strategy, and for reviewing the effectiveness of risk management. The Audit and Governance Committee is responsible for monitoring the effectiveness of the risk management policy. The Cabinet is also responsible for ensuring that proper insurance exists where appropriate.

D.4 The Section 151 Officer is responsible for preparing the Council's risk management policy statement and for promoting it throughout the Council.

## INSURANCE

- D.5 The Section 151 Officer will maintain and administer the Council's insurances. The Section 151 Officer is responsible for authorising the settlement or repudiation of insurance claims and associated costs acting on advice from the Council's Legal Services, insurers, and claim handlers.
- D.6 Executive Directors and Assistant Directors are responsible for informing the Section 151 Officer immediately of:
- a. any events which may result in an insurance claim against the Council
  - b. the terms of any indemnity which the Council is required to give prior to entering into any contracts etc.
  - c. any new risks which might require to be insured, together with any changed circumstances affecting existing risks. Consideration should be given to new projects, new ways of working, and changes in legislation requiring new ways of delivery etc., where the insurance impact is often overlooked
- D.7 No new insurances may be taken out without prior consultation with the Section 151 Officer.
- D.8 Executive Directors and Assistant Directors must ensure that there is co-operation with the Insurance Team in providing the correct documentation and that the correct retention of documents is observed.

## RISK MANAGEMENT

- D.9 The Council's approach to Risk Management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.
- D.10 The Section 151 Officer develops the strategy and supporting framework on behalf of Executive Directors and Assistant Directors. The Audit and Governance Committee scrutinise the risk management process ensuring the Council's risks are managed effectively.
- D.11 Executive Directors and Assistant Directors are responsible for ensuring the Risk Management Strategy is implemented and that the full risk management cycle operates within their Service.

- D.12 The principles within the Corporate Risk Management Handbook consist of:
- a. identification of risks, both negative and positive, in relation to the objectives of the Council.
  - b. evaluation of risks scored for likelihood and impact, both gross (before any controls) and net (with existing controls)
  - c. treatment of the risk either by: treat, tolerate, transfer or terminate the activity.
  - d. actions and risks monitored and reviewed on a regular basis.
  - e. the Council's Corporate Risk Register will be developed and maintained by the Chief Internal Auditor in consultation with Executive Directors and Assistant Directors.
- D.13 There are three levels to the Risk Register. There should be a movement of risks both upwards and downwards throughout the levels and treatment addressed at the most appropriate level of the organisation.
- a. Corporate – those risks that impact on the organisation's overall objectives either because of their frequency of occurrence or the significance of the impact.
  - b. Service – those risks that impact on the service objectives.
  - c. Operational – minor risks that are managed within the service area that impact on the operational performance of the team. Where the risks increase they should move upwards into the service and potentially corporate risk register.

## OPERATIONAL RISK

- D.14 Executive Directors and Assistant Directors are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the agreed guidance and procedures.
- D.15 Executive Directors and Assistant Directors will take account of, and address, corporate risks and inform the Chief Internal Auditor of any service risks that should be considered significant enough to rise to the corporate risk register level.
- D.16 Service and operational risk registers, and associated actions, should be reviewed on a regular basis (at least quarterly) as part of the performance management process.
- D.17 The Corporate Risk Register will be reported to Executive Directors and Assistant Directors / Strategic Leadership Board and to the Audit and Governance Committee on a quarterly basis.

## BUSINESS CONTINUITY

- D.18 The Civil Contingencies Act 2004 places a statutory requirement for Local Authorities to maintain plans for the continuation of services in the event of an emergency, so far as is reasonably practicable. Services are expected to have arrangements in place to ensure the effective identification, evaluation and management of business critical services.

## INTERNAL CONTROLS

- D.19 Internal Control refers to the systems devised by management to help ensure the Council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources and that the Council's assets are safeguarded.
- D.20 The Section 151 Officer 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.
- D.21 It is the responsibility of Executive Directors and Assistant Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness.

## AUDIT REQUIREMENTS

### INTERNAL AUDIT

- D.22 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit Regulations 2015 more specifically require that a "relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk."
- D.23 The Public Sector Internal Audit Standards define internal auditing as "an independent, objective assurance and consulting activity designed

to add value and improve and 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."

- D.24 The Council's Internal Audit Team delivers this function within the Council and provides assurance to the Section 151 Officer and the Audit and Governance Committee, with regard to the effectiveness of the Council's internal control environment.
- D.25 The Council must, on an annual basis, produce an Annual Governance statement. This statement must provide a description of the system of internal control within the Council, a description of any work undertaken to assess the effectiveness of the internal control framework, and any significant governance issues.
- D.26 To contribute to the production of the Annual Governance Statement, the Chief Internal Auditor is responsible for planning and delivering a programme of independent review of the Council's activities, the scope of the programme being based on the Council's objectives and an assessment of the risk which may affect the achievement of these objectives.
- D.27 The Chief Internal Auditor is also responsible for reporting to those charged with governance and currently satisfies this requirement by presenting an annual report to the Audit and Governance Committee, in which the activity of the internal audit service during the preceding financial year is summarised as to arrive at an opinion on the effectiveness of the Council's internal control. The annual internal audit plan is presented to Audit and Governance Committee for approval and a report summarising performance and key findings is presented to every Audit and Governance meeting.
- D.28 The Internal Audit Charter sets out that Audit staff will have, in accordance with the Accounts and Audit Regulations, and with strict accountability for confidentiality, and safeguarding records and information, full, free and unrestricted access to any and all of the Council's premises, personnel, assets and records. Rights of access to relevant external bodies will be set out in the contracts/ agreements.

#### EXTERNAL AUDIT

- D.29 The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- D.30 The Local Audit and Accountability Act 2014 established new arrangements for the audit and accountability of relevant authorities. Under these new arrangements the Council has opted for its external

auditors to be appointed by the Public Sector Audit Appointments Limited (PSAA), an independent company established by the LGA for this purpose.

- D.31 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

- D.32 The Section 151 Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy which should be presented to Cabinet for approval.
- D.33 The Council has an approved Anti-Fraud and Corruption Policy which places responsibility for preventing fraudulent activity with all Members, Managers and individual members of staff. Any matters which involve, or are thought to involve, any fraud or other significant irregularity involving Council assets or those of a third party fund, must be notified immediately to the Section 151 Officer and Chief Internal Auditor.
- D.34 The Monitoring Officer will, in consultation with Section 151 Officer and Chief Internal Auditor, decide whether any matter under investigation should be recommended for referral to the Police or the appropriate enforcement agency. The Council's External Auditor also has powers to independently investigate fraud and corruption.

## ASSETS

- D.35 In the context of these Rules, assets are defined as the resources, other than people, that the Council uses to deliver its service functions. Assets include buildings, land and infrastructure; furniture; equipment; plant; stores and "intellectual property" such as computer software, data and information of all kinds.
- D.36 Executive Directors and Assistant Directors are responsible for the care, control and proper and economical use of all assets used in connection with the operation and delivery of their Services. Proper records should be maintained for these assets, together with appropriate arrangements for their management and security. Information Assets should be recognised in line with the Council's guidance and recorded in the Information Asset Register.
- D.37 Executive Directors and Assistant Directors are responsible for ensuring that assets are used only for official purposes and that all appropriate



rights, licenses and insurances are obtained.

- D.38 Executive Directors and Assistant Directors are responsible for ensuring that all computer software used is properly licensed.
- D.39 Executive Directors and Assistant Directors are expected to have policies in place for:
  - a. the effective disposal of surplus assets
  - b. asset replacement programme
  - c. compilation of and regular review of Asset inventories
- D.40 The Service Manager – Property Services is responsible for ensuring there is a current Asset Management Strategy and Asset Disposal Policy in place.

## PROPERTY

- D.41 The Service Manager – Property Services is responsible for maintaining a “property terrier” recording all land and buildings owned by the Council. The delegated Monitoring Officer is responsible for the safe keeping and recording of all property deeds.
- D.42 The Council’s Asset Management Strategy sets out the vision, core values and objectives that form the context for the preparation of the Corporate Asset Management Plan and Service Asset Management Plans.
- D.43 All property acquisitions, lettings and disposals must be in accordance with the Council’s rules and procedures. Separate rules apply to specific processes, such as the use of capital receipts from property sales to pay for new schemes, and guidance should be sought from the Section 151 Officer where this arises.

## INVENTORIES

- D.44 Executive Directors and Assistant Directors must ensure that proper arrangements are made to maintain inventories of all valuable and transportable items, including vehicles, furniture, computer and other equipment (including software), visual aids, expensive tools and sports equipment.
- D.45 For ICT equipment, Executive Directors and Assistant Directors must ensure they, and staff within their service areas, adhere to the requirements of the ICT Acceptable Use Policy, the Starters, Movers and Leavers Policy and any associated guidance.
- D.46 The inventory must be updated for all acquisitions and disposals and checked at least annually. Items acquired under leasing arrangements

must be separately identified for disclosure in the published final accounts. The Section 151 Officer will provide guidance on the procedures to be followed.

## STOCKS

- D.47 Stock is defined as consumable items constantly required and held by a Service in order to fulfil its functions. Executive Directors and Assistant Directors are responsible for the control of stocks. They must ensure that stocks are appropriately secured and recorded, do not exceed reasonable requirements and that all significant stock is accounted for in the year end accounts. Stocks should be checked at least once a year, more frequently in the case of expensive items.

## CASH

- D.48 Cash held on any Council premises should be held securely, and should not exceed any sums for which the Council is insured. If retention of cash on site is unavoidable in exceptional circumstances, the Assistant Director is responsible for making appropriate security arrangements. All cash should be banked as quickly as possible.

## ASSET DISPOSAL/WRITE-OFF

- D.49 Executive Directors and Assistant Directors may authorise the disposals, of obsolete or surplus equipment / groups of items, materials, vehicles or stores up to a disposal value of £10,000 in consultation with the Section 151 Officer. For write offs of £10,000 and over per item or group of items, this should be reported jointly by the Section 151 Officer and the relevant Assistant Director to the Audit and Governance Committee for write-off action.
- D.50 Any write off which arises as a result of theft or fraud must be notified to the Chief Internal Auditor immediately.

## INTELLECTUAL PROPERTY

- D.51 The Chief Executive is responsible in conjunction with the Monitoring Officer for developing and disseminating best practice regarding the treatment of intellectual property.

- D.52 The Chief Executive, Executive Directors and Assistant Directors are responsible for:
- a. Ensuring that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware that anything they create during the course of their employment, whether written or otherwise, belongs to the Council.
  - b. Complying with copyright, design and patent legislation and, in particular, to ensure that:
    - Only software legally acquired and installed by the authority is used on its computers,
    - Staff are aware of legislative provisions, and
    - In developing systems, due regard is given to the issue of intellectual property rights.

## TREASURY MANAGEMENT

- D.53 The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.
- D.54 The full Council is responsible for approving the treasury management policy statement setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the full Council by the Cabinet. The Section 151 Officer has delegated responsibility for implementing and monitoring the statement.
- D.55 All money in the hands of the Council is controlled by the Section 151 Officer as designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the finance director.
- D.56 The Section 151 Officer is responsible for proposing to the Cabinet a treasury management strategy for the coming financial year at or before the start of each financial year. Full Council is responsible for approving the strategy.
- D.57 All Cabinet decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.
- D.58 The Section 151 Officer is responsible for reporting to the Council no less than two times in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise a mid-year review and an annual report on treasury management for presentation prior to the 30<sup>th</sup> June following each financial year end.

## BANKING

- D.59 It is the responsibility of the Section 151 Officer to operate such bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Section 151 Officer.
- D.60 Executive Directors and Assistant Directors are responsible for operating bank accounts opened with the approval of the Section 151 Officer in accordance with issued guidelines.

## INVESTMENTS AND BORROWINGS

- D.61 It is the responsibility of the Section 151 Officer to:
- a. ensure that all investments of money are made in the name of the Council or in the name of approved nominees
  - b. ensure that all securities that are the property are held in the name of the Council or its nominees (the Chief Legal and Democratic Officer is responsible for ensuring the title deeds of all property in the Council's ownership is held in safe custody)
  - c. effect all borrowings in the name of the Council
  - d. act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council

## LOANS TO THIRD PARTIES AND ACQUISITION OF THIRD PARTY INTERESTS

- D.62 Interests should not be acquired in companies, joint ventures or other enterprises without obtaining prior approval of the full Council, the Leader, Cabinet or the appropriate Cabinet Member as outlined below.
- a. The Section 151 Officer, Cabinet Member for Regulation and Compliance and relevant Cabinet Member(s) are jointly responsible for approving financial and asset loans made to third parties up to £50,000
  - b. The Cabinet is responsible for approving financial and asset loans between £50,000 and £1m
  - c. The Council is responsible for approving financial or asset loans above £1m
  - d. Loans transacted as part of Treasury Management activities are covered by the Treasury Management Policy and Strategy.
- D.63 For wholly owned council companies, Cabinet as the Executive of the Council and the shareholder in wholly owned Council companies, make

decisions in respect of approving business plans including any loan provision.

## TRUST FUNDS AND FUNDS HELD FOR THIRD PARTIES

D.64 It is the responsibility of the Section 151 Officer to:

- a. arrange for all trust funds to be held, wherever possible, in the name of the Council (e.g. 'Sefton Metropolitan Borough Council on behalf of.....'). All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust with the Section 151 Officer, unless the deed otherwise provides.
- b. arrange where funds are held on behalf of third parties, for their secure administration, approved by the Section 151 Officer, and to maintain written records of all transactions
- c. ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust
- d. Approval of procedures for the management of Clients financial affairs, where the Council has been granted advocacy, Appointeeship and/or Deputyship
- e. The Executive Directors of Children's Social Care and Adult Social Care are responsible for ensuring procedures in relation to the management of Clients financial affairs are complied with.

## STAFFING

### SALARIES AND WAGES

D.65 Executive Directors and Assistant Directors are responsible, in consultation with the Chief Personnel Officer, for providing accurate and appropriate information and instructions to the Transactional HR, Payroll & Pensions Services to enable the calculation and prompt payment of salaries, expenses and pensions, including details of appointments, promotions, regrading, resignations, dismissals, retirements and absences from duty. Human Resources will advise the Transactional HR, Payroll & Pensions Services of relevant changes in respect of employee's pensions. The Service Manager – Employee Support will make arrangements for payment to the appropriate bodies, of all statutory, including taxation, and other payroll deductions.

D.66 Time sheets and other pay documents which are used to generate payment of salaries, wages or other employee-related expenses must be on official forms or via authorised electronic inputs. Executive Directors and Assistant Directors are responsible for ensuring that they are certified

by an authorised officer and that they are submitted to the Transactional HR, Payroll & Pensions Services in accordance with the specified timetable. This includes on-line input entered locally. The names and specimen signatures of authorised officers must be secured by Executive Directors and Assistant Directors and included in the service Scheme of Financial Delegation notified to the Section 151 Officer.

- D.67 The Chief Personnel Officer will implement national and local pay agreements as soon as possible after their notification from the appropriate body. Arrangements for funding such awards will be determined each year as part of the budgetary process.

#### EARLY RETIREMENT/SEVERANCE

- D.68 Where Executive Directors and Assistant Directors wish to bring forward proposals under the Council's policies on severance and early retirement, they must be accompanied by a full cost and affordability assessment, in a form agreed by the Chief Executive, the Section 151 Officer and the Chief Personnel Officer. The Cabinet Member for Regulatory Compliance and Corporate Resources shall be consulted for proposals relating to Hay Grade 6 and above.
- D.69 The Chief Executive or Section 151 Officer must approve all requests up to £100,000 including pension strain. All requests in excess of £100,000 including pension strain must be approved by the Pay and Grading Committee.
- D.70 Executive Directors and Assistant Directors will generally be required to meet the costs of severance and early retirement from within their approved budget. Service efficiency applications may be subject to phasing over an agreed period. A corporate budget may also be established for staffing reductions linked to the Council's MTFP saving options and access to this budget will be subject to the agreement of the Chief Executive and the Section 151 Officer.

#### TRAVELLING AND SUBSISTENCE

- D.71 The Section 151 Officer and the Chief Personnel Officer are responsible for issuing guidance on travelling and subsistence. Executive Directors and Assistant Directors are accountable for ensuring their teams follow the approved guidance on travelling and subsistence claims.
- D.72 Executive Directors and Assistant Directors are responsible for instructing the Chief Personnel Officer and for providing appropriate and accurate information to enable the prompt and accurate payment of travelling, subsistence and other expenses to authorised employees in

accordance with the terms of employment agreed by the Council.

- D.73 Executive Directors and Assistant Directors are responsible for ensuring that Council employees who use their cars for official business are properly insured to indemnify the Council against any loss and for ensuring that payments are only made in respect of journeys which are necessary and actually undertaken. Executive Directors and Assistant Directors should ensure that the most economical available means of transport is used, including pool cars, hire cars and car sharing.
- D.74 All claims for reimbursement must be made using appropriate official claim forms, always using electronic processing where available.
- D.75 Further guidance is available via the Intranet - Pay and Expenses.

#### CODE OF CONDUCT

- D.76 The Code of Conduct for Employees applies to, and will be followed by all officers. It covers financial, personal and other interests, gifts hospitality and other favours, sponsorship – giving and receiving, use of financial resources, disclosure of information, relationship with others, and separation of duties during tendering, appointments, political neutrality, additional employment, intellectual property, equality and declarations.
- D.77 Where an outside organisation wishes to sponsor or is asked to sponsor a Council activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts and hospitality applies, as detailed in the Code of Conduct for Employees.
- D.78 Further guidance is available via the Intranet – Personnel Policies and Procedures.

#### THIRD PARTY FUNDS

- D.79 A third party fund is defined as any fund financed other than by the Council, controlled wholly or partly by a member of the Council's staff in connection with the clients, establishments or activities of the Council such as School Funds, Amenity Funds or Criminal Injuries Compensation Payments for children in care. A register of third party funds will be maintained by the Corporate Finance team.
- D.80 Money or goods belonging to the Third Party Fund must be kept completely separate from other money or goods belonging to the Council. Similarly, completely separate records must be kept of the money or goods involved.

- D.81 An independent auditor must be appointed who has suitable qualities though not necessarily professionally qualified, to audit the Third Party Fund on an annual basis. Annual Statements of Account and Audit Certificates must be formally presented to a Management Committee or other appropriate governing body of the Third Party fund.
- D.82 Executive Directors and Assistant Directors are responsible for ensuring that any Third Party Funds controlled by Council staff are:
- a. formally declared to Corporate Finance team as part of a register kept by the Service
  - b. maintained separately and correctly in accordance with these Financial Procedure Rules, and
  - c. subject to the same standards of stewardship and probity as Council funds
- D.83 The Returning Officer will be responsible for maintaining complete and accurate records and for reconciliation with regard to elections accounts.

#### RETENTION OF RECORDS

- D.84 The Council, in common with other public and private organisations, has certain statutory obligations it has to meet for the retention of its records. It also has to fulfil the requirements of HM Revenue and Customs, other legislative requirements and the external auditors in respect of its financial records.
- D.85 All records held should have an appropriate retention period assigned to them, which meet the statutory obligations to retain financial records, but also takes into account legislative requirements such as the Limitation Act and General Data Protection Regulation; Freedom of Information requirements; and the business needs of the Service.
- D.86 The majority of financial records must be kept for six years from the end of the tax year to which they relate. Some records however, may need to be kept for longer periods e.g. if required to defend future insurance claims. It is possible others can be destroyed within shorter periods. Guidance on the appropriate retention period is given in the Council's Retention Policy and its Information Asset Register.



## SECTION E - FINANCIAL SYSTEMS AND PROCEDURES

### WHY THIS IS IMPORTANT

E.1 Sound systems and procedures are essential to an effective framework of accountability and control.

### WHAT IS COVERED IN THIS SECTION

E.2 The following aspects of Financial Systems and Procedures are covered in this section:

- Banking Services
- Banking Arrangements
- Income (Generating Income, Charging for Income, Collecting Income and Bad Debts)
- Ordering and Paying for Work, Goods and Services (General Principles, Payment of Invoices, Non-Invoice Payments, Credit Cards/Debit Cards/Purchase Cards, Imprest Accounts, Payment to Members and Financial Arrangements in an Emergency)
- Taxation
- Trading Accounts and Business Units

### BANKING SERVICES

E.3 The Council will approve the terms under which banking services, including overdraft facilities, are provided.

### BANKING ARRANGEMENTS

E.4 All bank accounts must be titled impersonally in the name of Sefton Metropolitan Borough Council.

E.5 Subject to any directions given by the Council, all arrangements with the Council's bankers must be made solely through the Section 151 Officer. No bank accounts may be opened or arrangements made with any other bank except by agreement with the Section 151 Officer.

E.6 Bank transfers from the General Fund and subsidiary accounts must be authorised by the Section 151 Officer, or those officers authorised to sign through the agreed Scheme of Financial Delegation or in accordance with the Treasury Management Policy and Strategy.

- E.7 Cheques drawn must bear the mechanically impressed signature of the Section 151 Officer or be signed by the Section 151 Officer or other officer authorised to sign through the agreed Scheme of Financial Delegation.

## INCOME

### GENERATING INCOME

- E.8 The Section 151 Officer is responsible for developing and maintaining standards, procedures, systems and reports to facilitate the effective and efficient identification, collection, receipting, banking and recovery of income due to the Council in accordance with current relevant UK legislation.
- E.9 Executive Directors and Assistant Directors are responsible for ensuring that the appropriate legal authority for all income generating activities has been identified.

### CHARGING FOR INCOME

- E.10 Executive Directors and Assistant Directors, in consultation with the relevant Cabinet Member, shall determine on an annual basis the level of fees or charges payable in respect of any chargeable goods or services supplied, work undertaken or the loan or use of plant, equipment or machinery. These will be approved by Cabinet Member in advance of the start of the financial year.
- E.11 There may be circumstances where fees and charges require in year amendments – for example, during periods of economic uncertainty, where there are volatile rates of inflation and sector specific pressures. These in year changes will be approved by the relevant Cabinet Member.

### COLLECTION OF INCOME

- E.12 The Council operates a Sundry Debt Collection policy to secure invoiced sundry debt income for the provision of services. All debt owing to the Council must be collected promptly, effectively, efficiently and economically, while ensuring fair treatment of those that owe money, including consideration of any financial difficulties.
- E.13 Council officers must comply with guidelines issued by the Section 151 Officer, and those contained in the Corporate Debt Policy and Corporate Debt Procedures for the safe and efficient collection and recording of all money due to the Council.

- E.14 Executive Directors and Assistant Directors are responsible for ensuring that accounts for income due to the Council, including grant claims, reimbursements and third party contributions, are raised immediately and accurately in a form approved by the Section 151 Officer. These must include VAT where appropriate.
- E.15 The cost of collection should be taken into account when raising accounts. Executive Directors and Assistant Directors must ensure that the method of collection is the most cost effective relative to the value of the transaction.
- E.16 Executive Directors and Assistant Directors are responsible for ensuring that all income received is receipted, where required, recorded correctly against the appropriate budgets, and in the case of cash and cheques, banked with the minimum of delay. The frequency of banking should follow guidelines provided by the Section 151 Officer Services should avoid incurring disproportionate banking charges on relatively low value transactions, taking into account local security arrangements.
- E.17 Executive Directors and Assistant Directors are responsible for monitoring income collection and ensuring appropriate recovery action is taken. A summary of the position on the level of outstanding debt and collection issues should be included in quarterly financial updates and the final outturn report.
- E.18 The Section 151 Officer will monitor compliance with Executive Director and Assistant Director responsibilities regarding the collection of income and may, in circumstances where avoidable adverse cash flow has resulted, determine an appropriate interest charge against Service budgets.
- E.19 Credit notes must be authorised by appropriate officers nominated in the local Scheme of Financial Delegation.
- E.20 Any receipts, tickets or other documents used as receipts should be in a format agreed by the Section 151 Officer. All controlled stationery issued to a Assistant Director must be recorded in a register, which is held by a single officer within each Service.
- E.21 There may be circumstances where third parties wish to exit income generating contracts early in return for providing the Council with a lump sum. Where these proposals are within the approved budget policy framework and have:
- No detriment financially and reflects current income being received
  - That the annual sums are received at the same level and the timeline at least as what is being received under the contract; and

- Any lump sum at the end of the contact period is based on current income levels and the timing is at least as currently set out within the existing agreement

Then this can be approved by the relevant Cabinet Member and the Cabinet Member - Regulatory, Compliance and Corporate Services and reported in line with the Council's established monitoring process. Any lump sums will be reserved and used to support the budget as originally set out.

- E.22 Where third parties wish to exit income generating contracts early and these cannot be contained within the existing budget policy framework, then these should be approved in line with the requirements for Supplementary Revenue Estimates as set out within the Financial Procedure Rules.

#### BAD DEBTS

- E.23 The Section 151 Officer is responsible for producing and issuing guidance on bad debt. Executive Directors and Assistant Directors are responsible for ensuring their teams comply with this guidance and the Corporate Debt Policy and Procedures.
- E.24 All debts which are due to the Council will be subject to full recovery, collection and legal procedures as detailed in the Council Corporate Debt Policy and Procedures. However, not all debts may be collectable and therefore it will be appropriate, in certain circumstances, to classify debts as irrecoverable or "bad debts".
- E.25 Bad debts of up to £10,000 may be written off by Authorised Officers as contained in the Scheme of Financial Delegation in consultation with the Section 151 Officer and the Monitoring Officer. Bad debts of £10,000 and over should be reported jointly by the Section 151 Officer and the relevant Assistant Director to the Audit and Governance Committee for write-off action.
- E.26 Any write off which arises as a result of theft or fraud must be notified to the Chief Internal Auditor immediately.
- E.27 Executive Directors and Assistant Directors are responsible for ensuring that an adequate provision for bad debt is made in the Council's accounts at year end and that contributions to this provision are included in budgetary projections and outturn reports.

## ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

### GENERAL PRINCIPLES

- E.28 Executive Directors and Assistant Directors are responsible for providing all appropriate information and instructions to Transactional Services to allow for prompt and accurate payment for goods and services provided and for the analysis of expenditure.
- E.29 Except for purchases by purchase /credit /debit card, all purchases must be supported by an official requisition. All purchases must have regard to Contract and Financial Procedure Rules.
- E.30 All requisition and purchase orders must be authorised in accordance with the relevant service Scheme of Financial Delegation to ensure that funds are available to pay for the purchase.
- E.31 All official purchase orders must include, as a minimum, the order number, the price agreed with the supplier, description of the goods or services to be provided, the delivery address, the address where invoices must be received and a link to the standard terms and conditions for the goods and services to be provided.
- E.32 Executive Directors and Assistant Directors must ensure that there is adequate separation of duties in the raising and authorisation of requisitions, authorising of purchase orders, receipt of goods and authorisation of payments to transactional services.
- E.33 Executive Directors and Assistant Directors must ensure robust processes to continually maintain computer records and accesses, and Schemes of Financial Delegation so that electronic workflows associated with core financial systems are not compromised.
- E.34 All procurement, commissioning, contract administration or contract management must be carried out in accordance with the Council's Contract Procedure Rules
- E.35 Executive Directors and Assistant Directors must consult the Section 151 Officer on appropriate arrangements for purchases of goods and services which cannot be accommodated within standard ordering and payment processes.

## PAYMENT OF INVOICES

- E.36 All invoices must be sent directly by the creditor to the address stated on the official purchase order to enable prompt payment.
- E.37 All invoices, as a minimum, must include the official purchase order number, the description of the goods or services provided, the quantity delivered, the delivery address, the date of the invoices and/ or date of delivery of the goods or services, the address and VAT registration number of the supplier and the price and VAT at the prevailing rate.
- E.38 Invoices received without a valid purchase order number may be returned to the creditor as unauthorised for payment.
- E.39 The Council's standard payment terms are 30 days from receipt of a correct invoice by BACS (Bankers Automated Clearing System). Alternative terms may not be negotiated or agreed with suppliers without the explicit approval of the Section 151 Officer. Executive Directors and Assistant Directors are responsible for notifying suppliers of these terms and for ensuring that they are observed by all those involved in the purchasing and payment processing.
- E.40 Payment will only be made for goods and services which have been formally receipted in accordance with receipting procedures set out by the Section 151 Officer.
- E.41 All procurement, commissioning, contract administration or contract management activity must be carried out in accordance with the Council's Contract Procedure Rules and any advice or guidance that may be issued from time to time by the Section 151 Officer regarding the efficient and effective use of the Council's core financial and e-procurement systems and processes. Invoices received for payment must comply with the Council's best practice processes.

## NON-INVOICE PAYMENTS

- E.42 Where Executive Directors and Assistant 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.
- E.43 Any such requests 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

allow for the reclaim of any VAT element.

- E.44 Appropriately authorised requests for payment will be processed and paid by BACS. Cheques will only be used in exceptional cases and by prior agreement.
- E.45 Non-invoice payments should be requested on an exceptional basis only. Where payments of this type need to be made on regular basis Executive Directors and Assistant Directors must consider, in conjunction with the Section 151 Officer, other alternative options which may be more appropriate.
- E.46 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.

#### CREDIT CARDS, DEBIT CARDS AND PURCHASE CARDS

- E.47 The Section 151 Officer is responsible for:
  - a. providing credit cards, debit cards and purchase cards to be used for agreed purposes and to be allocated to nominated members of staff
  - b. prescribing procedures for the use of credit cards, debit cards and purchase cards and the accounting arrangements required to record and monitor expenditure incurred with such cards
- E.48 Purchase Cards/Credit Cards/Debit Cards are an effective method of payment for goods and services of low value and for one off purchases. Executive Directors and Assistant Directors are responsible for the appropriate deployment, management and the security of purchase/credit/debit cards within their service in accordance with the Scheme of Financial Delegation.
- E.49 Purchase Cards/Credit Cards/Debit Cards should only be used for legitimate Council business by the person who has been allocated the card and whose name the card is in.
- E.50 Adequate records must be maintained to allow for the verification and reconciliation of all payments made to the Council's general ledger and bank accounts, and to allow for the proper treatment of VAT.

#### IMPREST ACCOUNTS

- E.51 The Section 151 Officer is responsible for providing, in agreed circumstances and where such need is proven to be essential, cash or bank imprest accounts to meet minor or other agreed expenditure. The

Section 151 Officer is also responsible for defining procedures for operating these accounts.

- E.52 The Chief Executive, Executive Directors and Assistant Directors are responsible for the operation of approved cash and bank imprest accounts in accordance with procedures issued by the Section 151 Officer.
- E.53 Executive Directors and Assistant Directors are responsible for ensuring that where local arrangements are in place:
- a. Schemes of Financial Delegation set out clearly the responsibilities and approval limits of individual officers in respect of these arrangements; and that these are reviewed and updated regularly
  - b. they are operated in accordance with guidance issued and that appropriate management supervision and compliance monitoring is undertaken
  - c. adequate records must be maintained to allow for the verification and reconciliation of all payments made to the Council's general ledger and bank accounts, and to allow for the proper treatment of VAT
  - d. arrangements are being operated for legitimate Council business only
- E.54 Local arrangements may not be used in any circumstances to circumvent either the Council's Contract Procedure Rules or agreed approval and authorisation procedures, nor must they be used for any payments in respect of salaries and wages, travelling or other employment expenses, or payments for work carried out under the Construction Industry Tax Deduction Scheme.

#### PAYMENT TO MEMBERS

- E.55 The Section 151 Officer is responsible for paying all allowances to Members.
- E.56 The Section 151 Officer will make payments to any Members entitled to claim allowances on receipt of the proper form, completed and certified in accordance with the approved scheme for allowances.

#### FINANCIAL ARRANGEMENTS IN AN EMERGENCY

- E.57 The Chief Executive, or his / her representative acting as Emergency Duty Co-ordinator must be able to incur expenditure immediately in order to carry out the role effectively and may rely on the provisions of



Section 138 of the Local Government as amended by Section 156 of the Local Government and Housing Act 1989 (LGHA 1989). Section 155 of the LGHA 1989 provides for a scheme whereby local authorities may recoup from central government a proportion of agreed expenditure under 'Bellwin Rules'.

E.58 The Section 151 Officer is responsible for:

- a. approving a form of record for all emergency expenditure.
- b. reporting all expenditure to the Cabinet as soon as reasonably practicable.
- c. issuing a single expenditure code for the emergency.

E.59 Those who incur expenditure on the occasion of any Emergency or scaled up incident are responsible for:

- a. taking such steps as are reasonable, bearing in mind the local circumstances, to enable proper accounting for any disbursement to be achieved after the event.
- b. taking such judgments as to what constitutes reasonable controls in light of the scale and the nature of the payments, their urgency and the physical conditions at the time.
- c. ensuring caution is exercised where large scale cash disbursements to third parties are involved
- d. attempting to obtain some documented acknowledgement of receipt.
- e. attempting to utilize cashless methods wherever possible.

E.60 Wherever possible/practicable, the Council's existing procurement framework contracts should be used.

## TAXATION

E.61 It is the responsibility of the Section 151 Officer, in conjunction with Transactional HR, Payroll & Pensions Services to:

- a. complete all Inland Revenue returns regarding PAYE
- b. complete a monthly return of VAT inputs and outputs to HM Revenue and Customs
- c. provide details to HM Revenue and Customs regarding the construction industry tax deduction scheme
- d. maintain up-to-date guidance for Council employees on taxation issues

E.62 It is the responsibility of Executive Directors and Assistant Directors to:

- a. ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations
- b. ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements
- c. 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. follow the guidance on taxation issued by the Section 151 Officer.

## TRADING ACCOUNTS AND BUSINESS UNITS

E.63 As a general rule, separate trading accounts are required when services are provided to either internal or external clients, on a basis other than a straightforward recharge of full cost. It is the responsibility of the Section 151 Officer to advise on the establishment and operation of trading accounts and business units.

E.64 It is the responsibility of Executive Directors and Assistant Directors to:

- a. consult with the Section 151 Officer and the Monitoring 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 can be terminated within the main contract period without penalty.
- b. 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 to produce an annual report in support of the final accounts
- c. ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units
- d. ensure that each business unit prepares an annual business plan.

## SECTION F - EXTERNAL ARRANGEMENTS

### WHY THIS IS IMPORTANT

F.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.

### WHAT IS COVERED IN THIS SECTION

F.2 The following aspects of External Arrangements are covered in this section:

- Partnerships
- Bidding for Grant Funding
- Support to Other Organisations
- Sponsorship Arrangements

### PARTNERSHIPS

F.3 Partnerships play a key role in delivering community strategies and contributing to the well-being of the area. They also provide new ways to share risks, access new resources and new and better ways of delivering services.

F.4 The Section 151 will provide guidance for Partnership Arrangements. This will outline officer and partner responsibilities and provides a checklist of all necessary requirements before entering into a partnership, during it and following its cessation.

F.5 Executive Directors and Assistant Directors are responsible for:

- a. Adhering to the guidance issued by the Section 151 Officer before embarking on any partnership agreement, ensuring a risk management appraisal is undertaken and obtaining the appropriate approvals
- b. Ensuring partnerships do not impact adversely on Council services
- c. Providing appropriate information for the statement of accounts
- d. Maintaining all contract document and any associated requirements of the Contract Procedure Rules
- e. Ensuring partners are aware of their obligations with regards to confidentiality, conflicts of interest, communication and financial and contractual responsibilities

- f. Ensuring that financial resources are used efficiently and effectively and that accounting arrangements are satisfactory and maintain the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council

## BIDDING FOR GRANT FUNDING

- F.6 In some circumstances there may be specific grant funds available, where these are aligned with the Council's priorities, accessed through some form of bidding process. The approval process for bidding for grant funding is as follows:
- a. All grant submissions should be approved by the Section 151 Officer and the relevant Assistant Director / Executive Director in advance
  - b. The relevant Cabinet Member / Cabinet Member for Regulatory, Compliance and Corporate Services should be consulted and provide approval to proceed
  - c. If a bid is successful, expenditure can only commence when formal approval for the Supplementary Revenue / Capital Estimate has been received.
- F.7 Any new capital schemes must be approved in line with the requirement for Supplementary Capital Estimates. Officers must ensure that they understand and are aware of the grant conditions attaching to any funding and consider whether the Council's processes and procedures are sufficient to comply with these conditions or whether more detailed processes need to be followed.

## SUPPORT TO OTHER ORGANISATIONS

- F.8 The Cabinet Member for Regulatory Compliance and Corporate Resources will on a periodical basis, agree a policy setting down the approach to be taken to the allocation of grants, donations and other contributions to outside bodies, in consultation with the Section 151 Officer and The Chief Legal and Democratic Services Officer. The Policy would be presented for approval through Cabinet and Council.
- F.9 Grants, donations and contributions will be paid by the Council in accordance with this policy, subject to there being adequate provision in service budgets and the appropriate approvals being sought.

Approval level	Amount
Officers	Up to and including £50,000 (where grant is within approved grant policy)
Cabinet Member	Between £50,000 and £100,000 (where grant is within approved grant policy)
Cabinet	<p>All Grants of £100,000 or more.</p> <p>All grants which do not fall within existing approved grant policy require Cabinet approval.</p>

- F.10 The Grant Funding Protocol sets out further guidance on grant funding, the process for allocation and any conditions that should apply to any grant funding.
- F.11 Executive Directors and Assistant Directors will report on the outcomes achieved through the provision of support to outside bodies on an annual basis to the appropriate Member Group and Cabinet Member, with interim reporting (quarterly reports being the minimum) where the sums involved are in excess of £100,000.

#### SPONSORSHIP ARRANGEMENTS

- F.12 Sponsorship arrangements must comply with the Council's Sponsorship Policy and Code of Conduct.
- F.13 All sponsorship arrangements will require a business case to be submitted to the Chief Executive and the Section 151 Officer for approval.
- F.14 The Assistant Director of Corporate Resources and Customer Services (Strategic Support) is responsible for maintaining a register which will include a list of approved sponsors.
- F.15 The following financial thresholds must be adhered to:

Value	Level of Approval
Up to and including £10,000	Executive Director Cc Assistant Director
In excess of £10,000 and up to and including £50,000	Chief Executive Cc Executive Director and Assistant Director
Over £50,000	Cabinet Cc Executive Director and Assistant Director

F.16 Any sponsorship arrangement over £100k or materially affecting 2 or more wards will need including on the Forward Plan as a key decision.

## ANNEXE

### GLOSSARY OF TERMS / DEFINITIONS

**Appropriation** – Amounts transferred between the Revenue account and revenue or capital reserves.

**Bad Debt** – All debts which are due to the Council will be subject to full recovery, collection and legal procedures as outlined in the Council Corporate Debt Policy & Procedures. However, not all debts may be collectable and therefore it will be appropriate, in certain circumstances, to classify debts as irrecoverable or “bad debts”.

**Balances (Revenue Account)** – The accumulated surplus of income over expenditure. Members may agree that Balances be used to reduce future Council Tax precepts although a minimum level, consistent with prudence and best practice will be maintained. Amounts in excess of that required for day-to-day cash management and to finance working capital can be invested to generate interest income to the Council.

**Block Provisions** – Annual capital allocations made to cover minor schemes with starting values of less than £250,000.

**Business Case Template** – This is a pro forma to be completed for all Capital schemes and all significant Revenue proposals. It will provide details on the expected outcomes falling from the proposed investment and identify how the proposal will meet corporate objectives.

**Capital Approval** – The capital programme provision as amended by any supplementary estimates or virements.

**Capital Expenditure** – Expenditure on the purchase, construction or replacement of capital (fixed) assets or expenditure which adds to the life or value of an existing fixed asset.

**Capital Programme** – The Council’s plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, Highway Improvement schemes and design fees, and the acquisition of vehicles and major items of equipment.

**Capital Project / Scheme** – These terms mean the same thing and are used interchangeably within these Rules. A project/scheme may be separately identified in the capital programme or be an item within a block provision.

**Capital Receipts** – Income received from the sale of capital assets and available, subject to rules laid down by the Government, to finance new capital expenditure or to repay debt.

All **carry-forwards** (except for Schools) need the approval of the Cabinet upon the presentation of a business case. The Sefton Scheme for Financing Schools identifies the level of balances each maintained school can carry forward without prior permission from the Schools Forum.

**Chief Officers** – Chief Officers are the Chief Executive or any Assistant Director of the Council to whom there has been specific delegation in writing by the Council or the Chief Executive. Chief Officers must operate efficient systems of financial control.

**Contingencies** – Sums set aside to meet either:

the potential costs of activities expected to occur during the year over and above those costs included in Service budgets (pay and price contingency); or

items which are difficult to predict in terms of financial impact or timing (contingency for uncertain items).

**Contract** – An agreement to supply goods, services or works for a price. A contract is normally in writing however a contractual arrangement may, inadvertently be entered into orally.

**Contractor** – Any person or organisation awarded a Contract. This includes any consultant appointed by the Council to provide advice on any project.

**Commissioning Team /Procurement** – The central procurement unit is the department responsible for procurement activity within the Council.

**Council Fund** – The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in the year represents the excess of income over expenditure within the Consolidated Revenue Account. The level of balances held is based on the Council's assessment of the level of risk and uncertainty and the potential call on such reserves.

**Debt Write-Off** – Realising the cost of debt which is considered to be "bad" (unrecoverable) by writing it off against the revenue account or bad debt provision.

**Earmarked Reserves** – These reserves represent monies set aside that can only be used for a specific use or purpose.

**Financial Year** – The Council's accounting period covers the 12 months from April 1 to March 31.

**Forward Plan** – As defined in the Constitution.

**Key Decision** – As defined in the Constitution.

**Leases** – Agreements covering the hire/rental of equipment or buildings, generally for a specified period of time and at a specified rate.



**Option Appraisal/Business Case** – This is required for all Capital schemes and all significant revenue proposals and takes the form of a Business Case Template. This will be used to assess whether the scheme is affordable and deliverable. Consequences to the Service are considered and evaluated and it will also provide a basis for monitoring and reporting progress. In the case of revenue proposals, it will also take into account the risk and impact on users.

**Policy and Expenditure Planning** – The Council's annual cycle of planning for the medium and short-term future, aimed at achieving optimal allocation of available resources.

**Policy and Expenditure Proposals** – Proposals, including new policies, which have resource implications and will be subject to appraisal by Members, Executive Leadership Team and consultees before inclusion in annual budget preparation.

**Provision** – An amount set aside by the Authority for any liabilities of uncertain amount or timing that have been incurred.

The main category is estimates of liabilities or losses already incurred but whose exact amount will be determined in the future (e.g. bad debts, obsolete stock). See also Capital Provision and Provision for Doubtful Debt.

**Provision for Doubtful Debt** – An allocation of funds set aside from Service revenue budgets to cover amounts which may not be recoverable from debtors.

**Prudential Borrowing Limits** – The maximum amount of borrowing that the Council can enter into at any one point in time during the year. This limit is set by Council prior to the start of the year to which it relates and cannot be breached under any circumstances.

**Revenue Account** – The Account which sets out the Council's income and expenditure for the year for non-capital spending.

**Revenue Expenditure** – Spending on the day-to-day running expenses of the Council. It includes expenditure on employees, premises, transport and supplies and services.

**Ring Fencing** – Certain budgets agreed by the Section 151 Officer are "ring-fenced". This means that under-spends on these budgets will return to balances and overspends will be met centrally. This is to reflect the fact that certain items of expenditure are either demand-led or so significantly influenced by extraneous factors that they are beyond the direct control of managers. Ring-fenced budgets include planning levies, external audit fees and election expenses.

**Schemes of Financial Delegation** – Schemes of Financial Delegation are the documents that set out, for each Service, all authorisations and approval limits as delegated by the Executive Directors and Assistant Directors to Authorised Officers within their Service. Executive Directors and Assistant Directors are responsible for maintaining up to date and

accurate Schemes of Financial Delegation.

**Section 106 Agreement** - Planning obligations, also known as Section 106 agreements (based on that section of The 1990 Town & Country Planning Act) are private agreements made between local authorities and developers and can be attached to a planning permission to make acceptable development which would otherwise be unacceptable in planning terms. This will set out a number of on-site and/or financial obligations that are necessary to make the proposal acceptable in planning terms.

**Service Plan** – A plan which outlines measurable Service aims for the year ahead, encompassing both core purpose and specific key objectives for any given year. The Plan will consider both inputs and outputs.

**“Starts value”** – Represents the full value of the Council’s contribution to a Capital Scheme irrespective of the timing of the payments.

**Sponsorship** is defined as - “An agreement between the Council and the sponsor, where the Council receives either money or a benefit in kind for an event, campaign or initiative from an organisation or individual which in turn gains publicity or other benefits”.

**Supplementary Capital Estimate (SCE)** – Additional resources approved by Members during the financial year with funds either provided by a third-party (e.g. developer contributions, receipts, government grant), by the use of Council reserves or from the Revenue budget.

**Supplementary Revenue Estimate (SRE)** – An approved increase to a Service revenue budget during the financial year, funded centrally from reserves, contingencies or external funding sources such as grants or partner contributions.

**Third Party Fund(s)** – Funds provided by outside bodies or individuals in support of Council activities, establishments or clients. Can sometimes be known as trust funds.

**Underspend** – An underspend results when the net costs of a budget holder are lower than the net budget for the year.

**Virement** – A Revenue virement is a transfer of amounts from one budget heading to another within, or between, Executive Directors / Assistant Directors. Capital virements cover any changes to Capital budgets funded from within the existing Capital programme.