

# FINANCIAL PROCEDURE RULES

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# CONSTITUTION - PART 4 - RULES OF PROCEDURE

(last revised October 2018)

## Financial Procedure Rules (Financial Regulations)

### 1. INTRODUCTION

- 1.1 The purpose of these Financial Procedure Rules is to set out a framework within which the Council manages its financial affairs. These Rules, together with the Contract Procedure Rules and such Codes of Practice approved by the Head of Finance are intended to ensure that proper financial arrangements are in place.
- 1.2 These Rules apply in all situations in which persons who are Members or employees of the Council act on its behalf, or in connection with it. They are subject to the Access to Information Rules, the Budget and Policy Framework Rules and the Executive Procedure Rules set out in this Part of the Constitution.
- 1.3 In these Rules, the Contract Procedure Rules and Codes of Practice any duty or authority devolving upon a Chief Officer of the Council may be exercised by a designated deputy. Where a consultant is appointed by the Council for any particular purpose, the term "Chief Officer" shall where appropriate include the consultant concerned in relation to that purpose
- 1.4 In the case of any item which is of sufficient financial significance the Head of Finance may require a report to be produced even though it might not be required according to these Rules, the Contract Procedure Rules or Codes of Practice.

### 2. GENERAL

- 2.1 Each Chief Officer shall ensure that the Financial Procedure Rules, the Contract Procedure Rules and Codes of Practice are observed throughout all areas under their control. Material breaches, or failures to comply with these Rules, the Contract Procedure Rules and Codes of Practice shall be reported to the Head of Finance as soon as such breaches or failures become known.
- 2.2 As the officer designated by the Council for the purposes of Section 151 of the Local Government Act 1972, the Head of Finance shall be responsible for; ensuring the proper financial administration of the Council's affairs. In

consultation with the Chief Executive and the Monitoring Officer, the Head of Finance is required to submit a written report to all Members of the Council and the Council's external auditor if the Authority or one of its employees:

- ◆ has made or is about to make a decision which involves incurring unlawful expenditure
- ◆ has taken or is about to take an unlawful action which has resulted or would result in a loss or deficiency to the Council
- ◆ is about to make an unlawful entry in the Council's accounts

The Head of Finance must submit his or her report to the Cabinet if the matter relates to an executive function or to the full Council if the matter is regarding a non-executive function.

- 2.3 The Head of Finance shall advise the Council, its Committees, the Cabinet, Cabinet Members, Members and Chief Officers as appropriate with respect to the Council's finances, on the financial implications of future policies, plans and programmes, on financial performance, on the internal financial controls necessary to secure sound financial management and on all financial aspects of their activities. The Head of Finance, in consultation with the Monitoring Officer, shall give advice where particular decisions are likely to be contrary to the Council's budget and policy framework.
- 2.4 The Head of Finance is responsible for ensuring that a prudent financial framework is in place within the Council and that its commitments are kept in balance with available resources. The Head of Finance shall ensure that income and expenditure levels are monitored to ensure that this balance is maintained and takes corrective action when necessary in accordance with the Constitution.
- 2.5 The Head of Finance has the right of access to all information, documents and records held by whatever means by employees or Members relating to the activities of the Council. He or she has the authority to require and receive promptly such explanations as are necessary concerning any matter under examination
- 2.6 Every report by a Chief Officer which concerns a matter with significant or continuing implications relating to finance or to information technology shall identify those implications. No such report or any other report containing significant information of a nature relating to finance shall be submitted to the Council, Cabinet, or Cabinet Member by a Chief Officer until the Head of Finance has been consulted, and has had the opportunity to prepare a further report on such implications if he or she sees fit.
- 2.7 Reference to the Head of Finance shall include those officers of his or her Service authorised to undertake the various functions concerned.
- 2.8 All Members and employees have a general responsibility for taking

responsible action to provide for the security of the Council's assets under their control and for ensuring that their use of the Council's resources is legal, properly authorised and provides value for money.

### **3. FINANCIAL STRATEGY, CAPITAL PROGRAMME AND BUDGETS**

3.1 Subject to the Budget and Policy Framework Procedure Rules set out elsewhere in the Constitution, the Head of Finance after consultation with the Management Board shall report to the Cabinet and Council about the medium term financial strategy on an annual basis. The strategy must be driven by and linked to the Council's corporate vision and priorities.

3.2 Following approval of the medium term financial strategy, the Head of Finance shall then arrange with other Chief Officers for the preparation of estimates for submission to Cabinet Members and Cabinet as follows:

- (a) Revenue Budget - estimates of income and expenditure on revenue account for the following year with relevant supporting non-financial information together with projections for the subsequent two years where required.
- (b) Capital Programme - estimates of capital spending over future financial years with proposed financing arrangements.

Both the revenue budget and capital programme must be linked to the medium term financial strategy.

3.3 When presenting estimates for consideration the following matters must be highlighted:

- (a) departures from or extensions to existing Council policy.
- (b) new items of spending within existing policy
- (c) any item with significant financial implications beyond the stated budget provision.

3.4 At the time the Council Tax is set, the Head of Finance shall report to the Cabinet and Council on the robustness of the budget estimates and the adequacy of financial reserves.

3.5 Following any comments from the Overview and Scrutiny Commission, the Cabinet will agree final reports on financial strategy, revenue budget, capital programme and tax levels for submission to Council.

### **4. BUDGETARY CONTROL**

#### **4.1 Revenue**

- 4.1.1 The inclusion of any item in a Revenue Budget does not commit the Council to such expenditure nor does it authorise expenditure being incurred on such an item prior to receiving Cabinet approval, except as provided in Rules 4.1.4, 5.1 and 5.2.
- 4.1.2 It shall be the duty of all Heads of Service to plan and manage their budget(s) to meet the agreed bottom line budget figure(s) for their Business Unit(s). It shall be the duty of every Chief Officer to ensure that in relation to Business Units within his or her control, the Council is not committed to any Revenue liability which is not covered by the Revenue Budget, or by virement under Rules 4.1.5/4.1.6 or a Supplementary estimate under Rule 4.1.7 or surpluses brought forward under Rule 4.1.9 or any combination of the above.
- 4.1.3 Any items included in Revenue Budget which are not acted upon in the year covered by that Budget and which cannot be funded from carried forward surpluses under Rule 4.1.9 will require renewed Budget provision before the Council can be committed to the expenditure, either by inclusion in the Budget for the succeeding year, Supplementary Estimate under Rule 4.1.7, or virement under Rule 4.1.5/4.1.6;
- 4.1.4 The named Head of Service for a budget code shall be the only person who can authorise expenditure against that code. Heads of Service are authorised to incur expenditure included in the approved Revenue Budget and within the following categories:
- (a) Items of a routine and recurring nature.
  - (b) Works of general maintenance or minor improvements.

**4.1.5 Virement for all Departments EXCEPT Harrogate Convention Centre (Conference and Exhibition Business Unit)**

- (a) A Head of Service shall have authority to vire moneys not exceeding £5,000 from those items within his or her Business Unit where he or she has direct control over that item. The appropriate Officer will subsequently notify his or her own Chief Officer and the Head of Finance of his or her action.
- (b) A Chief Officer shall have executive authority to vire moneys exceeding £5,000 but not exceeding £10,000 within a single Business Unit within his or her department or up to £10,000 between Business Units within his or her Department where his or her Head(s) of Service have direct control over the items concerned and where the Head of Service has been consulted in advance. The appropriate Chief Officer will subsequently notify the Head of Finance of his or her action.
- (c) All requests for virement exceeding £10,000 and all virement

between departments shall be referred to the Management Board for authorisation.

- (d) All requests for virement exceeding £25,000 shall, in addition to the Authorisation of the Management Board, be referred to the relevant Cabinet Member for approval.

Virement shall not be used to establish new policies, increase agreed standards or establish items or programmes of expenditure with financial consequences beyond the end of the current financial year.

Following transfer of budget provision from a Business Unit, sufficient funding must remain to enable both the Business Unit's service objectives and the Council's policies to be met.

#### **4.1.6 Virement For Harrogate Convention Centre (Conference and Exhibition Business Unit) Only**

##### ***Virement of Expenditure***

Expenditure may be vired within the detailed budget considered by the Harrogate Convention Centre Board and approved by the Cabinet and Council in accordance with the following procedure:

- (i) Budget Holders designated by the Director, HCC may vire sums up to £1,000 in aggregate in any one year within budgets for which they are responsible. These must be agreed with the Head of Operations.
- (ii) Budget Holders designated by the Director, HCC may vire sums, which exceed an aggregate of £1,000 in any one year or, individually exceed £500 but less than £7,500 after formal approval by the Director or Head of Operations.
- (iii) The Director HCC, may vire sums equal to or greater than £7,500 but less than £20,000. Details of such items to be reported retrospectively to the Board.
- (iv) The Director HCC may vire sums equal to or greater than £20,000 subject to prior consultation with the Board, Chief Executive and Head of Finance.

##### ***Virement of Income***

The Director, HCC may, in any one year, vire additional actual income achieved above the total income budget provision to an aggregate value of £20,000 in order to fund additional expenditure, subject to prior consultation with the Board and conditional upon maintaining an anticipated surplus sufficient to contribute the agreed amount to the

General Fund and repayment of capital investment.

These procedures will be monitored by the Head of Finance. Formal Virement forms shall be completed in all cases except for sums not exceeding £500 in value.

***Restriction on Use of Virement***

- (a) Virement of income and expenditure cannot be used for the purpose of paying performance bonuses or other emoluments to staff without the specific approval of the Cabinet.
- (b) The accounting arrangements for the Conference and Exhibition and Business Tourism Business Units must be kept separate and as such no virement of actual income or budgeted expenditure provision is allowed between these accounts.

4.1.7 No supplementary estimates are to be permitted with the following proviso:

- (a) Where the amount is of such magnitude that the appropriate Chief Officer demonstrably cannot make savings in some other budget within his overall control then the Management Board will seek to identify an offsetting saving in the budgets controlled by one or more of the other Chief Officers.
- (b) Where no such savings can be identified, the granting of a supplementary estimate shall be subject to approval by the Cabinet in the case of items of £20,000 or less, and to approval by the Council in respect of items in excess of £20,000.

4.1.8 Any urgent decision may be taken by the appropriate Cabinet Member or Cabinet. Urgent decisions are defined as those to prevent the Council from incurring substantial financial loss, or to obtain a benefit for or mitigate harm to the District as a whole. No decision may be treated as urgent unless agreed with the Chairman of the Overview and Scrutiny Commission as such. Any urgent decision must be communicated to the Council as soon as possible together with reasons for the decision and why the matter was urgent.

4.1.9 A Head of Service (subject to 4.1.10 below) will have authority to carry forward from one year to the next surpluses or underspendings on any service expenditure under his or her control in accordance with the formula set out below and in the Business Unit Managers' Handbook. The summation and carry forward of these surpluses and underspendings are the "Reserves" of the business unit.

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<b>Tranche</b>	<b>Distribution Formula</b>
1. Achieve “bottom line” budget figure	N/A
2. Surplus above “bottom line” budget figure up to 2% of “turnover”	50% of surplus retained by business unit 50% of surplus transferred to the General Fund
3. Surplus above 2% of “turnover”	All of surplus above 2% of turnover transferred to the General Fund

### **Definitions**

“Turnover”	Outturn expenditure + outturn external income (excluding Government subsidy and reimbursements).
“Controllable Expenditure”	Items of expenditure over which the Head of Service has direct control.
“Bottom Line budget”	The planned net total of all the financial transactions that the Head of Service has devolved responsibility to manage and control during the financial year (ie difference between planned income and planned expenditure).

The exceptions to the above rules are:

- (i) In the case of HCC Conference and Exhibition business unit, Cultural Services and the Building Management Account, the Council has agreed a 100% carry forward
- (ii) In the case of Housing Revenue Account business units, any surplus is transferred to the Housing Revenue Account

4.1.10 A Chief Officer will be responsible for ensuring that any losses or overspendings on Business Units within his or her department are made good before authorising the carry forward of any surpluses or underspendings.

4.1.11 The Head of Finance will arrange for an annual report to be submitted to Cabinet outlining the proposed uses of Business Unit reserves and how these link to the Council’s corporate priorities. Where proposed spending exceeds £10,000 Cabinet will have the power to intervene if it believes that the priority is too low.

Subject to the above, use of Business Unit surpluses will be in accordance with the following procedure:

- (a) A Head of Service shall have authority to spend monies not exceeding £5,000 from his or her Business Unit Reserve. The



appropriate Officer will subsequently notify his or her own Chief Officer and the Head of Finance of his or her action.

- (b) A Chief Officer shall have authority to spend monies exceeding £5,000 but not exceeding £10,000 from departmental Business Unit Reserves where the Heads of Service have been consulted in advance. The appropriate Chief Officer will subsequently notify the Head of Finance of his or her action.
- (c) All proposals to spend Business Unit Reserves which exceed £10,000 shall be referred to either Management Board, Place Board or Transformation Board for authorisation.
- (d) All proposals to spend Business Unit Reserves which exceed £25,000 shall, in addition to the authorisation of the Management Board, Place Board or Transformation Board, be referred to the relevant Cabinet Member for approval.

The use of Business Unit reserves shall not be used to establish new policies, increase agreed standards or establish items or programmes of expenditure with financial consequences beyond the end of the Business Unit funding.

- 4.1.12 The Head of Finance, at intervals determined by him or her, or as required by Council, will arrange for the submission of reports monitoring expenditure and income against the Revenue Budget, to the Resources Cabinet Member or the Cabinet or the Council as necessary. Also, Chief Officers, in consultation with the Head of Finance, will arrange for the submission of monitoring reports to Cabinet Members on their respective areas of the budget as required. Where appropriate, monitoring reports will contain forecast out-turn figures and relevant, supporting information on operational activity.

## **4.2 Capital**

- 4.2.1 The Council's capital spending is divided into two programmes:

- (a) Housing Investment Programme
- And
- (b) Other Services Programme

The two programmes are subject to their own financial control arrangements and these are set out below. They must, however, comply with the requirements of the Access to Information rules in this Part of the Constitution especially those concerning key decisions and the Forward Plan.

## ***Housing Investment Programme***

- 4.2.2 Before each financial year, the Director of Economy, Environment and Housing is to submit a written report to Cabinet about the Housing Investment Programme for the forthcoming year. The Cabinet is to consider the Programme and recommend it, amended as necessary, to Council for approval. The report must set out the estimated capital resources for the year, a summary of the proposed capital spending and revenue consequences. In preparing the report, the Director of Economy, Environment and Housing must consult the Head of Finance, together with the Cabinet Members for Housing and Resources as required.
- 4.2.3 Following approval by Council and approval of the individual schemes by the Cabinet Member for Housing, the Director of Economy, Environment and Housing has authority to incur expenditure in accordance with Council policy on the Planned Maintenance / Improvement Schemes listed within the Programme without the need for further reports on the individual schemes themselves. The Director has the authority to seek tenders and accept the lowest one received or other than the lowest in accordance with Contract Procedure Rules. Where the total cost of an individual scheme exceeds the estimated cost previously reported, the Director has the authority to accept the preferred tender in accordance with the Contract Procedure Rules, provided that overall expenditure does not exceed the value of the Approved Capital Programme, unless a reliable additional source of funding is identified in consultation with the Head of Finance. Also the Director of Economy, Environment and Housing has the authority to vary spending between individual schemes, depending on prevailing circumstances and tender values, provided that the overall value of the approved Capital Programme is not exceeded.
- 4.2.4 Any proposals for capital expenditure on a planned maintenance improvement scheme not included in the Programme approved by the Cabinet Member (Housing) must be the subject of a report from the Director of Economy, Environment and Housing to the Housing Cabinet Member in order to seek approval. The report must be prepared in consultation with the Head of Finance and set out the estimated costs and source of funding - whether this is additional or from a reduction in the cost of one or more of the approved schemes. If compensating savings or additional funding cannot be found, then the approval of the Cabinet is required before the new scheme can go ahead.
- 4.2.5 Regarding private sector grants and loans, the Director of Economy, Environment and Housing has the authority to vary approvals between different grant and loan activities, depending on demand and the carry-over of commitments from previous years - subject to the requirement that the overall resource figure as approved by Council is not exceeded.
- 4.2.6 Concerning grants to Housing Associations, following approval of the overall figure by Council, awarding grants to individual schemes is then

subject to approval by the Cabinet Member for Housing subject to the overall resource figure as approved by Council not being exceeded.

- 4.2.7 The Director of Economy, Environment and Housing is to submit monitoring reports to Cabinet during the year which compares the approved Programme to actual and forecast spending. Reports are to be submitted quarterly or as required by Cabinet and the Head of Finance.

### ***Other Services Programme***

- 4.2.8 The Council's medium term Capital Strategy sets out the framework for planning and managing capital expenditure on the Other Services Programme over, typically a five to seven year period.
- 4.2.9 The Strategy incorporates a list of major schemes which the Council wishes to develop, subject to the availability of resources. The schemes have been assessed according to set criteria (for example service impact, financial impact, sustainability rating). The list is subject to periodic review by Cabinet. In order to qualify as a major scheme, there is a financial guideline of £½ million. This is a general minimum in order to prevent the list of schemes growing to an unrealistic number inconsistent with the Council's ability to afford or administer them. A scheme of high Council priority but under £½ million need not be ruled out on that score alone.
- 4.2.10 Before any expenditure can be incurred on any particular major scheme, a capital appraisal form must be completed and scored. The scheme must then be the subject of a financial technical report to Cabinet in order to seek approval for that scheme to go ahead. The report must set out the estimated costs, the anticipated sources of funding, together with the appraisal form score and the overall impact on the available funds and revenue consequences. The Head of Finance must be consulted by the relevant Chief Officer in preparing the report.
- 4.2.11 After Cabinet approval of an individual scheme, the relevant Chief Officer has the authority to seek tenders as appropriate and accept a tender in accordance with the Contract Procedure Rules. Where the preferred tender is above the estimate previously reported, the relevant Chief Officer, must submit a further report to Cabinet in order to set out the consequences and seek approval for the recommended course of action. In preparing this further report, the relevant Chief Officer must consult the Head of Finance, together with the Resources and the relevant service Cabinet Member(s) as required.
- 4.2.12 The Strategy also provides for capital spending on minor schemes. Prior to the start of each financial year, the Cabinet will set limits for the portfolios concerned on the total spending on minor schemes which can be incurred in the financial year in question. Once approval is received, Chief Officers, in consultation with the relevant Cabinet Member(s) have the authority to incur expenditure without further reports to Cabinet, subject to the approved limits not being exceeded.

- 4.2.13 In respect of minor schemes, Chief Officers have the authority to vary spending between individual schemes within a portfolio from figures previously reported - provided that the limit for that portfolio is not exceeded.
- 4.2.14 The Head of Finance is responsible for submitting budget and monitoring reports at least annually to the Cabinet on General Capital Strategy and Capital Programme including on capital resources. The Director of Economy, Environment and Housing reports separately on the Housing Investment Programme. Individual Chief Officers are required to report separately on schemes identified in the Capital Programme as requiring specific approval before commencement, and to provide appropriate monitoring information to Cabinet Member(s).
- 4.2.15 Generally, in the special circumstances where, either as a result of additional capital allocation from Central Government, or as a consequence of a Capital Moratorium imposed by the Central Government, the Council is required to act at short notice, the Cabinet shall have the responsibility for determining the action to be taken by the Council and shall have the power to act if it deems this necessary.

## **5. AGENCY AGREEMENTS**

- 5.1 Where the Council acts as agent for another authority, then as soon as the Council has been notified in writing of the Capital and Revenue Estimates approved by the Principal Authority, the appropriate Chief Officer shall implement the approved programmes of works without further report to Members, subject to other Financial Procedure Rules and the Contract Procedure Rules except for Financial Procedure Rule 4.2.
- 5.2 Where approval is not received from the Principal Authority before commencement of the period covered by the budget, the appropriate Chief Officer is authorised to commence implementation of the programme of works pending receipt of that approval.
- 5.3 Schemes within the approved Agency Capital Programme are not subject to Financial Procedure Rule 4.2 but subject to the following:
- (a) A financial/technical report is not required unless the appropriate Chief Officer determines otherwise;
  - (b) The lowest tender or quotation may be accepted by the appropriate Chief Officer (subject to the Contract Procedure Rules provided that where the total costs of the scheme exceed the specific provision in the Capital Budget compensating savings are identified or the Principal Authority approves the additional cost).
- 5.4 Where the Principal Authority requests the Council to undertake work not included in any approved Budget, the appropriate Chief Officer shall

undertake such work after consultation with the appropriate Cabinet Member and subject to other Financial Procedure Rules and Contract Procedure Rules. Accepting the work is subject to no cost being borne by the Council – either direct costs or overheads.

## **6. ACCOUNTING**

- 6.1 The Head of Finance is responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the Council. The Head of Finance shall ensure that proper accounting arrangements are established in all departments. Where such procedures and records are maintained in a department other than that of the Director of Corporate Affairs, he or she shall consult the Chief Officer of the Department concerned before making any determination.
- 6.2 Chief Officers are responsible for the satisfactory operation of financial and accounting systems within their Departments and shall consult with the Head of Finance prior to introducing or changing the form or method of any existing accounting procedures, financial records or statements.
- 6.3 The following principles shall be observed in connection with the allocation of accounting duties:
- (a) The duties of providing information regarding sums due to or from the Council and of, calculating and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.
  - (b) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

## **7. STATEMENT OF ACCOUNTS**

- 7.1 Chief Officers shall ensure compliance with any instructions of the Head of Finance in respect of the preparation of final accounts for each year and shall supply such information and explanations as the Head of Finance shall determine according to the timetable set.
- 7.2 The Head of Finance shall prepare and publish an annual Statement of Accounts.
- 7.3 The Statement of Accounts shall be prepared in conformity with all statutory and professional requirements and codes of practice as may be issued from time to time by HM Government, the Chartered Institute of Public Finance and Accountancy and other relevant bodies, and shall include such other details as the Council may from time to time require.
- 7.4 In submitting the Statement of Accounts for approval by Members, the

Head of Finance will table a covering report which provides an interpretation of the accounts and highlights the key issues.

## **8. INTERNAL AUDIT**

- 8.1 Under the Accounts and Audit (England) Regulations 2011, the Council has a legal responsibility to provide an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with proper internal audit practices. The purpose is to provide an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. This includes all internal controls, not just financial ones. This responsibility is delegated to the Head of Finance who provides this service through the Internal Audit section headed by the Audit Manager. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 8.2 The Audit Manager and the Internal Audit section shall have the right of access to all establishments of the Council, to all records and documents held by Employees and Members relating to the activities of the Council and the right to require the production of cash, stores or other property owned or held by the Council necessary for the purposes of audit. The Audit Manager has the authority to require and receive promptly such explanations as are necessary concerning any matter under examination. Chief Officers shall respond without undue delay to any recommendations made by the Audit Manager.
- 8.3 The Audit Manager shall have the right of direct access to the Chief Executive and/or the Monitoring Officer on any matter concerning the internal audit of the Council's activities which he or she considers should be drawn to the Chief Executive's and/or the Monitoring Officer's attention.

## **9. IRREGULARITIES**

- 9.1 In order to comply with the Council's Anti-Fraud and Corruption Strategy, where any employee has cause to suspect an irregularity concerning cash, stores or other property of the Council or of a financial nature in any Department he or she shall notify the Head of Finance immediately. Where necessary the Head of Finance in conjunction with the appropriate Chief Officer, shall investigate the matter. If an irregularity is deemed to be material, the Head of Finance shall report the matter to the Chief Executive, to the Cabinet Member responsible for Resources, the relevant Cabinet Member to the Council's External Auditor and if considered appropriate – the police.
- 9.2 Where an employee becomes aware of or has reason to believe that the Council or any of its employees has or is about to make a decision to incur

expenditure, or to take action likely to cause a loss or deficiency on the part of the Council or to enter an item of account, which is unlawful, he or she shall notify the Head of Finance immediately. The Head of Finance will investigate the matter, and if considered necessary, submit a report in accordance with Financial Procedure Rule 2.2.

- 9.3 Chief and senior officers shall ensure that: suspected irregularities are treated seriously, disciplinary action is taken where appropriate, procedures and controls to prevent irregularities occurring are regularly reviewed and updated where necessary and employees are encouraged to report their suspicions on a confidential basis under the Council's Anti-Fraud and Corruption Strategy.

## **10. ORDERS FOR WORK, GOODS AND SERVICES**

- 10.1 Each Chief Officer shall be responsible for all orders issued within his or her Directorate. All orders placed by employees commit the Council to incurring expenditure and therefore each Chief Officer must ensure that:
- (a) All orders given are covered by an approved Budget and that the Contract Procedure Rules and the Financial Procedure Rules have been complied with.
  - (b) Maximum use is made of arrangements for central purchasing and standardisation of supplies and materials.
  - (c) Quotations are obtained whenever appropriate from at least three persons, if possible. (Refer to the Contract Procedure Rules.)
  - (d) All purchases for works, goods or services shall be raised on the Council's Financial Management System using the Purchase Order process. Where purchases are considered exempt from the PO process these may be approved at the discretion of the Director of Corporate Affairs.
  - (e) Orders Placed via the internet

These Rules provide for the placing of orders for works, goods or services through the Council's internet access. Chief Officers must ensure that:

- Proposals to place orders via the internet have been subject to consultation with and approved by the Director of Corporate Affairs.
- All orders placed electronically are supported by an official Council order number
- The surrounding internal controls are robust and auditable

- All orders placed electronically are authorised by duly nominated officers from their respective Directorate

10.2 Where possible, all orders used for the ordering of goods, work or services or for incurring expenditure shall be in a form approved by the Director of Corporate Affairs.

## **11. FORMAL CONTRACTS**

11.1 Chief Officers shall supply the Director of Corporate Affairs with details of all formal contracts entered into by the Council.

11.2 The Director of Corporate Affairs shall ensure that a record of all such contracts showing the state of account between the Council and each contractor is maintained together with any related professional fees.

11.3 Any variation, addition or omission from a contract duly authorised shall be issued in writing to the contractor by the appropriate Supervising Officer named in the contract in accordance with the terms of the contract.

11.4 Each Chief Officer responsible for the supervision of a contract shall make arrangements to monitor the cost of variations to ensure they remain within the overall contract sum including contingencies.

11.5 If the contract sum including contingencies is likely to be exceeded then the appropriate Chief Officer shall advise the relevant Cabinet Member and the Head of Finance accordingly, identifying the impact and effect on the appropriate programme of expenditure. If deemed material the Head of Finance will require the appropriate Chief Officer to report the matter to the Cabinet and if necessary the Council.

11.6 The Head of Finance shall, to the extent he or she considers necessary, examine final accounts for contracts. In this regard the Supervising Officer named in the contract shall provide a detailed statement of account and make available all relevant documents and explanations deemed necessary by the Head of Finance for that purpose. The final certificate of payment for any contract shall not be issued until the approval of the Head of Finance is received.

11.7 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Solicitor to the Council for consideration of the Authority's legal liability and, where necessary, to the Head of Finance for financial consideration before a settlement is reached.

11.8 The Chief Officer shall recover any liquidated and ascertained damages due under a contract on behalf of the Council.

## **12. PAYMENT OF ACCOUNTS**

12.1 Apart from petty cash disbursements, the methods of payment of money



due from the Council shall include cheque, or other instrument or electronic method, drawn on the Council's bank account by the Head of Finance. The use of electronic methods to pay accounts is subject to the prior approval of the Head of Finance.

- 12.2 Payments shall normally be made only on invoices or other forms submitted by the creditor, whether hard copy or, subject to the prior approval of the Head of Finance, electronically. Requisitions for payment or other documents from which payments are to be made shall be initiated by officers of the Council in exceptional cases only.
- 12.3 The Chief Officer issuing orders whether in writing or electronically is responsible for examining, verifying and certifying the related invoices or other payment vouchers or accounts in respect of his or her Department.
- 12.4 The authorisation of a payment due shall mean that:
- (a) the work, goods or services have been received or carried out, examined as to quality and quantity in accordance with the order or specification.
  - (b) the cost is in accordance with the price agreed at the time of order.
  - (c) the invoice, bill or requisition for payment is arithmetically correct, the expenditure has been correctly coded and where the payment includes VAT, that this is dealt with correctly and that the invoice is a tax invoice or where payment is made in advance that a tax receipt will be obtained.
  - (d) payment is being made to the correct person for the correct amount.
  - (e) no other payment has been made in respect of the work done, goods received or services rendered. If copy invoices are submitted for payment they shall be specifically certified to this effect
  - (f) appropriate entries have been made in inventories, stores records or stock books
  - (g) the relevant expenditure has been properly incurred and is within the relevant budget provision.
- 12.5 Each Chief Officer shall designate the officers in his or her Department who are authorised by manuscript signature to certify accounts for payment. He or she shall supply the Head of Finance with a certificated "Authorisation of Expenditure" form for each designated officer. The form will contain details of types of expenditure, authorisation levels and specimen signatures. Chief Officers should supply the Head of Finance with revised forms as and when changes occur. Any arrangements to certify accounts for payment by electronic means must receive the prior approval of the Head of Finance.

- 12.6 The Head of Finance shall examine duly authorised accounts to the extent that he or she considers necessary, for which purpose he or she shall be entitled to make such enquiries and to receive such information and explanations as may be required.
- 12.7 The Head of Finance will arrange to make payment of the duly certified accounts when he or she is satisfied under Financial Regulation 12.6.
- 12.8 All payments should be made promptly in accordance with agreed payment terms.

### **13. PAYMENT OF SALARIES, WAGES AND LOCAL ACT PENSIONS**

- 13.1 Each Chief Officer shall notify the Head of Finance promptly of all matters affecting the payment of salaries and wages, and in particular:
- (a) Appointments, resignations, dismissals;
  - (b) absences due to sickness, unpaid leave or otherwise;
  - (c) details of overtime hours worked, bonus payments, standby duty, weekend working, split duty, shift allowances, honoraria;
  - (d) changes in remuneration other than normal increments and pay awards and agreements of general application; and
  - (e) information necessary to maintain records of service for superannuation, income tax, national insurance, statutory sick pay and the like.
- 13.2 Appointments of employees and all payments to employees shall be made in accordance with the current conditions of service, regulations and policies of the Council and in accordance with approved establishments, grades, rates of pay and budget provision.
- 13.3 Salaries and wages records shall be in a form approved by the Head of Finance. Timesheets, pre-lists and other information relating to payroll preparation as may be required shall be certified by or on behalf of the Chief Officer and submitted promptly in accordance with arrangements made from time to time by the Head of Finance. The names of officers authorised to sign such records and subsequent amendments shall be supplied to the Head of Finance by each Chief Officer together with specimen signatures. Chief Officers shall supply revised information as and when changes occur.
- 13.4 The payment of all salaries, wages and local act pensions shall be made by the Head of Finance or under arrangements made by or agreed by the Head of Finance.

## 14. INCOME

- 14.1 Each Chief Officer shall submit at least annually a review of charges levied (EXCEPT for events at the Harrogate Convention Centre where the Director HCC has the delegated authority to set the charges and for Cultural Services where the Director of Economy, Environment and Housing has delegated authority to set the charges) to the relevant Cabinet Member or Licensing Committee as appropriate. This review shall take place in consultation with the Head of Finance at such a time as to allow the consequences to be incorporated in the Budget preparation for the following financial year.
- 14.2 Chief Officers shall ensure that all income due to the Council is identified, charged correctly, collected at the right time using the correct procedures and the appropriate stationery.
- 14.3 All money due to the Council shall be collected promptly and accounted for in such a manner as may be required by the Head of Finance who shall issue a Cash Control Code of Practice and give advice on such matters as the treatment of VAT, from time to time. Chief Officers should ensure that the responsibility for the collection of cash is separated from that:
- ◆ for identifying the amount due
  - ◆ for reconciling the amount due to that received.
- 14.4 In respect of credit income, the Head of Finance shall determine the procedures for recording the amounts due to the Council, for rendering accounts and the recovery of outstanding debts. Each Chief Officer shall ensure that relevant officers in his or her Department send out accounts promptly and takes action to monitor payments made to the Council and to recover any outstanding debts in accordance with the Council's policy on debt management and the set procedures.
- 14.5 The Head of Finance and, where legal action is necessary, the Solicitor to the Council shall ensure that efficient steps are taken to recover sums due to the Council according to the Council's policy on debt management. The Head of Finance is authorised to write off irrecoverable debts due to the Council up to a limit of £500 in each case, larger sums being referred to the Cabinet Member for Resources.
- 14.6 The Head of Finance shall be consulted on and shall have the right to inspect, any documents or other evidence in connection with income due to the Council including contracts, leases, grants and any other agreements and arrangements, as he or she may decide.
- 14.7 The Head of Finance shall ensure that there are proper arrangements for the control of, ordering, storage and issue of all receipts forms, tickets, account forms and other documents of a similar nature representing receipt for money.
- 14.8 Except where alternative procedures are approved by the Head of Finance,

every sum received on behalf of the Council shall be acknowledged promptly by the issue of an official receipt, ticket or other approved form.

- 14.9 All money received on behalf of the Council shall be paid to the Head of Finance, or, if he or she directs, to the Council's bank or Girobank accounts. No deduction may be made from such money save to the extent that the Head of Finance may specifically authorise. All such money shall be deposited at a frequency agreed with the Head of Finance which shall not be less than weekly and daily when the total receipts exceed £250 or other sum determined by the Head of Finance. Cheques deposited will be referenced to the debt due on the paying-in slip. Records of receipts and deposits in chronological order, in a form authorised by the Head of Finance, will be maintained by each collecting officer or establishment.
- 14.10 Personal cheques and other payments shall not be cashed out of money held on behalf of the Council.
- 14.11 In respect of income received through the electronic transfer of funds (eg debit or credit card transactions) no such arrangements can be introduced without the prior approval of the Head of Finance. Chief Officers must ensure that income reconciliations are carried out according to the procedures determined by the Head of Finance and that any discrepancies are satisfactorily resolved.
- 14.12 Every transfer of official money from one member of staff to another will be evidenced in the records of the department(s) concerned by the signature of the receiving officer.
- 14.13 In respect of income from grants, departments shall comply with procedures for the management and administration of these funds which the Head of Finance may from time to time approve.

## **15. BANKING ARRANGEMENTS**

- 15.1 All arrangements with the Council's bankers are made by or under arrangements approved by the Head of Finance, who shall be authorised to operate such banking accounts, including Girobank accounts, as he or she may consider necessary.
- 15.2 The Head of Finance shall ensure that there are proper arrangements for the control of, ordering, storage and issue of all cheques and order for payment forms or mandates.
- 15.3 All cheques drawn on the Council's bank account shall bear the facsimile signature of the Head of Finance. Individual cheques which exceed £15,000, and all order for payment forms or mandates drawn on behalf of the Council shall be signed by the Head of Finance and/or an employee specifically authorised by him or her in writing.

## **16. PETTY CASH ACCOUNTS**

- 16.1 The Head of Finance shall provide imprest accounts in appropriate cases to employees for the purpose of defraying petty cash expenses and shall make arrangements for reimbursement at intervals as necessary.
- 16.2 Chief Officers shall ensure that employees for whom they are responsible and who hold such an account, comply with the requirements set out in the Cash Control Code of Practice issued by the Head of Finance. In particular, the employees concerned shall, acknowledge receipt of the imprest, make proper arrangements for its safe custody, keep records as required by the Head of Finance and prevent unauthorised use of it. Changes in the imprest holder shall be notified to the Head of Finance in writing.
- 16.3 No income received on behalf of the Council may be paid into a petty cash account but must be banked as provided elsewhere in these Procedure Rules. No cheque, IOU or promissory note shall be cashed from an imprest account.
- 16.4 Payments shall be limited to minor items of expenditure up to the approved financial limit set out in the Code, and to such other items as the Head of Finance may approve and shall be supported by receipted vouchers wherever possible and especially where Value Added Tax is charged.

## **17. STOCKS AND STORES**

- 17.1 Each Chief Officer shall be responsible for the care and custody of the stocks and stores in his or her Department and shall ensure that stores records approved by the Head of Finance are maintained.
- 17.2 Stocks shall not be held in excess of normal requirements except in special circumstances with the approval of the Head of Finance.
- 17.3 Each responsible Chief Officer shall arrange for a system of continuous stocktaking, periodical physical checks of stocks by persons other than Storekeepers, and shall supply the Head of Finance with a certified list of stocks held at the 31 March each year. Chief Officers shall ensure that all significant discrepancies are investigated and pursued to a satisfactory conclusion.
- 17.4 Each responsible Chief Officer may, in consultation with the Head of Finance, write off stores and dispose of obsolete or redundant stores up to an aggregate value for any one commodity of £500, larger values being referred to the Cabinet Member for Resources.
- 17.5 Surplus or obsolete stores or scrap material shall be disposed of at the best price obtainable and, whenever appropriate, by public advertisement to tender.

## **18. RISK MANAGEMENT AND INSURANCE**

### **Risk Management**

- 18.1 The Director of Corporate Affairs is responsible for giving advice on corporate risk profiling and risk management in order to assist the Council to develop a systematic risk management strategy and put in place appropriate risk management procedures. The Director is also responsible for the periodic review of these procedures to ensure that they remain up to date.
- 18.2 Chief Officers are responsible for risk management and internal control within their own areas of responsibility and for undertaking regular reviews of risks within their departments. Chief Officers should take all possible precautions to minimise the Council's exposure to risks in the context of the Council's Corporate Risk Strategy.

### **Insurance**

- 18.3 The Head of Finance shall effect all insurance cover in consultation with other Chief Officers where necessary.
- 18.4 Chief Officers shall give prompt notification to the Head of Finance of all new insurable risks indicating the amount of potential loss arising from them and of any alterations which may affect existing risks.
- 18.5 The Head of Finance shall annually, or at such other period as he may consider necessary, review all insurance in consultation with other Chief Officers as appropriate.
- 18.6 The Head of Finance shall keep a register of all insurances effected by the Council and the property and risk covered.
- 18.7 All claims upon insurance in respect of insured risks shall be made promptly and where these are not made by the Head of Finance a copy of the claim shall be supplied to him or her forthwith.

## **19. INVENTORIES**

- 19.1 Chief Officers shall ensure that on a form approved by the Head of Finance, inventories are maintained of all furniture, equipment, movable plant and machinery, vehicles and other assets belonging to, or leased or hired by the Council.
- 19.2 A copy of the relevant part of each department's inventory will be kept in each building occupied by the department concerned.
- 19.3 Each Chief Officer shall be responsible for maintaining at least a quarterly physical check of the relatively high value items on the inventory

proportionate to the risk involved. Any deficiency or surplus shall be reported forthwith to the Head of Finance and pursued to a satisfactory conclusion.

- 19.4 No property may be removed from Council premises otherwise than in the ordinary course of Council business or used otherwise than for the Council's purposes apart from exceptional cases authorised specifically in writing by the Chief Officer concerned.
- 19.5 Surplus equipment and other assets shall be disposed of at the best prices obtainable, where appropriate by public advertisement to tender or by public auction.
- 19.6 The Head of Legal and Governance shall arrange for the safe and orderly custody of the documents of title, other deeds and the Common Seal.
- 19.7 The Director of Economy and Culture shall produce and maintain the Council's terrier.

## **20. SECURITY**

- 20.1 Each Chief Officer is responsible for maintaining proper security at all times for all buildings, vehicles, plant, stocks, stores, furniture, equipment, cash, etc, under his or her control. Attractive items such as computers and cameras should be identified with security marking as belonging to the Council.
- 20.2 Chief Officers shall maintain up to date lists of authorised key holders and shall ensure that keys are carried on the person responsible at all times. The loss of keys must be reported to the appropriate Chief Officer immediately and the Director of Corporate Affairs advised at the first opportunity where safes and similar receptacles are involved
- 20.3 Maximum limits for cash holdings shall be agreed with the Head of Finance and shall not be exceeded without his or her express permission.
- 20.4 Each Chief Officer shall be responsible for maintaining proper security arrangements and privacy as respects information, required as input, held on a computer file or produced as an output of an electronic data process, for all installations and facilities which exist in his or her Department and shall ensure there is no unauthorised access.
- 20.5 Each Chief Officer will be responsible for notifying the Head of Finance of all personal data held on electronic data processing devices or on manual records within the meaning of any relevant legislation, and of all changes to registrations required by such legislation. Chief Officers shall make proper arrangements to secure compliance with the principles of personal data protection as required by any relevant legislation. All officers are responsible for maintaining proper security and privacy of personal data held on electronic data processing devices and on manual records.

- 20.6 Chief Officers are responsible for ensuring that this Council's employees within their Departments are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to information held on them where appropriate, and compliance with the Council's Information and Network Security Policies and Procedures.

## **21. INVESTMENTS, BORROWINGS AND TRUST FUNDS**

- 21.1 The authority will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable treasury management practices (TMPs), setting out the manner in which the authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the authority. Such amendments will not result in the authority materially deviating from the Code's key recommendations.

- 21.2 The authority (ie Council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- 21.3 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Head of Finance, and for the execution and administration of treasury management decisions to the Head of Finance, who will act in accordance with the authority's policy statement and TMPs and (if a CIPFA member) CIPFA's Standard of Professional Practice on Treasury Management.
- 21.4 The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 21.5 All investments and borrowings of funds of the Council or other funds entrusted to it shall conform to any Code of Practice adopted by the Council in addition to these Financial Procedure Rules.
- 21.6 All money in the hands of the Council shall be aggregated for the purposes of treasury management and shall be under the control of the Head of



Finance. The Head of Finance shall at his or her discretion arrange to lend or invest, whether temporarily or otherwise, any surpluses which may arise from time to time on the General Fund, the Collection Fund, the Housing Revenue Account, or any other account or fund operated by the Council.

- 21.7 All investments shall be made in the name of the Council, and the Head of Finance shall arrange safe custody of all securities relating to the investments of the Council.
- 21.8 All borrowings shall be affected in the name of the Council.
- 21.9 The Head of Finance shall make arrangements to pay or receive interest on loans and investments and to make or receive all principal repayments on the due date.
- 21.10 The Head of Finance shall ensure that adequate arrangements are made for the proper administration, in accordance with the relevant statutory provisions and the policy of the Council, of such reserve, charity, trust and similar funds as may be established or come under the control of the Council.
- 21.11 All executive decisions on borrowing, investment or financing are delegated to the Head of Finance or through the Head of Finance to his or her staff, who shall all be required to act in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services.

## **22. TRAVELLING, SUBSISTENCE AND MEMBERS ALLOWANCES**

- 22.1 All claims for car allowances, travelling and subsistence expenses, members' allowances or other incidental expenses shall be submitted in accordance with the requirements of the Head of Finance and any appropriate Council policy or Code of Practice – in particular the Personal Motor Vehicle User Code of Practice and the Travelling and Subsistence Policy.
- 22.2 Each Chief Officer shall designate those officers within his or her Department who are authorised by manuscript signature to certify claims by employees. He or she shall supply the Head of Finance with a certified "Authorisation of Expenditure" form for each designated officer. Chief Officers should supply the Head of Finance with new and revised forms as and when changes occur.
- 22.3 The certification by or on behalf of the Chief Officer shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses were properly and necessarily incurred and that the allowances are properly payable by the Council.
- 22.4 The payment of all such allowances and expenses shall be made by the Head of Finance or under arrangements agreed by the Head of Finance.

22.5 The Head of Finance shall arrange to check Members' Allowances claims to ensure that they are in accordance with the approved Scheme.