

PART C6**FINANCIAL PROCEDURE RULES****1. Introduction**

- 1.1 These Rules set out the financial policies of the Council as a framework for managing the Council's financial affairs to facilitate business efficiency, sound financial management and the safeguarding of assets whilst supporting innovation and opportunity through a robust risk management framework.
- 1.2 These Rules must be read in conjunction with:
 - 1.2.1 The Council and Executive Scheme of Delegation set out in Part B.
 - 1.2.2 The Budget and Policy Framework.
 - 1.2.3 The Contract Procedure Rules set out in Part C7.
 - 1.2.4 Any other mandatory or advisory code of practice, including accounts and audit regulations, financial codes of practice, and corporate governance requirements.
- 1.3 The S151 Officer is responsible for reviewing the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval.
- 1.4 Chief officers are responsible for ensuring that all staff are aware of the existence and content of these Rules, and other internal regulatory documents and ensuring compliance with them.
- 1.5 The S151 Officer is responsible for reporting, where appropriate, breaches of these Rules to either the Audit Committee or Council as may be appropriate. Chief officers are responsible for promptly notifying the S151 Officer of any breaches of these Rules or the Contract Procedure Rules.
- 1.6 These Rules shall be considered in the context of the Council's operations generally, in particular in ensuring that the Council does not act beyond its powers, takes into account all relevant factors and no irrelevant factors, and does not act in an unreasonable or arbitrary manner.
- 1.7 These Rules are mandatory and shall apply to all members and officers of the Council. The Rules may only be waived by the Chief Executive in consultation with the Leader of Council or respective nominee. All members and officers are responsible for ensuring that

their obligations under these Rules are met.

- 1.8 All members and officers have a general responsibility for taking reasonable action to provide for the security of assets, funds and resources under their control, and for ensuring that the use of those resources is legal, properly authorised, provides value for money and achieves best value.
- 1.9 These Rules identify the financial responsibilities of members and officers, including the Chief Executive, S151 Officer, chief officers and City Managers.
- 1.10 The principles set out in these Rules of sound financial management, proper exercise of responsibility and accountability should be applied in all circumstances. The relevance of this does not stop at the boundaries of the Council but extend into partnerships, devolved arrangements, joint ventures and companies in which the Council has an interest where no specific rules are in place. Schools operating under local management schemes (as a result of the Education Reform Act 1988) are required to comply with separate financial procedure rules as set out in the scheme for financing schools.
- 1.11 The following general principles shall be complied with at all times:
 - 1.11.1 Roles and responsibilities in respect of all financial administration should be adequate, appropriately separated and clearly understood so as to maintain adequate control over all financial transactions and operations.
 - 1.11.2 A clear hierarchy of control with documented authorisation and approval processes.
 - 1.11.3 Adequate training and supervision of staff.
 - 1.11.4 Adequate management and audit trails.
 - 1.11.5 Effective monitoring by management and appropriate action and/or escalation to be taken to deal with issues that come to light through this monitoring.
 - 1.11.6 Compliance with the Council's Anti-Fraud and Corruption Policy and Strategy.
 - 1.11.7 Compliance with the Council's Risk and Opportunity Management Policy, Strategy and framework and in ensuring appropriate monitoring and treatment of risks and adequate business continuity arrangements.
 - 1.11.8 Operational financial procedures should be clearly documented and kept up to date, have due regard to the

control requirements outlined elsewhere in these rules and their supporting documents, and be focused on achieving value for money through being proportionate and efficient.

2. **Role of the S151 Officer, Chief Executive, chief officers and City Managers**

- 2.1 Section 151 of the Local Government Act 1972 requires that an officer is designated as being responsible for ensuring the proper financial management of the Council's affairs. The Council has designated the Director of Resources and City Treasurer to be the section 151 officer.
- 2.2 It is the responsibility of the S151 Officer to act as the financial advisor to the Council, monitor the conduct of the Council's financial affairs and, at his/her discretion, report the findings to senior officers and members as appropriate.
- 2.3 In order that these responsibilities are discharged, each chief officer and City Manager must ensure that:
- 2.3.1 The S151 Officer is consulted in advance on any matter which is liable to affect materially the finances of the Council, whether this is in the form of additional or reduced expenditure or income.
- 2.3.2 Every decision to be taken which has new or continuing financial implications must be the subject of a report, decision record or officer authorisation by the Chief Executive, a chief officer or a City Manager and which must identify those implications and the associated risks accurately. The S151 Officer must be provided with an opportunity to comment on all reports and decision records and also officer authorisations which have significant financial implications before any decision is taken.
- 2.3.3 Chief officers and City Managers must also provide the S151 Officer or his representatives with access to all information, documents and records as he/she requires to enable him/her to fulfil his/her obligations to maintain probity, stewardship, prudence and value for money in the management of the Council's finances and to advise members of Council.
- 2.4 S151 Officer must prepare and sign annually a Statement of Accounts in accordance with statutory requirements, regulations and recommended accounting practice. All chief officers and City Managers must provide the S151 Officer with all the information he/she requires to produce a timely and accurate Statement of Accounts.

- 2.5 The Audit Committee must review an Annual Governance Statement (AGS) and the Statement of Accounts annually. Before signing the Annual Governance Statement the Leader of the Council, Chair of the Health and Wellbeing Board and Chief Executive the Leader, Chair of the Health and Wellbeing Board and Chief Executive must take into account any comments made by the Audit Committee in determining whether to amend the same. To support the production of the AGS, heads of service will be required to sign, at least annually, assurance statements confirming the adequacy of their governance and internal control arrangements.
- 2.6 The S151 Officer is responsible for ensuring that all financial systems and records within the Council comply with the law, regulations, codes and good practice. Every chief officer and City Manager must ensure that his/her service area observes the requirements of the S151 Officer for all financial systems, procedures and records and that all records are up to date and regular assurances provided on the adequacy of key system controls through Internal Control Self Assessment (ICSA) monitoring arrangements.
- 2.7 Where corporate systems are involved or affected, all proposals for the acquisition of appropriate information technology hardware and software and the development of appropriate systems must be referred to the S151 Officer for his/her approval.
- 2.8 The S151 Officer is responsible for certifying all grant applications for external funding with the sponsoring service having complied with the corporate procedures and expectations that he/she may have introduced. The process will ensure that the risks of chasing funding which does not accord with established priorities, or being left with revenue liabilities from new capital schemes (for example) are fully considered and mitigated as appropriate prior to applications being made. Each chief officer and City Manager is responsible for ensuring grants are properly managed, that the grant is spent as directed by the providing body and that claims are submitted in a timely manner and are accurate.
- 2.9 Chief officers and City Managers are responsible for establishing an adequate risk managed internal control environment to:
- 2.9.1 Safeguard the Council's assets.
 - 2.9.2 Ensure the accuracy and reliability of records.
 - 2.9.3 Monitor adherence to policies and procedures.

3. Other responsibilities of the S151 Officer**Treasury management and banking arrangements**

- 3.1 The S151 Officer shall manage all money market transactions in accordance with the Council's Treasury Management Strategy and relevant codes of practice. He/she shall report each financial year to the Council setting out the Council's strategy and policies in a Treasury Policy Statement and through an annual report and half yearly monitoring report to Cabinet detailing Treasury Management activity.
- 3.2 With the exception of specific banking arrangements established for Schools with Devolved Budgets, the S151 Officer is responsible for all banking arrangements, including the number of and type of bank or other accounts. Guidance will be supplied on the way the accounts are to be operated, including the use of cheques and other instruments including credit and debit cards, and electronic money transfers. No officer is authorised to open a bank account in the name of the Council unless authorised by the s151 Officer so to do.

Insurance and risk management

- 3.3 The S151 Officer is responsible for the development, monitoring and review of the Risk and Opportunity Management Policy Statement and Strategy which will be approved by the Audit Committee.
- 3.4 It is the responsibility of chief officers and City Managers to ensure that their service areas comply with the approved Risk and Opportunity Management Policy and Strategy in accordance with the requirements of the established framework as described in the Financial Management Roles and Responsibilities Handbook.
- 3.5 The S151 Officer, or an officer specifically authorised by him/her to act on his/her behalf, shall effect insurance cover on behalf of the Council in accordance with the agreed strategy and which he/she considers offers best value.
- 3.6 The S151 Officer shall determine, in consultation with key stakeholders, whether risks are to be insured externally, internally or carried by the service area concerned and how such cover should be operated. Every chief officer and City Manager must provide the S151 Officer with any information he/she requires in order to determine the insurance and indemnity needs of the Council.
- 3.7 Every chief officer and City Manager must notify the S151 Officer immediately in writing of all new items or risks to be insured or changes to existing risks or insurable items.

- 3.8 The terms of any indemnity and the likely financial commitment arising from it, which the Council is required to give, must be notified promptly to the S151 Officer.
- 3.9 Every chief officer and City Manager must report immediately to the S151 Officer any event, which might result in a claim being made against or by the Council or against its insurers. This notification must be confirmed in writing giving as much information as is available, as soon as practicable.
- 3.10 No admission of liability, waiver of rights or promise of payment shall be made by any member or officer of the Council without the consent of the S151 Officer.
- 3.11 Every chief officer and City Manager must ensure that every letter, claim, summons or other correspondence received on insurance matters is sent to the S151 Officer immediately. All communications between the Council, claimants, its insurers and related service providers must either be directed through or made with the agreement of the S151 Officer.
- 3.12 All data and information required by the S151 Officer to submit or defend claims must be provided within the required timescales.
- 3.13 Every chief officer and City Manager must ensure that appropriate arrangements are in place to mitigate insurable risks and to control potential losses in their areas.

Audit and inspection

- 3.14 The S151 Officer is responsible for ensuring appropriate internal audit arrangements exist as required by the Accounts and Audit Regulations and to support his/her section 151 requirements. The S151 Officer will ensure that the internal audit function is conducted in accordance with the requirements of the CIPFA Code of Practice for Internal Audit.
- 3.15 The S151 Officer can send his/her officers to carry out an audit at any time and they have the right of access to premises and records necessary to conduct the audit. They may require the immediate production of any property or document owned or held by the Council and take custody without notice. They may also require from any member or employee of the Council any information or explanation necessary to progress an audit.
- 3.16 It is the responsibility of every employee of the Council to bring to the attention of the S151 Officer, or report through the Council's Confidential Reporting (Whistleblowers) Policy, any issue that suggests financial irregularity or impropriety. It is the specific responsibility of chief officers and City Managers to draw any such

matters within their purview to the attention of the S151 Officer as soon as practicable in accordance with the anti-fraud and corruption policy, strategy and response plan.

3.17 The S151 Officer is the money laundering reporting officer (MLRO) within the Council's anti-money laundering policy and procedures.

3.18 The Audit Commission is responsible for appointing external auditors to each local authority. The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs and the appointed auditor and Government inspectors, who have statutory rights of access.

4. Corporate planning process

4.1 The Council's annual Revenue Budget and Capital Programme are products of the Corporate Planning Process, and will be consistent with the Council's Medium Term Financial Strategy and Corporate Plan.

4.2 Each chief officer and City Manager must comply with the requirements of the planning process as determined from time to time by the Chief Executive and S151 Officer. Each must supply the information required in the format prescribed and to prescribed timescales. Formal Council Tax setting must be completed annually by 10 March.

5. Revenue budgets

5.1 The annual financial planning process centres on the yearly update of the Medium Term Financial Strategy which sets out the Council's 3 year financial position. The key elements of this annual process are:

5.1.1 In July/August the Medium Term Financial Strategy is updated to include forward funding and cost projections and identification of operational issues highlighted by City Managers.

5.1.2 In November/December the proposed Draft Revised Medium Term Financial Strategy is produced including proposed changes to future year budgets reflecting latest Council priorities and financial projections in accordance with the Budget and Policy Framework Procedure Rules (Strong Leader Model).

5.1.3 In February/March the revised Medium Term Financial Strategy is approved from which annual revenue and capital budgets can be approved by Council.

Revenue budgets and virements

- 5.2 The Council's annual revenue budget must be approved by Council by 10 March each year. Chief officers are not authorised to commit revenue expenditure beyond the amount included in the budget as approved by Council. All proposals which would lead to an increase in the Council's budget must be the subject of a report to the Chief Executive. The Chief Executive and chief officers will consider whether or not the matter should be referred to the Cabinet. Decision records cannot be used to authorise expenditure beyond the approved level.
- 5.3 Transfers between detailed revenue budgets must not be made unless they:
- 5.3.1 Are in line with Council policy.
 - 5.3.2 Comply with rule 5.5 below.
 - 5.3.3 Do not create additional overall budget liability.
 - 5.3.4 Are notified to the S151 Officer in writing in advance of any action being taken on the transfer.
- 5.4 A virement for whatever amount is not allowed between pay and non-pay budget heads without the approval of the S151 Officer who shall have regard to the need to maintain the integrity of pay budgets in line with the Council's staffing structure.
- 5.5 A proposed virement that complies with rules 5.3 and 5.4 above, is subject to the following authorisations:
- 5.5.1 Amounts up to £50,000 require City Manager approval.
 - 5.5.2 Amounts above £50,000 but less than £100,000 require the approval of the Director of Resources & City Treasurer.
 - 5.5.3 Amounts above £100,000 but less than £500,000 require approval of the Portfolio Holder (Finance, Land and Property).
 - 5.5.4 Amounts over £500,000 require the approval of the Leader of Council.
- 5.6 City Managers are authorised to approve any proposal for changing, introducing or discontinuing allowances, fees or charges within agreed budget limits. The S151 Officer shall be consulted before any action is taken on any such proposal.

Budget monitoring and under/over spends

- 5.7 Budget monitoring reports will be presented to the Cabinet on a quarterly basis which will detail expenditure and forecasts against approved budgets. Service heads are required to submit monitoring and forecast information, as required, to enable the S151 Officer to compile the monitoring reports.

Any variances against the approved budget will be considered by Cabinet at the end of each financial year, with decisions made on the appropriate treatment of underspends or overspends.

6. Capital Budgets

Capital allocations, virements and variations

- 6.1 A 3 Year Capital Programme will be developed by officers and be recommended by the Leader for approval annually by the Council. All proposals requiring the allocation of capital resources will be subject to review prior to consideration by the Cabinet.
- 6.2 The delivery of the Capital Programme will be monitored by the Cabinet. By the 30 April each year Programme Managers must submit to the S151 Officer a proposed spending profile along with planned outputs for the financial year. Throughout the year Programme Managers are required to submit financial and non financial monitoring information, as required, to enable the S151 Officer to compile monitoring reports to the Cabinet. Variations in the cost or profiling between financial years of capital schemes are subject to rules 6.3 and 6.4 below.
- 6.3 All proposed variations to the Approved Programme, must be reported promptly by the Programme Manager responsible for the project to the S151 Officer.
- 6.4 The S151 Officer may authorise variations of up to £100,000 in the cost / profiling between years of a capital scheme provided that:
- 6.4.1 The Chief Finance Officer has considered the variation and recorded the consequences for the capital programme.
- 6.4.2 Any additional costs can be met from existing capital approvals.
- Variations in cost or profile between years of above £100,000 which can be accommodated within existing approvals, or variations of any amount which cannot be contained within existing approvals, will be subject to the same process of consideration but can only be approved by referral to the Cabinet.
- 6.5 The Cabinet will receive monitoring reports from the S151 Officer detailing progress against approved schemes. These reports will

include details of proposed variations in the approved Programme with regard to both changes in approved sums and profiles between years.

The Cabinet may approve changes to the agreed capital programme that do not result in an overall increase in the capital programme.