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**Accounting Policies Report**

Relevant Portfolio Holder	Councillor Ashley – Portfolio Holder for Finance and Governance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
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Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

**1. RECOMMENDATIONS**

**The Audit, Governance and Standards Committee RESOLVED that:**

- 1) The Accounting Policies being used their Source and associated Governance Arrangements be noted.**
- 2) The Accounting Policies report be considered at each Audit, Governance and Standards Committee meeting to alert Members to possible no compliance issues.**
- 3) Bromsgrove District Council Audit Task Group Report into the issuing of the S24 Statement be noted.**

**The Audit, Governance and Standards Committee RECOMMENDS that:**

- 4) Any improvements arising from the recommendations in the Bromsgrove District Council Audit Task Group Report into the issuing of the S24 Statement be considered by Executive.**

**2. BACKGROUND**

- 2.1 From a Governance point of view, the financial frame work under which the Council works is set out in the Constitution.
- 2.2 In addition to this there are legislative reporting requirements which set out what needs to be done and by when.
- 2.3 One of the legislative reporting requirements the Council has not achieved is the delivery of the 2020/21 Statement of Accounts. As

such, the Council was issued with a Section 24 Statement. Bromsgrove District Council (BDC) were also issued with a Section 24 Statement for the same non delivery of the 2020/21 accounts which is understandable given that officers support both Councils via a shared service. Council at BDC tasked the Audit, Standards and Governance Committee with understanding why the S24 was issued. That report and its associated recommendations are also included here.

## **Council Finance, Budget and Policy Procedure Rules**

2.2 The Council's Budget and Policy Framework Procedure Rules are set out in Part 9 of the Constitution. This sets out:

- The framework for Executive Committee Decisions
- Decisions outside the budget or policy framework
- Urgent Decisions outside of the Budget or Policy Framework
- Virement
- In-year changes to policy framework
- Call-in of decisions outside the budget or policy framework
- Dispute Resolution on Budgets and Plans
- Local Authorities Standing Orders (Amendment) Regulations 2002

These are all set out in Appendix A. The Constitution is updated via recommendations from the Constitutional Review Working Party to Council. These rules set out how decisions can be made, by whom and how they can be challenged.

2.3 Financial procedure rules are set out in Part 14 of the Constitution. These rules set out:

- Financial Regulation Policy
- Financial Regulations
- Financial Guidance for users including:
  - Urgent decisions.
  - Income charging policies.
  - Income collection.
  - Orders for goods, works and services.
  - Payments.
  - Salaries, wages, pensions, travel and subsistence.
  - Imprest accounts.
  - Banking arrangements and corporate credit cards.
  - Preventing financial irregularities.
  - Money laundering.
  - Asset management.
  - Audit.
  - Revenue budget management.
  - Capital budget management.

- Budgetary control.
  - Virement.
  - Insurance and risk management.
  - Loans, leasing and investments.
  - Trust Funds.
  - Inventories, stocks and stores.
  - Working for third parties and Shared Service.
  - Responsibilities Under the financial procedure rules.
  - Policy for the management of Government Procurement Cards.
- 2.4 These “operational policies” run to 37 pages and are included in Appendix B. They set out how the organisation financially runs it’s “day to day” business.
- 2.5 Officers, in the Autumn of 2022 set out requirements and expectations of the Finance Team and Services in terms of
- Financial Rules and Regulations (Including Virement Limits)
  - Expectations – Finance Staff, Other Staff
  - Financial processes (Finance and Customers)
    - Budget Setting
    - In Year Monitoring of Expenditure
    - Closure of Yearly Accounts
    - Purchasing of Good and Services
    - Invoicing for Goods and Services required
    - Cash Receipting
    - Financial monitoring (Capital and Revenue)
    - Insurance
  - Signoff requirements for reports
  - Training Requirements
- The full set of these “protocols are set out in Appendix C
- 2.6 Significant to this is ensuring that service managers have the requisite financial skills to effectively carry out their financial roles and understand how and where they can get financial support (across the range of finance/Income/payments/cashiers).
- 2.7 All three sets of rules set out the way Members and Officers have to work financially to ensure that the Section151 Officer can properly discharge their duties in respect of stewardship of the Councils assets.

### **Legislative Requirements**

- 2.8 The previous section sets out how the Council works, however equally important are the Central Government Legislative Requirements to

which we deliver to and are compared to other Councils across the country. This section lists those key deliverables.

2.9 The following are key legislative deliverables:

- Budget
  - Delivered by 11<sup>th</sup> March in preceding financial year
  - Council Tax Base – Yearly
  - Council Tax Resolution – Yearly
  - Council Tax Billing – Yearly (2 weeks before 1<sup>st</sup> DD is due to be taken)
- Closure
  - Draft Accounts delivered to Audit by 30<sup>th</sup> June
  - Audit Completed by 30<sup>th</sup> November (will change in 22/23 Audit)
- Government Returns
  - VAT – Monthly
  - Revenue Outturn Reports – July
  - Capital Outturn Reports – July
  - Quarterly Revenue Outturn Estimates
  - Quarterly Capital Outturn Estimates
  - Quarterly Borrowing Return
  - Quarterly Council Tax and Business Rates Returns
  - Whole of Government Accounts Returns – August
  - RA – Revenue Budgets – April
  - Capital Estimates Return - March
  - Public Works Loans Board Certainty Rate – April
  - Pooling of Housing Capital Receipts – May
  - NNDR1 Return (Business Rates) – January
  - NNDR3 Return (Business Rates) – June and September
  - Housing Benefit Subsidy Return – Yearly
  - DHP Claim – Yearly
  - CTB1 (Council Tax Base) – October
  - CTR1(Council Tax Requirement) – March
- Policies
  - Treasury and Asset Management Strategies
    - Initial Strategies as part of the MTFP
    - Half Yearly Report
    - Yearly Outturn Report
  - Council Tax Support Scheme – yearly
  - Minimum Revenue Provision – yearly
  -

In addition to this list there are other ad-hoc returns required (which was especially the case during C-19).

2.10 At this point, it is also important to include key Council deliverables (financially and risk based)

- Financial Monitoring – delivered quarterly
- Risk Management – delivered quarterly
- Financial Controls (still in development
  - Clearance of suspense accounts
  - Bank Reconciliation

### **S24 Investigation by Bromsgrove Audit Committee**

- 2.11 The issuing of the S24 Report by our External Auditors meant that one of the key legislative deliverables listed in the previous section had not been delivered to the appropriate timescales.
- 2.12 In Bromsgrove, an Audit Committee Task Group was charged with investigating the reasons why the S24 Report was issued. The full report, which went to the Bromsgrove Audit, Standards and Governance Committee on the 9<sup>th</sup> March is attached in Appendix D.
- 2.13 This report found that the major reasons for the issuing of the S24 statement were linked to the following areas
- The specification of the ERP System
  - Governance
  - Implementation
  - Risk Management
  - Accounts and Resources
- 2.14 Redditch Borough and Bromsgrove District Council have their financial support delivered by a shared service, therefore the following recommendations of the Task Group also need to be considered by the Audit, Governance and Standards Committee as they could well be relevant for Redditch as well.
- 2.15 Those recommendations are:

#### ***General***

1. BDC to ensure that subject specialists, internal or external, are involved in the design of relevant procurement specifications for all major projects.
2. Given a number of substantial and important projects on the horizon for BDC, set up a permanent Project Management Office at BDC to support the full range of projects undertaken by the Council. This Project Management Office would report to CMT/ SMT as part of its

remit. CMT is tasked with setting out the requirements of this new programme office and resource requirements to ensure compliance with the recommendations in this Report. This Report will be presented to the first Cabinet meeting after the BDC elections in May 2023.

3. In order to establish that a system chosen is fit for purpose, future scoring criteria as part of all procurement exercises will include the need for evidence that the system on offer to BDC is tried and tested.
4. Internal Audit should be cited on all major projects, together with a professional member of the Project Management Office. If necessary, independent or peer validation of technical specifications and/or bid due diligence should be considered.
5. Staff required on any major projects should be backfilled, to ensure no work over-load impacting BDC staff well-being.
6. Should staff training be required as part of any new system or project implementation, BDC as a purchaser of that system/solution, should ensure that all training requirements are included as part of the project specification.
7. The Agile Working Policy should take account of the need, from time to time, for officers to work collaboratively and in line with the needs of the project.
8. The Council should fully and accurately record action points at project board meetings (and potentially, other Council meetings). They should then be implemented by the specific person responsible and reported upon at the following project meeting within a suitable and reasonable time scale. Where this is not possible, there should be RAG rating to escalate this further, to secure a suitable resolution is discussed by the relevant project team.
9. Officers, as a standard Report, will highlight to Audit, Standards and Governance Committee any possible finance and governance issues in the next six months not delivering to standard or timescales. This will include the timescales of delivery of finance training, delivery of VAT returns, delivery of the 2021/22 and 2022/23 accounts.
10. The Corporate Risk Register to be discussed as an early item on the agenda at meetings of the Audit, Standards and Governance

Committee. Any risks are to be clearly flagged to the members of the Committee, particularly where they are rated as red.

***ERP Related***

1. All finance staff and Council users are to be trained as a matter of urgency and no later than by 31st August 2023 on how to use the ERP system and that the progress with this is reported to the next meeting of the Audit, Standards and Governance Committee as a regular agenda item.
2. BDC to work with a specialist with the knowledge of the TechOne system and Cash Receipting to help in real time with the completion of the implementation of the new ERP system and all of its components and to help with any training needs and improvements to the system.
3. VAT returns to be up to date for 2020-21 and 2021-2022 by the end of May 2023 and for 2022-2023 by the end of August 2023.
4. The 2021-2022 Accounts to be in draft format by 30th June 2023. 5. The 2022-2023 Accounts to be in draft format by 30th September 2023.

(All of the above milestones will be dependent on resources and will be reported to the Committee as per recommendation 9 above.)

**Summary**

- 2.16 This report has set out the policies (local and national) that underpins the Council finances. It is proposed that this report is delivered to each Audit, Governance and Standards Committee at Redditch to update it on progress against targets and also alert them to any issues and risks.

**3. FINANCIAL IMPLICATIONS**

- 3.1 This paper sets out the financial frameworks within which the Council works.

**4. LEGAL IMPLICATIONS**

- 4.1 There are no direct legal implications arising as a result of this report, however the frameworks are generally linked to statute or the Council's Constitution.

**5. STRATEGIC PURPOSES - IMPLICATIONS**

**Relevant Strategic Purpose**

- 5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the borough and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

**Climate Change Implications**

- 5.2 There are no direct climate change implications arising as a result of this report.

**6. OTHER IMPLICATIONS**

**Equalities and Diversity Implications**

- 6.1 There are no direct equalities implications arising as a result of this report.

**Operational Implications**

- 6.2 Operational implications have been dealt with as part of the 2023/24 MTFP, quarterly monitoring and the Closedown process.

**7. RISK MANAGEMENT**

- 7.1 The financial stability and sustainability of the Council is a core underlying theme of the Council's Risk Management Strategy.

**8. APPENDICES and BACKGROUND PAPERS**

Appendix A – The Council's Budget and Policy Framework Procedure Rules

Appendix B – Financial procedure rules

Appendix C – Finance Protocols

Appendix D – BDC Audit Task Group Report - The issuing of the S24 Report

## **Appendix A**

### **BUDGET AND POLICY FRAMEWORK PROCEDURE RULES**

*(Subject to further review and update)*

#### **1. Definitions**

In these Rules -

"Executive" and "Executive Leader" have the same meaning as in Part II of the Local Government Act 2000; and "plan or strategy" and "working day" have the same meaning as in the Local Authorities (Standing Orders) (England) Regulations 2001.

#### **2. The framework for Executive Committee decisions**

The Council will be responsible for the adoption of its budget and policy framework as set out in Article 4. Once a budget or a policy framework is in place, it will be the responsibility of the Executive Committee to implement it.

#### **3. Process for developing the framework**

The process by which the budget and policy framework shall be developed is:

- (a) After consulting stakeholders in a manner appropriate to the matter under consideration, the Executive Committee will draw up initial proposals in relation to any plan, strategy or budget which forms part of the Council's budget and policy framework. Once drawn up the Proper Officer will serve copies of them on the Chair of the Overview and Scrutiny Committee together with dates when the Executive Committee will consider them further, which shall be at least 6 weeks after service of the notice on the Chair.
- (b) The Overview and Scrutiny Committee will be convened within 28 days to consider whether to respond to the Executive Committee's initial proposals and whether any consultation by it is appropriate. If so the Overview and Scrutiny Committee will conduct a consultation exercise and will reflect any representations made to it in its response to the

Executive Committee within the timescale set for decision by the Executive Committee.

- (c) The Executive Committee will finalise its proposals for the Council to consider having taken into account the comments from the Overview and Scrutiny Committee.

The report to Council will show the Executive Committee's response to those comments.

- (d) Subject to the provisions of paragraph 7B (Local Authorities Standing Orders (Amendment) Regulations 2002), the Council will consider the proposals of the Executive Committee and may decide to adopt them, amend them, refer them back to the Executive Committee for further consideration, or substitute its own proposals in their place.
- (e) A copy of the decision / Notice of Decision (which shall be made public in accordance with Article 4) shall be given to the Leader and the Proper Officer. The decision / Notice of Decision shall be dated and shall state whether the decision shall be effective immediately, whether the Council adopts the Executive Committee's proposal without amendment or if the Executive Committee's proposal is amended by the Council and adopted as amended or if the Council substitutes its own proposals and adopts them or if the Executive Committee's proposal is referred back to the Executive Committee for further consideration.
- (f) The Council's decision, whether or not in accordance with the recommendation of the Executive Committee, shall require a simple majority of those voting at the meeting.
- (g) Unless the Executive Committee's proposal is referred back to the Executive Committee for further consideration the decision shall be implemented immediately
- (h) In approving the policy and budgetary framework the Council will also specify the extent of virement within the budget and degree of in-year changes to the policy framework which may be undertaken by the Executive Committee in accordance with paragraphs 5 and 6 of these Rules if otherwise than as contained within the Council's Financial Procedure Rules (virement and in-year adjustments). Any other changes to the budget and policy framework are reserved to the Council.

**4. Decisions outside the budget or policy framework**

- (a) Subject to the provisions of paragraph 5 (virement) the Executive Committee, and any Officers, or joint arrangements discharging Executive Committee functions may only take decisions which are in line with the budget and policy framework. If any of these bodies or persons wishes to make a decision which is contrary to the policy framework, or contrary to or not wholly in accordance with the budget approved by full Council, then that decision may only be taken further to approval of the budget / policy variations by the Council.
  
- (b) If the Executive Committee, any Officers, or joint arrangements discharging Executive Committee functions want to make such a decision, they shall take advice from the Monitoring Officer and/or the Chief Finance Officer as to whether the decision they want to make would be contrary to the policy framework, or contrary to or not wholly in accordance with the budget. If the advice of either of those Officers is that the decision would not be in line with the existing budget and/or policy framework, then the decision must be referred by that body or person to the Council for decision.

5. Urgent Decisions outside of the Budget or Policy Framework

- (a) The Executive Committee, a sub-committee of the Executive Committee, or officers or joint arrangements discharging Executive functions may take a decision which is contrary to the Council's Policy Framework or contrary to or not wholly in accordance with the Budget approved by the full Council, if the decision is a matter of urgency. However, the decision may only be taken:
  - i) if it is not practical to convene a quorate meeting of the full Council;
  - ii) subject to consultation with the Leader of the Opposition; and
  - iii) if the Chair of the Overview and Scrutiny Committee agrees that the decision is a matter of urgency.

The reasons why it is not practical to convene a quorate meeting of the full Council and the Chair of the Overview and Scrutiny Committee's consent to the decision being taken as a matter of urgency must be noted on the record of the decision. In the absence of the Chair of the

Overview and Scrutiny Committee, the consent of the Mayor, and in the absence of both the Deputy Mayor, will be sufficient.

- (b) Following the decision, the decision-taker will provide a full report to the next available Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

**6. Virement**

- (a) The Council shall have the budget heads set by the Council when approving its budget each year and will allocate an amount for expenditure under each heading.
- (b) Steps taken by the Executive Committee or Officers, or joint arrangements discharging Executive Committee functions to implement Council policy shall not exceed those budgets allocated to each budget head excluding staffing budget heads.

However, such bodies or individuals shall be entitled to vire across budget heads in accordance with the provisions of the Council's Financial Procedure Rules or other constraints agreed by Council. Beyond that, approval to any virement across budget heads shall require the approval of the full Council.

**7. In-year changes to policy framework**

The responsibility for agreeing the budget and policy framework lies with the Council whenever made, and decisions by the Executive Committee, Officers, or joint arrangements discharging Executive Committee functions must be in line with it. No changes to any policy and strategy which make up the policy framework may be made by those bodies or individuals.

**8. Call-in of decisions outside the budget or policy framework**

- (a) Where the Overview and Scrutiny Committee is of the opinion that an Executive Committee decision is, or if made would be, contrary to the policy framework, or contrary to or not wholly in accordance with the Council's budget, then it shall seek advice from the Monitoring Officer and/or Chief Finance Officer.
- (b) In respect of functions which are the responsibility of the Executive Committee, the Monitoring Officer's report and/or Chief Finance Officer's report shall be to the Executive Committee with a copy to

every member of the Council.

Regardless of whether the decision is delegated or not, the Executive Committee must meet to decide what action to take in respect of the Monitoring Officer's report and to prepare a report to Council in the event that the Monitoring Officer or the Chief Finance Officer conclude that the decision was a departure, and to the Overview and Scrutiny Committee if the Monitoring Officer or the Chief Finance Officer conclude that the decision was not a departure.

- (c) If the decision has yet to be made, or has been made but not yet implemented, and the advice from the Monitoring Officer and/or the Chief Finance Officer is that the decision is or would be contrary to the policy framework or contrary to or not wholly in accordance with the budget, the Overview and Scrutiny Committee may refer the matter to Council. In such cases, no further action will be taken in respect of the decision or its implementation until the Council has met and considered the matter. The Council shall meet within 28 days of the request by the Overview and Scrutiny Committee. At the meeting it will receive a report of the decision or proposals and the advice of the Monitoring Officer and/or the Chief Finance Officer. The Council may either:

- i) endorse a decision or proposal of the Executive Committee decision taker as falling within the existing budget and policy framework.

In this case no further action is required, save that the decision of the Council be minuted and circulated to all Councillors in the normal way;

*OR*

- ii) amend the Council's Financial Procedure Rules or policy concerned to encompass the decision or proposal of the body or individual responsible for that Executive Committee function and agree to the decision with immediate effect.

In this case, no further action is required save that the decision of the Council be minuted and circulated to all Councillors in the normal way;

*OR*

- iii) where the Council accepts that the decision or proposal is contrary to the policy framework or contrary to or not wholly in accordance with the budget, and does not amend the existing framework to accommodate it, require the Executive Committee to reconsider the matter.

**9. Dispute Resolution on Budgets and Plans**

In respect of the preparation of the Budget or a plan, policy or strategy forming part of the Strategic Framework, the Executive is required to prepare draft proposals and submit them to Council for approval, and Council has the right to approve them, amend them, reject them or send them back to the Executive for revision and resubmission.

If the Executive submits its draft Budget to Council before 8th February in any year, it will have a right to ask the Council to reconsider if the Council proposes to depart from the Executive's proposals.

Once the Council has considered the proposals and decided what it wants to do, if it wishes to do anything other than simply to adopt the draft Budget as submitted by the Executive, it will have to notify the Executive of its proposed amendments and give the Executive 5 days to object. The Council will then have to meet again and consider any objections from the Executive, but can then resolve on a simple majority to over-ride the Executive's objections. This does mean that the Council meeting to consider the Budget and to set the precept / set the rate of Council Tax will now have to be brought forward by at least 10 days from the deadline of 1 / 11 March to allow for the possible need to give the Executive 5 days in which to consider any amendments proposed by Council and to convene an additional Council meeting to consider any objections from the Executive.

In the case of plans, policies and strategies, there is no such annual deadline by which they must be approved, but again the Council will be required to notify the Executive of any proposed amendments to the Executive's proposals, allow them 5 days to decide whether to make any objection to those proposed amendments, and then consider any such objections before finally determining whether to adopt, amend, reject or remit the proposed plan, policy or strategy.

**10. Local Authorities Standing Orders (Amendment) Regulations 2002**

1. In this Part -

"Executive" and "Executive Leader" have the same meaning as in Part II of the Local Government Act 2000; and "plan or strategy" and "working day" have the same meaning as in the Local Authorities (Standing Orders) (England) Regulations 2001.

2. Where the executive of the authority has submitted a draft plan or strategy to the authority for its consideration and, following consideration of that draft plan or strategy, the authority has any

objections to it, the authority must take the action set out in paragraph 3.

3. Before the authority -
  - (a) amends the draft plan or strategy;
  - (b) approves, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft) of which any part is required to be so submitted; or
  - (c) adopts (with or without modification) the plan or strategy, it must inform the Executive Leader of any objections which it has to the draft plan or strategy and must give to him instructions requiring the executive to reconsider, in the light of those objections, the draft plan or strategy submitted to it.
4. Where the authority gives instructions in accordance with paragraph 3, it must specify a period of at least five working days beginning on the day after the date on which the Executive Leader receives the instructions on behalf of the Executive within which the Executive Leader may -
  - (a) submit a revision of the draft plan or strategy as amended by the executive (the "revised draft plan or strategy"), with the Executive's reasons for any amendments made to the draft plan or strategy, to the authority for the authority's consideration; or
  - (b) inform the authority of any disagreement that the Executive has with any of the authority's objections and the Executive's reasons for any such disagreement.
5. When the period specified by the authority, referred to in paragraph 4, has expired, the authority must, when -
  - (a) amending the draft plan or strategy or, if there is one, the revised draft plan or strategy;
  - (b) approving, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft or revised draft) of which any part is required to be so submitted; or

- (c) adopting (with or without modification) the plan or strategy, take into account any amendments made to the draft plan or strategy that are included in any revised draft plan or strategy, the Executive's reasons for those amendments, any disagreement that the Executive has with any of the authority's objections and the Executive's reasons for that disagreement, which the Executive Leader submitted to the authority, or informed the authority of, within the period specified.
- 6. Subject to paragraph 10, where, before 8 February in any financial year, the authority's Executive submits to the authority for its consideration in relation to the following financial year –
  - (a) estimates of the amounts to be aggregated in making a calculation (whether originally or by way of substitute) in accordance with any of sections 32 to 37 or 43 to 49, of the Local Government Finance Act 1992;
  - (b) estimates of other amounts to be used for the purposes of such a calculation;
  - (c) estimates of such a calculation; or
  - (d) amounts required to be stated in a precept under Chapter IV of Part I of the Local Government Finance Act 1992, and following consideration of those estimates or amounts the authority has any objections to them, it must take the action set out in paragraph 7.
- 7. Before the authority makes a calculation (whether originally or by way of substitute) in accordance with any of the sections referred to in paragraph 6(a), or issues a precept under Chapter IV of Part I of the Local Government Finance Act 1992, it must inform the Executive Leader of any objections which it has to the Executive's estimates or amounts and must give to him instructions requiring the Executive to reconsider, in the light of those objections, those estimates and amounts in accordance with the authority's requirements.
- 8. Where the authority gives instructions in accordance with paragraph 7, it must specify a period of at least five working days beginning on the day after the date on which the Executive Leader receives the instructions on behalf of the Executive within which the Executive Leader may -
  - (a) submit a revision of the estimates or amounts as amended by the executive ("revised estimates or amounts"), which have been

- reconsidered in accordance with the authority's requirements, with the Executive's reasons for any amendments made to the estimates or amounts, to the authority for the authority's consideration; or
- (b) inform the authority of any disagreement that the Executive has with any of the authority's objections and the Executive's reasons for any such disagreement.
9. When the period specified by the authority, referred to in paragraph 8, has expired, the authority must, when making calculations (whether originally or by way of substitute) in accordance with the sections referred to in paragraph 6(a), or issuing a precept under Chapter IV of Part I of the Local Government Finance Act 1992, take into account -
- (a) any amendments to the estimates or amounts that are included in any revised estimates or amounts;
- (b) the Executive's reasons for those amendments;
- (c) any disagreement that the Executive has with any of the authority's objections; and
- (d) the Executive's reasons for that disagreement, which the Executive Leader submitted to the authority, or informed the authority of, within the period specified.
10. Paragraphs 6 to 9 shall not apply in relation to -
- (a) calculations or substitute calculations which an authority is required to make in accordance with section 52I, 52J, 52T or 52U of the Local Government Finance Act 1992; and
- (b) amounts stated in a precept issued to give effect to calculations or substitute calculations made in accordance with section 52J or 52U of that Act.

## **Appendix B**

### **Section 1 - Financial Procedure Rules**

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2.0

**PART C FINANCIAL GUIDANCE**

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7.0 Payments

8.0 Salaries, wages, pensions, travel and subsistence

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23.0 Working for third parties and Shared Services

**APPENDIX A Responsibilities under the Financial Procedure Rules**

**APPENDIX B Policy for the management of Government Procurement Cards**

**APPENDIX C Glossary of terms**

**PART A FINANCIAL REGULATION POLICY (1.0)**

**Background**

- 1.1 Section 151 of the Local Government Act 1972 requires that *“Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their Officers has responsibility for the administration of those affairs”*.
- 1.2 The person with overall responsibility for Redditch Borough Council financial affairs under the act, the Chief Financial Officer (CFO) or Section 151 Officer is the Director of Finance and Resources. Redditch Borough Council uses the Chartered Institute of Public Finance (CIPFA) guidance in defining the role of their Director of Finance and Resources:
- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority’s strategic objectives sustainably and in the public interest;
  - must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority’s financial strategy; and
  - must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- 1.3 To deliver these responsibilities the Director of Finance and Resources:
- must lead and direct a finance function that is resourced to be fit for purpose; and
  - must be professionally qualified and suitably experienced.
- 1.4 Under section 114(6) of the Local Government Finance Act 1988 the chief financial officer (the S151 officer) can nominate a member of staff to perform the duties of S151 officer should the chief financial officer be unable to act owing to absence or illness. The person filling the role of Financial Services Manager is nominated to perform the duties of S151 Officer in these circumstances and shall also be known as the Deputy S151 Officer.

- 1.6 The Financial Procedure Rules apply to every Member and Officer of the Council and anyone acting on its behalf.

**Purpose**

- 1.7 The purpose of the Financial Procedures Rules are:
- Promote best value and improve service delivery;
  - Set out procedures for employees and members to meet the Council's expected standards;
  - Demonstrate that controls are in place.

**Controls**

- 1.8 The Financial Procedure Rules consist of this policy, the Financial Regulations and the financial guidance. All employees and Members are required at all times when engaged on Council activities to comply with these documents as applicable.

**PART B FINANCIAL REGULATIONS (2.0)**

- 2.1 All Members and Officers must comply with these Financial Procedure Rules all times as applicable.
- 2.2 All Members and Officers must at all times when engaged on Council activities act in the interest of the Council.
- 2.3 All activities must comply with legislation, approved service plans and other Council policies or procedure documents.
- 2.4 All activities must seek to achieve value for money.
- 2.5 Managers must ensure that there are controls in place for every system under their management.
- 2.6 Adequate records must be kept for all transactions in all systems.
- 2.7 Members and Officers have a general responsibility for taking reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, properly authorised, provide value for money and achieves best value.
- 2.8 The Chief Executive, Directors, Auditors and other Officers designated by them should have unrestricted access to all assets and records held on behalf of the Council.
- 2.9 Members, Officers and others acting on behalf of the Council are required to have proper regard to the advice and guidance issued by the Director of Finance and Resources on the Financial Procedure Rules.

- 2.10 Every report to Members requires approval by the Director of Finance and Resources, or a nominee designated by the Director of Finance and Resources, setting out the financial implications of the recommendation(s) proposed.
- 2.11 The Council's expectation of propriety and accountability is that Members and staff at all levels shall lead by example in ensuring adherence to financial and legal requirements, rules, procedures and practices.
- 2.12 Members and staff at all levels shall act in accordance with the Council's anti-fraud and anti-corruption policies.
- 2.13 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) that it comes into contact with, shall act towards the Council with integrity and without thought or actions involving fraud or corruption.
- 2.14 The Council's Scheme of Delegation is the formal record of delegation of financial decision making.

**PART C FINANCIAL GUIDANCE**

**3.0 Urgent decisions**

- 3.1 In accordance with the Council's Scheme of Delegation to Officers the Chief Executive and in his absence the Directors, are empowered to take all necessary decisions in cases of emergency.
- 3.2 Any decisions made under the 'urgent decision' arrangements shall be reported to Council.
- 3.3 Nothing in these finance procedure rules shall prevent expenditure required to meet immediate needs caused by a sudden emergency to which the Civil Contingencies Act 2004 applies, provided that such expenditure shall be reported as soon as possible to the appropriate Executive member and the Executive.

**4.0 Income charging policy**

- 4.1 Local authorities have a wide discretion to levy charges for services. Where charges can be set at the discretion of the Council, Directors should comply with the income and charging principles, including:
- a) The Council should aim to charge for all services where it is appropriate to do so, unless there are conflicting policies or legal reasons not to do so.
  - b) The Council should (subject to market conditions) aim to maximise income from fees and charges by ensuring that the full cost of provision and enforcement is recovered, unless there are contrary policies, legal or contractual reasons.
  - c) Decisions to subsidise services, or to not make a charge for a service should be clearly linked to Council objectives, and the potential income that is not earned must be a consideration in the decision.
  - d) Where the Council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood by the Service unit.
  - e) Charges must be linked to both service and strategic objectives and must be clearly understood.
  - f) The direct implications of charging for residents, and the indirect implications for public, private and voluntary sector partners should be clearly understood.

- g) Any concessionary scheme should be based on ability to pay and be applied in a consistent and transparent approach across all Council services.
- h) Where appropriate annual inflationary uplifts will be applied through the budget setting process, this will be agreed by Members as part of the budget setting process.

## **5.0 Income collection**

5.1 The Director of Finance and Resources shall agree arrangements for the collection of all income and approve procedures and systems. In order to achieve this, the following controls must be followed:

- a) All income due to the Council is identified, charged correctly and billed promptly.
- b) All money received by an employee on behalf of the Council is paid without delay to the Director of Finance and Resources or to a nominated Officer or into the Council's specified bank account and is properly recorded.
- c) All receipts given for money should be on an official receipt form.
- d) All income is collected from the correct person, at the right time using the correct procedures and appropriate stationery and effective recovery action to pursue outstanding sums is taken within defined timescales.
- e) A formal approval process for write-offs of uncollectable debts should be followed using the criteria detailed below.
- f) Personal cheques shall not be cashed out of money held on behalf of the Council.
- g) All income received shall be receipted immediately.
- h) Officers shall record all cash received immediately; its use for either personal or official purposes is strictly forbidden.
- i) All paying in records shall be retained securely in line with the Council's policies on the retention of documents.

5.2 The Director of Finance and Resources has determined the following authorisations for writing off uncollectable debt:

**REDDITCH BOROUGH COUNCIL**

**Audit, Governance and Standards Committee**  
2023

23rd Mar

<b>Value</b>	<b>Recommendation</b>	<b>Examined/ Approved</b>	<b>Authorised</b>
Credit balances	Income Officer Rent & Welfare Officer Locality Officer Housing Database Officer Revenue Officer Benefits Overpayments Officer	Appropriate Service Supervisors/ Team Leaders	Appropriate Service Managers
Debts up to £100	Income Officer Rent & Welfare Officer Locality Officer Revenue Officer Benefits Overpayments Officer	N/A	Appropriate Service Supervisors/ Team Leaders.
£101 - £2,000	Income Officer Rent & Welfare Officer Locality Officer Revenue Officer Benefits Overpayments Officers	N/A	Appropriate Service Managers
Debts over £2,000	Income Officer Rent & Welfare Officer Locality Officer Revenue Officer Benefits Overpayments Officers	Service Managers	Executive Director (Finance and Corporate Resources) - Section 151 Officer Financial Services Manager (Deputy Section 151 Officer). Head of Customer Access and Financial Support Head of Housing Services (HRA debt only)
Debts remitted by Magistrates or where a term of imprisonment has been served	Income Officer Rent & Welfare Officer Locality Officer Revenue Officer Benefits Overpayments Officer	N/A	Appropriate Service Managers
Insolvency proceedings Administration Order (where claim has been formally	Income Officer Rent & Welfare Officer Locality Officer Revenue Officer Benefits Overpayments Officer	N/A	Appropriate Service Managers

**REDDITCH BOROUGH COUNCIL**

**Audit, Governance and Standards Committee  
2023**

**23rd Mar**

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<b>Value</b>	<b>Recommendation</b>	<b>Examined/ Approved</b>	<b>Authorised</b>
acknowledged			
Debtor is deceased no prospect of dividend from estate	Income Officer Rent & Welfare Officer Locality Officer Revenue Officer Benefits Overpayments Officer	N/A	Appropriate Service Managers
Debt matching agreements	Appropriate Service Managers		Director of Finance and Corporate Resources
Cases of hardship or discretionary write offs	Appropriate Service Managers		Director of Finance and Corporate Resources in conjunction with the Portfolio Holder for Finance and Enabling.

**6.0 Orders for goods, works and services**

- 6.1 Orders shall not be issued for goods, work or services unless the cost is covered by an approved budget. No payment will be made without an authorised order, unless otherwise agreed by the Director of Finance and Resources or Financial Services Manager.
- 6.2 All orders given on behalf of the Council shall be approved in electronic or written form in accordance with signatory limits. All orders are to be authorised by Officers nominated by the appropriate Head of Service who shall be responsible for official orders issued from his or her Service.
- 6.3 The key controls for ordering and paying for work, goods and services are:
- a) All works, goods and services are ordered only by appropriate persons and recorded. An order number MUST be in place for all goods and

services or the supplier will not be paid. Any changes to this must be approved by the Director of Finance or the Financial Services Manager.

- b) All works, goods and services shall be ordered in accordance with the Contracts Procedure Rules unless they are transferred from other parts of the Council. A full schedule of payment terms must be agreed with the supplier.
- c) Works, goods and services received are checked to ensure they are in accordance with the order.
- d) Payments are authorised by Officers who can certify that goods have been received to price, quantity and quality.
- e) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
- f) All appropriate payment documents are retained and stored for the defined period in accordance with the Redditch Borough Council Records Management Policy'.
- g) All expenditure is accurately recorded against the right budget and any exceptions corrected.
- h) That processes are in place to maintain the security and integrity of data for transacting business electronically.

## **7.0 Payments**

7.1 Individual Officers shall ensure that payments are authorised by appropriate Officers who can certify that goods and services have been received and that price, quantity and quality are in accordance with the initial order.

7.2 Heads of Service shall maintain for their area a list of Authorised Officers showing their signing levels with specimen signatures, this is to be held on the Council intranet. This list should be reviewed at intervals to ensure it is up to date and accurate and any changes being reported promptly.

- 7.3 Where an electronic file contains multiple payments, an Officer may authorise the whole file with one signature if his or her authorised limit is at least the value of the highest individual amount within that file.
- 7.4 References to certification and authorisation are deemed to include those made online within a system where the identity of the user is verified using the system's identification protocols.
- 7.5 Once certified, all accounts paid through the centralised payment system must be passed to the Payments Section that shall ensure that the required payment is made to the correct person by the agreed method of payment and that all expenditure including VAT is accurately recorded against the correct budget.
- 7.6 Requests for payment shall be rejected by the Senior Payments Officer unless certified by an Officer who has the appropriate level of authority.
- 7.7 The use of feeder systems to generate payments will only be allowed if the Director of Finance and Resources is satisfied that the data integrity of the corporate financial system would not be compromised and that the feeder system works in accordance with these financial procedures.

- 7.8 Invoices do not need specific authorisation for payment in an electronic system where the invoice matches the authorised order and goods receipt, and all three are correctly entered into the system.
- 7.9 In accordance with the Public Contract Regulations 2015, Regulation 113 and the Late Payment of Commercial Debts Regulations 2013, and to maximise performance under the contract; the Council has to consider and verify all invoices in a timely fashion and pay all undisputed invoices within 30 days of the date on which the relevant invoice is regarded as valid and undisputed. All Council contracts shall contain provisions to this effect. All accounts received must be date stamped with the day of receipt. In the event of a claim for damages/interest for late payment, the amount will be charged to the budget of the Directorate responsible.
- 7.10 Regulation 113 of the Public Contracts Regulations 2015 also requires the Council to include provisions in all contracts requiring the contractor to consider and verify all invoices from subcontractors in a timely fashion and pay undisputed invoices within 30 days of the date on which the relevant invoice is regarded as valid and undisputed. Council contracts shall require contractors to include provisions to this effect in their contracts with subcontractors, and also to require the subcontractors to cascade these provisions down the supply chain.

7.11 The Director of Finance and Resources shall ensure that all appropriate payment documentation is retained for the required period of time in accordance with the Redditch Borough Council Records Management Policy.

**8.0 Salaries, wages, pensions, travel and subsistence**

8.1 Heads of Service shall maintain for their area a list of Authorised Officers showing their signing levels with specimen signatures, this is to be held on the Council intranet. This list should be reviewed at intervals to ensure is up to date and accurate and any changes being reported promptly.

8.2 All claims for payment of allowances, subsistence, travelling and expenses must be submitted within two months of the period they relate to on the approved form, duly certified in a form approved by the Director of Finance and Resources with all required supporting evidence including receipts for expenses where appropriate. Any exceptions shall require individual certification by both the Director and the Head of Service.

8.3 The certification of claims by or on behalf of a Director or Head of Service shall be taken to mean that the Certifying Officer is satisfied that the journeys and the expenses incurred were necessary and authorised as being in line with the council's policies on travel and subsistence claims.

8.4 The Senior Payroll Officer shall ensure that all appropriate payroll documents are retained for the required period of time in accordance with the Council Records Management Policy.

**9.0 Imprest accounts**

9.1 The Financial Services Manager will authorise provision of a cash or bank imprest account to meet minor expenditure on behalf of the Council.

9.2 The Financial Services Manager will maintain a record of all advances made and reconcile to the Council's main financial system.

In summary Officers operating an imprest account will comply with the following procedures:

- a) Obtain and retain vouchers to support each payment from the imprest account including official VAT receipts where appropriate.
- b) Make adequate arrangements in their office for the safe custody of the account including vouchers and any other supporting documentation.
- c) Produce upon demand by the Financial Services Manager cash and all vouchers to the total value of the imprest account.
- d) Record transactions promptly.
- e) Reconcile and balance the account at least monthly with reconciliation sheets to be signed and retained by the imprest holder.
- f) Provide the Financial Services Manager with a certificate of the value of the account held at 31st March each year.
- g) Ensure that the imprest is never used to cash personal cheques or to make personal loans.

- h) Ensure that the only payments into the account are the reimbursement payments and any notes/coinage relating to purchases made by a cash advance from the imprest account.
- i) Ensure income due to the Council is collected and banked as provided in accordance with the Council's Financial Procedure Rules and not through an imprest account.
- j) On leaving the Council's employment, ceasing to be entitled to hold an imprest advance or no longer requiring an imprest advance, Officers must request that the Financial Services Manager close the account. All funds and account documentation should be returned to the Financial Services Manager.
- k) A bank imprest account cannot become overdrawn.
- l) Submit a claim for reimbursement at least monthly or return a nil claim.

#### **10.0 Banking arrangements and Government Procurement cards**

10.1 All arrangements with the Council's bank concerning the Council's bank accounts and for the ordering and issue of cheques shall be made by, or under arrangements approved by, the Director of Finance and Resources. The Director of Finance and Resources shall be authorised to open and operate such banking accounts, as he or she may consider necessary. This authority shall include the power to give the necessary directions to the bank as to signatures for withdrawals.

10.2 Apart from payments from Government Procurement cards, petty cash, imprest accounts, the normal method of payment due from the Council shall be by BACS or cheque. Direct debit and periodical payment arrangements shall require the prior agreement and authorisation of the Director of Finance and Resources.

10.3 All cheques and cheque stationery shall be ordered only on the authority of the Director of Finance and Resources who shall be satisfied that proper arrangements are in place for their safe custody. Where the signature is printed on the cheque by a Council system, the signature shall be that of the Director of Finance and Resources.

10.4 The Director of Finance and Resources shall be responsible for authorising the issue of Government Procurement cards and determining spending limits. Cardholders are required to comply with the policy issued by the Director of Finance and Resources regulating the use of corporate credit cards as shown in Appendix B. Purchases must be made in accordance with the Contract Procedure rules. This policy will include the requirement for cardholders to provide the Senior Payments Officer with a receipt and complete the online system with details of all items purchased including the general ledger code this is due by 17th of each month.

**11.0 Preventing financial irregularities**

11.1 All Officers are required under their contractual obligation to report financial irregularities at the earliest opportunity to their Manager or Director of Finance and Resources. The Director of Finance and Resources will report financial irregularities to the Chief Executive, Executive and the Audit, Governance and Standards Committee. Providers of services are required to highlight financial irregularities immediately as stipulated under the Contract Procedure Rules.

11.2 The Director of Finance and Resources, in conjunction with audit, will determine the scope of any internal enquiries or investigations, subject to consultation with the relevant member of the Management Team.

- 11.3 The Director of Finance and Resources, in consultation with the relevant member of the Management Team, will decide whether any matter under investigation should be referred for Police investigation and take recovery action as appropriate on such matters.
- 11.4 The Director of Finance and Resources will inform the Chief Executive and Monitoring Officer if a suspected irregularity occurs involving staff who are his or her responsibility.
- 11.5 All staff and members must report financial irregularities to the Director of Finance and Resources.
- 11.6 The Director of Finance and Resources will advise the relevant Director if the outcome of an audit investigation indicates improper behaviour by a member of staff; or the Monitoring Officer if the outcome of an audit investigation indicates improper behaviour by an Elected Member. The Director or Monitoring Officer will then instigate the relevant disciplinary/standards procedure.

## **12.0 Money laundering**

- 12.1 The Director of Finance and Resources is appointed as the Money Laundering Reporting Officer (MLRO). This Officer shall ensure that all staff likely to receive payments from the public, businesses or professions are aware of the authority's responsibilities under the Proceeds of Crime Act 2002, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) 2017 and any other relevant acts and regulations, such as the Terrorism Act 2000 and Anti-terrorism, Crime and Security Act 2001 and any updates of them.
- 12.2 The MLRO shall receive reports from staff about suspicious payments of any value for any purpose and payments in cash in excess of £10,000 including in aggregate.
- 12.3 The MLRO shall report any instance of suspected money laundering to the serious organised crime agency.

## **13.0 Asset management**

### **Introduction**

- 13.1 The asset management section of the Council's Financial Procedure Rules provides a framework of principles, minimum requirements, levels of authority and delegations to ensure that the Council's asset portfolio is managed effectively to achieve maximum value for money.

### **Overarching principles**

- 13.2 A set of overarching principles govern the operation of this section of the Council's Financial Procedure Rules.

13.3 These are:

**Property**

- a) All property owned or leased by Redditch Borough Council is held corporately.
- b) All property held by the Council must be held for specific statutory purposes and the Council's records must identify the purposes for which land is held. These purposes include:
  - housing purposes;
  - planning purposes; and
  - general purposes.
- c) The Director of Finance and Resources, in conjunction with the applicable Service Director, is responsible for ensuring that the occupation of all Redditch Borough Council property by Directorates or other tenants is in the interests of the Council as a whole.
- d) The Director of Finance and Resources has the authority to intervene in property matters to protect Redditch Borough Council's overall interests.
- e) Resolution of disputes on property matters is overseen by the Chief Executive.
- f) All property transactions [including proposed appropriations] should be referred to the Director of Finance and Resources who shall seek the comments of all interested parties, including relevant Executive members, Directorates and local members, before the decision is taken to proceed. All decisions must be taken in accordance with the delegations set out in this section of the Council's Financial Procedure Rules, the functions scheme, and the decision making procedures set out in the Council's Constitution.
- g) Mandatory training on health and safety legislation applying to property occupation must be provided to employees occupying property as part of their work for the Council.

**General**

- g) Capital investment on assets must be linked to priorities identified through the corporate planning process using a clear and objective prioritisation policy.
- h) Capital investment must be directed to obtain maximum benefit from available resources, taking account of economy, efficiency and effectiveness.

- i) Revenue implications of capital investment must be considered, including the revenue costs of any borrowing required, and spend to save funding may be available to pump prime investment that can demonstrate a clear financial pay back.

**Acquisitions and improvements to assets**

- 13.4 Before an asset is acquired or improved the need for investment must be clearly identified and appraised.
- 13.5 Prior to allocation of resources a business case must be prepared and approved by the relevant Director.
- 13.6 The Director of Finance and Resources will present the business case to the Management Team. Where the acquisition proposed is part of the annual budget setting process the Management Team will make recommendations to Executive for inclusion in the Medium Term Financial Strategy. Where the proposal is outside of the budget setting process the approval will follow the Council's virement procedures provided that the capital budget approved by Council is not exceeded.
- 13.7 The use of compulsory purchase powers must be approved by Executive.

**Property**

- 13.8 Property is to be used efficiently, effectively and economically with due regard to legislative requirements.
- 13.9 The Director of Finance and Resources must approve all material changes to properties occupied and used by a Directorate, including change of use, appropriations, granting/taking of interests, alterations or additions. Such changes must then be reported to the Financial Services Manager for correct accounting treatment and apportionment of charges.
- 13.10 The Director of Finance and Resources has the authority to undertake reviews of the property portfolio, or parts of it, to determine if it is optimised in terms of its utilisation, cost and value and within this to challenge the retention or use of existing properties occupied by Directorates or other tenants.

**Disposals**

- 13.11 Land, property and any other assets which are surplus to operational need are either to be reallocated to meet alternative needs or disposed of in line with statutory requirements and/or Redditch Borough Council policies.
- 13.12 Directorates shall notify the Director of Finance and Resources of:
  - a) Any property (or part) that is:
    - Vacant.

- Held against a future operational need.
  - Not used for the principal purpose for which it is held.
  - Likely to be surplus to requirements (with estimated timescale).
- b) Any statutory/process issues relevant to its disposal (e.g. prescribed consultation processes, reference to the Secretary of State, etc.).
- c) Any other issues which need to be considered prior to disposal.
- 13.13 The Executive must be informed of any surplus property to enable it to declare as surplus, and further agree to the marketing of any surplus assets.

#### **Treatment of capital receipts**

- 13.14 All capital receipts from disposals are deemed to be a corporate capital resource available for allocation in line with corporate priorities.

#### **Financial Procedure Rules**

- 13.15 All of the protocols set out in the Council's Financial Procedure Rules and the Financial Guidance (Part 3) and Chief Executive Schemes of Delegation must be adhered to. No transaction should be approved unless specific budgetary provision is identified, except where the purchase is approved under the authority given in Paragraph 3.0 for urgent decisions.

#### **14.0 Audit**

- 14.1 The Director of Finance and Resources has responsibility for maintaining an adequate and effective internal audit service. This service has been delegated to the Worcestershire Internal Audit Shared Services (WIASS).
- 14.2 The Director of Finance and Resources shall maintain strategic and annual audit plans that take account of the relative risks of the activities involved. He/she shall liaise with the Management Team on the audit strategy and plan.
- 14.3 WIASS is responsible for providing the Audit, Standards and Governance Committee with regular assurance reports that highlight any areas of concern regarding the effectiveness or level of compliance with agreed systems of internal control.
- 14.4 WIASS shall submit an annual report to the Audit, Governance and Standards and Standards Committee detailing internal audit activity for the previous year and reporting significant findings and areas of concern.

- 14.5 WIASS shall provide a regular summary to the Leader, Chairman of Audit, Governance and Standards Committee and relevant Executive Member(s) of audit review reports following sharing of the detailed reports with Directors before hand.
- 14.5 The Director of Finance and Resources is responsible for producing an Annual Governance Statement for inclusion with the annual Statement of Accounts based on assurances provided by WIASS and also on risks and areas for improvement identified by Management Team.
- 14.7 Officers shall ensure that internal and external auditors are provided with:
- a) Access at reasonable times to premises or land used by the Council.
  - b) Access at reasonable times to any employee or employees.
  - c) Access to all assets, records, documents, correspondence and control systems relating to any matter or business of the Council.
  - d) Any information and explanation considered necessary concerning any matter under examination.
- 14.8 Officers must account for cash, stores or any other Council property under their control and produce such items for inspection if required by WIASS.
- 14.9 Officers are required to consider and respond to audit reports and audit recommendations within two weeks.
- 14.10 Officers must ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.
- 14.11 Where an appropriate response to audit recommendations has not been made within the agreed period, the Director of Finance and Resources shall refer the matter to the Chief Executive and/or the Audit, Governance and Standards Committee.
- 14.12 Officers are responsible for notifying the Director of Finance and Resources or WIASS immediately in writing/electronic medium of any suspected or alleged fraud, theft, irregularity, improper use or misappropriation of Council property or resources including any breach of these Financial Procedure Rules or the Contract Procedure Rules. Pending investigation, all necessary steps should be taken to prevent further loss and secure records and documents against removal, destruction or alterations.
- 14.13 The Director of Finance and Resources is to investigate promptly all apparent, suspected or reported irregularity or fraud he/she becomes aware of. He/she shall report his/her findings to the Chief Executive to discuss and agree appropriate legal proceedings and/or disciplinary action, consulting with the relevant member(s) of the Management Team as appropriate.

- 14.14 Officers are responsible for ensuring that new systems for maintaining financial records, or records of assets, or changes to such systems are discussed and agreed with the Director of Finance and Resources prior to implementation.
- 14.15 Officers are responsible for ensuring that all paperwork and systems are up to date, kept securely and are made available for inspection by audit.
- 14.16 Officers shall ensure that all fundamental systems and other financial systems are reconciled on a regular basis and that records are up to date and available for audit inspection when required.

**15.0 Revenue budget management**

- 15.1 The Financial Services Manager shall prepare and review annually a long term financial plan and strategy to provide an estimate of resources available to the Council and identify budget pressures.
- 15.2 Proposed budgets over periods of one year or longer shall be prepared by Directors, in consultation with the Director of Finance and Resources, for consideration by the Executive, having regard to the views of the Overview and Scrutiny Committees, before submission to Council.
- 15.3 The Executive shall recommend an annual budget to Council that includes the following:
  - a) Annual capital and revenue budget.
  - b) Proposed contingencies, general reserves and specific reserves.
  - c) Council Tax requirement.
  - d) Treasury Management Policy and borrowing limits.
  - e) The Director of Finance and Resources statutory declaration on budget setting.
- 15.4 Budget management ensures that resources allocated by Members are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continual process enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account Managers responsible for defined elements of the budget.
- 15.5 The structure and format of the revenue budget should be sufficient to permit effective financial management.
- 15.6 The overall budget setting process for both revenue and capital is controlled by the Director of Finance and Resources.

15.7 Budgets will be distributed to budget holders for consultation. Budget holders will work with Finance staff to prepare detailed income and expenditure estimates for the forthcoming year taking into account known service level changes, contractual commitments and financial constraints.

15.8 Budget holders should provide information on any legislative changes, statutory duties, demographic changes, which impact upon service trends and activity levels to inform the financial planning and budget setting process.

**16.0 Capital budget management**

16.1 The Executive shall, following the submission of proposals by the Management Team, recommend to Council:

- a) A capital programme for each financial year.
- b) A future indication of a capital programme over a four-year period.
- c) The recommended funding method for each capital project (including the use of prudential borrowing, capital receipts, revenue or other financing methods).

16.2 Following the approval of a capital programme, and subject to any conditions specified in that programme, or specified by the relevant Executive member, the relevant Director shall take all appropriate action to carry into effect the approved schemes, within the budget and timescale agreed in the capital programme. Any material variation in cost or timescale shall be reported to the Executive.

16.3 Executive Members will monitor capital expenditure once budgets are approved by Council.

16.4 If a project has not started within the specified timeframe, being two years behind the intended start date it will require resubmitting before proceeding.

16.5 Any report for a project or policy of a capital nature shall include details of:

- a) The estimated cost of the proposal.
- b) Any phasing of the capital expenditure.
- c) The proposed method of financing, whether by loan, revenue or otherwise.
- d) The effect on the revenue estimates in the first and subsequent years.
- e) The additional staff and grades required both initially and ultimately.

- f) An assessment and measurement of the need for the scheme and the benefits it will produce.
- g) A technical and financial appraisal of the alternative approaches to meeting the need. (larger projects only)

### **17.0 Budgetary Control**

17.1 Each Director shall be responsible for monitoring the revenue and any capital budget relevant to his/her Directorate to ensure that such budgets are properly spent and not exceeded.

**17.2 Any new proposal or variation which would materially affect the finances of the Council shall require approval by the Executive. Any budget virements must comply with the Council's scheme of budget virement**

**17.3 The Council operates within an overall annual cash limit. As a result all individual budgets are cash limited. Each budget holder is required to operate within the cash limit.**

17.4 Directors shall monitor spend and income against budgets monthly and ensure, so far as practicable, that expenditure in excess of their net approved budgets is not incurred without prior approval. If actual income is expected to be below budget, this must also be actively managed.

17.5 If it appears to a Director that his/her overall cash limited budget may be exceeded, he/she shall report the details as soon as practicable and identify mitigating action. The overall position is then reported to the Executive.

17.6 Action plans must be put in place by each Directorate at an early stage in the financial year in order to manage potential overspendings (e.g. due to additional spending or below target income). Directors must ensure Officers adhere to the savings targets and take mitigating action if delivery is deemed to be at risk.

17.7 It is the duty of Directors to ensure that responsibility for budgetary control is clearly allocated to appropriate Officers in their Directorates. Directors shall nominate a Budget Manager for each cost centre. As a general principle budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.

17.8 Budget Managers are accountable for their budgets and the level of service to be delivered and must understand their financial responsibilities. Budget Managers should be responsible only for income and expenditure that they can influence.

- 17.9 Budget Managers are required to;
- a) Follow an approved process for all expenditure.
  - b) Ensure that income and expenditure are properly recorded and accounted for.
  - c) Ensure that expenditure is committed only against an appropriate budget head.
  - d) Monitor performance levels/levels of service in conjunction with the budget and necessary action is taken to align service outputs and budget.
  - e) Monitor and control the gross expenditure budget position.
  - f) Investigate and report significant variances from approved budgets.
- 17.10 The Director of Finance and Resources shall establish an appropriate framework of budgetary control, monitored and reported through the financial system.
- 17.11 The Director of Finance and Resources shall provide Directors, budget holders and Executive members with monthly financial management information reports in line with the Forward Plan.
- 17.12 The Director of Finance and Resources shall ensure that each Director has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
- 17.13 The head of management accounts and corporate finance shall provide financial management training courses that all budget managers must attend.
- 18.0 Virement**
- 18.1 The Council operates a scheme of budget virement. This enables budget holders to manage budgets with a degree of flexibility within the overall policy framework determined by the Council.
- 18.2 Head of Service have authority to vire expenditure between individual budget heads in accordance with the virement policy.
- 18.3 Key controls for the virement policy are:
- a) Any variation from this policy requires the approval of Council.
  - b) That the overall budget is developed by Executive and approved by Council. Directors and budget holders are authorised to incur expenditure in accordance with the estimates contained within the

annual budget. The rules below cover virement; that is switching resources between budget heads. For the purposes of these rules a budget head is considered to be the standard service sub-division as defined by CIPFA. The scheme applies equally to a reduction in income as to an increase in expenditure.

- 18.4 All virements must be entered onto the finance system for approval by an authorised Officer. There will be no virements below £5,000 unless authorised by the Director of Finance and Resources or Financial Services Manager.
- 18.5 All virements below £20,000 and within a single Executive Member Portfolio and a single Directorate budget must be approved by the Head of Service and the Financial Services Manager. Capital and corporate budgets up to £20,000 will require the approval of the Financial Services Manager. All virements above £20,000 and up to £40,000 must be approved by the Director of Finance and Resources following consultation with the relevant Director and Portfolio Executive Member. All virements of above £40,000 shall be reported in the budget monitoring report provided to Executive.
- 18.6 There will be no virements from salary budget to other types of expenditure without approval from Executive.

### **19.0 Insurance and risk management**

- 19.1 All organisations, whether they are in the private or public sector, face risks to people, property and continued operations. Risk is defined as the chance or possibility of loss, damage or injury caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk.
- 19.3 Insurance has been the traditional means of protecting against loss, but this cannot be seen as the complete answer. By reducing or even preventing the incidence of losses (whether they result from crime or accident), the Council shall benefit from reduced costs of providing insurance cover and shall also avoid the disruption and wasted time caused by losses and insurance claims.
- 19.3 Through half yearly performance monitoring Audit, Governance and Standards Committee should be kept informed of items listed on the corporate risk registers
- 19.4 The key controls for risk management and insurance are:
- a) Robust systems are in place to identify, assess, prevent or contain significant operational risks on an integrated basis and these systems are promoted throughout the organisation.

- b) Acceptable levels of retained risk are identified and evaluated and arrangements are in place for their funding, either by internal provision or external insurance as appropriate.
  - c) Managers know that they are responsible for managing relevant risks and are provided with appropriate and timely information on claims experience and risk management initiatives relating to their areas of responsibility.
  - d) Procedures are in place to investigate and process claims within required timescales.
  - e) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- 19.5 The Director of Finance and Resources shall effect all insurance cover and negotiate all claims in consultation with the relevant Officer where appropriate.
- 19.6 Heads of Service shall give prompt notification to the Director of Finance and Resources of all new risks, properties, vehicles and other assets that are required to be insured or any alterations affecting existing insurances.
- 19.7 Heads of Service shall promptly notify the Director of Finance and Resources in writing of any actual or potential loss, liability or damage or any event likely to lead to an insurance claim by or against the Council.
- 20.0 Loans, leasing and investments**
- 20.1 The Director of Finance and Resources shall report to Executive, on an annual basis, with recommendations to Council to determine the limits for the borrowing of monies.
- 20.2 The Director of Finance and Resources shall borrow as necessary to finance the approved capital programme and deal with all matters in connection with the raising or repayment of loans and is authorised to borrow for meeting expenses pending the receipt of revenues.
- 20.3 All investments and all borrowing shall be made in the name of the Council.
- 20.4 Directors/Heads of Service shall not enter into financial leasing arrangements except with the consent of the Director of Finance and Resources. Before entering into any lease agreement Directors shall submit details to the Financial Services Manager to enable a financial appraisal to be undertaken, including alternative financing options and implications for accounting treatment.
- 20.5 Loans to third parties will only be made in exceptional circumstances, and having followed the Council's decision making process.

- 20.6 The Director of Finance and Resources shall arrange the borrowing and investment activities of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the authority's Treasury Management Policy Statement.
- 20.7 The Director of Finance and Resources shall prepare an annual strategy with regard to investments, borrowing and the repayment of external debt. These are set out in the Treasury Management Strategy approved by full Council before the start of the new financial year.
- 20.8 The Treasury Management Strategy will include the following:
- Prospects for the economy and for interest rates;
  - Borrowing requirement and strategy;
  - Investment policy and strategy;
  - MRP statement;
  - Prudential indicators for the next three years providing assurance that the Council's capital plans are affordable, prudent and sustainable; and
  - The Treasury Management Policy Statement.
- 20.9 In addition, Executive will receive an annual treasury management report after the end of the financial year and will recommend to full Council for approval.
- 20.10 Executive will also receive treasury management reports as part of the budget monitoring updates.

**21.0 Trust funds**

- 21.1 The Director of Finance and Resources shall:
- a) Arrange for all trust funds to be held wherever possible in the name of the authority. All Officers acting as trustees by virtue of their official position, as declared in register of interest, shall deposit securities, etc. relating to the trust with the Director of Finance and Resources unless the deed otherwise provides.
  - b) Arrange where funds are held on behalf of third parties for their secure administration approved by the Director of Finance and Resources and to maintain written records of all transactions.
  - c) Ensure that trust funds are operated within any relevant legislation and the specific requirement for each trust.

**22.0 Inventories and stocks and stores**

22.1 The Director of Finance and Resources shall:

- a) Advise on the form, layout and content of inventory records to be maintained by the Council.
- b) Advise on the arrangements for the care and custody of stocks and stores in Directorates.

22.2 Heads of Service shall:

- a) Maintain inventories in a form approved by the Director of Finance and Resources to adequately record and describe all furniture, fittings and equipment, plant and machinery under their control.
- b) Carry out an annual check of all items on the inventory in order to verify location, review condition, ensure insurance cover is adequately provided and to take action in relation to surpluses or deficiencies.
- c) Ensure attractive and portable items, such as computers, cameras and mobile technology devices are identified with security markings as belonging to the Council and appropriately controlled and secured.
- d) Make sure that property is only used in the course of the Council's business unless the Director concerned has given permission otherwise.
- e) Make arrangements for the care, custody and recording of stocks and stores in Directorates.
- f) Ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- g) Ensure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- h) Write-off discrepancies of up to £5,000 and seek advice from audit on discrepancies above this limit.
- i) Record the reasons for the chosen method of disposing of redundant stocks and equipment if not by competitive quotation or auction.

22.3 Directors have discretion to write off redundant equipment up to the value of £5,000, but must seek Executive member approval for write-offs in excess of £5,000. Directors shall seek independent quotations where it is not immediately obvious what the market value of the redundant item is.

**23.0 Working for third parties**

- 23.1 Current legislation enables the Council to provide a range of services to certain other bodies. Such work may enable the Directorate to maintain economies of scale and existing expertise. Arrangements must be in place to ensure that any risk associated with this work is minimised.
- 23.2 All proposals for the Council to undertake work for a third party shall be properly costed in accordance with guidance provided by the Director of Finance and Resources. Financial advice should be obtained from the Financial Services Manager on the cost of providing the service.
- 23.3 All decisions for the Council to undertake work for a third party shall be made in accordance with the Council's formal decision making processes and as set out in the Council's functions scheme and before any negotiations to work for third parties are concluded.
- 23.4 Officers must obtain legal advice on the implications of providing the proposed service to the third party. All contracts for providing work for a third party shall be drawn up using guidance provided by the Council's Legal Services team.
- 23.5 Officers shall ensure that:
- a) All contracts are properly documented and a register of all contracts to supply works, goods and/or services to third parties is maintained by each Directorate.
  - b) Appropriate identity checks on the third party are carried out in accordance with the Council's Anti-Money Laundering Policy and Guidance.
  - c) Appropriate insurance arrangements are in place for the third party work.
  - d) The Council is not put at any risk of bad debts as a result of any third party work.
  - e) Wherever possible, payment is received in advance of the delivery of the service under a third party contract.

## **Appendix A**

### **Responsibilities under the Financial Procedure Rules**

This Appendix provides details of responsibilities under the Financial Procedure Rules. It lists in a single place responsibilities that would otherwise be repeated in various sections of the Financial Procedure Rules. It confirms the overall responsibilities of the Council's Director of Finance and Resources, the Audit, Governance and Standards Committee and Members of the Management Team within the Financial Procedure Rules.

#### **A1 Audit, Governance and Standards Committee responsibilities**

A1.1 Day to day responsibility for the Council's finances rests with Directors and their Managers as set out in these Financial Procedure Rules with some functions delegated to the Audit, Governance and Standards Committee.

A1.2 Audit, Governance and Standards Committee shall oversee compliance with the Council's Financial Procedure Rules for those functions within their Terms of Reference. Management Team are responsible for ensuring those functions within their Terms of Reference operate within the Council's Financial Procedure Rules.

#### **A2 Chief Financial Officer (Director of Finance and Resources) responsibilities**

A2.1 The Director of Finance and Resources has been appointed under Section 151 of the Local Government Act 1972 as the Officer with responsibility for the proper administration of the Council's financial affairs.

A2.2 Reference in these Financial Procedure Rules to the Director of Finance and Resources shall be taken to include any Officer nominated by the Director of Finance and Resources to act on his/her behalf.

A2.3 The Director of Finance and Resources shall be entitled to attend a meeting of any body on which Members are represented where matters affecting the financial affairs of the Council are being discussed.

- A2.4 The Director of Finance and Resources, under the general direction of Executive, is responsible for determining the basis for all accounting procedures and financial records for the Council and for exercising a check over all financial matters.
- A2.5 The Director of Finance and Resources is responsible for maintaining a continuous review of the Financial Procedure Rules and advising the Audit & Governance Committee and Council of any additions or changes necessary.
- A2.6 The Director of Finance and Resources is responsible for reporting, where appropriate, breaches of the Financial Procedure Rules or any other element of the Constitution that relates to the proper administration of the Council's financial affairs to the Council and/or Audit, Governance and Standards Committee.
- A2.7 The Director of Finance and Resources is responsible for issuing advice and guidance to underpin the Financial Procedure Rules.
- A2.8 The Director of Finance and Resources is responsible for maintaining adequate and effective audit arrangements for the Council and for ensuring that audit services complies with the public sector internal audit standards.
- A2.9 The Director of Finance and Resources is responsible for ensuring, in conjunction with the relevant member of the Management Team, that the

Council's disciplinary procedures are followed where the outcome of an audit or other investigation indicates fraud or irregularity.

A2.10 The Director of Finance and Resources is responsible for ensuring that any case of fraud or loss or financial irregularity or bribery or corruption discovered or suspected to exist which involves the Council's interest shall be dealt with in accordance with the Council's Anti-Fraud and Anti-Corruption Policy.

A2.11 The Director of Finance and Resources is responsible for appointing Senior Officers to be the Council's Money Laundering Reporting Officer and Deputy to the Council's Money Laundering Reporting Officer.

A2.12 The Director of Finance and Resources has overall responsibility for making payments on behalf of the Council.

A2.13 The Director of Finance and Resources has overall responsibility for the Council's income and collection functions although this will be carried out by Hoople Ltd who will ensure the effective collection and recording of all monies due to the Council.

A2.14 The Director of Finance and Resources is responsible for making payments to employees, former employees and Members on behalf of the Council.

**A3 Corporate Management Team responsibilities**

A3.1 Members of the Management Team are responsible for ensuring that all employees are aware of the content of the Financial Procedure Rules and other internal regulatory documents and that they are complied with.

A3.2 Members of the Management Team are responsible for consulting with the Director of Finance and Resources on any matter within their area of responsibility that is liable to materially affect the finances of the Council before any provisional or other commitment is incurred or before reporting the matter to a Executive member.

A3.3 Members of the Management Team are responsible for supplying the Director of Finance and Resources with all information necessary for the proper administration of the Council's affairs.

A3.4 Members of the Management Team shall allow the Director of Finance and Resources and his/her authorised representatives access to all documents and records on demand.

A3.5 Members of the Management Team shall maintain a sound system of internal control.

- A3.6 Members of the Management Team are responsible for ensuring those functions within their Terms of Reference operate within the Council's Financial Procedure Rules.
- A3.7 Members of the Management Team are responsible for informing Executive members promptly if the Council's Financial Procedure Rules are not being complied with.

**Appendix B**

**GOVERNMENT PROCUREMENT CARDS (GPC)**

**GUIDANCE FOR CARDHOLDERS**

**Contact Details**

**RBS Cardholder Helpline**

Telephone: 0870 909 3702  
Mon - Fri 8.00 a.m. - 6.00 p.m.  
Sat 9.00 a.m. - 1.00 p.m.

Fax: 01702 278312

**Lost or Stolen Cards**

The Royal Bank of Scotland Card Loss Centre

Telephone: 0870 6000 459

Open 24 hours, 7 days a week.

**Introduction**

You have been selected to participate in the Government Procurement Card scheme (GPC). This scheme is designed to make it easier and more cost effective for employees to make low value purchases of goods and services for Council use. A low value purchase is not likely to exceed £250 and is likely to be substantially less. Using GPC you can purchase goods and services from suppliers who accept Mastercard.

We are implementing this new purchasing concept for lower value purchases because we feel it will help you to more quickly and easily obtain the goods and services you need to get your job done. It will reduce paperwork associated with the traditional purchase order process resulting in cost savings for the Council and a saving in time for you.

Your feedback will help us to fine-tune the scheme as we integrate it into our purchasing processes. If you have any comments or questions about the GPC scheme, please contact your Administrator who is:

**Jordan Smith on 01527 64252 ext 2161**

**or**

**Payments on 01527 64252**

You should contact immediately if your card is

- **Lost or Stolen**
- **Changes to current limits required**
- **Changes to Merchant Category Codes**
- **You are leaving us**
- **You Change your name or address**
- **You have a change of job**
- **You no longer require a GPC Card**

**If your card is lost or stolen please also contact:**

**The Royal Bank of Scotland Card Loss Centre**

**Telephone: 0870 6000 459**

**24 hours, 7 days a week**

**What We Expect From You**

- Your Purchasing Card is personal to you, no one else is authorised to use your card. Do not allow any other employee to use your card or quote its number when ordering.
- The card number should always be kept confidential.
- Do not share your PIN number with anyone.
- The card must be used in accordance with this user/procedure guide, and the Employee Agreement.
- It is to be used for business related purchases only, where there is not a more cost-effective way of making the purchase.
- The types and values of purchases must be within the limits set. You are responsible for achieving best value for money.
- You are responsible for ensuring the security of the card.
- The card must not be used to obtain cash back facilities offered when making authorised purchases.
- You are responsible for reporting its loss, theft or misuse to The Royal Bank of Scotland Card Loss Centre Telephone 0870 6000 459 and your Administrator as soon as you notice your card is missing.
- You will be asked to sign an Employee Agreement to this effect.
- Misuse of the card as determined by non-compliance with this cardholder guide may result in action being taken under the Council's disciplinary procedures. In such circumstances the Card Administrator has authorisation to cancel your card without further notice.
- Under no circumstance must the Card be used for paying an invoice.
- You will be responsible for keeping a record and receipts for all your transactions these must be entered onto the online system each time you use your card completing all of the fields including the Cost Centre and Account Code information. Failure to complete this will result in your card being cancelled.
- Full training and a user name password will be given to you so that you can use the online system to record any purchases you make utilising the card. If you forget your password please contact the Card Administrator.

**What is a Purchasing card?**

GPC cards is an alternative method to the current buying process of paying for low value, high volume goods or services. By simplifying transaction processing it assists purchasing efficiency and will save RBC time and money. The current indicated savings from the Audit Office equate to £28 per transaction however this does not include the paper and other associated print/environmental savings when the need not to produce orders, delivery note and invoices is taken into account.

The Purchasing card looks like any normal debit/credit card, but is a procurement card, which means your total balance on your monthly statement must be settled in full.

It also means that the supplier is paid much more quickly (typically 3 to 5 days) rather than waiting for us to settle their invoice.

The card can be used at any establishment displaying the Mastercard symbol, in the UK. But we are looking for you to use suppliers who are capable of providing VAT reporting to level 3, this to facilitate further efficiency savings as the banks monthly returns of purchases made can be used to reclaim VAT from HMC&R. We are currently working with the Bank and the Suppliers we most commonly use to increase their VAT reporting capabilities to level 3. Embossed on the card is the following:

Redditch Borough Council  
Your Name  
Expiry Date  
Card Number

Your Purchasing card offers the opportunity to improve both the focus and flexibility of purchasing procedures whilst reducing the volume of purchase orders, invoices and associated paperwork for small value purchases, improving the cost effectiveness of processing these types of transactions.

Your card is to be used for business expenditure only.

## **Controls**

Each card has a maximum monthly expenditure limit and individual transaction limit.

### **Monthly Expenditure limit**

The total amount you can spend on your card each month.

### **Transaction Limit**

The total amount you can spend on any single purchase.

Both of these limits are inclusive of VAT and any carriage.

The limits were set on your card application form based upon your estimated spend pattern.

### **Merchant Category Group code blocking**

A further control has been applied to your Purchasing card.

Each supplier capable of accepting your GPC card will be classified by a certain Merchant Category Group code. By the way of an additional control, any number of these codes can be blocked or left unblocked to ensure compliance with business policies and to mirror each cardholder's buying profile.

Please make a note of these limits/controls.

**If you try to purchase goods and services that are outside of these limits, your transaction will be declined and could lead to embarrassment. If you can prove that your limits are unrealistic to your work or the purchases you have to regularly make using the card please discuss with your line manager prior to requesting any increase in same**

**As detailed above, if you try to use your card with a supplier whose Merchant Category Group code has been blocked on your Purchasing card, this will also lead to your card being declined.**

**If this occurs, please contact the Administrator immediately to discuss how your card can be updated to reflect your requirements.**

**Queries on Goods**

**Faulty or damaged goods supplied**

If the cardholder rejects the goods purchased as unsatisfactory he/she should inform the supplier immediately, and try to reach an agreement to return the goods and obtain a refund. The Royal Bank of Scotland is unable to become involved in any disputes between purchaser and supplier over the quality or suitability of goods purchased.

The supplier should arrange for a credit (refund) to be made to The Royal Bank of Scotland Purchasing Card Account which will then appear on a subsequent statement. To aid reconciliation, we suggest the cardholder retains a record of the credit at the time the goods are returned, rather than waiting for the statement to arrive.

Please note that refunds from abroad may vary from the original transaction amount due to exchange rates.

**Goods not supplied/wrong goods supplied**

If an item is charged to the cardholder's account but the goods or services ordered have not been received or are incorrect, the cardholder should contact the supplier to confirm that the goods have been supplied or the correct goods are being despatched.

**A refund can be claimed from the supplier only after allowing 60 days from the transaction date for delivery of the correct goods.**

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**APPENDIX 1**

**Employee Agreement**

- a) I, ..... Hereby accept a Purchasing Card. As a cardholder I agree to comply with the terms of the attached policy regarding my use of the Card.
- b) I have received and understood that I am being entrusted with a corporate charge card and will be making financial commitments on behalf of the company. I understand that the RBC is liable to the card provider for all the charges made on the card.
- c) I agree to use this card for business purchases only and agree not to charge personal purchases. I understand that the RBC will audit the use of this card and report and take appropriate action on any discrepancies.
- d) I will follow the established procedures for the use of the card. Failure to do so will result in cancellation of my card and disciplinary actions, including termination of employment.
- e) I have been given a copy of the Purchasing Card Policy and User Guide and understand the requirements for the Card's use.
- f) I agree to return the Card immediately upon request or upon termination of employment (including retirement). Should there be any organisational change, which cause my purchasing requirements to change, I agree to return my card and arrange for a new one, if appropriate.
- g) If the card is lost or stolen I agree to notify Royal Bank of Scotland immediately by telephone and the Card Administrator as soon as possible thereafter.

Employees Signature..... Date.....

Card Number.....

Card Administrators Signature..... Date.....

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**Appendix C**

**Glossary of terms**

In the Financial Procedure Rules the words and phrases in the left hand column have the meaning given in the right hand column;

Appropriation	Land held by the Council for one statutory purpose being held for a different statutory purpose.
Asset	Something the Council owns that has value, such as premises, vehicles, equipment or cash.
Audit	A specialist team that examines, evaluates and reports on the adequacy of internal control systems.
Budget	A statement of the authority's plans for revenue and capital expenditure and income over a specified period of time.
Capital	Spending, usually on major assets like a building, where the benefit of the asset lasts for more than one year.
Capital Programme	A budget generally covering a 3-5 year period relating to items of capital expenditure.
Capital receipts	Proceeds from the sale of fixed assets, such as land or buildings.
Cash Limit	The most that can be spent in an area in one year.
CIPFA	The Chartered Institute of Public Finance and Accountancy is the leading professional accountancy body for public services in the UK. CIPFA has responsibility for setting good practice accounting standards for local government.
Gross Expenditure	The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.
Imprests	Bank and petty cash floats.
Internal Control	The systems of control that help ensure the Council's objectives are achieved in an economical, efficient and effective way and consistent with safeguarding the Council's assets.
Inventory	A list of equipment and furniture.
Money Laundering	The practice of engaging in financial transactions in order to conceal the identity, source, and/or destination of money.
Officer	A person employed or appointed as a member of staff.
Revenue budget	Budget relating to the day-to-day expenses associated with the provision of services.
Treasury Management	Management of the Council's cash balances on a daily basis, to obtain the best return while maintaining an acceptable level of risk.

**REDDITCH BOROUGH COUNCIL**

**Audit, Governance and Standards Committee  
2023**

**23rd Mar**

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Treasury Management Strategy	A document stating how the Council plans to borrow and optimise its return on its cash and investments in the coming financial year whilst ensuring the over-riding criterion of security of public money.
Virement	Transfers of budgets between one area and another.

**Clarification of Post titles**

Chief Executive	The Council's Head of Paid Service
Director of Finance and Resources	The Council's Chief Financial Officer (CFO) or Section 151 Officer
Financial Services Manager	The Council's Deputy Section 151 Officer

## **Appendix C - Service Financial Governance Paper**

### **Introduction**

The Balanced Budget and Closure documentation should be read in conjunction to this report. This report sets out requirements and expectations of the Finance Team and Services in terms of

- Financial Rules and Regulations (Including Virement Limits)
- Expectations – Finance Staff, Other Staff
- Financial processes (Finance and Customers)
  - Budget Setting
  - In Year Monitoring of Expenditure
  - Closure of Yearly Accounts
  - Purchasing of Good and Services
  - Invoicing for Goods and Services required
  - Cash Receipting
  - Financial monitoring (Capital and Revenue)
  - Insurance
- Signoff requirements for reports
- Training Requirements

Significant to this is ensuring that service managers have the requisite financial skills to effectively carry out their financial roles and understand how and where they can get financial support (across the range of finance/Income/payments/cashiers).

### **A. Rules and Regulations**

Both Councils have identical financial regulations – these are set out in Appendix A (Redditch is used as the Example). These regulations are split into 5 Main categories:

- Audit, Governance and Standards Committee responsibilities
- Chief Financial Officer (Director of Finance and Resources) responsibilities
- Corporate Management Team responsibilities

The regulations in section A1.1 set out that day to day responsibility for the Council's finances rests with Directors and their Managers as set out in these Financial Procedure Rules.

It is clear from the regulations that Director of Finance and his staff

- *Are responsibility for the proper administration of the Council's financial affairs.*
- *Under the general direction of Executive, are responsible for determining the basis for all accounting procedures and financial records for the Council and for exercising a check over all financial matters.*

- *Are responsible for maintaining a continuous review of the Financial Procedure Rules and advising the Audit & Governance Committee and Council of any additions or changes necessary.*
- *Are responsible for reporting, where appropriate, breaches of the Financial Procedure Rules or any other element of the Constitution that relates to the proper administration of the Council's financial affairs to the Council and/or Audit, Governance and Standards Committee.*
- *Are responsible for issuing advice and guidance to underpin the Financial Procedure Rules*
- Are entitled to attend a meeting of any body on which Members are represented where matters affecting the financial affairs of the Council are being discussed.
- Are responsible for maintaining adequate and effective audit arrangements for the Council and for ensuring that audit services complies with the public sector internal audit standards.
- Are responsible for ensuring, in conjunction with the relevant member of the Management Team, that the Council's disciplinary procedures are followed where the outcome of an audit or other investigation indicates fraud or irregularity.
- Are responsible for ensuring that any case of fraud or loss or financial irregularity or bribery or corruption discovered or suspected to exist which involves the Council's interest shall be dealt with in accordance with the Council's Anti-Fraud and Anti-Corruption Policy.
- Are responsible for appointing Senior Officers to be the Council's Money Laundering Reporting Officer and Deputy to the Council's Money Laundering Reporting Officer.
- Have overall responsibility for making payments on behalf of the Council.
- Have overall responsibility for the Council's income and collection functions although this will be carried out by Hoople Ltd who will ensure the effective collection and recording of all monies due to the Council.
- Are responsible for making payments to employees, former employees and Members on behalf of the Council.

Although all functions are important, those highlighted in bold are especially pertinent for this Governance paper which sets out the responsibility of finance staff. This Governance paper sets out the support that finance staff will give to managers to help them fulfil their financial functions.

Departmental staff (through CMT) need to ensure that:

- All employees are aware of the content of the Financial Procedure Rules and other internal regulatory documents and that they are complied with.
- They consult with the Director of Finance and Resources on any matter within their area of responsibility that is liable to materially affect the finances of the

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Council before any provisional or other commitment is incurred or before reporting the matter to a Executive member.

- They supply the Director of Finance and Resources with all information necessary for the proper administration of the Council’s affairs.
- They allow the Director of Finance and Resources and his/her authorised representatives access to all documents and records on demand.
- They maintain a sound system of internal control
- They ensure those functions within their Terms of Reference operate within the Council’s Financial Procedure Rules.
- They are responsible for informing Executive members promptly if the Council’s Financial Procedure Rules are not being complied with.

Its is clear from these financial regulations that Service Managers are responsible for delivery of the financial procedures and rules, but that finance department staff should set the rules and regulations out as clearly as possible, and provide training and guidance to ensure that Service Managers can deliver those requirements as effectively as possible. These are set out in more detail in later sections. **If rules are not complied with access to systems will need to be reviewed.**

## **B. Virement Limits**

Budgets for each financial year are set out in the Medium Term Financial Strategy which is approved by Full Council every February. Any changes to those budgets must be approved using the following process. Only Heads of Service, in conjunction with the Financial Services Manager can approve virements below £20k. All virements above this level require Member approval.

All changes to cash limits through Virement changes must be reported in the following monitoring report. All virements must be entered onto the finance system for approval by an authorised Officer.

No virements under £5,000, unless authorised by the Financial Services Manager.

<b>Virement Amount</b>	<b>Approval Required</b>
Below £20,000	Head of Service and Financial Services Manager
£20,000 - £40,000	Director of Finance in consultation with relevant Director and Portfolio Executive Member
Above £40,000	Shall be reported in the budget monitoring report to Executive

## **C. Financial Processes**

There are 6 Main Finance Processes. These cover both Revenue and Capital expenditure including projects. These are:

- Setting a Budget
- Monitoring Expenditure against the agreed Budget
- Closure of a Financial Year
- Raising Expenditure
- Raising Income
- Receipt of Cash through Cash Receipting Systems

Finance procedures are presently being revised and then these will be updated on the ORB. A suit of finance training will be rolled out in the May to July Period to ensure that managers financial acumen across the Council is maintained at the correct level. The upgraded guidance and training is to ensure that managers and staff have finance procedures that are clear and easy to follow. Updated links to this guidance will be issued shortly.

**The Financial Procedure Rules apply to every Member and Officer of the Council**

- They Promote best value and improves service delivery.
- Set out procedures for employees and members to meet the Council's expected standards
- Demonstrates that controls are in place.

**Members and Officers are required:**

- to have proper regard to the advice and guidance issued by the Executive Director of Finance.
- to lead by example in ensuring adherence to financial and legal requirements, rules, procedures and practices.
- to act in accordance with the Council's anti-fraud and anti-corruption policies

**Setting a Budget**

The annual budget will include:

- Annual capital and revenue budgets
- Proposed contingencies, general reserves, specific reserves
- Council Tax requirement
- Treasury Management Policy and borrowing limits
- Statutory declaration on budget settling

The Executive shall (following Management Team proposals), recommend to Council:

- A capital programme for each year, and future indication over a four-year period

- Recommended funding method for each capital project

A capital policy report shall include:

- Estimated cost
- Any phasing of expenditure
- Proposed financing method
- The effect on revenue estimates
- Additional staff required
- An assessment of the need for this scheme and the benefits
- A technical and financial appraisal of the alternative approaches

Finance is responsible for:

- Setting the budget timetable and requirements to deliver an ongoing sustainable budget – see the document “*Balanced Budget Paper*”.
- Rolling forward previous years data, including grants, income and expenditure variations.
- Establishing the financial constraints and “budget envelope” in conjunction with CMT from rolling forward previous budgets and taking account of Government legislation and funding changes (including the settlement).
- Having the above at a detailed level ready for Service input, including detailed Staffing budget makeup, including all changes.
- Drawing up, in conjunction with Services, the detailed Medium Term Financial Plan, including precept amounts and associated strategies, for approval at Council in February. This document will be initially signed off at Corporate Management Team (CMT) before final signoff as in any Council Report. This may be a single or multiple phase process.
- Liaising with the Leader and Portfolio Holder for Finance.
- Liaison with Internal and External Audit and Government Departments.

Service Managers are responsible for

- Service leadership by Heads of Service and signed off by CMT.
- Establishing their forward budget based on the financial constraints, legislative requirements, and business plan requirements
- Cost up, with financial support, growth and savings options, to keep within their “budget envelope”
- Complying with the requirements of the “*Balanced Budget Paper*” from a service point of view
- Ensuring all changes to budgets, including Grants, are signed off by the finance department to ensure they are fully accounted for in “in year” and forward budgets. If budgets are changes in year, depending on size, this might also qualify as a key decision and require a report for approval.

### **Monitoring Expenditure against an agreed budget**

Monitoring ensures that the Council and its staff are:

- Following the approved process for all expenditure
- Ensuring that income and expenditure is properly recorded and accounted for
- Ensuring that expenditure is only committed against an appropriate budget
- Monitoring performance levels/levels of service – and take action if needed
- Investigating and reporting significant variances from approved budgets
- Reporting on any new income/grants before they can be spent

### **Revenue**

Revenue budgets, from 2022/23 will be monitored monthly using the Tech One forecasting module. By using the financial system, outputs can easily be consolidated, and this ensures usage of the financial system for all transactions. Reports will be presented to Members as part of the consolidated Finance and Performance Report on a quarterly basis.

Finance is responsible for:

- Ensuring that approved budgets are properly loaded on Tech One and that service managers are properly trained. They will also support service managers with detailed budget queries in their respective service areas.
- Setting up and codes close codes on the Tech One to properly account for income and expenditure.
- Ensuring periods are opened and closed at the appropriate time, reconciliations are kept up to date (including bank reconciliations), overall debt levels are monitored, and that all feeders into the general ledger (interfaces/grants/treasury transactions) have been applied.
- Providing a quarterly list of Purchase Orders for services to check to validate and close where necessary orders to ensure only pertinent information is contained on the ledger
- Ensuring budget managers understand coding requirements
- Actioning journals on behalf of Budget Managers.
- Agreeing the Internal Audit Plan and ensuring its delivery.

Service Managers are responsible for:

- Ensuring that there is a nominated manager for each Cost Centre.
- Ensuring that their managers input updated budget forecasts and comments monthly and this is compiled into the quarterly returns to Members as per the Council timetable
- Informing Finance of changes required for Journals to be actions to rectify the situation in cases of miscoding but,
- Being responsible for their expenditure and income (Sales orders, requisitions, and Interfaces) to be coded correctly.

- Complying with Internal Audit requirements, including providing information, and agreeing and delivering recommendations.

### **Capital**

Capital Budgets will be monitored on a quarterly basis. A similar process will be followed to that of revenue

### **Closure of a Financial Year/Period**

The Council must statutorily produce draft accounts by the end of June for the preceding financial year and these accounts must be approved by External Audit and Audit Committees by the end November (*although this timetable is being reviewed at the moment due to non-compliance across the Country*).

Finance is responsible for:

- Providing a timetable of deliverables for budget managers.
- Providing a detailed timetable to deliver closure and associated weekly progress meetings.
- Drawing up the Detailed Statement of Accounts within the approved timescales.
- Ensuring all codes and suspense reconciliations are completed to the appropriate standard.
- Ensuring working papers are drawn up to the correct standard.
- Ensuring all the appropriate Governance steps, internal and external, are followed

Service Managers are responsible for:

- Delivering the detail requested in the budget manager deliverable timetable (including debtor/creditor schedule,
- In specific areas providing additional information (such as Capital as set out in the detailed guidance notes)

### **Raising Expenditure**

Expenditure can be raised in the following ways

#### **1) Using the Requisition Processes on Tech OneSystem**

An order number must be in place for all goods and services or the supplier will not be paid. This

- ensures the cost is covered by an approved budget and budget manager
- allows us to review our budget performance more accurately

- quicker processing of invoices

These processes are in place to maintain the security and integrity of data for transacting business electronically.

The End to End Purchasing process is:

- Creation of the Purchase Order by the Service
  - Description of goods, works or service
  - Coded to the correct budget
  - Authorised by the appropriate budget holder
- Delivery of Goods, Works or Services
- Goods Receiving the Purchase Order following the delivery of the Goods/Service, ensuring all is in accordance with the order.
- Receipt of invoice once received on the Finance system by Finance staff
- Payment of the invoice

Finance are Responsible for:

- Receiving and inputting invoices from suppliers.
- If PO Value does not equal Invoice Value chasing Services in order to amend PO value.
- Review statements to ensure all payments have been made, if invoices not received then chase suppliers for missing invoices (Post or email).
- Delivering 2 Payment runs a week.
- Input “One Off” payments from Services, ensuring all the required details have been completed (reject if incorrect).
- Input payroll payments on “one off” proforma on monthly basis from Payroll Services.
- Input Utilities Payments.
- Deliver IR35 Returns.
- Make CIS payments and deliver monthly return.

Service Managers are responsible for:

- Ensuring they have Appropriate Administrators to raise requisitions, and Budget Managers to approve these using the correct codes (see budget management section).
- Administrators raise requisitions, which are approved by budget managers.
- Administrators approve Goods Receipts GRN (only the administrator of a PO can GRN it)
- If PO Value does not equal Invoice Value service administrators amend PO value, as informed by Finance, amend the PO value and GRN for finance to match the invoice.
- Completion of “one off” payment proforma’s with all the required information if a payment does not need to follow the normal requisition process. This also requires 2 signoffs including the budget manager and an email of approval.
- Property prepares multilevel Utilities spreadsheets for inputting by Payments

## **2) Government Procurement Cards GPC**

These are designed to make it easier and more cost effective for Services to make low value purchases (typically £250 or less).

- The GPC is personal to you, no one else is authorised to use your card.
- You are responsible for the security of the card
- GPC should never be used to pay an invoice
- You need to keep records and receipts for all transactions, and these must be entered online each time you use the card, including filling in the Cost Centre and Account Code information.

A GPC Card may **look** like a debit/credit card – but it's not. It's a procurement card. There is a difference!

Controls are in place using these Cards:

- Maximum monthly expenditure
- Individual transaction limit
- Merchant Category Group code blocking
  - Each supplier is classified with a Category Group code. Any number of these codes can be blocked or left unblocked to ensure compliance with business policies

Finance are responsible for:

- Administering the scheme.
- Approving the transaction
- Ensuring reconciliations have been completed

Service Managers are responsible for:

- Allocating appropriate managers to cards
- Ensuring spending is made for the appropriate reasons
- Delivering the monthly reconciliation on individual card transactions, ensuring that the payments are transferred to the right place on the ledger.

## **3) Faster Payments**

These should only be used as a last resort and from the 1<sup>st</sup> May 2022 will require the Head of Finance and Customer Services approval, they are for immediate payments but they should not be used to override existing purchasing and Government Procurement Card procedures.

Finance are responsible for:

- Administering the scheme.
- Approving the transaction – including the coding

- Ensuring funds are available to enable the transaction to take place

Service Managers are responsible for:

- Completing the “One-Off” Proforma properly and ensuring it is properly signed off
- Ensuring spending is made for the appropriate reasons

#### **4) Creditor Management and Links to Procurement**

Finance will ensure that when Services fill in new Creditor forms that they and procurement approve them in a timely manner.

Finance are responsible for:

- Ensuring that procurement have approved the supplier.
- Ensuring the form is correctly filled in – if not it is rejected.
- Adding the supplier to Tech One.
- Informing the person who initiates that the process has been completed.

Service Managers are responsible for:

- Completing the New Supplier Form, ensuring all the correct details have been included including backing information and appropriate signoff

### **Raising Income**

Income comes into the council through a variety of sources. This process sets out the raising of sales orders. Income will also come into the Council through the Cash Receipting System. Those payments might be through web transactions or interfaces and are dealt with in the monthly monitoring section in terms of reconciliations.

Sundry income is delivered via Sales Orders

Finance are responsible for:

- Delivering recurring payments (Once set up by the service departments)
- Setting up Customers on correctly filled in and authorised pro formas from the business
- Chasing of Outstanding debt amounts – through the dunning process.
- Setting up Direct Debits and Payment Plans for outstanding debt
- Reconciling individual debtor accounts and dealing with associated queries
- Preparing write off lists to be approved by the business

Service Managers are responsible for:

- Raising and approving sales orders with the correct coding

- Setting up new suppliers with the appropriate details and authorisation using the Customer pro formas
- Approving debt write offs as advised by the Income Team

### **Insurance**

The insurance team deals with the end-to-end Council insurance process. Small claims are generally dealt with in house if they are less than the policy excess. The main exceptions to this are:

- Personal injury claims always go to Zurich
- Employee injury claims always go to Zurich
- Claims we believe may not go over the excess but require Zurich's services to investigate (Loss adjusters etc)

Finance are responsible for:

- The tendering of the Insurance Contract.
- Liaison with our insurers.
- Management of the Insurance budget.
- In Respect of Claims Handling:
  - Responding to the claimant. Usually via email, requesting further information and with an attached FNOL (First Notification Of Loss) letter.
  - Requesting/collecting information for the claim from the claimant (Photos/receipts/quotes etc) and our council service teams relevant to the type of claim (complaints/inspections reports etc).
  - Collating the information and carry out the investigation into the claim
  - Making a decision on liability
  - If the Council accept liability, the Insurance Team make an offer to settle

Service Managers are responsible for:

- Signposting new claimants to the relevant Council website for them to start a claim. Bromsgrove <https://www.bromsgrove.gov.uk/council/corporate/submit-a-claim-against-the-council.aspx>. Redditch <https://www.redditchbc.gov.uk/council/corporate/submit-a-claim-against-the-council.aspx>
- If the service receives an email detailing the claim this must be sent to the insurance email [insurance@bromsgroveandredditch.gov.uk](mailto:insurance@bromsgroveandredditch.gov.uk)
- Incidents involving our vehicles will require an accident report sending to the insurance team, even if a claim is not required
- Ensuring staff do not try to offer advice on the claims process other than where to make the claim.
- Ensuring staff do not try to accept liability to a claimant, this needs to be to the Insurance team if we are liable.
- Ensuring staff do not set any expectations to claimants (even when liability is accepted) such as requesting quicker payments.

- Respond to an information request from the Insurance team in a timely manner.

## **D. Signoff Requirements for Reports**

In the financial regulations there is the requirement in services for:

- All employees are aware of the content of the Financial Procedure Rules and other internal regulatory documents and that they are complied with.
- To consult with the Director of Finance and Resources on any matter within their area of responsibility that is liable to materially affect the finances of the Council before any provisional or other commitment is incurred or before reporting the matter to a Executive member.
- To supply the Director of Finance and Resources with all information necessary for the proper administration of the Council's affairs.

This includes projects (such as Towns Fund, Levelling Up, Etc), Committee Reports, and external briefings. Time must be given for the correct consideration of financial aspects of reports and their consequences. **The Committee Service Team recently updated CMT of these requirements and timescales.** If reports are not delivered to these timescales they will not be forwarded on for Members to approve.

Finance should ensure that a nominated representative at the appropriate level has signed of the report and that the financial consequences are fully understood and properly reflected in the report.

## **E. Financial Training Requirements**

This report has highlighted the following financial training requirements:

- Overall Financial
- Budget Management
- Purchasing Process Requirements
- Income Process Requirements
- Cash Receipting Requirements
- Member Financial Training Requirements

A detailed training plan is being designed to ensure all staff with financial responsibilities (Budget Holders, Head of Service, Cashiers, etc) have the knowledge to understand and manage the finances of the council within their area. That includes these Service Protocols.

There will also be financial training for Members so they can understand the Council's financial reports and other financial information, as well as being able to

challenge the information provided to ensure the proper running of the Council's. This generally happens in May and June following elections.

## **Appendix D - BDC Audit Task Group Report and Recommendations**

### **1. Introduction and acknowledgments**

The Audit Task Group ("Audit Group"), comprised of six members of Bromsgrove District Council's ("BDC") Audit Committee, was set up with the purpose of investigating the reasons behind the recent receipt by BDC of a Section 24 Notice under the Local Audit and Accountability Act 2014 ("Section 24 Notice") from its external auditors, Grant Thornton ("GT"). The Audit Group was also tasked with providing recommendations for future similar project implementation, based on any lessons learnt as a result of this process.

The investigation conducted by the Audit Group entailed reviewing various background documents, including, amongst other things, minutes of meetings of the project board set up in and around the autumn of 2019, to implement BDC's new accounts and finance management system, enterprise resource planning ("ERP"), and other related relevant information in respect of the implementation of the ERP by BDC.

The Audit Group also conducted interviews with various officers of BDC involved in the implementation of the ERP system ("ERP System"), whether as part of its original implementation or using and continuing to roll out the ERP today. In addition to officer interviews, the Audit Group interviewed the Chief Executive of BDC, Kevin Dicks, and the Portfolio Holder for Finance and Governance, Councillor Geoff Denaro, and the Leader of BDC, Councillor Karen May.

This report ("Report") is the summary and conclusions of the investigation carried out by the Audit Group. The Report is structured in two parts, the first part dealing with the various elements that the Audit Group considers contributed to the issuing of the Section 24 Notice to BDC and the second, providing recommendations for BDC in respect of future complex and key projects.

It must be acknowledged that even though the ERP System implementation was challenging, the majority of the modules implemented did not present the same issues, as did one specific module of the new system, i.e. cash receipting. The cash receipting module, however, was such a fundamental part of BDC's finance and accounting process and system, that the challenges relating to that element had a significant impact on the overall implementation and embedding of the ERP by BDC.

Before moving into the body of the Report, the Audit Group wanted to thank all the Finance staff currently in place, who worked through the early phases of the implementation of the ERP, came in part-way through its challenging implementation and are continuing to help with its roll out today. This has been a difficult and challenging process, and the Audit Group is grateful to these staff members for their contribution. Additionally, the work of the Audit Group would not have been possible, without the enormous support and assistance from the current acting Section 151 Officer, Peter Carpenter and Head of Finance and Customer Services, Michelle Howell, the Head of Legal, Democratic and Property Services, Claire Felton and very efficient and able support from Jo Gresham and Jess Bayley-Hill who have worked tirelessly to help the Audit Group.

Finally, it is important to bring up as early as possible the impact, on the issues being discussed in this Report, of the Covid 19 pandemic. This is in order to acknowledge its important impact on the ERP System's implementation and delivery and, as will be seen later, the receipt of the Section 24 Notice by BDC. The ERP Project implementation timing was unfortunate, given the key contracts and decision making had been finalised just before the pandemic started and the UK went into lockdown. New remote and online ways of working, lack of physical access to systems, teams and line managers, be it from the BDC's side or Technology One ("TechOne"), the delivery supplier for the ERP Project, and staff illnesses due to the pandemic, played arguably, a significant part in the challenges experienced by BDC in the implementation of a major new finance system. It could be argued that were the Council operating outside of the pandemic environment, the ERP implementation is likely to have been more successful, but, as can be seen later, still with real challenges.

## **2. Reasons for the Section 24 Notice**

The Section 24 Notice was issued to BDC by GT on 31st October 2022 on the basis that the 2020-2021 Accounts for the Council were not submitted by the relevant statutory deadline of 31st July 2021, which was later extended by the Government, due to the Covid-19 pandemic, to 30th November 2021.

Based on the findings of the Audit Group, the 2020-2021 Accounts for BDC were late in being delivered largely due to the challenges with the implementation of the ERP System, as set out below, and the resulting unavailability of the relevant audit-related data in time for the deadline.

It is the Audit Group's view that the audit-related data was not available due to a number of aspects relating to the ERP Project implementation, namely:

1. The specification for the ERP system and how it was marked-up
2. Governance of the ERP Project
3. Implementation of the ERP Project
4. Risk Management of the ERP Project and escalations

### **2.1 Specification of the ERP System**

The new ERP System, including the complex cash receipting ("Cash Receipting") element, was purchased by BDC from TechOne, following a procurement exercise conducted during the course of 2019.

The new system was to replace the existing finance system eFin and the Civica Cash Receipting system, which relied on various manual interventions, needed further updates due to it being non-compatible with Windows 10 and costly upgrading and was beginning to present issues from the fitness for purpose point of view. There appears to have been a good case for implementation of a new more up-to-date and fit-for-purpose solution.

In relation to the new ERP System purchased from TechOne, the tender document and the answers provided by TechOne ("ERP Tender") were shared with the Audit Task Group. The scoring was not available for review.. From the review of the ERP Tender document, it was evident that, with the exception of Cash Receipting, detailed specifications were set out for all relevant ERP areas and sectors. Conversely, however, despite its complex nature, the Cash Receipting element contained a limited number of entries. This element of the ERP Tender was considered as part of the Audit Group's investigations, which concluded that a more extensive specification for the Cash Receipting module should have been set out in the tender documentation, if the expectation was that that module was to be developed and tailored to BDC's specific activities and requirements. The limited specification for Cash Receipting, therefore, could indicate that a stand-alone "plug-in" solution was anticipated for Cash Receipting, such as for example continuing to use Civica plug-in for this element alone.

A number of key staff involved in the ERP tender specification were unavailable for interview, due to them having since left BDC, and as a result, it is not clear what the exact expectation was in respect of Cash Receipting, and, in fact, whether there was a separate specification in this regard, which was not available for the review by the Audit Group.

The supplier of the new ERP System, TechOne, did not wish to be interviewed or to answer the Audit Group's questions as part of this review process. But, based on the interviews with BDC's staff and from the review of the background project documentation, it appears that TechOne did not have a suitable Cash Receipting solution module to offer, and that it was therefore looking to develop that module

with a Council such as BDC. BDC therefore appears to be the first Council in the UK to have worked with TechOne on the design and development of this bespoke and complex module.

Given the lack of available documentation, key staff leaving BDC employment and lack of engagement from TechOne, it is not possible for the Audit Group to establish whether officers from BDC were fully aware at the outset of the functionality of the ERP package that was being purchased, including:

- (i) it being the only Council in the UK implementing TechOne's Cash Receipting module,
- (ii) the requirements to self-document processes as these would be unique to BDC in regard to Cash Receipting, or
- (iii) heavy reliance on self-directed training, following initial TechOne training only a hand-full of key super users at BDC understood the operation of the new ERP system

During the interview with the Chief Executive, he confirmed that he had not understood that BDC would be the first Council in the UK to have implemented TechOne's cash receipting element of the ERP System.

As mentioned earlier, the Audit Group did not see the scored tender document provided by TechOne and therefore cannot confirm upon what basis the contract was awarded to TechOne, particularly in respect of the Cash Receipting element. The staff who took part in the decision making are no longer working for BDC.

## **2.2 Governance**

Based on the Audit Group's review, BDC did not appear to have set up this major project within a formal and recognised public sector project management framework such as Prince2 and consequently there was no robust framework for escalation, systemic reporting, identification, and follow up of critical action points.

The Audit Group could not identify clear project milestones and formal setting of milestones as required from the information provided.

This Audit Group was not able to evidence and identify a training programme for affected staff implementing the ERP system as part of the ERP project design, from the information provided. There is evidence of training being considered and delivered to staff, as the project was in the midst of implementation and the training appears to have been delivered ad hoc, not in advance, and in a reactive manner.

Following various interviews, the Audit Group learned that this major project was not included in the Corporate Risk Register, which is used by BDC in respect of major projects and uses Red-Amber-Green ("RAG") ratings in respect of the progress of

projects against key elements, such as the timing of delivery, resourcing, staff availability and costings.

The project was not included within the remit and scope of Internal Audit. Roles and responsibilities including the Chief Executive, Audit, Standards and Governance Committee, the Leader of the Council and Portfolio Holder for Finance and Governance were not considered as part of any escalation process in respect of this major and fundamental project for BDC. The former Section 151 Officer (appointed in March 2021) did not attend any ERP Project Board meetings. The reason for this is not known, given the Section 151 Officer has a statutory responsibility for the stewardship of the Council's financial data and systems.

### **2.3 Implementation**

The Audit Group's review concluded that there was a lack of understanding or experience of the Cash Receipting functionality by TechOne or officers of the Council, and that BDC (and Redditch Borough Council) were the first Councils in the country to implement the same. There is no evidence to suggest that BDC was aware of this, although there is no apparent information within the minutes of the ERP Project Board meetings to question this.

It appears that the lack of full understanding of the "self-service" and first developer nature of the Cash Receipting solution as part of the ERP Project resulted in an inadequate specification in the tendering process and the inadequate staff resourcing and backfilling. Staff allocated to this major project were continuing to do their day job as well as testing and implementing the new system.

The lack of backfilling of staff meant that the pressures on the Finance Team were unsustainable, particularly as the Covid pandemic started and pressures increased. It was evident from some of the comments in the minutes of the ERP Project board meetings, as well as discussions with the interviewees, that this was taking its toll on the officers involved in the ERP Project.

Eleven out of the sixteen of the original Finance Team members, including key project owners, left the employment of BDC over an 18-month period, including key officers involved in the ERP design, implementation and training roll out. The exit interviews with these staff members were either not offered or did not take place due to the choice of the individual concerned. Where interviews were completed, they did not provide any clear information about the reasons for leaving or feedback on the ERP implementation issues.

Replacing the departed skilled staff members, with temporary or permanent resource proved challenging, particularly in view of the Covid pandemic, as other public sector organisations also struggled with the increased responsibilities and staff capacity issues.

Critically, due to contractual obligations with TechOne, any training modules for BDC staff were time limited. Therefore, once the trained staff left the organisation, there was a training gap for any new staff, and for information cascading to other team members.

One has to also appreciate that this was at the time of Covid-19 where the team were having to work remotely. Had the team been together in the same environment there could have been a different outcome.

Some challenges of implementation continue to this day including, for example, in relation to VAT returns, Revenue Outturn and Capital Outturn returns. However, a solid Finance Team is now in place to address these historic issues.

In relation to ERP Board meetings the Audit Group was not able to identify clear action points from each meeting, for any subsequent interrogation of actions given to particular members of the ERP Project Team. Indeed, some of the minutes contained repeated information from previous meetings and were confusing, with limited clarity of structure

It is clear that the implementation of any system causes culture change within an organisation. New ways of working were being introduced, that would require staff to change and learn new skills. The new ERP System should have been implemented with clear and regular staff communications regarding the rationale and benefits, together with training and upskilling offered in a systemic manner. It was not clear from the evidence presented to the Audit Group that the organisational culture impacts of the fundamentally new system and new ways of working were fully considered as part of the ERP Project design and implementation.

#### **2.4 Risk Management**

The Audit Group could not identify that there was a specific corporate level risk management assessment of the ERP Project. In particular, there did not appear to be a systematic and organised escalation of issues to the Corporate Management Team or Senior Management Team (CMT/ SMT) by the Head of Service or Director with responsibilities for this area, with regard to the timing, delivery, necessary additional resourcing and monetary implications amongst other things. It is acknowledged that there was risk management at a more day to day and micro level, but key reportable issues and issues with milestone delivery failed to be escalated.

Internal Audit were not sighted on the ERP Project, despite the importance of its role for BDC, and could not therefore offer an independent and critical challenge at various stages of implementation, including at the procurement stage, or in respect of impacts on the budgets and the accounts preparation for delivery to GT.

#### **2.5 Accounts**

Non-delivery of the 2020-2021 Accounts in the required timescales occurred due to the inability to access all required financial data on the new financial system.

BDC's accounting and finance staff were resourced into design, processing and implementation of the new Cash Receipting system. Although consideration had been initially given to back-filling, it was considered not necessary, as the above problems with implementation of TechOne were not anticipated. Therefore, the finance staff were expected to implement the new system and continue with their day jobs. This was felt by the Audit Group to be the major contributing factor to the failure of the full and timely implementation of the new Cash Receipting module as part of the ERP System implementation and the inability of the Council to close/deliver the accounts.

It is clear that there were some failings in the reporting to the Audit, Standards and Governance Committee and that staff turnover was in part responsible for this. The departure of staff members also resulted in a loss of knowledge and experience that was key to ERP Project delivery and the ability to deliver the day-to-day accounting functions fully and systematically. This impacted not only on delivery of the 2020-2021 Accounts, but it also continues to affect the delivery of the 2021-2022 and 2022-2023 Accounts.

Consequently, given the challenges of the implementation of the ERP Project and the impact it had on BDC's compliance data and statutory accounting deadlines, the Audit Group would make the following recommendations for future major projects:

### **3. Recommendations**

1. BDC to ensure that subject specialists, internal or external, are involved in the design of relevant procurement specifications for all major projects.
2. Given a number of substantial and important projects on the horizon for BDC, set up a permanent Project Management Office at BDC to support the full range of projects undertaken by the Council. This Project Management Office would report to CMT/ SMT as part of its remit. CMT is tasked with setting out the requirements of this new programme office and resource requirements to ensure compliance with the recommendations in this Report. This Report will be presented to the first Cabinet meeting after the BDC elections in May 2023.
3. In order to establish that a system chosen is fit for purpose, future scoring criteria as part of all procurement exercises will include the need for evidence that the system on offer to BDC is tried and tested.
4. Internal Audit should be cited on all major projects, together with a professional member of the Project Management Office. If necessary, independent or peer validation of technical specifications and/or bid due diligence should be considered.
5. Staff required on any major projects should be backfilled, to ensure no work over-load impacting BDC staff well-being.
6. Should staff training be required as part of any new system or project implementation, BDC as a purchaser of that system/solution, should ensure that all training requirements are included as part of the project specification.

7. The Agile Working Policy should take account of the need, from time to time, for officers to work collaboratively and in line with the needs of the project.
8. The Council should fully and accurately record action points at project board meetings (and potentially, other Council meetings). They should then be implemented by the specific person responsible and reported upon at the following project meeting within a suitable and reasonable time scale. Where this is not possible, there should be RAG rating to escalate this further, to secure a suitable resolution is discussed by the relevant project team.
9. Officers, as a standard Report, will highlight to Audit, Standards and Governance Committee any possible finance and governance issues in the next six months not delivering to standard or timescales. This will include the timescales of delivery of finance training, delivery of VAT returns, delivery of the 2021/22 and 2022/23 accounts.
10. The Corporate Risk Register to be discussed as an early item on the agenda at meetings of the Audit, Standards and Governance Committee. Any risks are to be clearly flagged to the members of the Committee, particularly where they are rated as red.

### **ERP Recommendations**

1. All finance staff and Council users are to be trained as a matter of urgency and no later than by 31st August 2023 on how to use the ERP system and that the progress with this is reported to the next meeting of the Audit, Standards and Governance Committee as a regular agenda item.
2. BDC to work with a specialist with the knowledge of the TechOne system and Cash Receipting to help in real time with the completion of the implementation of the new ERP system and all of its components and to help with any training needs and improvements to the system.
3. VAT returns to be up to date for 2020-21 and 2021-2022 by the end of May 2023 and for 2022-2023 by the end of August 2023.
4. The 2021-2022 Accounts to be in draft format by 30th June 2023. 5. The 2022-2023 Accounts to be in draft format by 30th September 2023.  
(All of the above milestones will be dependent on resources and will be reported to the Committee as per recommendation 9 above.)

### **Summary Conclusion**

Based on the above findings, the Audit Group does not feel that GT had any alternative, but to issue BDC a Section 24 Notice.

Given the shortcomings with the acquisition of and implementation of the TechOne system, the challenges presented as a result of a global pandemic and the significant staffing issues in the Finance Team generally, there were inevitable consequences for the Council's ability to deliver its accounts in accordance with the legislative requirements. However, it is clear that the failings associated with this project are not endemic and that the issues were isolated and the result of 'a perfect storm'.

To the credit of BDC, it recognised it should review the ERP implementation, given its challenges, by commissioning and participating fully and openly in this review of the whole ERP process. The Audit Group has not identified any significant cultural issues in the Council, and this is not how the authority generally does business. The recommendations from this Audit Group have been made to help make improvements to future projects.

Audit Group members:

Councillor Steve Colella (Chairman)

Councillor Peter Whittaker (Vice Chairman)

Councillor Andrew Beaumont

Councillor Janet King

Councillor Adrian Kriss

Councillor Maria Middleton

Date of Report: 7 March 2023

NOTE: Whilst it is noted that the BDC's Finance Team are part of a shared service with Redditch Borough Council and that the issues surrounding the section 24 notice are equally relevant to both Councils, this report and investigation has been conducted for and on behalf of BDC alone.

### **Appendix A to the report – List of Resources**

This Audit Task Group met on 8 occasions between 1st February and 6th March 2023 for a cumulative total of 20 hours. There were 6 Members appointed to the Audit Task Group. Councillor Steve Colella (Chairman), Councillor Peter Whittaker (Vice Chairman), and Councillors Andrew Beaumont, Janet King, Adrian Kriss and Maria Middleton.

Nearly all the Members attended every meeting although some experienced occasional issues with connectivity. The meetings were also attended by the Interim Section 151 Officer, the Head of Legal, Democratic and Property Services and the Head of Finance and Customer Services. The Principal Democratic Services Officer and the Senior Democratic Services Officer attended to take notes of the meeting and produced the agenda packs.

During the course of the meetings, the Task Group received the following information which informed their recommendations.

### **Reports and Minutes**

#### **Members' Meetings**

Members Meetings Reports between 6th June 2018 and 17th October 2022 including reports considered at the following:

**Council**

- Future Provision of the Council's Core HR and Finance System – July 2018 (30 pages)
- Report from the Portfolio Holder for Finance and Enabling – September 2018 (6 pages)
- Enterprise Resource Planning System Report – March 2019 (3 pages) - Portfolio Holder Report – Finance and Enabling – October 2022 (12 pages)

• **Cabinet (& also Leader's Group)**

- Enterprise Resource Planning System Project Business Case – June 2018 (30 pages)
- Enterprise Resource Planning System Report – March 2019 (3 pages)
- Financial Recovery Report – Published September 2022 (7 pages)

• **Overview and Scrutiny Board**

- Enterprise Resource Planning System – Update (Briefing Paper) – July 2019 (1 page) •

**Audit, Standards and Governance Committee**

- Updates on the ERP System were received in a number of External and Internal Audit reports between November 2020 and 13th October 2022 and noted within the Minutes for the meeting.

• **Finance and Budget Working Group**

- Enterprise Resource Planning System Project Business Case – June 2018 (30 pages)
- Finance System – presentation – March 2019 (7 slides)
- ERP System – Update – November 2021 (4 slides)
- Financial Recovery Plan Report – Published September 2022 (7 pages)

**Corporate Management Team Meetings (71 pages)**

Corporate Management Team Reports between 22nd May 2018 to 5th October 2022 including the following:

- Corporate Management Team – Finance Project Updates (Peter Carpenter) between 8th April 2022 and 28th September 2022
- Corporate Management Team Notes and Actions between 16th October 2019 and 28th September 2022

**Project Board Meetings (347 pages)**

Notes between 9th September 2019 and 20th December 2022.

**Housing Project Board Minutes (29 pages)**

Notes between 10th June 2019 and 14th November 2022.

**Notes for the Task Group meetings**

76 pages of notes were taken at meetings of the Audit Task Group held between 1st February and 21st February 2023 (whilst the notes of the other three meetings had not yet been completed by the date of this report being published Members are asked to note the total length of the notes of the Audit Task Group will be well in excess of 100 pages).

**Written Submissions**

Grant Thornton – External Auditors

Human Resources

List of officers who left Bromsgrove and Redditch Councils' Finance Department  
October 2019 – September 2022

PSAA Appointed Auditors – Quality of Audit Services, (report published by the  
Local Government Association in May 2022)

**Expert witnesses**

The following expert witnesses were interviewed, unless otherwise stated below:

Councillor Geoff Denaro – Portfolio Holder for Finance and Governance

Councillor Charlie Hotham – Chairman of the Finance and Budget Working Group

Councillor Karen May – Leader of the Council

Andy Bromage – Head of Worcestershire Internal Audit Shared Service

Peter Carpenter – Interim Section 151 Officer (Pete was asked a number of questions  
at the first meeting in relation to the setting up of the ERP system and to explain the  
data that Members had been given in the agenda – 456 pages)

Kevin Dicks – Chief Executive

Mark Hanwell – ICT Transformation Manager

Mike John – Final Project Manager

Deb Poole – Head of Business Transformation, Organisational Development and  
Digital Strategy Sanjay Sharma – System Implementation Support Officer

Becky Talbot – HR and Organisational Development Manager (submitted written  
evidence)

Carmen Young – Procurement Officer