

PART 4

(G) FINANCIAL REGULATIONS

Foreword from the Cabinet Member for Finance



As Cabinet Member for Finance I am responsible for ensuring that Rochdale Council makes the most effective use of its resources in order to deliver value for money services that local people need. I therefore welcome the opportunity to comment on the Authority's new financial regulations.

The regulations set out the internal framework and procedures for financial administration and control within the Council. They are applicable at all times and must be adhered to by all employees of the Council and external agencies whilst acting on behalf of the Council unless specifically exempted due to contractual terms or arrangements between the agencies and the Council.

Each year the Council manages a net revenue budget of over £216M and faces significant pressures to keep spending within the budget. As well as revenue spending on a day to day basis the Council invests significantly in managing and approving our assets. It is therefore imperative that we have a strong and usable set of financial regulations that are accessible to all members of staff who deal with the financial matters of RMBC.

The design of these regulations is a significant departure from previous versions and it is anticipated that they will be much easier to use and understand, in addition to this as they are available via the intranet they are more interactive for the user. The links to the supporting documentation and additional information which supports both the regulations and the user is also a further innovation included in these new regulations.

Councillor Gregory Couzens

Foreword from the Director of Finance.



Welcome to the revised and redesigned set of Financial Regulations of Rochdale MBC. This section covers an overview on how the new layout is designed and the main purpose of financial regulations.

The layout has been designed with ease of use as the main objective. The style is a significant departure from previous versions. The new financial regulations are far less descriptive than previous versions and are laid out in a standard format using plain English principles, ensuring that the rules are clear, easy to understand and less prone to misinterpretation.

The new financial regulations are split into themed sections and each regulation within the themes follows a common format made up of 3 key questions plus the main principles of the 'rule' - as follows using the Budget Plan as an example:-

What is the Budget Plan?

Why is the Budget Plan important?

The Rules are.....

Where can I get further information?

The **rules** section contains all the fundamental instructions that must be followed in each area. These provide the framework for managing the Authority's financial affairs and they apply to every elected member and officer of the Authority and anyone acting on its behalf.

The **further information** section is important because it signposts the reader towards further information, advice or support in each area. It contains links to underpinning documents such as strategies and procedures or simply directs the reader to the relevant Service or section for advice and support in relation to the area.

The content of the new financial regulations has been created following consultation with officers and where appropriate the technical elements have been drawn from those who are expert in each area or discipline. These regulations are intended to replace both the current financial regulations and the finance procedure rules within the RMBC Constitution.

The first section of the new financial regulations describes the responsibilities of the Authority in terms of financial management and the pieces of legislation that have brought those requirements about, it is by necessity more complex than the following individual regulations.

The new financial regulations will be updated and reviewed regularly to ensure that they continue to meet the needs of officers and Elected Members.

Ruth Hunter

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Overview

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Statutory Responsibilities

The Director of Finance has statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be over-ridden. The statutory duties arise from:

- ❖ Section 151 of the Local Government Act 1972;
- ❖ The Local Government Finance Act 1988
- ❖ The Local Government and Housing Act 1989
- ❖ The Accounts and Audit Regulations 2003 and later amendments.

More specifically under Local Government Act 1972 Section 151 the Executive Director of Resources is responsible for:-

- ❖ the proper administration of the Council's financial affairs
- ❖ setting and monitoring compliance with financial management standards
- ❖ advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- ❖ providing financial information
- ❖ preparing the revenue budget and capital programme
- ❖ treasury management

Section 114 of the Local Government Finance Act 1988 requires the Director of Resources to report to the full Council and external auditor if the Council or one of its officers:-

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

The Executive Director of Resources is required to control and be responsible for the accounts and finances of the Council, in every respect and ensure, as far as possible, that a consistent financial system operates throughout the Services of the Council. In the absence of the Executive Director of resources the Director of Finance is the named officer who will carry out the duties required under these acts.

As the Council's financial and economic adviser, the Director of Resources will report to the Cabinet with respect to the level of resources intended to be used each year, and will keep the Cabinet informed of the Council's finances and financial performance through out the year.

Director of Finance Services

The Director of Finance is responsible for ensuring that the annual statement of accounts is prepared in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice" (CIPFA/LASAAC). The full Council is responsible for approving the annual statement of accounts.

The Director of Finance will review regularly the Financial Regulations. Any changes will be reported to the Cabinet and the Audit Committee.

Service Directors

Each Service Director has overall responsibility for following the Council's financial regulations in connection with all services under its control and ensuring that the regulations are followed within their Service. They are also responsible for all accountability and control

of staff and the security, custody and control of all other resources, including plant, buildings, vehicles, materials, cash and stores relating to his/her Service.

Section 1: Financial Planning

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Introduction

This section of the Financial Regulations sets out the Council's rules for financial planning. Financial planning is the way in which we ensure that the Council's resources are properly managed and directed towards the achievement of the Council's objectives. We will do this through:

- ❖ The production of a Medium Term Financial Strategy — A three year high level plan, which shows how resources will be allocated in support of the Council's corporate plan;
- ❖ The production of three year service plans — Day-to-day delivery plans which set out service level aims and objectives, and plans with medium term income and expenditure;
- ❖ The production of a three year budget plan — Detailed income and expenditure financial plans based on day-to-day service delivery;
- ❖ Guidance on how to prepare a budget, what needs to be included, and the timetable — This ensures we meet statutory, corporate and professional requirements, and follow relevant accounting codes of practice.

This section will provide an overview of each of these key financial documents or processes, and will detail:

- ❖ What they are;
- ❖ Why they are important;
- ❖ What the rules are; and
- ❖ Where to find further information.

1A: The Medium Term Financial Strategy

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What is the Medium Term Financial Strategy?

The medium term financial strategy is the Council's plan which outlines and details what we are going to do, how much it will cost, and how we will manage to match our resources to our spending plans. It shows how we intend to use our available resources to support both money being spent and the delivery of good value services which meet local needs.

In setting out how we will manage our resources, the strategy provides a large amount of information on the Council's internal financial framework (rules). This includes our strategies and systems for internal control, risk management, treasury management and value for money. It also provides high-level information on all the services the Council delivers, and the financial, risk and improvement activities which will be important to those services for the life of the strategy.

Why is the Medium Term Financial Strategy Important?

The strategy helps us to meet our regulatory responsibilities in respect of financial planning. All local authorities are required to prepare a strategy that is approved by the Council, and which includes information on the spending plans of all services, how we will fund those plans, and the intended level of council tax.

At a high level, the strategy ensures we have arrangements in place which allow us to manage the Council's finances well, maximising the funding available to us and ensuring it is spent wisely. It also ensures we are fully aware of the medium term financial implications of everything we plan to do within our corporate and service operational strategies.

The Rules are:

We review the strategy every three years in line with the process for reviewing and updating the Council's Corporate Plan.

On a yearly basis, the strategy is updated to make sure it reflects:

- ❖ The most recent estimate of resources available to us;
- ❖ The budget requirements — which may change as a result of updating estimated resources;
- ❖ Operational Plans for each Council Service;
- ❖ Changes in the National Framework for Local Government Finance.

As part of the work that Finance Services carry out to produce the budget plan, Finance Services leads on the review and update of the strategy, and this work is included in the annual budget timetable. See section 1B for more information on the budget plan.

Where Can I Get Further Information?

The strategy document is available through the web link on this page.

[Medium Term Financial Strategy](#)

1B: The Budget Plan

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What is the Budget Plan?

The Council's budget plan is a three year detailed income and expenditure plan. It details all expected expenditure and income from the delivering of Council services and compares our requirements to the funding available. It also sets out activities which will ensure we achieve the aims and objectives we have agreed to within our corporate and service plans.

Why is the Budget Plan Important?

The budget plan helps us to meet our regulatory responsibilities for financial planning. All local authorities are required to prepare a budget annually. This is then approved by the Council and is supported by a statement on the strength and sufficiency of the financial predictions.

The plan also helps us ensure, at a more detailed level, that resources are allocated towards the delivery of the Council's priorities. The process of developing the budget helps us to assess and balance any gaps between what we estimate it will cost us to deliver plans, and the money available (from council tax, grants, fees and other income sources) to do this.

The plan:

- ❖ Provides a detailed overview of all expected expenditure and income;
- ❖ Sets the baseline for financial monitoring and control during the year.

Once agreed, it is the high level framework that authorises services to incur costs and generate income through the activities they carry out.

The Rules are:

The process for developing the plan begins in September annually with the production and approval of detailed 'Budget Guidance' and a 'Budget Timetable' (See Section 1D). The process completes in February with the approval of the budget at full Council for the following year which begins on 1st April. The process involves the development of detailed estimates of costs and income for all services, each of which are based on corporate decisions regarding:

- ❖ How much budgets can increase to cover cost pressures, such as pay awards, inflation or demand;
- ❖ How much we expect services to save in efficiencies;
- ❖ The amount of any extra funding that will be available to direct towards new activities and priorities.

Where Can I Get Further Information?

The budget book is available on the website and via the intranet.

[Budget Book](#)

1C: Service Plans

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What is a Service Plan?

Service plans are predictions of the day-to-day service delivery. They look at what the service expects they will do in order to achieve its aims and objectives (both for the service and corporately).

The plan sets out the challenges, risks and opportunities which a service expects to face financially and operationally, and how they will be managed. Service plans also set out key improvement activities and targets against which performance will be managed.

Why are Service Plans Important?

Service plans are important because they:

- ❖ Ensure that all services are working towards the achievement of the Council's aims and objectives;
- ❖ Help to ensure that corporate goals are turned into the day-to-day activity of service delivery. This activity is well planned and appropriately resourced in order to maximise the opportunities for success;
- ❖ Ensure that the cost of delivery activities is assessed, which enables service planning and financial planning to be integrated and aligned;
- ❖ Set the baseline and framework for performance management.

The Rules are:

The Performance and Development Service manage the overall service planning process, and provide guidance and a timetable. The planning process details a framework for individual services to follow. By following the outlined guidance, services are able to deliver and agree a service plan each year with the Portfolio Holder relating to their Service.

As part of that process, Finance Services provide support in developing the medium term revenue and capital plans. It also considers the effect of any financial issues which may affect individual services.

1D: Budget Guidance and the Budget Timetable

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What is Budget Guidance and the Budget Timetable?

Budget Guidance sets out what we need to do in order to prepare the Council's annual budget plan. The budget timetable outlines the timeframe against activities which will take place, including the key deadlines we ask all involved in budget preparation to follow.

Why is the Guidance and Timetable Important?

The guidance ensures the accuracy and consistency of budgets and is produced in line with the Council's financial procedures. This makes sure that the Council's budget plan is sturdy and that the financial risk of expenditure exceeding available resources is minimised.

The guidance also ensures that the level of detail and what is included meets legal requirements and follows best practice. All officers involved in contributing to the budget process are required to follow this guidance.

The Rules are:

Finance Services has the main role in developing the budget guidance and timetable. The process involves producing guidance, with a focus on:

- ❖ Levels of pay and price inflation to be applied;
- ❖ Predictions of national funding;
- ❖ The effect different levels of council tax will have on resources available;
- ❖ Detailed information on the way budgets should be increased (or reduced) to reflect this;
- ❖ Ensuring Council Tax is set by statutory dates.

When developing the budget guidance, Finance Services ensures that it meets any changes for the relevant regulations and accounting codes of practice. A detailed timetable is developed setting out the requirements for producing the budget estimates and gaining Council approval. The timetable and guidance is approved by Council at the start of the process.

Where Can I Get Further Information?

The budget guidance and budget timetable can be obtained by contacting your Service Accountant in Finance Services.

Section 2: Budget Management

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Introduction

This section details the Council's approach to managing the use of its resources in line with the corporate priorities. Sound management is a key priority of the Council, with budgetary control as a large part of that process. Service Directors and Service Managers are responsible for the control and management of their budgets.

The Council follows a number of processes in order to make sure that all revenue and capital budgets of the Council are managed properly, namely:

- ❖ Management Reporting;

Every Committee, Cabinet and Full-Council report includes the financial consequences of proposals for current and future years.

The Director of Finance and the Service Directors submit detailed monitoring reports to the Cabinet and Performance Scrutiny Committee periodically during each financial year, in respect of both revenue and capital budgets.

- ❖ Distinct policies for the accounting and reporting of budget virements and balances;

- ❖ Production of accounting statements and returns.

This section on Budget Management provides a look at the main points of the budget management process within the Council, setting out what they are, why they are important, how documents and processes are developed and where to find more information. This section covers:

2A	Budgetary Control and Monitoring
2B	Scheme of Virement
2C	Treatment of Year-End Balances
2D	Accounting Policies
2E	Accounting Records and Returns
2F	The Annual Statement of Accounts

2A: Budgetary Control and Monitoring

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What is Budgetary Control and Monitoring?

Budgetary control and monitoring is the process used by budget managers, supported by Finance Services staff, to review revenue and capital expenditure against their budgets, and project estimated spending to the end of the financial year. Accountability is achieved through formal reporting of the budget position, carried out at agreed times.

Why is Budgetary Control and Monitoring Important?

Budgetary Control is the process of monitoring financial activity against the financial plan and, where necessary, taking the appropriate action in a time-effective manner to address any movement from the plan. It is key, therefore, that effective processes for monitoring of budgets are in place and adhered to.

It is essential that quality information is available to Budget Managers to ensure that sound financial decisions can be made. It is also essential that up-to-date and accurate information is produced which clearly show the areas where spending is different from planned expenditure, so that it can be corrected or provisions made for the consequences.

The Rules are:

It is the responsibility of Service Directors to ensure that spending remains within the budget set for the Service, and that individual budget heads are not overspent. This can be made easier by maintaining effective and robust budgetary control and monitoring processes within all Services.

There are many features to the budgetary control and monitoring process. Some of these include:

- ❖ The profiling of budgeted spend over the financial year to show the planned expenditure against the actual;
- ❖ Identifying committed expenditure before actually spending, and making sure this is considered within decision making on future spending;
- ❖ Variance analysis, i.e. the reasons why actual expenditure varies from planned expenditure;
- ❖ Virements — The process of moving budgeted resources from one budget head to another;
- ❖ Journal — The process of moving actual expenditure from one budget head to another, or recording actual expenditure to a certain budget head;
- ❖ The measurement and management of service outputs in comparison to budgeted resources;
- ❖ The monitoring of expenditure against income streams.

Therefore there are 5 key areas:

- ❖ Inputs;
Actual expenditure incurred and income received by the Council in delivering its services.
- ❖ Process;
The recording of Inputs in the Council's financial system.
- ❖ Outputs;
Information either by online access to the General Ledger or detailed reports produced from the financial information system of the Council (Authority Financials).
- ❖ Standard;
Expenditure and income movements planned within the budgets.
- ❖ Comparator;

The process of comparing the actual amount spent against what was expected and planned, understanding the reasons why this may vary and identifying actions which ensure no material under- or overspend is experienced.

Service Directors must also report their budget position and projected expenditure levels to the Performance Scrutiny Committee, Township Committees (where appropriate) and Cabinet in line with the financial reporting timetable, which operates on an exception basis.

Service Directors must report and obtain prior approval from the Council or the Cabinet (as appropriate) before incurring expenditure on schemes of any amount that:

- ❖ Create financial commitments above the budget level;
- ❖ Change existing policies, initiate new policies or cease existing policies;
- ❖ Materially extend or reduce the Council's Services and related expenditure.

They must also ensure that approval is obtained to incur additional revenue expenditure in order to attract additional grants/income, even if this does not impact on the net expenditure position of the Service:

- ❖ The appropriate Service Director must also inform the Assistant Head of Finance (Support Services) in writing and report annually to the Cabinet on issues approved under delegated powers;
- ❖ Service Directors can approve additional expenditure of up to £250,000 providing the financial implications can be met within the service budget;
- ❖ Additional spending between £250,000 and £500,000 must be approved by the relevant Cabinet Member in accordance with the Scheme of Delegation to individual Cabinet Members. Where the additional expenditure relates to a devolved service and one Township only it must be approved by the Township Committee. Where it relates to a devolved service and to more than one Township approval of the allocation to each Township must be approved by the Cabinet Members for the Townships and Corporate Management
- ❖ For additional expenditure in excess of £500,000, approval will be by the Cabinet.

Revenue Emergency Fund Budgets – Where no provision has been made in a budget, you must not use that funding unless it is a matter of urgency or an incident that the Council has a legal obligation to progress. In these circumstances the Chief Executive and the Director of Finance will consult with the Portfolio Holder for Finance to decide whether the expenditure can be met from the Revenue Emergency Fund.

Emergency and disaster expenditure without budget provision - Nothing in these Financial Regulations will prevent a Service Director, after consultation with the Chief Executive and the Leader and Deputy Leader of the Cabinet, from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency or which is referable to Section 138 of the Local Government Act 1972, subject to the action being reported to the Cabinet.

Where Can I Get Further Information?

Detailed financial procedures can be accessed via a link from this page. These procedures will attempt to clearly define:

- ❖ The timetable for the reporting of budget monitoring to the Performance Scrutiny Committee and Cabinet;
- ❖ The key stages of the process of budgetary control and monitoring, including representation at meetings between Service Managers and Service Directors and their relevant and appropriate Finance Support Staff.

- ❖ Section 138 of the Local Government Act 1972,

For information on the Budgetary Control Process please contact your Service Accountant in the Support Services section of Finance Services.

[Financial Procedures](#)

2B: Scheme of Virement

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What is the Scheme of Virement?

One of the regulations governing sound financial management is that a Service must not incur or commit expenditure beyond the level of the approved budget.

Through the scheme of virement a transfer maybe made between an under spending budget to an area experiencing pressures.

Virement is the agreed transfer of revenue budget provided from one specific area of the budget to another, within a specific financial year. Each year, The Council approves its Revenue and Capital Budgets in advance of the beginning of the financial year. Budgets can therefore be set as much as 15 months before the money is expected to be spent. During this time, circumstances may change and, therefore, there needs to be some flexibility in the use of budgets.

Why is the Scheme of Virement Important?

The Scheme of Virement can be used to allow managers to amend budgets in the light of experience, or to make changes in anticipation of future income or expenditure patterns. It is a budgetary control tool which provides managers with the flexibility to manage budget variances within the financial year.

It is very important that Cabinet Members have reasonable control over any changes to budgets in order that the achievement of overall Council priorities and objectives are not adversely affected. However, the key term here is 'reasonable' control; in order to ensure that Members are not overly burdened by relatively minor movements between budgets, the scheme of Virement allows such movements to be made but within clear rules.

The Rules are:

See [Final Virement Scheme.doc](#)

Where Can I Get Further Information?

Further detailed advice can be obtained from your Service Accountant in Finance Support Services.

2C: Treatment of Year-End Balances

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What are Year-End Balances?

Despite the requirement for Services to limit expenditure to the level of their budget, it is recognised that, for a variety of reasons, there will be a number of small overspends and underspends on service accounts at year-end, which are caused by minor differences between actual expenditure and that which was originally budgeted for.

The Council has a clear scheme of virement in place explaining what action/treatment should take place when balances arise at the end of each year. This documentation is included within the Council's overall Scheme of Virement.

Ultimately, it is the decision of the Cabinet to approve procedures for the carry forward of any under or overspends, taking account of the recommendations of the Executive Director Resources.

Why the Treatment of Year-End Balances is important:

It is accepted that, in order to ensure services are delivered to the best standards possible and achieving value for money, it may, at times, be appropriate to allow a degree of flexibility over when budgets are spent.

In certain situations, such as the timing of specific projects, it may be necessary for expenditure to be incurred over two or more financial years.

As such, it is important that a degree of control is kept over the treatment of year-end balances. Therefore, specific rules have been developed which extend to not only the carry forward of any under or overspends on budgets but also to the treatment of all year-end transactions.

The rules are:

Revenue Underspends;

Underspends are only automatically carried forward to the next financial year in a limited range of circumstances. Applications from Service Directors to carry forward underspends outside of these circumstances will only be considered where the relevant service is underspending as a whole.

Revenue Overspends;

Services which have overspent their budget will, unless Cabinet have specifically agreed otherwise, be required to recover this deficit in the following financial year.

Nothing in the rules concerning the treatment of year-end balances negates the need to comply with the scheme of Virement throughout the financial year.

In terms of Capital expenditure, appropriate procedures must be followed in order to ensure that variations against approved budgets are identified and reported as part of routine budget monitoring arrangements. An assessment of under- and overspends relating to individual schemes will be made at year-end to determine the appropriate treatment. This may include the carrying forward of underspends to the next financial year, the reallocation of unused resources to other capital schemes, or the recovery of overspends from other elements of a service's capital projects.

Where Can I Get Further Information?

Further detailed guidance can be obtained from your Service Accountant in Finance Services.

2D: Capital Programme

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What is the Capital Programme?

Capital expenditure involves acquiring or improving assets with a long term value to the Council such as the land, buildings and major items of plant, vehicles and equipment used to provide services.

Why is the Capital Programme important?

The capital assets that the Council has available are important in shaping how services are provided and the quality of those services.

The acquisition of capital assets can create significant financial commitments into future years. These can be in the form of the running costs of the assets acquired and, where assets have been funded by borrowing, then also the costs of repaying the loan and making interest payments.

Capital expenditure can be paid for by borrowing, money from the sale of surplus assets (capital receipts), grants from Government/other organisations and contributions from the Council's own resources. All of these resources are scarce and it is therefore important that they are used in a way that maximises the benefits obtained.

The Government sets a limit each year on the amount of new loans for which it will support the costs of repayment and interest. All of the costs of any "prudential borrowing" above the Government's supported borrowing level must be met from the Council's own resources.

The Rules are:

The Cabinet is required to approve annually the programme of capital projects for the forthcoming year. The programme presented to Cabinet also includes provisional programmes for future years in line with the Council's medium term financial planning arrangements. The programme must set out the expenditure to be incurred together with details of how this expenditure will be paid for.

Asset Management Plans must be prepared and maintained for all areas of Council services. This ensures that assets are being used in a strategic way and that capital expenditure programmes are informed by accurate, comprehensive data on these assets.

There must be a specific officer identified for each capital project who will have responsibility for

- ❖ ensuring that the project is implemented within the approved resource allocation
- ❖ preparing and submitting budget monitoring information for the project in accordance with the Council's agreed capital budget monitoring processes and procedures

The Director of Finance is responsible for:

1. Preparing the programme of capital projects reported to Cabinet annually for approval. The Cabinet will then make recommendations to Council who will determine the final programme.
2. Preparing summary budget monitoring information for reporting to Cabinet at regular intervals during the year in line with agreed financial management processes and procedures
3. Ensuring that all issues relating to capital expenditure and funding are dealt with in accordance with the Prudential Code issued by CIPFA
4. Issuing guidance concerning capital schemes and controls
5. Providing guidance on whether or not the legislative and accounting rules currently in force allow any particular proposed item of expenditure to be properly classified as capital

6. Completing statutory returns to Government in respect of the Council's capital budgets and actual transactions
7. Preparing the capital related statements and disclosures required in the Council's annual Statement of Accounts
8. Preparing a report to Cabinet annually setting out the capital related decisions taken under delegated powers during the year

Service Directors are individually responsible for:

1. Complying with guidance provided by the Director of Finance relating to capital matters
2. Providing information and reports as required by the Director of Finance to comply with the Council's agreed financial management processes and procedures
3. Ensuring that adequate records are maintained of all capital contracts
4. Preparing and submitting bids to Government departments for additional capital resources
5. Ensuring that reports to Cabinet seeking approval of a capital project identify the capital cost of the project and all associated revenue costs including running costs and borrowing costs where appropriate.
6. Ensuring that the appropriate approval is obtained to incur additional capital expenditure which is to be financed wholly by additional grants or other income.

The approval requirements are:-

- ❖ Expenditure not exceeding £250,000. Service Directors can approve project provided any consequential additional revenue costs are contained within existing revenue budget resources. The Service Directors must inform the Director of Finance of the additional scheme.
 - ❖ Expenditure between £250,00 and £500,000. Approval required from relevant Cabinet member in accordance with the scheme of delegation to individual Cabinet members.
 - ❖ Expenditure exceeding £500,000. Approval required by Cabinet.
7. Ensuring that no capital expenditure is incurred on any capital project until it is included in an approved budget

Where Can I Get Further Information?

Further information can be obtained from the capital team within Finance Services - Central Services, Floor 7, Telegraph House, Baillie Street, Rochdale:

Finance Manager 01706 925408

Senior Accountant 01706 924730

2E: Accounting Policies

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What are Accounting Policies?

It is important that the Council adopts and follows appropriate accounting legislative requirements, codes of practice, and policies. All guidance and approaches to accounting methods and financial records of the Council are decided by the Director of Finance and appropriate staff in consultation with other Service Directors.

Accounting policies detail what and how financial information is included and shown in the Council's Annual Statement of Accounts (see section 2F for more information on Statement of Accounts).

One of the key accounting policy guidelines adopted by the Council is the Statement of Recommended Practice on Local Authority Accounting (SORP), and the Best Value Accounting Code of Practice (BVACOP). These guidelines are issued by the Chartered Institute of Public Finance and Accounting (CIPFA).

All Local Authorities follow the SORP and BVACOP, which represents 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

Why are Accounting Policies Important?

Accounting Policies are the principles, rules and procedures followed by management in the preparation and presentation of financial statements. They are essential for a number of reasons, and provide the following:

- ❖ A clear, open view of the financial affairs of the Council;
- ❖ Disclosure at a level which is considered to be relevant, informative and appropriate;
- ❖ The maintenance of a consistent standard in the process of preparation and presentation of financial statements; and
- ❖ The ability to compare between Local Authorities.

Therefore, accounting policies promote a number of key controls within the processes at the Council, including:

- ❖ Making sure that systems of control are in place which certify that financial transactions are lawful;
- ❖ Making sure suitable accounting policies are selected and applied consistently;
- ❖ Making sure proper accounting records are kept in good order and to the required standard;
- ❖ Making sure financial statements are prepared in a way that fairly presents the financial position of the Authority, and its expenditure and income for the relevant period.

The rules are:

There are a number of key areas within the financial records and statements on which Rochdale Council follow specific defined Accounting Policy. These include:

- ❖ Capital;
How transactions relating to expenditure on the buying and improving of assets are dealt with separately from day-to-day expenditure on running services.
- ❖ Accruals;
How the timing of payment and collection of all transactions (revenue and capital) are accounted for.
- ❖ Debtors and Creditors;
How the amounts owed to and by the Council have been calculated.
- ❖ Treatment of, and Provision of, Bad Debts;

Amounts of money put aside for debts which the council may be unable to collect (Sundry Debts, Council Tax, Non-Domestic Rates, Housing Rents and Benefits Overpayment).

- ❖ Fixed Property Valuations and Depreciation;
How the fixed assets (buildings, land etc.) of the Council are valued and recorded within the statement of accounts.
- ❖ Redemption of Debt and Useable Capital Receipts;
How provision is made for the repayment of loans raised to pay for Capital spends.
- ❖ How the proceeds from the sale of Council assets are spent;
- ❖ Stock and Work in Progress;
How stock and work-in-progress is valued.
- ❖ Pensions;
How the current and future liabilities of the Council is accounted for with regards to both serving and retired employees.
- ❖ Reserves and Provisions;
Amounts of money set aside to meet liabilities which may arise in the future.
- ❖ Housing Revenue Account;
How transactions relating to the Council's housing stock are dealt with separately from all other Council activities.

Where Can I Get Further Information?

The above areas are only examples of the types of areas within which a number of Accounting Policies are in place/followed by The Council.

The most recent Annual Report and Accounts of the Authority can be accessed by visiting the following link; this includes a detailed statement of accounting policies.

[Annual Accounts](#)

2F: Accounting Records and Returns

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What are Accounting Records and Returns?

All of the Council's transactions, commitments, contracts and other essential accounting information must be recorded fully, accurately and on a timely basis. Accounting Records must also provide an audit trail leading from the source of income or expenditure through to the accounting statements.

The Council's accounting records (in the financial information system, Authority Financials) is the main place that financial information is held. The Revenue and Capital accounts, Balance Sheet, and other financial records, are held within the General Ledger (Authority Financials), and its sub-systems including Debtors and Creditors. Together they form the Council's financial records from which the financial statements are produced.

At agreed points during the financial year, the Council has to complete financial returns relating to the Council as a whole and also for certain individual Services. These can be for a number of reasons and to a number of organisations, some of which are required by legislation.

Why are Accounting Records and Returns Important?

Keeping proper accounting records is one of the ways in which the Council fulfils its responsibility of good management of public money and resources. The Council has legal responsibility in preparing its annual accounts and ensuring they illustrate a true picture of its financial activity during the year.

An External Audit will then examine this independently. The audit provides confidence that the accounts have been prepared using proper accounting practices, and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources (Value for Money).

The rules are:

All Service Directors and appropriate staff within the Council are required to know and follow the accounting standards and timetables at all times.

The Director of Finance ensures that a reliable financial information system is available, and that procedures are in place to make sure that accounting records can be restored in the event of system failure.

It is also essential that reconciliations are carried out and recorded regularly in order to gain confidence that transactions are recorded correctly.

In line with legislation and other requirements, all the prime documents must be kept in a location and format which is easy to access and understand. The documents must be kept for the required minimum amount of time.

The Director of Finance and staff keep a database up-to-date with all the statutory and voluntary returns which the Council makes, together with a required timescale and responsibilities schedule.

It is the responsibility of the Director of Finance to prepare and publish the audited accounts of the Authority for each financial year in accordance with the statutory timetable. Audited accounts need to be produced with the requirement for the Council to approve the statement of accounts annually before 30 June. The Director of Finance must then make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 2003 and subsequent amendments.

Service Directors must consult and obtain the approval of the Director of Finance before making any changes to accounting records and procedures, and comply with the principles outlined by the Director of Finance, ensuring that adequate records are maintained in order to provide a management trail leading from the source of income/expenditure through to the accounting statements.

Where Can I Get Further Information?

Further detailed guidance can be obtained from your Service Accountant in Finance Services.

2G: The Annual Statement of Accounts

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What is the Annual Statement of Accounts?

Otherwise known as The Annual Report, the Annual Statement of Accounts is a financial summary of the state of financial affairs of the Council over the course of a year. It includes:

- ❖ Regulation and Introduction;
- ❖ Statement of Accounting Policies;
- ❖ The Financial Statements, including;
 - Income and Expenditure Account
 - Balance Sheet
 - Cash Flow Statement
 - Housing Revenue Accounts
 - Collection Fund Accounts, and
 - Group Accounts.
- ❖ Glossary.

The Council is required to closely follow the Accounts and Audit Regulations 2003 (as amended by subsequent Acts) which set out the statutory dates for approval, and publication of the Annual Statement of Accounts. The draft Statement of Accounts must be submitted to the Audit Committee for approval. The Statement of Accounts is also made available for inspection by interested parties, and is subject to external audit to ensure it fairly presents the financial position of the Council.

The Council is required to make arrangements for the proper administration of its financial affairs, and to make sure that one officer is responsible for their administration, which is, in our case, the Director of Finance.

Why is the Annual Statement of Accounts Important?

By legislation, the Council is required to produce an Annual Statement of Accounts each financial year (from 1 April to 31 March). The Statement of Accounts shows not only a snapshot of the financial situation as of 31 March each year, but also takes a look at how well the Council performed financially during the financial year.

After audit, they provide confidence to key stakeholders that the financial affairs of the Council have been conducted properly and appropriately, and that the statements give what is considered to be a 'true and fair' view of the financial position.

The Rules are:

All Service Directors within the Council are required to follow accounting guidance provided by the Director of Finance, and to supply information in the required format and by the date requested. Some examples of this information are:

- ❖ The amount of money owed to the Council for goods and services provided at 31 March (Debtors);
- ❖ The amount of money the Council owes for goods and services received on or before 31 March (Creditors);
- ❖ Any monies received in advance for goods and services;
- ❖ Stock purchased during the year but unused by 31 March.

One of the key responsibilities of the Director of Finance is to make judgements and estimates which are reasonable and prudent. This also includes areas such as determining the materiality of transactions and de-minimus (threshold) levels below which certain items do not need to be included.

There is a clear link between the Statement of Accounts being produced and the Accounting Policies which support them. It is the role of the Director of Finance to ensure that suitable policies are selected, and that they are applied in the same way.

When preparing the Statement of Accounts it is crucial to ensure they comply with the Best Value Accounting Code of Practice and the Statement of Recommended Practice.

Where Can I Get Further Information?

Rochdale's Closure of Accounts Guidance is issued annually by Finance Services. Please contact your Service Accountant for further information.

Section 3: Governance

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Introduction

This section details the Council's approach to governance issues in line with the corporate priorities. Sound management and decision making are key priorities for the Council, and effective governance is a large part of that process. Service Directors and Service Managers are responsible for giving assurance that systems and processes are sound, and that all Services are working towards the achievement of the Council's aims and objectives.

The Council has a number of processes and functions which, together, strengthen the frameworks underpinning the provider services in order to ensure that all resources, systems and processes are managed properly, namely:

- ❖ Internal Control;
- ❖ Risk Management;
- ❖ Insurance;
- ❖ Treasury Management;
- ❖ Value for Money;
- ❖ Internal Audit;
- ❖ External Audit
- ❖ Preventing Fraud and Corruption;
- ❖ Gifts, Hospitality and Register of Interests.

3A: Internal Control

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What is Internal Control?

Internal control includes the policies, processes, tasks, behaviours and other areas of the Council that, taken together:

- ❖ Enable it to react to significant risks in achieving its objectives. This includes protecting anything which is considered valuable to the organisation from misuse or loss and fraud.
- ❖ Help ensure the quality of internal and external reporting. This requires the maintenance of proper records, and processes which create a flow of timely, relevant and reliable information from both within and outside the organisation;
- ❖ Help ensure relevant laws and regulations are followed, as well as internal policies with respect to the conducting of business.

Why is Internal Control so Important?

Internal control has a key role in the management of risks which are deemed as a significant threat to the Council achieving its objectives. The Council faces a wide range of financial, environmental and commercial risks — both from internal and external factors — which threaten the achievement of its objectives. Internal controls are therefore necessary to manage these risks.

The Council also has numerous legal obligations and, therefore, requires internal controls to identify, meet and ensure these obligations are being followed.

The system of internal controls is established in order to provide measurable achievement of:

- ❖ Efficient and effective day-to-day operations;
- ❖ Reliable financial information and reporting;
- ❖ Compliance with laws and regulations;
- ❖ Appropriate and open decision making processes;
- ❖ Risk management.

The Rules are:

Day-to-day service delivery must be carried out in accordance with the relevant Council processes and guidelines, e.g. the Council's procurement guidelines must be followed when ordering goods and services.

Where internal or external audit make recommendations, they should be followed within the agreed timetable.

Key system controls should be reviewed on a regular basis, with the Council making a formal annual statement detailing that it is satisfied that the systems of internal control are operating effectively. This is usually carried out by the Head of Audit and Risk Management in the Annual Audit Report.

The Council must have an effective internal audit function that is properly resourced. It should operate in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, and with any other statutory obligations and regulations.

It is the Service Directors responsibility to manage processes in order to check that established controls are being adhered to, and to also evaluate their effectiveness in order to be confident in the proper use of resources, achievement of objectives and management of risks.

Service Directors must also ensure that staff under their responsibility have a clear understanding of the consequences of failing to follow the correct processes both for the Council and their position.

Where Can I Get Further Information?

Finance Services (Internal Audit) can provide advice on Internal Control. They can be contacted on 925452.

[Annual Governance Statements](#) describes the framework of Internal Control at RMBC.

3B: Risk Management

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What is Risk Management?

All organisations, whether private or public sector, face risks to people, property and the day-to-day running of the business. Risk is the chance of something going wrong, and the possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted action or event, which we have no control over.

Risk Management is a planned and methodical way of identifying areas of risk, evaluating them and taking a look at how the risks can be controlled. Risk Management looks at the measures which an organisation already has in place to deal with identified risks, the adequacy of these measures and the actions required to control these risks effectively.

Why is Risk Management Important?

The aims of Risk Management are to protect the Council's assets and to ensure it continues to work well, both financially and in service delivery. Therefore, Risk Management is an integral part of good business practice.

Risk Management is a strand of the Council's corporate governance arrangements and, at Member level, the Audit Committee has responsibility for the overview of the Council's Risk Management arrangements. The Portfolio holder (Cabinet Member) for Finance is the Member Champion, and the Section 151 Officer is the Officer Risk Management Champion. Jointly, they take responsibility for implementing Risk Management throughout the Council.

Members with responsibility for corporate risk management receive reports on a regular basis, and take appropriate action to ensure that corporate business risks are being identified and effectively managed, including reporting to Full Council as appropriate.

The Council is required to demonstrate that it has embedded risk management into its business processes, including:

- ❖ Strategic Planning;
- ❖ Financial Planning;
- ❖ Policy Making and Review;
- ❖ Performance Management;
- ❖ Project Management.

The Rules are:

The Council has adopted a risk management strategy which has been approved by Members and is regularly updated.

The Risk Management Strategy requires the Service Director to:

- ❖ Identify corporate and operational risks;
- ❖ Assess the risks for likelihood and impact;
- ❖ Identify mitigating controls;
- ❖ Allocate responsibility for the mitigating controls.

The Council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigns named individuals to lead on the actions identified to mitigate each risk. A Risk Register IT system is provided to assist Service Directors to manage their risks.

Service Directors are required to produce an annual service plan. Risk Management is a key area of consideration by Service Directors when preparing their Service Plans. At this stage, the risks detailed on the risk register will be reviewed and updated, with new risks identified and analyzed, and outstanding additional control measures fed into the Services objectives within the Service Plan for the coming year. Service Planning guidance is produced annually which includes notes relating to the treatment and use of Risk Management in Service Plans.

The Director of Finance reports the effectiveness of the risk management processes and any changes to it in the Annual Governance Statement to the Audit Committee.

Service Directors are required to complete an annual Risk Management Self Assessment and report the outcome to the Risk Management Team.

The Corporate Risk Management Group perform a training needs assessment, and reviews opportunities for training with the aim of ensuring that Service Directors and officers have the necessary risk management skills and are aware of the process to identify, evaluate and control, the risks associated with the services they provide.

Committee reports to support strategic policy decisions must include reference to the risks associated along with the decisions being taken, in both a positive and negative scenario (i.e. the risks of taking the decision as recommended and the risks of doing nothing). Documents for all major projects include a risk assessment which must be completed.

The risk management process specifically considers risks in relation to significant partnerships, and provides for assurances to be obtained concerning the management of those risks.

Where Can I Get Further Information?

The Council's Corporate Risk Management Strategy [Corporate Risk Management Strategy](#)

3C: Insurance

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What is Insurance?

Insurance for the Council is, in many ways, similar to the insurance that private individuals take out to protect items that they either:

- a) Cannot replace easily; or
- b) Are required to insure as a condition of purchase, i.e. a house purchased via a mortgage etc.

The decision to insure an item or not is based on:

- a) Its replacement cost; and
- b) The likelihood of it needing to be replaced.

The Council has to go through a similar process for the various risks it faces, e.g. the security of its physical assets or the work carried out by its officers. Where the Council believes it is not able to manage risks internally, it will take out insurance in the same way a private individual would, e.g. the Council insures its buildings, its staff (employee liability), and cover for members of the public when using Council facilities (public liability) etc.

Why is Insurance so Important?

Insurance is a major area within risk management, enabling risks from unfortunate events to have less of a negative effect due to taking out cover policies. However, insurance is not without cost, and risk prevention is always preferable to paying higher premiums, where this is possible.

The Rules are:

The Council has an Insurance Manual which provides details of the Council's insurance cover, procedures for claims, and the bidding process for risk management funding. The funding is to support schemes which will lead to a reduction in the Council's insurable risks. The guide also provides templates for claim forms and accident reports.

3D: Treasury Management

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What is Treasury Management?

The Council both receives and pays out large amounts of cash on a daily basis. Income is received from Central Government (in the form of grants), local businesses (from business rates), and taxpayers (Council tax). Money is spent on delivering Council services, such as the cost of staff, buildings or contractors who undertake work on our behalf.

Due to the large amounts of money involved, the Council needs to manage the amount of cash it holds effectively. If too much money is held, it risks losing money (as this cash could have been invested and earned a return for the Council). However, if it does not hold enough, it runs the risk of not having sufficient money in its account to meet its obligations. The Council therefore monitors its current and expected cash flows, and adjusts the amount held in its account accordingly in order to ensure there are sufficient funds available to the Council on a daily basis, taking into account interest rates, inflation and risk.

Why is Treasury Management so Important?

Due to the many millions of pounds which pass through the Council's books each year, it is paramount that the Council manages its resources effectively. The Council follows the CIPFA Treasury Management Code of Practice — a national standard for Treasury Management, which ensures that the money is properly managed in a way that balances risk with return, with the main consideration being the security of the Council's money.

The Rules are:

The rules concerning Treasury Management are complicated. As such, further information can be obtained from the links below but it is advisable for individuals to contact the Tax and Treasury Management Officer on extension 925655 before making decisions in this area.

3E: Value for Money

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What is Value for Money?

Value for money (VFM) has long been described as the relationship between economy, efficiency and effectiveness. It is sometimes known as the 'value chain' where:

- ❖ 'Economy' is the price paid for what goes into providing a service — for example, the cost per hour of care workers or the rent per square metre of accommodation etc.;
- ❖ 'Efficiency' is a measure of productivity — how much you get out compared to what is put in. For example, the number of people visited per home care worker per week or kilometres of road maintained per £1,000 spent etc.;
- ❖ 'Effectiveness' is a measure of the outcome achieved, and can be measurable or quality. For example, how many people were stopped by home care services from needing residential care (measurable) or happiness levels in different sections of the community with respect to tenant involvement arrangements (quality). Effectiveness should include aspects of equity.

'Value for money' — or the best value — is high when there is an equal balance between all three sections of the chain: relatively low costs, high productivity, and successful outcomes. The Improvement and Development Agency in its buying guidance has defined value for money as 'the best mixture of whole life costs and benefits to meet the customer's requirements'.

Why is Value for Money so Important?

If we, as a council, are to improve our overall performance by improving our services, achieving VFM must be a significant factor. In addition, LGA research indicates that councils which deliver high quality services that demonstrate value for money are likely to have the highest level of customer satisfaction.

Public money should be spent wisely and follow the Council's Procedure Rules. With limited funding for Council services and service user expectations increasing, it is essential that the Council looks at ways to provide and show best value for money and efficiency.

Authorities have a legal duty to achieve the best value possible with the use of their resources. The Council's procedures should also help to ensure that services receive value for money from their procurement and purchasing arrangements.

The Rules are:

When committing to spend money on the services for which you are responsible for, you must always think about achieving the best *value for money* and efficiency. You must therefore work with Finance Services staff to:

- ❖ Identify efficiency savings, opportunities to improve economy, efficiency and effectiveness;
- ❖ Encourage good practice in carrying out financial appraisals of developments or saving options.

In order to ensure that there is sufficient information for annual VFM assessment and review, there is an on-going requirement for Service Directors to gather and analyse performance data, including unit costs and the factors which impact on cost and performance within Rochdale. This work will be driven by a number of factors, including the information requirements for the VFM profiles, the requirements and feedback from the Audit Commission, and the needs of the VFM board and performance board.

The Council delivers a significant amount of services through partnership, and therefore needs to ensure that the partnerships are delivering good value for money. To achieve this, the corporate VFM structure includes a partnership framework for value for money. The framework provides for a range of VFM relationships with our partners, from advising and influencing to more formal requirements backed up through requirements for monitoring and reporting.

Procurement is a key element within the value for money requirements of the corporate performance assessment. The Council is expected to demonstrate how commissioning and procurement practices contribute to the VFM agenda, and deliver savings. The procurement strategy and plan should demonstrate a strong commitment to value for money with calculable savings from commissioning, purchasing and partnerships.

There is a need to ensure Members are aware of the Value for Money Programme, as well as the need to consider VFM; this should be reflected in Committee reports put before them.

Value for Money should be embedded in all aspects of performance, planning, and service delivery. It should not be seen as a process that is gone through once every three years and then forgotten; it is a living process and any activities or planning should have regard to Value for Money. All VFM activity should be captured to form part of the Annual VFM Self Assessment Statement.

Where Can I Get Further Information?

To help you to achieve value for money and efficiency, the Council has produced the following documents, which you must follow:

[Contract Procedure Rules](#)

[Corporate Procurement Strategy](#)

3F: Internal Audit

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What is Internal Audit?

Internal audit is an independent and objective appraisal function, established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Why is Internal Audit so Important?

The Council sets processes in place so that it is able to meet its service aims whilst protecting anything it considers valuable. Internal Audit is needed in order to ensure the processes the Council has implemented are adequate and working effectively.

The Council is also required to have an Internal Audit function in order to comply with the Local Government Act 1972 (Section 151). All internal audit reviews and investigations are reported to and discussed by the Audit Committee.

The Rules are:

The Internal Audit Section should be independent in its planning and operation. It will decide its own priorities in providing unrestricted coverage of the Council's operations. The Head of Audit and Risk Management must have direct access to the Chief Executive, Leader of the Council, and all levels of management.

All Services are subject to planned and (occasionally) special audits, which are carried out by the Council's Internal Audit Section. You must ensure that:

- ❖ Internal auditors are given access to premises, personnel, documents and assets which the auditors consider necessary for the purposes of their work at all reasonable times;
- ❖ Auditors are provided with any documents, information and explanations they require during the course of their work;
- ❖ You consider and respond to recommendations in audit reports within one month;
- ❖ Any agreed actions arising from audit recommendations are carried out as per the agreed timetable;
- ❖ New systems for maintaining financial records, records of assets, or changes to such systems, are discussed with, and agreed by, the Head of Audit and Risk Management before implementation.

Where Can I Get Further Information?

For further information contact the Internal Audit Team on 925452.

The Council has an Anti-Fraud and Corruption Strategy, which you must follow (See Section 3H). As well as providing guidance on prevention, the document tells you what to do if you suspect fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources.

3G External Audit

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External Audit provides an important contribution to the stewardship of public resources and the corporate governance of public services by:

- ❖ Giving an independent opinion on whether public bodies' financial statements fairly present its financial position and its expenditure and income for the year in question;
- ❖ Reviewing and reporting on aspects of the arrangements which are put in place by public bodies to ensure the proper conduct of their financial affairs, and for securing economy, efficiency and effectiveness in its use of resources.

Why is External Audit so Important?

Independent external audit is essential in protecting the management of public money. It is, however, the responsibility of management to put arrangements in place to ensure proper governance, and to regularly review the adequacy and effectiveness of these arrangements.

The Rules are:

The Council's External Auditors should, at all reasonable times, be given access to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work. All records and systems should also be up-to-date and available for inspection.

Where Can I Get Further Information?

If you are unsure about a request from External Audit, you should direct it immediately to the Head of Audit and Risk Management on extension 925452.

The statutory responsibilities and powers of appointed external auditors are set out in the [Audit Commission Act 1998](#) (Section 4), and the [Local Government Act 1999](#).

3H: Preventing Fraud and Corruption

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What is meant by Fraud and Corruption?

Fraud is a general term for when one party misleads, or takes unfair advantage of, another. Any means used by one person to mislead another may be defined as fraud (usually for financial gain).

Corruption is defined as a wrongdoing by those in a special position of trust. The term is commonly applied to self-benefiting conduct by public officials and others dedicated to public service.

Why is Preventing Fraud and Corruption so Important?

The Council is responsible for the delivery of public services. These services are funded by public money, and it is the Council's responsibility to protect the public money it looks after. This means the prevention of fraud or corruption so that more money goes into services.

The Council will not accept fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

The Council's expectation of appropriate behaviour and responsibility is that Members and staff at all levels will lead by example in making sure they follow legal requirements, rules, procedures and practices.

The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers, partnerships) with whom it comes into contact, will act towards the Council with honesty and without thoughts or actions involving fraud and corruption.

The Rules are:

The Council has an Anti-Fraud and Corruption Policy which must be followed. The document provides guidance relating to the prevention of fraud and corruption, and what to do if you suspect fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources.

The Council's disciplinary procedures must be applied where the outcome of an audit investigation indicates or confirms improper behaviour of your staff.

Where Can I Get Further Information?

The Council's Anti-Fraud and Corruption Policy

[Anti-Fraud and Corruption Strategy](#)

3I: Anti Money Laundering

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What is meant by Money Laundering?

Money laundering means:

- ❖ Concealing, disguising, converting or transferring criminal property or removing it from the UK;
- ❖ Entering into, or becoming concerned in, an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- ❖ Acquiring, using or possessing criminal property;
- ❖ Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees, or any other retention or control of terrorist property.

These are the primary money laundering offences and prohibited acts under the legislation.

Why is Preventing Money Laundering so Important?

The risk to the Council of contravening the legislation is low. However, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of legislation, including 'tipping off', which may result in imprisonment.

This Anti-Money Laundering Policy applies to all employees of the Council, and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations.

Further information is set out in the accompanying Guidance Note. Both the policy and Guidance Notes sit alongside the Council's 'Whistleblowing' Policy, and Anti-Fraud and Corruption Strategy.

The Rules are:

Organisations conducting relevant business must:

- ❖ Appoint a Money Laundering Reporting Officer (MLRO) who is to receive disclosures from employees concerning money laundering activity (their own or anyone else's);
- ❖ Implement a procedure to enable the reporting of suspicions of money laundering;
- ❖ Maintain client identification procedures in certain circumstances;
- ❖ Maintain record-keeping procedures.

Not all of the Council's business is relevant for the purposes of the legislation. The areas where large sums of money may be received by the Council are Council Tax, Business Rates, Rent or Rent Arrears payments, Sales of Council Vehicles at Auction, Sale of Land and Property, Hire of Venues/Catering, and some Graphics work for external customers. These are only examples, however. With this in mind, the safest way to ensure compliance with the law is to apply each guideline and recommendation to all areas of work undertaken by the Council.

3J: Gifts, Hospitality and Register of Interest. [\(back to contents\)](#)

What is meant by Gifts, Hospitality and Declarations of Interest?

During day-to-day work, there may be times when Officers or members are offered gifts and/or hospitality (on behalf of the Council), for example, a meal, a 'thank you' present or gift, or a trip to a sporting event.

A register of interest means that arrangements are in place for Officers and Members (Councillors) to declare any interests they have which may be seen to cause a conflict during the course of their work, or when making decisions in Committee meetings. For example:

- ❖ An officer or Member being related to a Director of a company that the Council trades or deals with (Officer or Member);
- ❖ A Committee where a Member serves is being asked to make a decision that would affect the Member, either personally or in relation to a project he/she is supporting.

These declarations are formally recorded in registers (separate one for Members) for inspection, as required.

Why are These Regulations so Important?

In order to safeguard Officers and Members in terms of independence (and therefore that of the Council), it is necessary for clear rules to be in place and adhered to.

In relation to Registers of Interests, there is the possibility of criminal liability in relation to corrupt practices by officers and members. Under the Public Bodies Corrupt Practices Act 1889 it is an offence:

'corruptly to solicit or receive for himself or for any other person any gift, loan, fee, reward, or advantage whatever as an inducement to, or reward for, or otherwise an account of any member, officer or servant of a public body doing or forbearing to do anything in respect of any matter or transaction whatsoever in which the said public body is concerned'.

The Rules are:

The Council has a policy concerning the acceptance of gifts and hospitality which should be read carefully before accepting any gifts etc. Small, low-value items such as chocolates, pens and diaries need not be declared unless they are offered on a regular basis by the same person or organisation.

Within 28 days of receiving any gift or hospitality over the value of £25, Officers must provide written notification to the Service Director for Legal and Democratic (Borough Solicitor) of the existence and nature of that gift or hospitality.

Officers must refuse all gifts or hospitality in excess of £100 (if received on one occasion) or in excess of total £100 (if received on more than one occasion in the same Municipal Year from the same individual or organisation), except with the approval of the Chief Executive (all such exceptions to be reported to the Standards Committee). In addition to this, all members of staff involved in procurement should not accept any gift or hospitality from any actual or potential contractors or suppliers of any goods or services to the Council, and that current and prospective suppliers should be advised in writing of the Council's policy regarding gifts and hospitality.

Similarly, staff who have a regulatory duty (for example, Planning Officers, Environmental Health Officers and Building Control Officers) are advised that they should not, under any circumstances, receive any gifts (including gifts of cash or gift vouchers), irrespective of value, where it could later be construed that the acceptance of such a gift or hospitality

influenced a statutory decision of the Council. Staff are also advised that they must not, under any circumstances, accept gifts of cash or tokens or hospitality from clients, prospective contractors or suppliers of goods or services.

RMBC also has a new mandatory **Staff Register of Interests** that should be completed by all staff (except teaching staff), and updated by them on an annual basis (or more frequently as required). This is currently being implemented, and will be regularly reviewed and monitored.

A Staff Register of Interests is needed because, in relation to the Public Bodies Corrupt Practices Act 1889, the usual burden of proof is reversed. This means an officer is not treated in law as 'innocent until proven guilty'; should an officer be accused of corruptly requesting or receiving any benefit, they would have to prove their innocence rather than their accuser having to prove their guilt. This is a very heavy burden for officers. In the event that an officer is found guilty, criminal sanctions, including imprisonment, may be imposed by a Court.

One of the best ways for an officer to disprove an allegation is for them to be open and transparent about their personal interests. The Staff Register of Interests is a very significant safeguard against allegations of bad behaviour or unlawful activity.

Guidance in the area of the Members Register of Interests is detailed in the Code of Conduct for Councillors, which was adopted on the 25 July 2007, and is also available on the intranet. Declarations are required to be made during all Committee meetings (and recorded in the minutes). Where interests are personal and prejudicial, Members leave the room whilst decisions are made.

The register is kept in Committee Services and reviewed by Internal Audit periodically.

Section 4: Management of Assets

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Introduction

This section of the financial regulations sets out the Council's approach to protecting its assets, and in making sure that they are managed well in order to maximise their effectiveness. It is clear within the Financial Regulations that Service Directors have a responsibility for ensuring that sufficient care, protection and security of all Council assets is carried out (whether it be buildings, furniture, stock, IT equipment, physical cash or even business records of the Council).

This responsibility is not only to ensure that the physical assets are properly secured, but also to ensure that all assets are maintained to the required standard. Monitoring and control over the use of the assets is also required to guarantee that they are only used appropriately and in line with Council objectives (e.g. IT/Internet).

It is also the responsibility of senior management to ensure that Business Continuity Plans are in place for the security of all assets, and to minimise service interruption in the event of failure or loss of any asset.

This section covers:

- 4A Security of Assets
- 4B Inventories
- 4C Stocks and Shares
- 4D Intellectual Property
- 4E Asset Disposal
- 4F Staffing

4A: Security of Assets

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What is Security of Assets?

Physical Security of Assets is of paramount importance to the Council. When making sure the Council's assets are secure, it is essential that a number of key aspects of how its business is carried out and what controls are placed over the protection of the assets it uses are looked at with keen attention. These include:

- Physical Security:** Making sure that proper security of all buildings, equipment, vehicles, stocks, stores and cash is continuously maintained, including minimising the risk of any natural hazards, misuse of assets, theft or damage.
- Storage of Assets:** There need to be procedures in place which are aimed at minimising any such risks. How and where assets are stored or transported need to also be considered, and with particular reference to cash there should be strict control over how cash is handled and where it is stored, including maximum holding limits.
- Access:** Who has access to the various assets and how this access is granted is also a highly important consideration. For example, the Council need to be clear as to who has access to keys to safes, and must ensure that such personal responsibility is communicated to those responsible for secure custody of the keys.
- Computer Security:** Access to all hardware, software and computerised information needs to be restricted as a method of ensuring that its use is consistent with the IT Regulations.
- Data:** The Council holds significant amounts of personal data regarding members of the community. Rules surrounding freedom of information, data security and protection can be found in Section 7.

Why is Asset Security Important?

The requirement for sufficient security of all Council assets is to:

- ❖ Ensure business continuity;
- ❖ Minimise the risk of financial and reputation loss; and
- ❖ Maximise value for money in the provision of Council services.

There needs to be sufficient and adequate internal controls in place over the protection of all assets of the Council, whether in physical form or not, fixed or current.

The Rules are:

Managers within the Council are responsible for the care, protection and security of the buildings, stock, stores, furniture, and cash, etc. which is under their control. In any case where it is thought that assets may not be secure or where special or extra security needs to be arranged, they should contact the appropriate officer (e.g. Estates and Asset Management) or Finance Services if there are financial implications.

Assets owned by the Council shall, as far as is practical, be effectively marked in order to identify them as Council property, and should not be subject to personal use without proper authorisation.

Disposal of land and buildings must only take place with authorisation, and all such new acquisition and disposal should be in line with objectives expressed in the Council's Asset Management Plan.

Any Council-owned vehicles should only be used by an authorised person on Council business. Asset managers should maintain a record of authorised personnel and, generally, Council vehicles should not normally be used for travel to and from work. Where the use of Council vehicles is authorised for travel to and from work, the employee of the Council is likely to be taxed on the benefit provided.

Service Directors and Service Managers are responsible for establishing adequate arrangements for the protection and control of all other assets under their control which are owned by the Council, whether tangible (such as stock) or intangible (such as intellectual property), including electronic data.

4B: Inventories

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What are Inventories?

Inventories are the recording of all significant assets of the Council. An asset inventory will include a description of each council asset, such as furniture, fittings, equipment, plant/machinery and computer hardware and software.

Why are Inventories Important?

The Council needs to know what assets it owns, and where these assets are. If no formal record is held in relation to this, the Council cannot then be seen to be in adequate control over its assets, and there would subsequently be an inappropriate level of risk of theft or loss.

The Rules are:

An inventory should be kept for all assets — such as those detailed above. They should be subject to at least an annual check of the inventory entries against the physical existence of each asset. Discrepancies should be investigated thoroughly.

It is the responsibility of Service Directors to ensure that all inventories are put in place and that they are checked and reconciled on a regular basis. It is also important that sufficient procedures are in place and implemented for the identification of acquisitions and disposal of assets, ensuring that there is clear responsibility for keeping them up-to-date.

Assets that are viewed as being 'attractive' or easily removed must be subject to more frequent physical checks to the inventory.

Furniture, fittings and equipment, computer hardware and software, and plant and machinery belonging to the Council, must not be removed unless it is done so in line with the ordinary course of the Council's business.

No property or equipment may be used other than for Council purposes, except with the specific approval of the Service Director concerned.

4C: Stocks and Stores

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What are Stocks and Stores?

In the course of its business it is necessary for the Council to carry levels of stocks. These may include raw materials, parts, equipment or stationery in certain Services.

Managers who are responsible for delivering services are required to make a judgement as to when they purchase the materials that they need (considering how much and how often).

Why are Stocks and Stores and the Procedures Around Them Important?

It is important that the Council maintains an adequate level of stocks in order to make sure that it can continue to carry out its business. In doing so, it is essential that there are adequate controls around the management of this stock, including:

- ❖ Its usage;
- ❖ How and where it is stored (security);
- ❖ How and where it is recorded;
- ❖ How it is valued;
- ❖ How and when it is checked to records (reconciled) and how discrepancies are addressed.

Such stocks can sometimes amount to a significant value. As such, Service Directors are responsible for the care and protection of the stocks and stores within their service. The value of all holdings is detailed in the Balance Sheet of the Council each year under 'Current Assets'. Service Directors therefore have a duty to ensure there is enough information relating to stock, as it is needed for many elements of the Council's business, such as accounting, costing and general financial records.

The Rules are:

The level and value of all stocks and stores should be reviewed annually as a minimum. This is in order to ensure there is not an unwarranted excess of normal requirements, except in special circumstances. The level of stock considered reasonable should be that which is deemed necessary for the economic, effective and efficient provision (VFM) of the service.

Service Directors must ensure, therefore, that for their services to be run and implemented satisfactorily, an efficient method of stocks and stores accounting is maintained and has been agreed with the Finance Service. Appropriate and up-to-date records of the levels of stocks and stores must be maintained. In some cases, this will be done through specific modules within financial systems, while in others, it may be less automated.

It is also the responsibility of Service Directors to ensure that reconciliations of physical stocks and stores to the records (stock takes) are carried out at least annually. Where a higher and more frequent volume of stocks move in and out, the volume and frequency of checks should also increase. Where stocks of valuable or desirable items are kept, these checks should take place at least monthly.

A physical stock-take should also be carried out at least annually, preferably by an officer who is not at all related to those responsible for the stocks on a daily basis. Any shortage in stocks or stores should be fully investigated and reported to both Finance Services and Service Management.

An appropriate method of stock valuation must be used. Guidance should be obtained from Finance Services.

All movements of stock must be evidenced and, where possible, balanced to source documents such as invoices or stock issue notes. It is important that any items of stocks and stores which are obsolete or surplus should be written off or disposed of (this should be in accordance with Financial Regulations and Contract Procedure Rules).

Where Can I Get Further Information?

Guidance on the maintaining and accounting for stocks and stores specifically refers to:

- ❖ Arrangements for maintaining an inventory (see Section 4b);
- ❖ [Contract Procedure Rules](#)

4D: Intellectual Property

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What is Intellectual Property?

Intellectual Property is the term used to describe the non-physical assets which the Council has developed or acquired during the course of its business. Examples of this are information, data and systems. Intellectual Property is different to Intangible Assets such as Goodwill in that they do not normally have a value recognised in the financial statements of the Council.

The Council has Intellectual Property procedures in place. These procedures detail the stages that must be followed should you become involved in the commercial exploitation of inventions. They also provide guidance concerning the controls which must be in place to ensure that staff do not carry out private work in the Council's time, and that Officers are aware of an employer's rights concerning intellectual property.

Why is Intellectual Property and its Procedures Important?

Like any assets, Intellectual Property is an essential factor in ensuring business continuity within the Council, and the effective delivery of Council services. It is critical, therefore that the Council puts in place adequate controls over the ownership, storage and use of all Intellectual Property.

The Council holds a large quantity of information for a variety of purposes. As such, it is essential that an overall strategy is in place and implemented for the management of such information to ensure consistency, value for money, accuracy and that any relevant laws are followed.

The Rules are:

Any information, data, system or software created by Council employees or using Council resources, remains the property of The Council. Various acts of Parliament cover different types of Intellectual Property. Controls need to be in place to ensure that Council Officers only carry out Council work or use Council resources during Council time, and that all Officers are aware of the Council's rights with regards to such Intellectual Property.

An overall strategy for the management of Intellectual Property is required. This strategy sets outlines and details practices to be followed in relation to the development, purchase, storage and use of all Intellectual Property, such as data and other information. This will clearly show the responsibilities of Service Directors for maintaining appropriate security and privacy of all information under their control.

In terms of Data Protection, all Officers who collate, store and give out Intellectual Property, must consider the Data Protection Act.

4E: Asset Disposal

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What is Asset Disposal?

There are a number of key features involved in any strategy or operational plan relating to the management of Council Assets. Acquisition of assets is one important consideration, as is how the asset is used and to what standard it is maintained. One of the less obvious features — but which is of similar importance — relates to how assets are disposed of, why, when and how.

Any land, buildings, vehicle or any other asset which has been identified as being surplus to requirements should be dealt with in a way that achieves the best outcome for the Council. For example, whilst an asset may be deemed surplus to requirements in one Council Service, there could still be another sector or Service who could put the asset to positive business use. Any proposals to dispose of assets must ensure that the Council's Contract Procedure Rules — which incorporates the best practice for the disposal of assets — is complied with.

Why is Asset Disposal Important?

The maximum benefit from the use of Council assets should be the foremost aim. It is essential that the Council is sure that the cost of assets does not outweigh their benefits, as this would then be uneconomical and inefficient.

Obsolete, non-repairable or unnecessary assets should be disposed of in accordance with disposal regulations.

The Rules are:

Assets should only be disposed of if no alternative use can be found for them, and therefore disposal should only be as part of the Asset Management Plan. Prior to a decision being made to sell any asset, confirmation must be sought that it is 'owned' by the Council.

Once ownership has been confirmed, and on the agreement that the asset is surplus to Council requirements, then it may be disposed of.

For what are considered to be more 'significant' items such as vehicles, disposal will normally be by way of public auction or by tender invitation unless otherwise stated. Smaller assets may be offered for sale to employees at a reasonable amount, agreed by the appropriate Service Director. This should only be done providing the administration generated is not too time-consuming or costly, and that the disposal does not contravene any other Council policy.

ICT equipment should only be disposed of by IT (Impact), and only if it is considered redundant as part of any ICT strategy.

Land and buildings can only be disposed of in conjunction with Property Services (Impact) and in accordance with any Disposal Strategy within the overall Asset Management Plan.

Where Can I Get Further Information?

- ❖ For disposal of Land and Buildings please contact the Estates and Assets Manager ext: 923323

4F: Staffing

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What is Staffing?

Council staff are an essential part of providing the highest level of quality of services. Staffing is, by far, the greatest single item on which the Council spends its budget. It therefore carries not only one of the highest degrees of risk but is also one of the most complex of areas. It is therefore crucial that procedures and guidance issued by the Council's People Management Service are followed precisely. Examples of areas where procedures exist are:

- ❖ Discipline;
- ❖ Grievance;
- ❖ Pay and Rewards;
- ❖ Health and Safety;
- ❖ Recruitment (including probation);
- ❖ Attendance Management.

Why is Staffing Regulation so Important?

In order to protect both the Council itself and the staff who work for us, People Management has produced a wide range of guidance. In addition, there are a number of regulations in force which are to ensure that adequate controls are placed over the recruitment, retention and payment of staff.

The size of the resources dedicated to Staffing means that specific reference needs to be made to this area in terms of financial planning and the monitoring of the Council's budget.

The Rules are:

With the general exception of pensions to previous employees, the payment of salaries, wages, and other payments to all employees of the Council, shall be made on behalf of the Director of Finance. This includes payments to Elected Members (Councillors).

There is an approved Staffing establishment for the Council which details all Council posts and appropriate grading. Committee approval — via Delegated Decision Making Committee (DDM) — is required for any desired changes. Major structural changes require approval from the Employment Committee. Temporary variations in line with the scheme of delegation to officers are permitted subject to approval (see link below).

Staff will normally be appointed to the first point of the salary scale for the post. In some circumstances, appointment may be made above this level due to reasons such as previous salary etc. The approval rules for this are detailed in the Council's [Scheme of Delegation to Officers](#).

There should be appropriate budget in place in order to meet the financial obligations of the approved Council Staffing Establishment and any temporary variations. Conditions of Service will apply to all staff in line with national and local agreements as negotiated with recognised trade unions.

Finance Services and People Management should be notified of any changes within all Services relating to staffing, such as new appointments, departures, secondments and long-term absences, so as to ensure that the appropriate actions and/or consequences can be taken into account when monitoring the Council's resources. See Section 6C for further details.

In financial terms, it is also essential that the HR/Payroll system remains the one true source of staff records and payment. It is vital that all individuals employed by the Council under a contract of service are paid through this system. This will also ensure proper accounting for Income Tax and National Insurance.

Where Can I Get Further Information?

As part of a national agreement between local government employers and the trade unions in 2004, the Council is partaking in a local review of Pay and Grading, which affects most staff excluding teachers, and will be looking at other arrangements for pay and grading outside of these as well. This section (5F) will be updated as necessary.

Section 5: Financial Systems and Procedures [\(back to contents\)](#)

Introduction

This section of the Financial Regulations explains the Council's approach to ensuring that Budget Managers, the Director of Finance and staff are able to access high quality financial information.

For financial management to be fully effective, responsibility for the control of budgets needs to be devolved and assigned to those who are delivering the Services. It is essential that budget managers have the power and skill to achieve their financial management objectives.

It is crucial that the financial systems of the Council support these requirements, and that sound processes are in place to ensure that this is well managed and maintained.

All staff who deal with the financial affairs of the Council should have the ability to use the financial systems properly and appropriately. This can be in terms of:

- ❖ Technical Ability;
Access to appropriate information with sufficient levels of supporting resources to do so effectively.
- ❖ Professional Ability;
Training on how to maximise the quality of inputs, processing and outputs effectively.
 - Inputs can include processes such as budget profiling, monitoring and virements, etc.
 - Outputs include the creation and use of quality financial information in making informed decisions.

5A: Financial Systems General

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What are the Financial Systems of Rochdale MBC?

Financial systems are the key systems of the Council which perform the following actions:

- ❖ Record-keeping in an organised way of the Council's financial transactions (General Ledger);
- ❖ The way payments are made to people or organisations that the Council owes money to, and a record of what has been paid (Creditors and e-Procurement);
- ❖ The way of recording invoices sent to people or organisations who owe the Council money, and a record of payments received (Debtors);
- ❖ Other payment systems (e.g. Payroll);
- ❖ Other information systems which involve finance, e.g.
 - Job-costing systems
 - Asset Register
- ❖ Certain financial management improvement systems.

Why are Financial Systems and Procedures Important?

Robust and effective financial information systems are essential to the overall aim of quality financial management. Quality financial information will only be available where input is created from a trusted source, with good controls over the inputting and processing of information, and the output generated.

This can only be achieved if there are effective methods in place to document and control such tasks. In particular, internal controls need to be built into the system and manual processes which support the electronic system need to be well managed and controlled e.g. releasing cheques and input of journals.

The Rules are:

There are a number of key documents which support the processes and Financial Systems of the council. Some of these are:

- ❖ Year-end systems processing notes;
- ❖ System timetables;
- ❖ User manuals ;
- ❖ Systems administrator procedure manuals.

Section 6: Income and Expenditure

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Introduction

The process of collecting income is managed in a number of ways. Each way must ensure that risks of loss or theft are reduced, and that collection rates for all outstanding debts are maximised.

The level of all fees and charges must be reviewed each year. A clear and informative charging policy is required. The policy will identify the chargeable goods and services provided by the Council, what this charge is, why, and any terms of 'sale'.

During the course of day-to-day business, the Council makes commitments to purchase goods and services. These transactions may be with staff (Employee Costs), external suppliers of goods and services, or other organisations and individuals.

Payment for such transactions is normally made in the form of a bank transaction (BACS) and, in some instances, cheque or cash. E-Income is another potential method of income collection, demand for which has increased in recent years and to which an equal level of consideration and control in applying is required.

6A: Income Collection and Management

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What is Control of Income?

The charging and collection of income accounts is a significant part of Council business. Income is sometimes seen to be a vulnerable asset. As such, it is therefore essential that policies relating to how income is collected and handled are well managed.

Some Services have the facility to charge for the services provided as part of their day-to-day operations. Examples of these charges are:

- ❖ Entrance fees;
- ❖ School Meals;
- ❖ Car Parking;
- ❖ Professional Fees, e.g. Local Search fees and Planning Permission Fees.

Other sources of income include the following:

- ❖ Council Tax;
- ❖ National Non- Domestic rates;
- ❖ Housing Rents.

Why is Control Over Income so Important?

The income generated from the provision of services can form a significant proportion of the Council's budget, and without them there would be a considerable budget shortfall.

Effective income collection systems are therefore necessary to ensure that all income due is identified, collected, receipted and banked on time using the correct procedure.

In addition, in order to ensure that cash flow is maximised and costs are minimised, it is essential that income is collected in as complete and timely a manner as possible. This would normally be at the point of sale or service or in advance wherever possible.

Control is also required over assets which are used in the collection process. In order to avoid the risk of error or fraud, control over all receipting equipment, debtor accounts, and forms, etc. should also be maintained.

The Rules are:

There should be clearly detailed procedures for the documentation and collection of all income due to the Council. These procedures make specific reference to a number of key areas where consideration is required:

- ❖ Identification and write-off of bad debts;
- ❖ Charging policy;
- ❖ Controls over the receipt, handling, storage, and banking of cash;
- ❖ VAT.

As part of the budget planning cycle, a clear charging policy which outlines what charges will be made for Council services and why these have increased/decreased from previous years, needs to be adopted.

After consultation with the Cabinet Members for Finance and the Service Area, and the Executive Director for Resources, the Service Director has permission to vary charges during the year provided this does not change existing Council Policy.

Service Directors must ensure that invoices for services provided are issued as soon as possible. They must provide the Service Director for Customer and Communications with relevant details of work done, goods supplied or services given, and any other amounts due.

The Council must be informed of any monies due, as well as details of contracts, leases and other agreements and arrangements which involve the receipt of money.

Where possible, payment for services should be received in advance of the service being provided.

All money received by an Officer on behalf of the Council should be transferred to the Council's bank account without delay. No deductions should ever be made from such money unless authorised by the Director of Finance. Similarly, no cheques should be cashed out of money held on behalf of the Council. Each Officer who banks money must provide a relevant reference to the income received (such as the sundry debtor account number, receipt number, or the name and address of the debtor) or otherwise indicate where the cheque/cash has come from.

In terms of the income collection and handling process, there should be sufficient separation of duties to ensure that risks of theft or loss are minimised. This extends, in particular, to the opening of mail.

Every transfer of Council monies between Services must be recorded on the appropriate form and signed by the appropriate Officer.

The Director of Finance and the Service Director for Customer and Communications both have permission to write-off debts which have proven to be unable to be collected. The total amount of debt written off each year is reported to the Cabinet.

The Sundry Debtor Team (Revenues and Benefits Service) operates a debt recovery service for all the Council's outstanding debts. Debt collection agencies and legal action is also available where appropriate.

Where Can I Get Further Information?

Details are available on various aspects of the Council's income collection and management processes, including:

- ❖ Arrangements for storage of and access to controlled stationery - contact Finance Services

6B: Ordering, Receiving and Paying for Work, Goods and Services

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What is Ordering and Paying for Work, Goods and Services?

Every day, Service Managers within the Council will order and/or authorise payments for goods and services. An Order is a formal instruction requesting goods and services for which a payment will be given. An order should be manual or electronic, represent a commitment on behalf of the Council, and form a contract with the suppliers.

The Council has a Corporate Procurement Strategy (plan) in place, which aims to achieve Value for Money in the purchase of goods and services. This strategy outlines in great detail the key elements of the Council's procurement processes. There is an obvious link between ordering and procurement, and contract arrangements where applicable.

It is the responsibility of Service Directors to ensure that a proper Scheme of Delegation has been established within their area and is in effective operation. The Scheme of Delegation should identify staff authorised to act on the Service Directors behalf, or on behalf of the Cabinet, in respect of payments and placing orders, together with the limits of their Council.

Why is Ordering and Paying for Work, Goods and Services Important?

Resources within any Local Authority are scarce, and this Council is no exception. It is essential, therefore, that public money is spent very carefully and follows Council policy. Transactions should be carried out with integrity, probity and transparency.

The Council has a legal obligation to achieve value for money. Part of this requirement relates to economy and efficiency, and the production and following of purchasing procedures. This should help ensure that value for money is achieved.

The Rules are

Controls are needed to ensure that expenditure is incurred only on goods and services provided in connection with the Council's official business. It should be on the best terms available, and in a way that achieves optimum *value for money*.

Each Budget Manager within the Council has money available to spend in the budget provision for which he or she is responsible. Whilst budgets may be devolved in practice, Service Directors will remain ultimately responsible.

Single items purchased which exceed the value of £10,000, such as equipment, supplies, goods, materials or services, should normally follow tendering arrangements which are outlined in the Council's Contract Procedure Rules. Buying equipment, supplies, goods, materials or services of a value of £10,000 or lower, should also aim to achieve value for money. Quotations should be kept to support the reasons for selection of suppliers or contractors used. Corporate call-off contracts are in place particularly for smaller amounts of expenditure, e.g. stationery etc. Where this is the case these contracts should be used without exception to ensure that the Council can demonstrate VFM, and benefits accrue to the Council as a whole.

A list of all authorised signatories should be maintained showing which officers within the Council's Services have authority for ordering and, if appropriate, up to what value and from what budgets. This should match with the [Scheme of Delegation](#).

All purchases should be ordered or instructed and recorded on an official RMBC order form. From time to time, however, due to reasons of urgency, a verbal order may be issued. If this occurs, it must be confirmed in writing as soon as is possible by the issue of an official order

form. All such official order forms should always be produced via the corporate E-procurement system.

The preferred method of payment by the Council will be by BACS.

All invoices must be sent directly from the supplier to Finance Services for processing and scanning onto the system.

Service Directors are responsible for ensuring that all invoices and other payment vouchers arising from sources in their service are examined, checked, verified and certified in line with instructions issued by the Director of Finance. Checking the documentation must be done using the scanned image by, or on behalf of, the Service Director. The names of Officers who can authorise payments must be held on a list along with a sample of their signature and initials; this should be in accordance with the Scheme of Delegation.

The following checklist should be considered before approving an invoice payment:

- ❖ Has an official order been properly raised and authorised for the work, goods or services?
- ❖ Are the works, goods or services to which the invoice relates, the same as that which has been ordered, received, carried out, examined and approved?
- ❖ Has the relevant expenditure been properly incurred, and is it within the relevant budget provision?
- ❖ Have appropriate entries been made in asset registers, inventories, stores records, or stock systems?
- ❖ Are you sure that the invoice has not been previously passed for payment and is a proper liability of the Council?
- ❖ Has the appropriate ledger code and other relevant information been properly entered on the invoice coding slip or goods received note?

Where Can I Get Further Information?

Further help and guidance that you must follow includes:

- ❖ [Contract Procedure Rules](#) [Corporate Risk Management Strategy](#)
- ❖ [Scheme of Delegation](#)

6C: Payments to Employees and Members [\(back to contents\)](#)

What are Payments to Employees and Members?

As part of main Council business, the Council has to pay its staff their salaries. In addition payments of any other expenses they have occurred on behalf of the council (i.e. car mileage) are paid.

With the general exception of pensions to previous employees, the payment of salaries and wages to all employees of the Council shall be made on behalf of the Director of Finance (by the Impact Partnership).

Salaries and Wages are paid in accordance with the approved manpower establishment for the Council. Salaries are paid on the same date of each month, partly in advance and partly in arrears. Wages are paid on the same day each week. All Payments are made by BACS. Members allowances are paid monthly through the payroll system.

Why are Payments to Employees important?

The costs of Council staff are the largest single item of expenditure for The Council. Therefore, it is very important that all payments made to staff are accurate, timely, with good reason and in line with their contract of employment.

The rules are...

The Director of Finance is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members.

All payments to staff and Members must be processed through the payroll system to ensure that all deductions are accurately recorded and accounted for.

Any manager who has budget responsibilities will be required to inform the Director of Finance, as well as the Service Director for Human Resources, of details of all appointments, resignations, dismissals, absences from duty and other such information. This is to be done on a timely basis, in order that the correct level of salaries, wages, allowances and deductions can be calculated and paid.

It is the responsibility of each employee to ensure that the Council has their correct up-to-date personal information to assist with payroll processing (e.g. address, surname, bank details, etc).

Regular reconciliations and checks should be carried out in order to ensure that all employees paid are linked to the staffing establishment and that rates of pay are correct.

Where additions (e.g. travel, food, accommodation) or deductions (e.g. union strikes) are required, specific additional control must be put into place. All claim forms in respect of travel, accommodation, miscellaneous expenses, overtime, etc must be submitted in a timely manner and in official and approved form. When submitting this information it is important to include all supporting documentation and in particular, receipts. These should be certified by the appropriate manager (who should be authorised to do so on the list of authorised signatories) with specific regard to the accuracy of the claim and the validity of the detail there in. Any voluntary deductions should only be made with the specific written employee authorisation.

Where can I get further information?

Further guidance is available from People Management on the payment of salaries, wages and allowances and on the processes of claims in respect of pay additions and deductions.

Employees wishing to claim money spent in the course of their duties should use the Expenses, Travel and Subsistence claims.

Employees permitted to claim car mileage in relation to their role should use the Claim Form for Car Allowances and make themselves aware of the guidance.

6D: Taxation

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What is Taxation?

Generally, there are 3 types of taxation which the Council must be aware of and take account of when it carries out its business. These are:

- ❖ Value Added Tax (VAT);
- ❖ Income Tax and National Insurance;
- ❖ Construction Industry Scheme (CIS) Tax.

Each has its own complex rules and relates to different areas of the Council's business and the transactions it enters into. The Director of Finance is responsible for ensuring proper arrangements are in place for the administration and accounting of the three areas, and to ensure that all such arrangements comply with the Council's statutory responsibilities.

Why Is Taxation Important?

Like all organisations, the Council is responsible for ensuring that all of its legal responsibilities with regards to the above taxation schemes are met in full. All three of the schemes are complex, and failure to fulfil its responsibilities in full may result in severe penalties being imposed onto the Council by HM Revenue and Customs.

The Rules are:

Finance Services are responsible for giving advice and guidance to Service Directors in respect of relevant legislation on all taxation issues which affect the Council. They are also responsible for tax planning, maintaining tax records, making all tax payments, receiving tax credits, and submitting tax returns by any specified due dates. Individual responsibility amongst Service Directors for the administration of taxes should also be clearly defined.

The most important requirements with respect to taxation within the Council are those which require all managers to ensure that transactions are:

- ❖ Calculated accurately;
- ❖ Calculated in accordance with the relevant statutory obligations;
- ❖ Recorded and documented in an appropriate and timely manner;
- ❖ Accounted for in the correct tax accounting period.

Value Added Tax

VAT must be taken into consideration when purchasing goods and services by the Council (Input Tax) and services provided by the Council for which a fee is charged (Output Tax).

Service Directors must ensure that all employees responsible for processing invoices, payments and collecting income, familiarise themselves with VAT and establish the appropriate tax treatment on each transaction they deal with. Relying on another person and/or ignorance of the law are not thought of as reasonable excuses for making errors in connection with VAT by HM Revenue and Customs. The Finance Act 1985 introduced heavy penalties to improve the enforcement of VAT, and individual services may be charged with any penalties incurred by the Council for errors they make.

Income Tax and National Insurance (N.I.)

Income Tax and N.I. must be taken into consideration when paying employees and Members (usually through the payroll system).

Payroll must maintain a list of taxable and NI-able allowances in use on the payroll system for the Council.

Payroll is responsible for the collection of Income Tax and NI from salaried employees, which should be paid in as quickly as possible to HM Revenue and Customs in line with their prescribed procedures and timescales. Officers working for RMBC may be employed either on a salaried (PAYE) basis or self-employed (e.g. contractors).

Further guidance can be sought from the Taxation Manual or the Tax and Treasury Manager (see below).

Construction Industry Scheme (CIS)

The Construction Industry Scheme must be followed when the Council employs 'subcontractors' in construction-related activities.

In principle, this scheme requires such sub-contractors to be registered with HM Revenue and Customs. The Council can be penalised if it doesn't operate within the scheme.

Officers responsible for Creditor payments must maintain a list of the CIS status of all sub-contractors used by the Council. They need to ensure that any deductions made from payments to sub-contractors are correctly recorded and paid over to HM Revenue and Customs in accordance with the scheme.

Individual services may be charged with any penalties to the Council for errors they make.

Where Can I Get Further Information?

General information on the rates, allowances and rules in relation to Income Tax and National Insurance can be obtained from HM Revenue and Customs or the Payroll Section.

Taxation is a complex area and, as a result, the Council has produced guidance around compliance issues. However, where Service Directors or staff are involved in complex projects, specific advice should be sought from the Tax and Treasury Manager in Finance Services to ensure that risks or opportunities are properly addressed.

6E: Petty Cash

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What is Petty Cash?

Petty cash accounts (sometimes known as imprest accounts) are small amounts of cash maintained on site to make small purchases where the formal ordering process is not appropriate for the purchase being made, e.g. Car Parking. Use of petty cash is by reimbursement of personal monies spent for business use, on production of proof of the expenditure (e.g. receipt or voucher) and should only be used in exceptional circumstances.

Why is Petty Cash Important?

From time-to-time Finance Services, on the request of Service Managers, may consider it appropriate to create small Petty Cash accounts for the purpose of settling small value transactions. Often, small value supplies are required urgently and it makes business sense if the Officer requiring the goods simply buys them his or herself, without having to go through the formal ordering and receipt process.

The majority of Petty Cash transactions are indeed for low-value items where it is not possible (rather than not convenient) to go through the e-procurement system, which involves raising an official order form, taking delivery and arranging payment. Finance Services keep a record of all floats, and Internal Audit check that individual petty cash accounts are properly managed and reconciled. The floats themselves are reconciled at year end.

The Rules are:

Finance Services provide petty cash floats to specific Services as considered appropriate, and issue guidance notes on the running of petty cash accounts.

The e-procurement system is the corporate ordering system adopted by RMBC through which all purchases should be made. Payments from petty cash accounts must **only** be for minor items which cannot be purchased through the corporate system, e.g. subsistence, and must always be supported by receipts. The maximum limit for any one transaction is £50.00.

Under no circumstances should petty cash be used to avoid an alternative method of payment, e.g. payroll, creditors or internal journal. It is not a solution to poor planning (e.g. insufficient stocks) and it should not be used to circumvent the use of the corporate contracts (e.g. stationery). Always contact Corporate Procurement (Business Partnerships Service) for advice if you are unsure.

Officers holding a petty cash account are personally responsible for the security and correct running of that account. As and when requested, they must provide the Director of Finance with a record of petty cash held. Officers must also be responsible for ensuring the timely record-keeping of the petty cash and for performing frequent reconciliations of cash held. Petty Cash should be topped up regularly in line with the guidance.

Petty cash is not an additional resource. Budgetary provision must be available before expenditure through petty cash is approved.

All payments must be supported by a receipt and claim form. In cases where the payment is subject to VAT, a receipt indicating the VAT amount paid must be obtained to enable the Council to reclaim it. Where a VAT receipt has not been obtained, a reason must be recorded on the claim form and approved by the authorising officer. Officers with permission to authorise Petty Cash claims should be held on the list of authorised signatories.

Petty cash claims must record the spend against the correct code for the relevant product or service paid for.

Under no circumstances should any income received be paid into a petty cash account. All income received, regardless of how small, must always be paid into the appropriate budget and processed through the Council's bank account in the normal manner.

Where Can I Get Further Information?

Further information on Petty Cash accounts, limits and authorised signatories, is available from the attached links.

Scheme of Delegation:

[Scheme of Delegation to Cabinet Members](#)

[Scheme of Delegation to Township Committees](#)

[Scheme of Delegation Development Control](#)

[Scheme of Delegation to Officers](#)

7: Miscellaneous

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Introduction

This section covers a range of miscellaneous areas within Rochdale Council to which financial regulation requires to be applied. Specifically, this section refers to the following areas:

- ❖ Document Retention;
- ❖ Freedom of Information Act;
- ❖ Voluntary and Unofficial Funds;
- ❖ Data Protection.

7A: Document Retention

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What is Document Retention?

Laws and best practice provide requirements and guidelines for the retention (holding on to) and maintenance of documents, along with details as to how long they should be kept. A Document Retention Policy provides a systematic way of deciding to keep or destroy documents which have been received or created in the course of business. It gives guidance on how documents should be kept and how they should be destroyed.

Electronic records relating to tax and VAT — such as invoices — should be kept for six years. More information on electronic invoicing is available from HM Revenue and Customs.

Why is Document Retention Important?

Document Retention is important as it provides a means of supplying evidence which verifies that income and expenditure recorded in the Council's financial statements is valid, accurate and complete. External organisations also require such confidence. There are strict guidelines and legal requirements in place to satisfy bodies such as HM Revenue and Customs.

A document retention policy is important for many reasons. A policy will simplify the running of your business by promoting efficiency and freeing up valuable storage space. Also, a document retention policy can protect you, ensuring you have evidence for your practice when required, and help make sure laws are being followed.

The Rules are:

The Council must ensure that an understandable and clearly communicated Document Retention Policy is in place. This policy (see link) should cover all key areas of documented information held by the Council such as (not exhaustive):

- ❖ Accounting;
- ❖ Financial Planning;
- ❖ Cash;
- ❖ Expenditure and Income;
- ❖ Payroll;
- ❖ Loans;
- ❖ Taxation;
- ❖ Employee Records;
- ❖ Committee Records;
- ❖ Housing Benefit, Council Tax and Non-Domestic Rates;
- ❖ Stocks and Stores;
- ❖ Formal Documentation;
- ❖ Contracts and Final Agreements.

7B: Data Protection Act

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What is the Data Protection Act?

The Data Protection Act gives individuals the right to know what information is held about them. It provides a framework to ensure that personal information is handled properly.

The Act works in two ways. Firstly, it states that anyone who processes personal information must comply with eight principles, which ensure that personal information is:

- ❖ Fairly and lawfully processed;
- ❖ Processed for limited purposes;
- ❖ Adequate, relevant and not excessive;
- ❖ Accurate and up-to-date;
- ❖ Not kept for longer than is necessary;
- ❖ Processed in line with your rights;
- ❖ Secure;
- ❖ Not transferred to other countries without adequate protection.

The second area covered by the Act provides individuals with details of important rights, including the right to find out what personal information is held on computer and most paper records.

Should an individual or organisation feel they are being denied access to personal information or feel their information has not been handled according to the eight principles, they are entitled to contact the Information Commissioner's Office for help. Complaints are usually dealt with informally but in the event that this is not possible, enforcement action can be taken.

Why is Data Protection Important?

The Data Protection Act places a duty on organisations to ensure that personal data is processed correctly under the obligations of the eight principles above.

The Rules are:

Under the Act there are a number of responsibilities that the organisation must undertake. Anyone who processes personal information must comply with the eight principles.

The Act allows a right of access by individuals to personal data held about them. All requests for personal data must be processed within 40 calendar days. A maximum charge of £10 is permitted.

Organisations must favour disclosure unless an exemption applies.

The Act provides the basis that must be considered when sharing information with partner agencies or other organisations.

The Act provides obligatory measures as to how information is collected, used, retained and destroyed lawfully.

See the attached link to guidance which more thoroughly details personal and corporate responsibilities under the Act.

Where Can I Get Further Information?

Information Commissioner's Website:

<http://www.ico.gov.uk>

7C: Freedom of Information

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What is the Freedom of Information Act?

The Freedom of Information Act allows the general public to access information or records held by Public Bodies. A basic principle behind the law is that if the Council hold the information, on request, it is their duty to disclose it unless there is an exemption that prohibits disclosure. There is a clear link between the Council's responsibilities under the Freedom of Information Act, and its Document Retention Policy. In many cases, however, information wanted from the Council may extend beyond that held in physical document form, such as electronic data.

Why is Freedom of Information Important?

Following the Freedom of Information Act 2000, all public bodies now have a legal duty to provide recorded information following a request from the public. Information should be supplied within a set timeframe of 20 working days.

As of January 2005, any person who makes a request to the Council under the Act must be informed whether the Council holds that information and can be supplied with that information, and also informed if a charge applies. It is essential that the Council considers what information it holds, why and, if requested, whether it is able to provide it. The introduction of the Act has, as a minimum, placed a greater focus on the retention of adequate records.

The Rules are:

Access to Information - Not Documents

As a separate but related issue it is important to recognise that the Freedom of Information Act provides for Access to Information — not access to Documents. This has relevance to the business of Rochdale Metropolitan Borough Council generally, and also to the publication of reports for meetings as covered by the Access to Information Procedure Rules above. Typically, in the practical operation of those rules, a document would be withheld if it contained exempt or confidential information. Under Freedom of Information, ultimately only the exempt or confidential information can be withheld. In the future, to minimise the need for line by line editing of documents, procedures could be updated to ensure, that exempt or confidential information (using Freedom of Information definitions) is not needlessly mixed with non-exempt material.

Disclosure

The circumstances in which information may be disclosed are:

- ❖ The request must be in writing (this includes electronic means);
- ❖ It must be eligible;
- ❖ It must be capable of being used for subsequent reference.

The request must state:

- ❖ The name of the applicant and an address for correspondence;
- ❖ A description of the information requested sufficient to enable the Council to identify and locate the information.

There is no obligation for the information requester to specifically refer to the Act when making an information request.

Any person, including companies, can make a request.

Rochdale Metropolitan Borough Council has a procedure in place for the handling of Freedom of Information Requests.

Exempt Information

Some material may contain exempt information as listed under the Act. Information will be considered exempt if it is:

- ❖ Accessible to the requester via another means;
- ❖ Intended for future publication;
- ❖ Related to matters of national security;
- ❖ Related to defence;
- ❖ Related to investigations and proceedings conducted by public authorities;
- ❖ Audit functions;
- ❖ Prejudice to effective conduct of public affairs;
- ❖ Related to Health and Safety;
- ❖ Environmental Information;
- ❖ Personal information — see Data Protection Act 1998;
- ❖ Information provided in confidence.

This list is not exhaustive and other exemptions may apply.

- ❖ Any reference to a right to information;
- ❖ Any commitment to be proactive via e.g. the publication scheme;
- ❖ Any concept of providing advice and assistance;
- ❖ Any guidance on how Rochdale Metropolitan Borough Council will approach decisions where the public interest test is relevant,

Provision of Information and Charging

Information will be provided in two ways:

- ❖ Information which can be downloaded from Rochdale Metropolitan Borough Council's website will be free of charge;
- ❖ Information which is requested from the Rochdale Metropolitan Borough Council may be liable to printing and other costs that will be set by the Lord Chancellors Department. It is Rochdale Metropolitan Borough Council's aim that as much information as possible is provided freely via the website.

Complaints

Rochdale Metropolitan Borough Council has a complaint procedure that can deal with any complaints arising out of Freedom of Information queries. It will be handled no differently to any other complaint received by Rochdale Metropolitan Borough Council.

7D: Voluntary and Unofficial Funds

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What are Voluntary and Unofficial Funds?

Many staff within the Council are involved in the handling of money for, and on behalf of, The Council.

Voluntary and unofficial Funds include any funds — other than an official fund of the Council — which are administered by a member of staff as part of his or her duties.

Why are Voluntary and Unofficial Funds Important?

Separate records of voluntary and unofficial funds are kept to stop official Council funds from being intermingled with unofficial funds.

This is important when reporting the Council's official spend to the government, which should exclude unofficial and voluntary funds.

In addition, it is necessary to ensure that the probity and control of unofficial funds is considered, managed and audited appropriately.

The Rules are:

Any proposed voluntary or unofficial fund requires approval of the Service Director concerned.

Service Directors must ensure that they are aware of, and maintain a record of, all voluntary, unofficial funds in their Service area, with details of the officer appointed to administer each fund.

All of these types of funds must be held and operated in accordance with Council accounting requirements, with the addition of any rules imposed by funding bodies etc. who may have provided such funds.

For reasons of probity and accountability, the good practice applied to Council funds should also be applied to unofficial funds. Administrative arrangements for unofficial funds should therefore meet the standards expected by the Council.

The Service Director must ensure that essential controls around the following areas are in place for all transactions relating to the Fund:

- ❖ Setting up Bank Accounts and arrangements relating to debit cards etc.;
- ❖ Separation of duties;
- ❖ Maintaining proper documentation and accounting records (e.g. a cashbook);
- ❖ Performing regular bank reconciliations (which are independently checked);
- ❖ Payment authorisation procedures;
- ❖ Income receipting procedures.

Further information on the above controls is shown within the relevant sections of the Financial Regulations as they refer to Official Funds.

Service Directors must ensure that arrangements are in place to:

(a) Ensure that a suitably experienced person (not necessarily professionally qualified but someone who has some financial knowledge or experience) audits the fund on an annual basis as a minimum. This person must not be involved in the day-to-day operation of the Fund;

(b) Arrange for audited statements of accounts to be submitted to, and received by, the appropriate management team and Director of Finance at least annually. Such statements must include a signed certificate on a form prescribed by the Director of Finance.

Should any Officer of the Service suspect that there is any irregularity by any person in the operation of the fund, they must immediately report it to the Service Director, or, exceptionally, direct to the Head of Audit and Risk Management within Finance Services.

When informed of a suspected irregularity, the Service Director must report it to the Head of Audit and Risk Management immediately.

The Director of Finance, or their representative, is to have access to any records relating to voluntary and unofficial Funds at any time.

Where Can I Get Further Information?

For further information on Voluntary and Unofficial funds contact Finance Services for advice

Accounting:

Finance Support Services: 925430

Auditing:

Internal Audit ext: 925452

8: External Arrangements

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Introduction

This section covers the arrangements surrounding any relationships — formal or informal — which the Council has developed with external organisations in order to further its business objectives and delivery of its services.

Four main areas of external arrangements are looked at:

- ❖ Partnerships;
- ❖ External Funding;
- ❖ Work for Third Parties;
- ❖ Trust Funds and Trusts.

The Council provides a clear leadership role for the community, and brings together the contributions of all relevant stakeholders. It must also work to achieve the promotion or improvement of the economic, social or environmental well-being of its area. The areas above are some examples of how it does this.

8A: Partnerships

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What are Partnerships?

The Council is seen as providing a distinctive leadership role in the community. As part of the Community Strategy, it brings together other local public, private, voluntary and community sector organisations in partnership with a view to addressing local needs.

The Council has the power to enter into partnerships or contract partnering arrangements with the public, private or voluntary sector. This can be either as a supporting role or by working together with the Council for the delivery of services.

As there are several reasons for having partnerships, this regulation aims to give guiding rules for partnership arrangements, where any form of Council resource is involved.

Why are Partnerships Important?

Partnerships are likely to continue to play a key role in delivering the corporate objectives (Aiming High) and in helping to promote and improve the well-being of the borough. The Council works every day in partnership with other organisations such as public agencies, private companies, community groups and voluntary organisations. The Council's role in these partnerships is one of collaboration and working towards the achievement of shared goals.

The Rules are:

Rochdale Council will be represented by officers and/or Members in partnership and external bodies. All Members and employees must be mindful that they are representing the Council in any partnership arrangements, and must therefore act professionally.

In respect to the large strategic partnerships (Impact and Link4Life Cultural Trust), formal arrangements are in place which includes contract monitoring by the Council. Contract monitoring involves promoting and monitoring that adequate standards exist with regards to performance management, financial administration and service delivery relative to the amounts involved in the partnerships.

All Members and employees must confidentially and securely hold any information received as a result of partnership activities or duties, which are of a confidential or commercially sensitive nature.

They should also ensure that the accounting arrangements adopted for partnerships or joint projects are sound. They must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies, and that the risks have been fully considered before agreements are made with external bodies.

When working with external bodies, Service Directors are responsible for ensuring that appropriate approvals are gained before any negotiations are complete. The Partnership Toolkit gives assistance in this area.

A number of key principles can be employed in order to control partnerships and the work they do:

Strategic Business Case: Putting forward the case and principle of the partnership. This would include option appraisal risk management, governance and financial management.

Option Appraisal: This must be carried out before any partnership project is embarked on in order to ensure that it is indeed the best way forward for the Council.

- Risk Management:** Identifying all risks to the achievement of the objectives of the partnership. Risks are recorded in a risk log or register, and graded using the red, amber, green annotation, dependant on their severity and impact and the extent of exposure.
- Governance:** A full governance framework for the partnership, including membership, roles, reporting structure, decision-making, etc., should be developed on commencement of the partnership, and formally approved by the Executive or Other Committee of the Council.
- Financial Management:** The Director of Finance retains responsibility for appraising any partnership's funding sources, financial viability and contingency plans. Full financial management arrangements should be put in place prior to commencement of the partnership with full reference to Financial Regulations of the Council, monitoring arrangements, systems, audit requirement, etc.
- Council Approval:** All partnership frameworks must be approved by the Cabinet or ELT dependant on the scale of the project and the Scheme of Delegation.

8B: External Funding

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What is External Funding?

Sources of external funding provide additional resources to enable the Council to deliver services to the local community. This can be provided by the in-house service, or by commissioning partners or other agencies. Care needs to be taken to ensure that the funding conditions meet the aims and objectives of the Council and providers of the external funding. Care is also required to make sure that the Council spend external funding in line with the conditions of the external funding and the relevant partnership, and that the Council fulfils all the reporting and accountability requirements. It is important to note that failure to do so puts the Council at risk of having to repay the funding.

Examples of external funding which the Council can access include:

- ❖ European funding (ERDF);
- ❖ Lottery funding;
- ❖ Various grants for employment and training;
- ❖ New Deals for Communities;
- ❖ Housing Market Renewal.

Why is External Funding Important?

The Council's resources are limited and scarce, and so External Funding is a very important additional source of income. Funding conditions, however, are equally important, and the Council needs to consider these conditions carefully to ensure that they agree with the Council's aims and objectives. Most external funding is now managed by the Council as a partner of the Local Strategic Partnership (LSP) and other partnerships.

The Council is under increasing pressure to deliver services with limited resources, with a great importance on creating efficiencies and working in partnership with other organisations, such as agencies and private-sector providers. Funds from external agencies, such as the Lottery Commission, enable the Council to provide extra services to the local community.

However, on occasion, although there is more external funding available, it is linked to tight requirements and may therefore not be flexible enough to link to the Council's overall plan.

The Rules are:

Bids for external funding to support income or investment plans can only be made after discussion with their Service Director after consultation with Finance Services.

Service Directors must confirm with the Director of Finance that any match funding requirements have been carefully considered before entering into long-term agreements, and that future income budgets reflect these requirements.

Service Directors must ensure that all claims for funds are made by the due date.

The Director of Finance is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts. Service Directors must ensure that any external funds are properly spent and recorded in accordance with the funding conditions.

Where Can I Get Further Information?

Further information on External Funding and guidance relating to it is available from your Service Accountant.

8C: Work for Third Parties

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What is Work for Third Parties?

Current legislation enables the Council to provide a range of services to other bodies on a client/contractor basis in order to maximise the use of its resources and expertise.

However, there are restrictions under the Local Authority Goods and Services Act 1970 that do place some restrictions on bodies to whom the Council can supply a service (principally public sector organisations). The Council itself can also be the recipient of services from similar organisations under this Act, in which case the rules for procurement should be followed.

Why is Work for Third Parties Important?

Such work for Third Parties may enable a unit within the Council to maintain economies of scale, to utilise spare capacity and consolidate existing expertise. It is also a source of extra income into the Council.

Arrangements must be in place within the Council to ensure that any risks related to the Council performing this work are minimised and within its legal powers.

The Rules are:

The Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies.

Before entering into an agreement to provide services for a third party, a very detailed risk assessment must be carried out which covers at least the following:

- ❖ Confirmation by the Service Director for Legal and Democratic (Borough Solicitor) that the Council has a legal power to provide the goods or service;
- ❖ A full financial assessment of all proposals needs to be undertaken by the Director of Finance;
- ❖ An assessment of whether the service will have the appropriate resources and technical expertise to undertake the work for the duration of the contract;
- ❖ An assessment of whether the contract will have a negative effect upon the services provided for the council;
- ❖ Confirmation that the Council will not be contributing funds to the contract in any way, and that there are no tax implications;
- ❖ A full financial health check of the client should be undertaken by Finance Services to ensure that they are financially sound;
- ❖ An assessment of any additional insurance arrangements should also be completed by Finance Services.

All third party arrangements must be approved by the Cabinet before decisions are made. Authorisation of agreements and contracts by officers must be in line with the Council's scheme of delegation. The Director of Finance should be involved in the approval process, and may produce guidelines to be used for such a purpose.

Authorising Officers must ensure that all contract documents have been checked by the Service Director for Legal and Democratic (Borough Solicitor) before entering into a contract,

to ensure that they do not put the Council at undue risk or conflict with the Council's aims and objectives.

Service Directors must ensure that a contract register is maintained of all contracts entered into, and all payments owing and received are recorded.

Where Can I Get Further Information?

Contact Finance Services

8D: Trust Funds and Trusts

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What are Trust Funds and Trusts?

A trust is an arrangement whereby money or property is owned and managed by one person (or persons, or organisations) for the benefit of another. The Council manages a number of Trust Funds on behalf of the Trustees. Normally, the Council has full responsibility for the administration of the fund but must manage the trust's resources in line with the trust's decision making procedures. These must be properly recorded.

Why are Trust Funds and Trusts Important?

It is essential that good management over the funds is in place despite funds which are held in trust by the Council not being Council resources.

It is also essential that any money spent out of such resources follow all trust fund conditions.

The Rules are:

Officers who, because of their position are required to be trustees of Trust Funds, must ensure that:

- ❖ All trust funds are held in the name of the Council, wherever possible;
- ❖ All trust funds are managed according to relevant laws (i.e. Charity Acts), Codes of Professional practice, and the requirements of each trust;
- ❖ All securities, documents of title etc. relating to the trust are held by the Service Director for Legal and Democratic (Borough Solicitor) and the Director of Finance, unless the deed provides otherwise.

The Director of Finance should manage these funds in line with the limits and conditions in place by law, and by the Deed of Trust etc. The Council should also make sure that funds are properly protected.

The Director of Finance must be informed of any funds left in Trust to the Council or to be administered by its Officers.

The Director of Finance has a duty to prepare Annual Accounts in an appropriate format, and have the accounts subjected to External Audit or inspection as and when required. The annual returns need to be submitted to the appropriate regulator (e.g. Charities Commission).

Where Can I Get Further Information?

Contact Finance Services

