

## **9.2 Financial Procedure Rules**

- 9.2.1 These Financial Procedure Rules (FPR) have been issued in accordance with Section 151 of the Local Government Act 1972, the Accounts and Audit (England) Regulations Act 2011, the provisions of Section 114 of the Local Government Finance Act 1988 and Sections 4 and 5 of the Local Government and Housing Act 1989.
- 9.2.2 The FPR have been adopted by East Herts District Council to provide a framework of control, responsibility and accountability for the administration of the council's financial affairs. The FPR are, in many of the areas detailed below, supported by more detailed guidance and procedures which set out how they will be implemented.
- 9.2.3 The FPR are intended to clarify the powers and duties to be exercised with regard to the principles of good financial management. All Officers must comply with the FPR. Officers must ensure that any Agents, consultants and contractual partners acting on the council's behalf also comply. Any queries regarding the interpretation of the FPR should be directed to the Chief Financial Officer.
- 9.2.4 For the purposes of these FPR there is a requirement for all communication to be in writing except where otherwise specified. This requirement shall be deemed to include electronic communication.
- 9.2.5 Where inconsistencies arise the order of precedence shall be:
- (a) legislation;
  - (b) other rules of procedure in this Constitution;

- (c) Scheme for the Responsibility for Functions (Section 10 of this Constitution); then
- (d) Financial Procedure Rules.

#### 9.2.6 Financial delegations

All Officers must operate within the council's Scheme of Financial Delegations as listed in Appendix 1. As a general principle, financial decisions will be taken at the lowest level allowable within the officer and Member hierarchy in the scheme.<sup>1</sup>

#### 9.2.7 Officer responsibilities for financial management

The Chief Financial Officer is responsible for administering the financial affairs of the council and for establishing proper systems of internal control.

#### 9.2.8 The Chief Financial Officer shall:

- (a) ensure that the policies of the council and statutory requirements are adhered to;
- (b) ensure that the business of the council is carried out in an orderly, efficient and effective manner;
- (c) ensure that the council's records are complete and accurate;
- (d) ensure financial information and reporting is timely and accurate;

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<sup>1</sup> It should also be noted that the council has an authorised signatory list which lists specific values for delegated Council staff.

- (e) ensure the assets of the council are safeguarded;
- (f) make and control arrangements for the payment of the council's creditors and for the collection, custody and accounting of all monies received by the council;
- (g) establish an adequate and effective internal audit of the council's accounting records and system(s) of internal control;
- (h) have access to all records, cash or other council property as required for audit purposes. If required the Chief Financial Officer may also request access to such information and explanations from any officer or Member as may be necessary for audit purposes;
- (i) prepare and publish the annual accounts of the council in accordance with statutory requirements and the policies of the council; and
- (j) have responsibility for making all statutory returns and the like to HM Revenues and Customs in relation to Value Added Tax, and for the obtaining and giving of advice and guidance to the council and Heads of Service on all tax matters.

9.2.9 The Chief Financial Officer is the Officer designated by the Council as being responsible under section 151 of the Local Government Act 1972 for the proper administration of the council's financial affairs.

9.2.10 The role of budget holders

Budget holders are Officers who are responsible for monitoring a budget, including determining expenditure

from and/or income posted to that budget. Budget holders may be at any level within the council.

9.2.11 Budget holders shall:

- (a) maintain financial records and accounts that can be accessed by the Chief Financial Officer when required. The financial records shall be retained by budget holders for such periods as required for council or statutory purposes. Records should, wherever possible, be stored on the financial management system;
- (b) in consultation with the Chief Financial Officer ensure that all financial affairs of the council are managed in a properly controlled environment and compliant with the council's Information Security Policy;
- (c) manage budgets, including forecasting annual spend, using the council's financial management system. This will enable the Chief Financial Officer to maintain effective control and audit of the financial affairs of the council;
- (d) designate Officers to be responsible for authorising financial transactions on their behalf if and when required. Budget holders must inform the Chief Financial Officer of all Officers with delegated financial responsibilities; and
- (e) be responsible for ensuring the correct treatment of Value Added Tax on all accounts payable and all invoices raised.

9.2.12 Officer roles regarding financial reporting and investigation

Any officer who suspects any financial irregularity should raise his or her concerns with his or her line manager or a member of the council's Leadership Team in accordance with the Whistleblowing Policy. The Chief Executive, the Monitoring Officer and the Chief Financial Officer will take such steps as they consider necessary by way of investigation and report.

- 9.2.13 The Chief Financial Officer shall control the issue and use of controlled stationery. Controls on the use of such stationery must be adequate to enable usage to be traced and to prevent incorrect or fraudulent usage.
- 9.2.14 Budget holders shall be responsible for the security and use of controlled stationery and are not permitted to obtain controlled stationery other than in accordance with the internal arrangements set out by the Chief Financial Officer.

### **9.3 Banking arrangements**

- 9.3.1 The Chief Financial Officer shall make and control arrangements as necessary for the operation of banking services for the council.
- 9.3.2 All monies received on behalf of the council should be brought to the attention of the Chief Financial Officer and banked in accordance with their instructions.
- 9.3.3 The Chief Financial Officer shall arrange payments or transfers to and from the council's bank accounts by the use of electronic methods.
- 9.3.4 The Chief Financial Officer shall ensure that all bank accounts and credit cards operated by the council are reconciled at intervals of no longer than one calendar month.

## **9.4 Forward financial planning**

- 9.4.1 The Chief Financial Officer will prepare for the Executive, a timetable each year for the preparation, submission and approval of the forward financial plan covering revenue budgets and capital expenditure.
- 9.4.2 The Chief Financial Officer will ensure that the forward financial plan is prepared in accordance with the timetable and any guidelines issued by the Executive.
- 9.4.3 The Executive shall consider the proposed forward financial plan and each year shall submit appropriate recommendations to the Council. The report shall include a recommendation as to the council tax to be levied in the following financial year.
- 9.4.4 The Chief Financial Officer shall provide financial information in an appropriate form for the continuous monitoring and control of financial activities of the council by the Executive and each Committee with finances allocated to it.
- 9.4.5 The Chief Financial Officer shall inform the Executive of any significant variation to the financial plan during the financial year. If for any reason any budget of approved expenditure may be exceeded or the estimated income not reached, the Chief Financial Officer shall inform the Executive or relevant Committee together with a proposal to address the situation.
- 9.4.6 Any proposal to incur expenditure, either capital or revenue, above those limits set out in the council's budget and policy rules, that is not included in the existing financial plan or

budget shall be delegated to the relevant Committee or Officer as stated in Appendix 1.

## **9.5 Expenditure**

### 9.5.1 Official orders

Official orders shall be issued using the council's financial system, for all works, goods or services to be supplied to the council except for supplies of public utility services, for periodical payments such as rent or rates, for petty cash purchases or other exemptions approved by the Chief Financial Officer.

9.5.2 Procurement of works, goods or services to be supplied to the council shall be completed in accordance with the council's Contract Procedure Rules.

9.5.3 Official orders shall specify the nature and quantity of goods, services, or works required, any relevant contract, and the agreed prices.

9.5.4 Official orders shall not be issued for works, goods or services unless the cost is within an approved estimate or other financial provision.

### 9.5.5 Certificates for payment

All certificates for payment shall be authorised for payment by the signature, or electronic signature, or via the approval facility on the council's financial management system, of the appropriate budget holder or other authorised signatory, as agreed by the Chief Financial Officer. Such authorisation shall imply that:

- (a) the expenditure is within an approved estimate or other financial provision;
- (b) the expenditure has been coded to the correct financial heading;
- (c) the goods, services or works have been supplied and are satisfactory;
- (d) appropriate prices have been charged for the goods, services or works;
- (e) all conditions imposed by the order or contract agreement have been substantially complied with;
- (f) where applicable Value Added Tax, Construction Industry Tax or any other relevant taxation requirements are complied with;
- (g) the certificate for payment has not previously been passed to the Chief Financial Officer for payment; and
- (h) appropriate entries have been made in all relevant inventories, stock records or asset registers.

9.5.6 To reduce multiple certificates for payment, budget holders should aim to agree payment within 30 days of receipt of invoice. Invoices will be paid by BACS or other electronic funds transfer.

9.5.7 The Chief Financial Officer shall examine accounts passed for payment and shall make such enquiries and receive such information as necessary to establish that the payments are in order.



- 9.5.8 The Chief Financial Officer may provide advance accounts to designated Officers for petty cash or for change float purposes.
- 9.5.9 The maximum limit of advance accounts shall be agreed with the Chief Financial Officer and not exceeded without permission of the Chief Financial Officer. Appropriate safes and other receptacles shall be provided as required.
- 9.5.10 The Officers responsible for advance accounts shall maintain a record of their transactions in the form and manner required by the Chief Financial Officer.
- 9.5.11 Payments from advance accounts shall be limited to minor items of expenditure not exceeding £20. The claim must be supported by a receipted voucher and properly authorised claim form.
- 9.5.12 Officers with responsibility for an advance account shall be required to provide information about the state of the account to the Chief Financial Officer as necessary.
- 9.5.13 If the advance account is no longer required or an officer ceases to be responsible for holding an account, the relevant budget holder shall ensure that the balance of the advance account is returned to the Chief Financial Officer.

## **9.6 Income**

- 9.6.1 Budget holders shall notify the Chief Financial Officer of all money due to, or expected by, the council. This includes sponsorship or grant income, contracts, leases and other agreements entered into which involve the receipt of monies.

- 9.6.2 Where cheques are paid in, the amount of each cheque and a reference to enable the cheque to be traced shall be recorded on the banking paying-in-slip or a format agreed with the Chief Financial Officer.
- 9.6.3 An official receipt is a written or printed acknowledgement given on behalf of the council for monies received. Such acknowledgement shall be given from a cash receipting system which has been approved for use by the Chief Financial Officer.
- 9.6.4 All monies shall be held and transported securely in accordance with any requirements from the Chief Financial Officer.
- 9.6.5 Each budget holder is responsible for ensuring that accounts are promptly and accurately raised in respect of charges for work done or goods or services supplied. This includes cases where sponsorship money or grant income is due.
- 9.6.6 The Chief Financial Officer may write off irrecoverable debts up to a limit of £50,000 in any one case. Irrecoverable debts in excess of this amount shall be referred to the Executive.

## **9.7 Contracts**

- 9.7.1 All contracts made for and on behalf of the council shall be subject to the Contract Procedure Rules, these Financial Procedure Rules and any other statutory provision, except in circumstances where the council is acting as an Agent for another organisation which specifically directs otherwise.
- 9.7.2 The Chief Financial Officer shall maintain a register of payments due and made under formal contracts over £50,000 to show the state of account on each contract

between the council and the contractor, together with any other payments.

- 9.7.3 Payment on account of the contract sum shall be made only on a certificate signed by the appropriate budget holder. The certificate shall show, as a minimum, the total amount of the contract, the value of work executed to date, retention money, amount paid to date and the amount now certified.
- 9.7.4 Before a certificate for final payment under a contract is paid, the appropriate budget holder shall produce to the Chief Financial Officer a detailed written statement of account, together with such other documents as may be required.
- 9.7.5 Subject always to the council's Contract Procedure Rules in paragraphs 9.12 – 9.30 of this Constitution, the appropriate budget holder shall be empowered to authorise a variation or addition to a contract. Where the variation or addition is estimated to result in a material increase, that is the higher of 5% of the contract value or £10,000, it must be approved in advance by the Chief Financial Officer.
- 9.7.6 Where completion of a contract is delayed, except for reasons qualifying for an extension of the contract, it shall be the duty of the budget holder to supply the Chief Financial Officer with all necessary information to allow the correct amount of Liquidated and Ascertained Damages to be claimed.

## **9.8 Treasury Management**

- 9.8.1 The council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code for Treasury Management in Local Authorities. If deemed necessary, the

Chief Financial Officer shall advise the Executive of any significant amendment to the CIPFA Code.

- 9.8.2 The Chief Financial Officer shall be authorised to make investment, borrowing and financing decisions on behalf and in the name of the council. All decisions shall be taken in accordance with the council's Treasury Management Investment Strategy.
- 9.8.3 All monies held by the council shall be aggregated for the purposes of treasury management and shall be under the control of the Chief Financial Officer.
- 9.8.4 All investments and borrowing, including for any trust administered by the council, shall be made in the name of the council and any deeds relating to such funds shall be deposited with the Monitoring Officer or otherwise as deemed appropriate by the Chief Financial Officer.
- 9.8.5 The Chief Financial Officer is given the authority to deal with any emergency situation that may arise in relation to any matters not already delegated within the Treasury Management Policy. Use of emergency authority will be reported at the next meeting of the Executive.

## **9.9 Staffing**

- 9.9.1 The Head of Human Resources and Organisational Development shall make and control arrangements for the payment of salaries, wages, expenses and benefits to Officers in accordance with the approved salary scales and wage rates.
- 9.9.2 The Head of Human Resources and Organisational Development shall be provided with the appropriate

documentation required to ensure the payment of salaries, wages, pensions and other expenses due to Officers.

9.9.3 All claims for payment must be made as soon as possible and in no circumstances should a claim be delayed for more than three months after the date on which the work was done or the expenses incurred.

9.9.4 Matters which affect officer payments shall be referred directly to the Head of Human Resources and Organisational Development. Notification shall include:

- (a) details of all appointments, resignations, dismissals, suspensions, secondments and transfers;
- (b) details of any training;
- (c) changes in remuneration except for national pay increases;
- (d) absence from duty for sickness or other reason, apart from approved leave; and
- (e) information necessary to maintain records for pension, income tax, national insurance and the like.

9.9.5 The Head of Human Resources and Organisational Development shall maintain appropriate records and make arrangements for the payment of sums due to Members in accordance with the Allowance Scheme approved by the Council.

## **9.10 Insurance**

- 9.10.1 The Chief Financial Officer shall make and control arrangements for the provision of necessary insurance cover and for the negotiation of any insurance claims.
- 9.10.2 The Chief Financial Officer shall obtain competitive quotations from insurers for the provision of insurance at least every five years unless otherwise determined by the current contract term or the Executive.
- 9.10.3 All budget holders shall notify the Chief Financial Officer of all insurable risks arising from the activities carried out in their area of operation. Such notification shall include:
- (a) the acquisition of any property which is capable of insurance against fire or other risks;
  - (b) any amendment to the value of any council-owned asset likely to affect the insurable risk; and
  - (c) any insurable risk which may arise through the activities of Members or Officers of the council.
- 9.10.4 All Heads of Service shall notify the Chief Financial Officer of the occurrence of any event which may give rise to a claim under any policy of insurance held by the council or to an ex gratia payment.
- 9.10.5 The Chief Financial Officer shall be authorised to make the appropriate reimbursement of any insurance claim up to the excess limit of the insurance policy concerned.
- 9.10.6 The Chief Financial Officer shall in consultation with the Head of Human Resources and Organisational Development be authorised to make appropriate ex gratia payments and write off the loss of any stores, equipment and other assets up to £1,000.

- 9.10.7 All appropriate Officers of the council shall be included in a suitable fidelity guarantee insurance.
- 9.10.8 Officers shall consult the Chief Financial Officer in respect of the terms of any indemnity which the council is requested to give.

## **9.11 Assets**

- 9.11.1 The Chief Financial Officer is the council's Corporate Property Officer and shall maintain an asset register and associated records of all land, buildings, vehicles and equipment owned, leased or managed by the council.
- 9.11.2 An annual report of vacant and underused properties owned by the council shall be made to the Executive.
- 9.11.3 Where land or buildings are no longer required for their intended use the Corporate Property Officer shall report to the Executive on the suggested future use, or disposal, of the asset.
- 9.11.4 The Monitoring Officer shall have custody of and keep all title deeds in a secure manner.
- 9.11.5 All Officers shall be responsible for maintaining proper security of the assets under their control.
- 9.11.6 The Chief Financial Officer shall be responsible for ensuring that adequate controls and security procedures are maintained in connection with the council's information technology systems and installations.

## Appendix 1: Scheme of Financial Delegations

Financial action	Council	Executive	Chief Executive / Deputy	Chief Financial Officer / Deputy	Heads of Service	Service Managers	Budget holders
<b>Budget setting</b>							
Annual approval of the budget, the Medium Term Financial Plan and setting the Council Tax	No financial limit and no delegation of authority	No delegated authority	No delegated authority	No delegated authority	No delegated authority	No delegated authority	No delegated authority
In year capital funding approval	No financial limit	Up to £500,000	Up to £250,000	Up to £100,000	No delegated authority	No delegated authority	No delegated authority
<b>Management of approved budgets</b>							
Expenditure within approved capital and revenue budgets	Delegated to officers	Delegated to officers	Delegated to budget holders	Delegated to budget holders	Delegated to budget holders	Delegated to budget holders	Up to approved budget
Authority to use earmarked reserves	Delegated to officers	Delegated to officers	Delegated to Chief Financial Officer	No financial limit	No delegated authority	No delegated authority	No delegated authority
Purchase order approval and/or contract award	Delegated to officers	Delegated to officers	No financial limit	No financial limit	Up to £1,000,000 & delegated to Service Managers, Budget Holders & Service Officers as per Authorised Signatory list	No authority unless delegated by Head of Service – Up to £250,000	No authority unless delegated by Head of Service – Up to £100,000
Payment of grants	Delegated to officers	Delegated to officers	No financial limit	No financial limit	Up to £500,000 & delegated to Service Managers, Budget Holders & Service Officers as per Authorised Signatory list	No authority unless delegated by Head of Service – Up to £100,000	No authority unless delegated by Head of Service – Up to £100,000



Virements within a service's approved budgets	Delegated to officers	Delegated to officers	Delegated to Chief Financial Officer	No financial limit	Up to £100,000	No authority unless delegated by Head of Service – Up to £100,000	No authority unless delegated by Head of Service – Up to £100,000
Virements across services, within overall approved budget levels	Delegated to officers	Delegated to officers	Delegated to Chief Financial Officer	No financial limit	No delegated authority	No delegated authority	No delegated authority
Write offs / waivers of income due	No financial limit	Up to £100,000	Delegated to Chief Financial Officer / Heads of Service	Up to £50,000	Up to £5,000 & delegated to Service Managers, Budget Holders & Service Officers as per Authorised Signatory list	No authority unless delegated by Head of Service – Up to £1,000	No authority unless delegated by Head of Service – Up to £1,000
Insurance and other settlements	No financial limit	No financial limit	Up to £100,000	Up to £50,000 & up to £10,000 delegated to Insurance team for small claims	No Delegated authority	No delegated authority	No delegated authority