

Part 4.3

Financial Procedure Rules

Please note that Part 4.3 amalgamates and replaces parts 4.5 and 4.6a

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1. Introduction

- 1.1. To conduct its business efficiently, this council recognises the need to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations that set out the key financial responsibilities of the council.
- 1.2. These overarching financial regulations are approved by (full) Council as part of the constitution, usually following consideration of a recommendation from the Policy and Resources Committee.
- 1.3. These financial procedure rules provide clarity about the financial accountabilities of committees and individuals – including councillors, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer and other officers. (The definition of the statutory, officers (Head of Paid Service, Monitoring Officer and Chief Finance Officer) is set out in Article 11 of the Constitution. These statutory or chief officers, together with the Heads of Service, constitute the Corporate Management Team.)
- 1.4. The implementation of the more detailed and technical financial procedure, instructions, advice and guidance, that underpin the regulations, is managed by the Chief Finance Officer.

2. Framework

- 2.1. Full Council will be responsible for adopting its budget and policy framework as set out in Article 4. Developing the budget and policy framework is a key corporate process for (full) Council because it sets the context for decision making by the Policy and Resources Committee. Once a budget or policy framework is in place, it is the responsibility of the Policy and Resources Committee to implement it.
- 2.2. The Leader may call a debate/briefing on East Northamptonshire issues, or on a specific topic, to inform the development of the policy and budget for the following year.
- 2.3. The Medium Term Financial Strategy, and associated budget for the forthcoming financial year, will be agreed at the February meeting of (full) Council each year.
- 2.4. No changes which result in any additional next expenditure being incurred may be made to any plans, policies or strategies which make up the budget and policy framework by the policy committee or officer without reference to the full Council (except as outlined in the Virement or Urgency procedures or if the changes are within the agreed Development Pool part of the Capital Programme).
- 2.5. **Status of Financial Regulations**
- 2.6. Financial regulations provide the framework for managing the council's financial affairs. They apply to every councillor and officer, and anyone acting on its behalf.
- 2.7. With the approval of the Chief Finance Officer, other chief officers may delegate or devolve their financial management activities to a Head of Service. Where decisions have been delegated or devolved to other responsible officer's references to the chief officer in the regulations should be read as referring to them.
- 2.8. All councillors and officers 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 properly authorised, provides value for money and achieves best value.
- 2.9. The Chief Finance Officer is responsible for maintaining a continuous review of these financial regulations and submitting any proposed additions or changes necessary via a report to the Governance & Audit Committee which will make appropriate recommendations to (full) Council.
- 2.10. The Chief Finance Officer is responsible for reporting, where appropriate, breaches of the financial regulations to (full) Council and/or to the Monitoring Officer or Head of Paid Service.

- 2.11. Chief Officers and Heads of Service are responsible for ensuring that all staff in their service are aware of the existence and content of the financial regulations, financial procedures and other internal regulatory documents and that they comply with them.
- 2.12. The Chief Finance Officer is responsible for issuing advice and guidance to underpin the financial regulations that councillors, officers and others acting on behalf of the council are required to follow.
- 2.13. Members of the Corporate Management Team must seek the approval of the Chief Finance Officer to implement or change any financial procedures that fall within their sphere of responsibility.

3. Financial Management

3.1 Financial management covers all financial accountabilities in relation to the running of the council, including the budget and policy framework. The process of financial management involves:

- Complying with statutory requirements
- Development and approval of policy and management frameworks, the Constitution and financial plans including the revenue and capital budgets
- Establishing protocols and standards
- Implementing policies, protocols and standards
- Monitoring compliance
- Maintaining records
- Reporting and providing advice
- Specific financial techniques and functions e.g. virements, year end balances, statements of account.

3.2 Proper control of the council's affairs requires that roles and responsibilities are clearly defined. This section defines the roles and responsibilities.

3.3 Full Council

3.4 Full Council is responsible for adopting and approving the principles of financial governance and approving the council's budgetary and policy framework within which committees operate. Article 4 of the Constitution sets out and defines the budget and policy framework.

3.5 Full Council is responsible for approving and monitoring compliance with the council's overall framework of accountability and control. It also has responsibility for monitoring compliance with the agreed budget.

3.6 Full Council is responsible for approving procedures for recording and reporting decisions taken. This includes decisions delegated to officers as well as decisions taken by the Council and its committees. These delegations and details of who has responsibility for what decisions are set out in Part 3 of the Constitution.

3.7 The Policy and Resources Committee

3.8 Policy and Resources Committee is responsible for proposing the overall budgetary and policy framework to (full) Council.

3.9 The committee will consider the recommendations of Finance & Performance Sub-Committee for the Medium Term Financial Strategy. This will include reviewing the financial priorities, the allocation and reallocation of resources and consideration of future levels of local taxation.

3.10 Policy and Resources Committee is responsible for the implementation of the budgetary framework and the Medium Term Financial Strategy after consideration of the recommendations of the Finance & Performance Sub Committee. Within the overall strategy it will agree the annual revenue budget, the capital programme, the financing of the capital programme, and associated investment criteria, supplementary estimates, fees and charges and the level of contingencies and reserves. It will make recommendations to (full) Council on the council tax base, council tax support scheme and business rates discretionary rate relief policy.

3.11 Finance & Performance Sub Committee

3.12 The Finance & Performance Sub-Committee will monitor and control the annual revenue budget and capital programme, review and scrutinise treasury activity and performance against the Treasury Management Strategy Statement and review financial performance against agreed targets.

3.13 These financial regulations will be reviewed, at least, every five years by the Finance Sub-Committee following consideration of a report from the Chief Finance Officer.

3.14 The Finance & Performance Sub-Committee and Policy and Resources Committee will ensure, on behalf of the (full) Council that councillors, officers and committees strictly adhere to the financial regulations.

3.15 The Governance and Audit Committee

3.16 The Governance and Audit Committee is charged with governance of the council.

3.17 The Governance and Audit Committee will contribute to the development of and review of the effectiveness of the Medium Term Financial Strategy, the annual budget and capital programme.

3.18 The Committee will consider reports from the Audit Commission and internal and external auditors in respect of performance issues in relation to the Medium Term Financial Strategy or financial processes where considered appropriate by the Chief Finance Officer.

3.19 The Governance and Audit Committee is responsible for approving the council's risk management policy statement and strategy and for reviewing the effectiveness of risk management.

3.20 The Governance and Audit Committee is responsible for approving the Annual Statement of Accounts in accordance with the Account and Audit Regulations.

3.21 The committee has right of access to the information it considers necessary to fulfil this role and can consult directly with internal and external auditors. The Committee is responsible for reviewing the external auditor's reports and the annual audit letter. It will approve the internal audit strategic programme and will consider any internal audit reports or matters referred by the Chief Finance Officer.

3.22 **Other Committees and Sub Committees**

3.23 All other committees and sub committees will ensure, in making decisions within their remit, that due regard is given to the financial implications of those decisions. The financial implications must be reported or approved by the Chief Finance Officer. They must be satisfied before making a decision that there is compliance with the budgetary and policy framework together with the financial regulations and/or procedures relating to the financial management of the council.

3.24 **Regulatory Committees**

3.25 Regulatory Committees includes:

- Licensing Committee
- Planning Management Committee

3.26 Regulatory committees do not have delegated to them specific financial management responsibilities but due consideration must be given to the general stewardship, integrity and confidence in the council's financial affairs.

3.27 Decisions made by these committees could materially affect the council's financial position and/or expose the council to financial risk. The committees, and individual councillors, should ensure that proper consideration has been given to any exposure to risk in determining matters delegated to the committee.

3.28 **Head of Paid Service (Chief Executive)**

3.29 The Head of Paid Service is the Chief Executive and is responsible for the corporate and overall strategic management of the council. The Head of Paid Service has responsibility for establishing a framework for management direction, style and standards, and for monitoring overall performance of the organisation. They must report to and provide information for Committees and (full) Council as required.

3.30 **Section 151 Officer (Chief Finance Officer)**

3.31 This post, as defined in Article 11 of the Constitution, has statutory duties in relation to the financial administration and stewardship of the council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Local Government Act 1972 (Section 151)
- Local Government Finance Act 1988
- Local Government and Housing Act 1989
- Local Government Act 2003
- Accounts and Audit Regulations 2003 (as amended).

3.32 The Chief Finance Officer is responsible for the proper administration of the council's financial affairs and report to (full) Council and Committees on the discharge of this responsibility. This includes:

- Maintaining strong financial management underpinned by effective financial controls
- Contribute to corporate management and leadership
- Providing financial information and advice
- Setting and monitoring compliance with financial management standards
- Advising on the corporate financial position
- Advising on the key financial controls necessary to secure sound financial management
- Preparing the revenue budget and capital programme
- Treasury management
- Leading and managing an effective and responsive financial service.

3.33 The Chief Finance Officer has a statutory responsibility for ensuring that adequate systems and procedures exist to account for all income due and expenditure made on behalf of the council and that controls operate to protect the council's assets from loss, waste, fraud or other impropriety. The Chief Finance Officer shall discharge that responsibility in part by the issue and maintenance of Financial Procedures and Operational Procedures with which all Councillors and staff of the council shall comply.

3.34 The Chief Finance Officer is the 'responsible financial officer' for the purposes of Sections 114 and 114A of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2003.

3.35 Section 114 requires the Chief Finance Officer to make a report and inform the External Auditor if it appears that (full) Council, a Committee or officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure;
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the council; or
- Is about to make an unlawful entry in the councils accounts

3.36 Section 114A makes equivalent provision in respect of actions taken by or on behalf of the council. Under both sections the report must be sent to every Councillor as well as the External Auditor.

3.37 Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise should they is unable to perform the duties under Section 114 personally.
 - The council provide the Chief Finance Officer with sufficient staff, accommodation ad other resources, including legal advice where necessary, to carry out the duties under Section 114 and make similar arrangements for the purposes of the Accounts and Audit Regulations 2006.
- 3.38 The Chief Finance Officer will provide an effective internal audit function to provide an independent appraisal of internal control, to maintain an audit of all the council's financial management activities and to provide business assurance.
- 3.39 The Chief Finance Officer and Internal Audit shall have full and unrestricted access to all council assets, systems, accounts, contracts, documents, information, officers, and Councillors.
- 3.40 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must monitor and control the net expenditure of the council against budget allocations and report to the Finance & Performance Sub-Committee (which in turn will report to the Policy and Resources Committee) on the overall position as appropriate.
- 3.41 The Chief Finance Officer is responsible for monitoring compliance with the virement scheme to ensure the scheme operates effectively and in accordance with the agreed budgetary and policy framework.
- 3.42 The Chief Finance Officer will consider and approve reports requesting virements between £10,000 and £50,000, in accordance with the scheme of virement (see 5.9). Decisions on virements over £25,000 will be made in consultation with Chairman of Finance& Performance Sub-Committee or Policy and Resources Committee.
- 3.43 The Chief Finance Officer shall keep a record and audit trail for all virements and the reason for the virement. Appropriate information must be provided to the Chief Finance Officer to maintain this record.
- 3.44 **Monitoring Officer**
- 3.45 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the (full) Council and/or for ensuring that procedures for recording and reporting financial decisions are operating effectively in accordance with the budgetary and policy framework.
- 3.46 The Monitoring Officer, together with the Chief Finance Officer, is responsible for advising the Policy and Resources Committee and/or (full) Council if a

decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- initiating a new policy
- committing expenditure in future years to above the budget level
- incurring interdepartmental transfers above virement limits causing the total expenditure financed from council tax, grants and corporately held reserves to increase above agreed limits within the medium term strategy
- Any decisions which will result in reserves falling below agreed levels.

3.47 For these purposes the Monitoring Officer shall have full and unrestricted access to all council assets, systems, accounts, contracts, documents, information, officers, and Councillors.

3.48 **Corporate Management Team**

3.49 All members of the Corporate Management Team (chief officers and heads of service) will ensure that committees, sub committees, panels and working parties are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer prior to consideration of any proposals by Councillors.

3.50 Financial commitments and liabilities can be incurred by members of the Corporate Management Team in accordance with these regulations, the detailed financial procedures, the Scheme of Delegation and resources allocated in the annual capital or revenue budgets.

3.51 Members of the Corporate Management Team will sign official orders and contracts on behalf of the council in accordance with these regulations and other codes embodied in the constitution.

3.52 It is the responsibility of members of the Corporate Management Team to consult with the Chief Finance Officer and seek approval on any matter liable to affect the council's finances, before any commitments are incurred.

3.53 Members of the Corporate Management Team will be responsible for the proper financial management of functions and services within their remit. They will establish, maintain and document financial systems, procedures and internal checks under their control and seek the approval of the Chief Finance Officer to any changes in such arrangements. They will ensure the officers or councillors are familiar with any arrangements.

3.54 Any member of the Corporate Management Team may delegate aspects of their Financial Management responsibilities to other senior managers, including the specific designation of 'budget managers'.

3.55 All members of the Corporate Management Team will ensure that adequate and suitably trained resources are available to discharge of the financial activities devolved or delegated to their staff.

- 3.56 All members of the Corporate Management Team will review at least once a year, the fees and charges for services and functions under their control to reflect service objectives and strategic charging policies. They will consult with relevant parties and propose variations to the Finance & Performance Sub-Committee to enable recommendations to be made to the Policy and Resources Committee. The annual review will take account of legislative changes and national priorities.
- 3.57 Where members of the Corporate Management Team are responsible for the collection and receipting of income from fees and charges, appropriate financial procedures and controls will be agreed with the Chief Finance Officer. Corporate financial and accounting systems should normally be used for this purpose. Locally developed solutions may be agreed by the Chief Finance Officer provided these demonstrate adequate internal control and compliance with financial regulation, procedures and sound accounting practice.
- 3.58 The overall budget is agreed by the Policy and Resources Committee and approved by (full) Council. Budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. All budget Managers are expected to exercise their discretion in managing their budgets responsibly and prudently. They should 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.
- 3.59 Members of the Corporate Management Team are unable, without the consent of the Chief Finance Officer, to transfer resources from the following expenditure heads: capital charges; transfer payments or business rates payments. They are also unable to utilise additional income from government grants, council tax, or interest receipts without the consent of the Chief Finance Officer. Other in year virement may be made in accordance with the scheme outlined in section 5.9.
- 3.60 **Councillors and Officers**
- 3.61 All officers and councillors will contribute to the general stewardship, honesty and integrity in the council's financial affairs and comply with these regulations and any system, financial procedure or policy relating to the financial management of the council.
- 3.62 Before making any decision or voting on any decision the person responsible shall consider the financial implications and the effect on the council's financial position.
- 3.63 Councillors or officers shall bring to the attention of the Chief Finance Officer any act or omission that is contrary to the financial regulations and/or the financial procedures.

- 3.64 Councillors and officers should maintain the highest standards of financial probity and provide information or explanations on matters within their responsibility to the Monitoring Officer, the Governance and Audit Committee, the Chief Finance Officer, and the council's internal and external auditors.
- 3.65 Any Chief Officer, Head of Service or councillor who is involved in, or who has an interest in, a transaction between the council and a third party shall declare the nature and extent of this interest to the Chief Finance Officer. These will be reported in the council's accounts in accordance with the Accountancy Standards Board (ASB) Reporting Standards and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Accounting Practice.
- 3.66 **Urgency Procedure**
- 3.67 The Urgency Procedure is designed to deal with unexpected events which cannot be dealt with under the other clauses contained within Constitution, including these Financial Regulations and which require such urgent attention that they do not allow for referral to the next available committee meeting. Examples include significant financial expense following an accident or disaster, protecting the council against any legal challenge and the ability seek advantage from an opportunity which would otherwise disappear if immediate action is not taken.
- 3.68 The urgency procedure is only designed to deal with items costing in excess of £25,000 which are within our existing policy framework but which are not covered by the approved budget.
- 3.69 Items greater than £25,000 but less than £100,000 can be approved by the Chief Finance Officer (or Deputy Chief Finance Officer in their absence) after consultation with Chairman of Finance & Performance Sub-Committee or Chairman of Policy and Resources Committee (or in their absence their deputies). A report outlining the background of the decision will be submitted to the next Finance & Performance Sub-Committee and Policy and Resources Committee
- 3.70 For sums between £100,000 & £500,000 the Leader of Council and Chair of Policy and Resources (or in their absence their deputies) shall be authorised to approve such urgent expenditure after written report from another Chief Officer countersigned by Chief Finance Officer. These decisions will be reported to next Policy and Resources Committee
- 3.71 Under the above provisions authorisation to approve such items that are deemed urgent will require a written report from a member of the Corporate Management Team, countersigned by the Chief Finance Officer (or where the report originates from the Chief Finance Officer by the Chief Executive).
- 3.72 Reports approved under this scheme shall include not only the details under consideration but also the reasons why they need to be dealt with under the

urgency procedure. They shall be the same in both substance and form to any normal report submitted to a committee and shall contain sufficient information on which the decision can be made.

- 3.73 This scheme shall not be used for expenditure on items outside the council's existing policy framework or where, in the opinion of the Chief Finance Officer, the decision will result in significant ongoing expenditure.

4 Financial Planning

4.1 Full Council is responsible for agreeing the council's policy framework and budget. In terms of financial planning, the key elements are the Medium Term Financial Strategy and the annual budget and capital programme proposed by the Policy and Resources Committee.

4.2 Full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.

4.3 Full Council is responsible for setting the level at which the Policy and Resources committee and chief officers may reallocate budget funds from one service to another, via the Virement Scheme (see 5.9). The committee, Finance Sub-Committee and chief officers are responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the council.

4.4 The Corporate Plan

4.5 The Chief Executive is responsible for the preparation of the plan and for ensuring its submission to the full Council for approval.

4.6 The Chief Finance Officer will agree procedures and systems for the inclusion, verification and publication of the financial information and financial performance indicators in the Plan.

4.7 Medium Term Financial Strategy

4.8 The Medium Term Financial Strategy is the key tool in ensuring that the council's resources are used in accordance with its decisions. It covers service and financial planning over a timeframe of four years. The Chief Finance Officer is responsible for ensuring the Medium Term Financial Strategy is prepared and updated at least annually for consideration by committee and approval by (full) Council. The strategy will be consistent with the council's priorities. This strategy must cover both capital and revenue.

4.9 A Medium Term Financial Plan that turns the strategy into practice must be prepared. This should be regularly updated throughout the year as events and the budget timetable dictate.

4.10 Service Plans

4.11 Members of the Corporate Management Team are responsible for preparing their service/business plans, detailing the resources, financial and non financial, needed to deliver the council's priorities.

4.12 Members of the Corporate Management Team are responsible for the preparation of these plans, which reflect the Councils priorities as shown in the Corporate Plan. They will be produced in conjunction with the capital and revenue budgets.

4.13 Revenue Budget

4.14 The general format of the budget will be approved by (full) Council and proposed by the Policy and Resources Committee following consideration by the Finance & Performance Sub-Committee on the advice of the Chief Finance Officer. The draft budget should include allocation to different services and projects, proposed taxation levels and levels of reserves.

4.15 The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis that is consistent with the Medium Term Financial Strategy. The annual budget will be considered by the Policy and Resources Committee following recommendations made by the Finance Sub-Committee and proposed to (full) Council. The Committee may amend the budget or ask the chief officers to reconsider it before proposing it to (full) Council. Full council may amend the budget proposed by the Policy and Resources Committee.

4.16 The Chief Finance Officer is responsible for issuing guidance on the general content of the budget as soon as possible following approval by (full) Council.

4.17 It is the responsibility of chief officers to ensure that budget estimates reflect agreed service plans, strategic objectives and priorities. Chief officers should ensure that these estimates are prepared in line with guidance issued by the Chief Finance Officer.

4.18 Guidelines on budget preparation

- Guidelines on budget preparation are issued to Councillors and members of the Corporate Management Team by the Chief Finance Officer. The guidelines will take account of:
- legal requirements
- medium-term planning prospects
- available resources
- spending pressures
- best value and other relevant government guidelines
- other internal policy documents

4.19 Resource allocation

4.20 The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the full council's policy framework.

4.21 Capital Budget

4.22 The Chief Finance Officer is responsible for ensuring that a capital programme (to included items in the Development Pool and Approved Capital Programme) is prepared on an annual basis for consideration initially by the Finance & Performance Sub-Committee for recommendation to Policy and Resources Committee before submission to (full) Council.

4.23 The Capital Programme shall make appropriate provision for the maintenance and development of the council's key physical assets such as buildings. Consideration should be given during the annual budget setting process as to whether the council should invest some or all of the proceeds from the sale of assets into the future maintenance or enhancement of other assets.

4.24 The Chief Finance Officer is responsible for ensuring compliance with the capital governance process:

- Only (full) Council can add items directly into to the Approved Capital Programme. Projects cannot proceed outside of the Approved Capital Programme.
- In the case of items in the Development Pool these can only be transferred to the Approved Capital Programme if inclusion in the Development Pool was agreed by (full) Council during the annual budget setting process and final estimates are within the budget agreed at that time and approval is given by Finance & Performance Sub-Committee.
- Where an item was initially agreed by Finance Sub-Committee for inclusion in the Development Pool (full) Council agreement to proceed will be required after the final estimates have been received.

4.25 Capital project/budget managers are required to prepare project appraisals including whole life capital and revenue costs for capital projects to be included in the Approved Capital Programme. The project appraisal must be approved by the Chief Finance Officer.

4.26 Asset Management

4.27 The Chief Finance Officer will be responsible for ensuring that an Asset Management Plan covering a minimum of three years ahead is prepared and updated at least annually for consideration by committee and approval by (full) Council. The plan will be consistent with the council's priorities.

4.28 Reserves

4.29 It is the responsibility of the Chief Finance Officer to advise the Policy and Resources Committee and/or (full) Council on prudent levels of reserves for the council.

- 4.30 The Chief Finance Officer will review the minimum level of reserves at least annually. The minimum level required will be assessed after considering the risks facing the council over the medium term.
- 4.31 The number, type and level of earmarked reserves will be reviewed at least annually to take into account the risks faced by the council. The level of earmarked reserves will then be approved by full Council annually as part of the budget setting process. Use of earmarked reserves up to £100,000 per quarter per reserve, will be approved on a quarterly basis by the Chief Finance Officer (or Deputy Chief Finance Officer in their absence) after consultation with the Chairman of Policy & Resources Committee or the Chairman of Finance & Performance Sub-Committee.

5 Financial Control

5.1 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.

5.2 Annual Governance Statement

5.3 The Accounts and Audit Regulations 2003 have established requirements related to the systems of internal control and the review and reporting of those systems. The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance to assist authorities to establish proper practices and procedures to satisfy these requirements.

5.4 The council's objectives, its internal organisation and the environment in which it operates are continually evolving and, as a result, the risks faced are continually changing. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the council is exposed.

5.5 The council's Chief Finance Officer is responsible for ensuring that the financial management of the council is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk.

5.6 The Chief Finance Officer shall conduct a review at least once a year of the effectiveness of the council's system of internal control and shall include a statement of internal control, prepared in accordance with proper practices, with any statement of account the council is obliged to publish in accordance with the aforementioned regulations.

5.7 It is the responsibility of the Monitoring Officer to establish and maintain sound arrangements.

5.8 The council's Annual Governance Statement shall be signed by the Chief Executive and the Leader of the Council and the Governance and Audit Committee shall oversee its production and recommend its adoption as part of the Annual Accounts.

5.9 Scheme of Virement

5.10 The Scheme of Virement is intended to enable the Policy and Resources Committee, Chief Finance Officer, chief officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by (full) Council, and therefore to optimise the use of resources.

Please note that where decision making authority is given to the Chief Finance Officer, the Deputy Chief Finance Officer may exercise the same authority in the absence of the Chief Finance Officer

- 5.11 The scheme applies to in-year virements. These are the transfer of resources between income and expenditure heads and/or between service heads within the revenue budget. Alternatively it can be the transfer of resources between capital projects that have received the approval of (full) Council.
- 5.12 The scheme applies to both revenue and capital budget. It also applies to income and expenditure.
- 5.13 The scheme of virement does not apply to reserves created or enhanced utilising underspends identified in the draft out-turn each year (which are agreed by Policy and Resources Committee under their terms of reference).
- 5.14 Chief Officers are responsible for agreeing in-year virements, in accordance with the financial procedures, in where required in line with the following limits:

Limit	Approver
£0 to £5000	Heads of Service
£5,000 to £10,000	Chief Officers
£10,000 to £25,000	Chief Finance Officer
£25,000 to £50,000	Chief Finance Officer in consultation with Chairman of Finance & Performance Sub-Committee or Policy and Resources Committee (or in their absence their deputies)

- 5.15 The key features and controls for the scheme of virement are:
 - 5.15.1 It is administered by the Chief Finance Officer within guidelines set by (full) Council. Any variation from this scheme requires the approval of (full) Council following a proposal from the Policy and Resources Committee.
 - 5.15.2 They must notify the Chief Finance Officer of all virements agreed.
 - 5.15.3 Virement that is likely to impact on the level of service or the activities of another member of the Corporate Management Team should be implemented only after agreement with that member.
 - 5.15.4 No virement relating to a specific financial year should be made after 31 March in that year.
 - 5.15.5 The utilisation of revenue reserves to fund additional expenditure or meet a shortfall in the income received is outside the scope of this scheme and requires the specific approval of (full) Council following a proposal from the Policy and Resources Committee.
 - 5.15.6 Full Council is responsible for agreeing procedures for virement within budget headings in accordance with the budgetary and policy framework.

5.15.7 All virements over £25,000 will be reported to Finance & Performance Sub-Committee and all virements over £50,000 will also be reported to Policy and Resources Committee

5.16 Treatment of year-end balances

5.17 Finance & Performance Sub-Committee is responsible for recommending to the Policy and Resources Committee the procedures for carrying forward under and overspendings on budget headings.

5.18 Accounting policies

5.19 The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently and comply with recommended accounting practice.

5.20 Accounting records and returns

5.21 The Chief Finance Officer is responsible for determining the accounting procedures and records for the council.

5.22 The annual statement of accounts

5.23 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

5.24 The Governance and Audit Committee is responsible for reviewing and approving the annual statement of accounts in accordance with the Account and Audit Regulations, to ensure compliance with all relevant accounting practices and financial governance requirements.

5.25 Estimates

5.26 The inclusion of items in approved revenue estimates and in capital estimates for schemes or items costing in total under £25,000 shall constitute authority to incur such expenditure, subject to any reservations by the Council.

5.27 For every proposal involving capital expenditure of £25,000 or more, the Finance & Performance Sub-Committee shall receive a report on the proposals prepared in conjunction with the Chief Finance Officer such report to show where appropriate:-

- The estimated total capital cost of the proposals detailed over each financial year.
- The estimated annual expenditure chargeable to revenue in each financial year.
- Any saving in existing expenditure.
- Any additional income or reduction of existing income.

- The funding source for the proposal.
- Any other relevant information (including risks associated with the proposal and its impact on service provision).

5.28 The Finance & Performance Sub-Committee will evaluate the proposal and will resolve to recommend to Council for consideration, via the Policy and Resources Committee, if it falls outside the budgetary framework agreed annually.

5.29 Budgetary Control and Virements

5.30 Amounts provided under the main service heads of the annual revenue estimates shall not be directed to other heads by the members of the Corporate Management Team or committee concerned unless agreed under the virement and urgency procedures.

5.31 The Policy and Resources Committee must approve any variation to a committee's capital programme.

5.32 Accounts and Payments

5.33 All accounts for payment by the Council shall be duly certified by, or on behalf of members of the Corporate Management Team, as to quantities and prices charged and quality of materials purchased and passed as soon as possible to Chief Finance Officer for payment. The Policy and Resources Committee may require a detailed check to be carried out on a randomly selected sample of accounts and the Chief Finance Officer shall report thereon to that committee. The committee shall satisfy itself that the accounts are in respect of approved expenditure and have been duly examined and certified by the appropriate officers.

5.34 Members of the Corporate Management shall, as soon as possible after 31 March in each year, give to the Chief Finance Officer details of all accounts outstanding relating to their areas of responsibility for the previous year and, when such accounts are subsequently certified for payment, identify them accordingly.

5.35 All cheques for the payment of money out of the council's accounts shall bear the facsimile signature of the Chief Finance. In addition, cheques for £50,000 or more must bear the additional signature of one of the other authorised bank account signatories. In the event of it becoming necessary to use manual signatures, the Financial Services Manager shall be authorised to instruct the bank to accept two signatures from the authorised bank signatory list.

5.36 All non-cheque payments are to be signed or authorised by two of the authorised bank signatories

5.37 The Chief Finance Officer shall be authorised to make temporary arrangements for the payment of monies in the event of their absence or that of the Financial Services Manager.

5.38 The authorised bank signatories shall consist of Chief Finance Officer, Deputy Chief Finance Officer, Head of Resources & OD and Group Accountant (ENCOR).

5.39 Contract Payments

5.40 The Financial Services Manager (ENCOR) shall be informed as soon as possible of all contracts, agreements, awards or other instruments involving the payment or receipt of money on behalf of the Council.

5.41 Payments to contractors on account of contracts shall be authorised only on a certificate signed by a member of the Corporate Management Team or other duly authorised officer or person showing the total amount of the contract, the value of the work executed to date, retention money, amount paid to date and the amount now certified, less any amount due by way of liquidated damages.

5.42 Every variation on a contract for building, civil engineering or constructional works shall be authorised in writing by a member of the Corporate Management Team or other duly authorised person or other responsible officer that they have nominated in writing for that purpose.

5.43 Any variation, the net cost of which would result in an increase in the amount of an accepted tender or estimate, shall be reported to the appropriate Committee as soon as possible by the Executive Director, Chief Finance Officer or Head of Service having responsibility for the contract.

5.44 The final certificate on a contract under seal (or accepted estimate) shall not be issued until the Financial Services Manager (ENCOR) shall have examined the account.

5.45 Upon the completion of any building, civil engineering or constructional works exceeding £25,000 in value which is not included in the approved capital programme, a report shall be submitted to the appropriate Committee by a member of the Corporate Management Team concerned in consultation with the Financial Services Manager (ENCOR) on the total costs of the scheme and the original estimate therefore and any variations relating to prime cost sums.

5.46 Income - Collection and Banking

5.47 All monies received on behalf of the Council shall, without delay or deduction, either be paid to the Financial Services Manager (ENCOR) or, subject to his instructions, be banked in the Council's name.

5.48 Members of the Corporate Management Team shall furnish such particulars of charges for work done, goods supplied or services rendered on behalf of the Council and of amounts accruing due, as the Financial Services Manager may require, in order to ensure that there is prompt recording of all sums receivable by the Council.

5.49 Excusal of debts due to the Council shall require the following authorisation:

Type of Debt	Revenues Manager or Benefits Manager	Any Member of the Corporate Management Team	Chief Finance Officer or Deputy S151 Officer	Relevant Committee
Business Rates/National Non Domestic Rates	Up to £100	Up to £1,500	Up to £25,000	Above £25,000
All other debts (including Council Tax & Housing Benefit)	Up to £100	Up to £1,500	Up to £25,000	Above £25,000

5.50 All debt write offs should be reported to Policy & Resources Committee as part of the regular financial reporting process.

5.51 Disposal of Land, Property and Surplus Assets

5.52 All land and property except for former Council houses sold to tenants, or other property likely to exceed £5,000 in value, which have been declared surplus to requirements by the Policy and Resources Committee must be sold either by auction with a reserve price, or by competitive tender, unless the Council specifically determines otherwise.

5.53 Before inviting tenders or instructing an auctioneer for the sale of land or property, a valuation shall be obtained from the District Valuer or an independent qualified Valuer, and in the case of a sale by auction, this valuation shall be the reserve price.

5.54 Competitive tender shall normally dispose of all other surplus assets unless the Chief Finance Officer determines otherwise in a particular case.

5.55 Salaries

5.56 All members of the Corporate Management Team shall, in respect of salaried staff, notify the HR Manager as early as possible of all appointments, dismissals, resignations, transfers and changes in remuneration (other than normal increments).

5.57 The HR Manager shall provide Financial Services with all information necessary to maintain records of superannuation, income tax and national insurance liability.

5.58 The payment of all salaries, wages, pensions, compensation or other emoluments to employees or former employees shall be made under the control of Financial Services.

5.59 The maintenance of PAYE and National Insurance records shall be the responsibility of Financial Services who are authorised to make and notify decisions on behalf of the Council in respect of superannuation regulations.

5.60 Property

5.61 Within the level of resources available the Head of Resources and OD shall maintain a terrier of all properties owned by the Council recording the holding Committee, purpose for which held, location, extent and plan references, purchase details and particulars of tenancies and licences granted.

5.62 The Chief Executive shall have custody of all title and mortgage deeds under secure arrangements.

5.63 Stores & Inventories

5.64 Each Chief Officer or Head of Service of each department shall be responsible for the care and custody of stores in their department and shall have all such stores checked independently of the storekeeper at least on one occasion in each financial year

5.65 Stores shall not be held in excess of reasonable requirements.

5.66 Adjustments to write-off deficiencies over £50 in value shall be subject to the approval of the Financial Services Manager (ENCOR). Policy and Resources Committee will be required to write-off sums over £1,000.

5.67 Competitive tender shall dispose of surplus or obsolete stores unless the Chief Executive decides otherwise in a particular case.

5.68 Inventories of the Council's furniture, fittings, equipment and machinery shall be kept and checked on at least one occasion in each financial year by the member of the Corporate Management Team responsible for the service concerned. (Individual items with a value of £100 or less need not be included therein).

5.69 Statement of Accounts

5.70 As soon as practicable after the close of each financial year, the Chief Finance Officer shall submit to the Governance and Audit Committee a statement of its finances for the last financial year for approval in accordance with statutory timescales. The Financial Services Manager (ENCOR) will make appropriate arrangements to prepare the accounts and Chief Officers and Heads of Service must forward the appropriate information within the agreed time-scales.

6 Risk management

- 6.1 The Governance and Audit Committee is responsible for approving the council's risk management strategy and for reviewing the effectiveness of risk management. The Chief Finance Officer is responsible for ensuring that proper insurance exists where appropriate.
- 6.2 The Chief Finance Officer is responsible for preparing the council's risk management strategy, for promoting it throughout the council and for advising on proper insurance cover as appropriate.
- 6.3 The Chief Finance Officer is responsible for the collation of the council's strategic risk register and ensuring it is reported to Committee.
- 6.4 Members of the Corporate Management Team shall maintain a register of risks affecting their service areas, including corporate risks. It is their responsibility to make sure that this is kept up to date.
- 6.5 Members of the Corporate Management Team, and their managers, shall follow the Councils risk management process, taking into account the council's risk appetite as set out in the strategy.

6.6 Insurance

- 6.7 The Chief Finance Officer shall affect all insurance cover and prescribe procedures for claims.
- 6.8 All officers shall give prompt notification to the Finance Manager the extent and nature of all new risks, properties or vehicles that require being insured and any alterations affecting existing insurances or insurable risks.
- 6.9 All officers shall notify immediately the Finance Manager in writing of any loss, liability or damage or any event likely to lead to a claim being made by or against the Council.
- 6.10 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance policy.

6.11 Business Continuity

- 6.12 Members of the Corporate Management Team are responsible for ensuring that business continuity plans are in place for services under their control.
- 6.13 Members of the Corporate Management Team shall give guidance on the appropriate critical functions to aid planning and recovery of services. Chief Officers shall ensure that the business continuity plans are exercised appropriately.

6.14 Audit requirements

6.15 Internal Audit

6.16 The Accounts and Audit Regulations 1996 require every local authority to maintain an adequate and effective internal audit.

6.17 The Chief Internal Auditor in consultation with the Chief Finance Officer shall prepare an annual report outlining the work of Internal Audit. This report will be presented to the Governance and Audit Committee.

6.18 The Chief Internal Auditor, in consultation with the Chief Finance Officer shall prepare an annual audit plan detailing the areas of audit coverage for the following year. This plan will be presented to the Governance and Audit Committee.

6.19 The Chief Finance Officer, Finance Manager and Internal Audit staff (including private contractors and consortium staff contracted to provide internal audit work) have authority to:

- Enter at any time Council premises or land, subject to any statutory or contractual restrictions that may apply;
- Have access to all records, documents and correspondence relating to any financial or other business of the Council and to remove any such records as is necessary for the purpose of their work;
- Require and receive such explanations as are necessary, concerning any matter under examination and
- Require employees of the Council to produce cash, stores or any other Council property under their control.

6.20 External Audit

6.21 The council must appoint external auditors in accordance with the relevant legislation. 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.

6.22 The council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access. Councillors and members of the Corporate Management Team must comply with requests for access to documents, records, accounts, contracts and staff.

6.23 Other Audit Requirements

6.24 The Chief Finance Officer shall maintain an adequate and effective system of internal audit to all accounting, financial and other operations of the council and in particular shall arrange for the examination, review and appraisal of:

- The soundness, adequacy and application of internal controls.

- The safeguards for council assets and interests from losses of all kinds arising from theft, fraud, waste, extravagance, inefficient management, poor value for money or any other cause.
- The suitability and reliability of financial and other management data.
- Compliance with rules, regulations, legislation, policy and procedures.

6.25 Preventing fraud and corruption

6.26 The Monitoring Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy including arrangements for gifts, hospitality and whistle blowing.

6.27 All officers, councillors, agents, contractors and strategic partners have responsibilities to protect the funds they administer on behalf of the Council. Council resources must be administered to the benefit of the taxpayer and not the inappropriate benefit of any of the above.

6.28 All officers, councillors, agents or contractors have a responsibility to bring to the attention of the Monitoring Officer or Chief Finance Officer any suspected fraud, corruption or irregularity.

6.29 Assets

6.30 The Chief Finance Officer shall be responsible for maintaining an adequate and up to date register of all the council's capital assets and for calculating and processing the appropriate capital financing charges in accordance with accounting guidelines.

6.31 All members of the Corporate Management Team will be responsible for ensuring that the Chief Finance Officer is advised promptly of all additions, deletions or other changes to the Council's portfolio of assets, such as might affect the preparation of the Council's Statement of Accounts.

6.32 Asset Register

6.33 Chief officers should ensure that records and assets are properly maintained and securely held. The council should establish a prioritised and pro-active asset management plan.

6.34 Chief officers should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

6.35 Treasury management

6.36 The council has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) 2001 as described in section 4 of that Code and those in the 2009 update.

- 6.37 Accordingly, the council will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities
 - Suitable treasury management practices (TMP), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 6.38 The (full) Council will receive reports on treasury management policies and activities including, as a minimum, an annual strategy statement in advance of the year, an annual report after its close, and a mid-year position statement in the form prescribed by best practice.
- 6.39 The council delegates responsibility for the implementation monitoring and scrutiny of its treasury management strategy and policies to the Finance & Performance Sub-Committee and for the execution and administration of treasury management decisions to the Council's Chief Finance Officer who will act in accordance with the organisation's policy statement and TMSS and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 6.40 The Policy and Resources Committee must propose any changes to the Treasury Management Policy Statement (TMPS) to Council.

7 Systems and Procedures

- 7.1 Sound systems and procedures are essential to an effective framework of accountability and control.
- 7.2 The Chief Finance Officer is responsible for the operation of the council's accounting systems, the form of accounts and the supporting financial records. The Chief Finance Officer must approve any changes made by members of the Corporate Management Team to the existing financial systems or the establishment of new systems. However, members of the Corporate Management Team are responsible for the proper operation of financial processes in their own departments.
- 7.3 Any changes to agreed procedures by members of the Corporate Management Team to meet their own specific service needs should be agreed with the Chief Finance Officer.
- 7.4 All members of the Corporate Management Team should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- 7.5 All members of the Corporate Management Team must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Chief Officers must ensure that staff are aware of their responsibilities under freedom of information legislation.
- 7.6 Income and expenditure**
- 7.7 It is the responsibility of members of the Corporate Management Team to ensure that a proper scheme of delegation has been established within their services and is operating effectively. The delegation scheme should identify staff authorised to act on their behalf in respect of payments, income collection and placing orders, together with the limits of their authority.
- 7.8 The Chief Finance Officer is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.
- 7.9 Payments to employees and Councillors**
- 7.10 The Chief Finance Officer is responsible for all payments of salaries, wages and expenses to all staff, including payments for overtime, and for payment of allowances and expenses to councillors.

7.11 Taxation

7.12 The Chief Finance Officer is responsible for advising chief officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the council.

7.13 The Chief Finance Officer is responsible for maintaining the council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

7.14 Trading accounts/business units

7.15 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts and business units.

8 External Arrangements

8.1 Full Council will be responsible for approving who represents the council on partnership and external bodies, in accordance with the scheme of delegation.

8.2 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the council.

8.3 The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. The Chief Finance Officer must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies.

8.4 Chief Officers are responsible for ensuring that appropriate approvals and budgets are obtained before any negotiations are concluded in relation to work with external bodies or through approved partnerships or consortium arrangements.

8.5 External funding

8.6 The Chief Finance Officer or their nominee must be advised of all external funding opportunities available to the council and of the lead officer in each circumstance.

8.7 The Chief Finance Officer or their nominee must be notified of the outcome of external funding applications at the earliest opportunity.

8.8 The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the council's accounts.

8.9 Work for third parties

8.10 Policy and Resources Committee is responsible for approving the contractual arrangements for any work by council services for third parties or external bodies.

8.11 The Chairman's Account

i) East Northamptonshire Council (the Council) will operate a designated bank account for the payment of invoices and receipt of money related to events arranged on behalf of the Chairman of the Council during their term of office and making donations to the Chairman's chosen charities. This account will be known as the "Chairman's Account".

ii) The Chairman's Account will not be used for any purpose other than those specified in (i) above

- iii) Two signatories will be required to sign any documents authorising transactions on the account. The following officers will be mandated to sign such documents on behalf of the Council:

First signatory – any one of	Counter signatory – any one of
Personal Assistant to the Chairman of the Council	Monitoring Officer
Senior Democratic Services Officer	Head of Resources
Democratic Services Manager	Finance Manager

- iv) the signatories listed above be included on the mandate for the account

Amended by Council - 26 April 2010 minute 472(c); Amended by Council – 1 November 2010 minute 212; Amended by Council – 29 February 2012 minute 400(a); Amended by Council – 14 October 2013 minute 212(e); Amended by Council – 13 January 2014 minute 319; Amended by Council – 25 February 2015 minute 95(c). Council 10 April 2017 minute 511(d) and minute 514. Please note that Part 4.3 amalgamates and replaces parts 4.5 and 4.6a. Council 8 November 2017 minute 242 and 243. Council 15 October 2018 minute 241. Council 4 March 2019 minute 446(a); Council 22 July 2019 minute 111