

# CONSTITUTION OF THE LONDON BOROUGH OF CROYDON

## Part 4.H – Financial Regulations

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## 1. Introduction

### What are Financial Regulations?

- 1.1 The Council is responsible for providing a wide range of services for residents, businesses and visitors, which involves receiving and spending large sums of money each year. Financial Regulations aim to ensure that the Council protects and makes the best use of the money it receives and spends.
- 1.2 Financial Regulations are the regulatory framework within which the financial affairs of the Council (except maintained schools) operate. Schools must adopt their own financial policy and procedures based on the principles within these regulations but also taking account of more specific guidance issued, including the Croydon Scheme for Financing Schools. These clarify responsibilities and provide a framework for decision making. These reflect how statutory powers and duties are discharged, as well as setting best professional practice.

### Who do Financial Regulations apply to?

- 1.3 All Members and all Officers of the Council must abide by the Financial Regulations. Any breach by Officers may be considered a disciplinary offence and could lead to dismissal. Any breach by Members may also be a breach of the Members' Code of Conduct, which is included in Part 5 of the Constitution and overseen by the Ethics Committee.
- 1.4 All officers with financial responsibilities must read, understand and comply with these regulations. The Financial Regulations also set out the financial responsibilities of Members and Senior Officers (particularly the Chief Executive, Corporate Directors and Directors which include the statutory roles of the Chief Finance Officer (also known as the Section 151 Officer) and the Monitoring Officer).
- 1.5 In these regulations, references to responsibilities are assigned as follows, irrespective of any changes there may be to job titles:

“Section 151 Officer” refers to the post responsible for making arrangements for the proper administration of the financial affairs of the Council, under Section 151 of the Local Government Act 1972.

“Monitoring Officer” refers to the post responsible for reporting on matters they believe to be illegal or amount to maladministration, matters relating to the conduct of Members and the operation of the Council's Constitution, under Section 5 of the Local Government and Housing Act 1989 as amended by paragraph 24 of Schedule 5 Local Government Act 2000.

“Chief Executive” refers to the post responsible for ensuring that all the Council’s functions are properly co-ordinated as well as organising staff and appointing appropriate management (also known as the Head of Paid Service).

## Maintenance of Financial Regulations and Financial Rules

- 1.6 The Section 151 Officer is responsible for reviewing these regulations and is authorised to make minor changes as necessary. The Section 151 Officer is also responsible for approving a Scheme of Financial Delegation which sets out the financial authorisation limits for Officers and issuing advice and guidance on the operation or application of these regulations.
- 1.7 The Constitution authorises the Monitoring Officer to make changes as a result of legislative changes or a decision of the Council or for the purpose of ensuring that these regulations remain up to date.

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## Croydon Council Finances: Summary of Who Does What

The general advice for ALL staff is at 2.2 and the summary for Directors is at 2.13

	Members	Executive Mayor	S151 Officer	Chief Executive	Corporate Directors	Monitoring Officer
General	2.2, 2.3, 2.5, 2.6	2.4	2.10, 2.11	2.8	2.12	2.9
Revenue Budget Setting	3.3	3.7	3.4, 3.5, 3.6, 3.8	3.4	3.9	
Capital Programme Setting		3.11, 3.14	3.10, 3.12, 3.14	3.10	3.13, 3.14	
Reserves and Provisions			3.15 to 3.17			
Decisions and Financial Implications	4.1, 4.2	4.1, 4.2	4.3		4.4, 4.5	
Croydon Pension Fund			4.6			
Revenue Budget Monitoring and Control					5.1	
Virements		5.4	5.4		5.4	
Capital Budget Monitoring and Control		5.6, 5.7	5.6 to 5.8		5.5 to 5.7	
Accounting Policies, Records and Returns			6.1		6.2	
Annual Statement of Accounts	6.3		6.4		6.5	
Audit Requirements			6.6		6.7	
Risk Management and Insurance	7.2		7.3		7.4	
Internal Control and Preventing Fraud			7.5, 7.7		7.6, 7.8	
Assets and Stocks			7.10, 7.11		7.9, 7.12	
Intellectual Property				7.13	7.14	7.13
Treasury Management	7.15 to 7.19		7.15 to 7.18, 7.20			
Loans to Third Parties		7.23	7.21, 7.23		7.22, 7.23	

	Members	Executive Mayor	S151 Officer	Chief Executive	Corporate Directors	Monitoring Officer
Trust Funds, Banking, Cash and Purchase Cards			7.25, 7.27, 7.29, 7.31		7.24, 7.26, 7.28, 7.30, 7.32	
Staffing Costs			7.33, 7.34		7.34	
Systems			8.2		8.3	
Income and Write Offs	8.6	8.6	8.4 to 8.6		8.6	
Ordering and Paying for Goods, Works and Services			8.7, 8.9		8.8	
Taxation			8.10		8.11	
Trading Accounts			8.12		8.13	
Overheads and Internal Recharges			8.14		8.14	
Partnerships			9.2		9.1	
External Funding		9.3	9.3, 9.5		9.3, 9.4	
Work by the Council for Third Parties			9.6		9.7	
Companies and Outside Bodies		9.8	9.8		9.10	9.9
Agreements with Third Parties					9.11	

## 2. Overall Roles And Responsibilities

### Introduction

2.1 This section sets out the roles of Members and Officers in the management of the Council's finances. Financial management covers all financial accountabilities relating to the running of the Council, including the policy framework and budget. The Council is a single entity with devolved accountabilities but the overall responsibility for financial administration of the Council remains with the Section 151 Officer. The Delegation to Officers, contained in Part 3 of the Constitution and the Executive Mayor's Scheme of Delegation, sets out how the responsibilities within the Financial Regulations are reserved or delegated to officers.

### Personal Responsibilities

2.2 Any person concerned with the use or care of the Council's resources or assets MUST ensure they are fully conversant with the requirements of these Financial Regulations. All staff should notify their line manager immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the Council's property or resources. Concerns may also be raised via the whistleblowing procedure. Line managers should notify the Head of Internal Audit and the Head of Counter Fraud (to take into account any required insurance actions as well as fraud investigation). Where appropriate, Corporate Directors should also inform the Police.

### Member Responsibilities

2.3 Full Council approve:

- i. the Budget and Policy Framework included in the Constitution, monitor compliance and respond to Scrutiny referrals on matters of non-compliance;
- ii. the annual budget and the Council share of Council Tax and Council Tax precept;
- iii. the capital programme and capital strategy, including prudential indicators for capital finance and borrowing; and the policy on Minimum Revenue Provision (MRP) agreed annually at Budget Council;
- iv. the annual treasury management strategy and reserves policy agreed annually at Budget Council;
- v. the limits for virement or other budget changes and decision making procedure rules, including limits for key financial decisions included within these financial regulations;
- vi. any expenditure proposed by the Executive Mayor or the Cabinet that is outside the limits referred to v) in above;
- vii. the Contract Standing Orders.

## 2.4 The Executive Mayor (or Cabinet):

- i. propose the Medium-Term Financial Strategy, annual Budget, Council Tax and prudential indicators to the Council;
- ii. propose the capital programme to Full Council;
- iii. within the allocated responsibility area and approved budget, take account of legal, financial liabilities and risk management issues when taking decisions, including due consultation with and the taking of advice from officers;
- iv. approve bids for funding from external sources, where the external funding relates to existing Council policy, strategy, priority or service delivery of £10m and above;
- v. approve bids for funding from external sources, where the external funding relates to a new, or change to, Council policy, strategy, priority or service delivery of £5m and above;
- vi. approve revenue virements of £1m and above;
- vii. approve capital virements or additions of £1m and above;
- viii. approve loans to third parties and acquisition of third party interests of £1m and above;
- ix. approve debt write-offs of £1m and above;
- x. approve work for third parties or external bodies of £1m and above.

## 2.5 The purpose and responsibilities of the Scrutiny and Overview Committee are summarised in Part 4E of the Constitution. These include:

- i. that the Scrutiny and Overview Committee (and any groups reporting into it) is responsible for reviewing or scrutinising decisions made, or other action taken, in connection with the discharge of any executive or non-executive functions as defined in the Constitution;
- ii. that the Scrutiny and Overview Committee is responsible for considering Executive decisions that are 'called in' after being taken but prior to implementation.

## 2.6 The purpose and responsibilities of the Audit and Governance Committee are summarised in Part 3 of the Constitution. In addition, the Audit and Governance Committee MUST seek assurance:

- i. that the Council's Counter Fraud function is effective, has sufficient resource, experience and expertise to tackle fraud and corruption;
- ii. that the Council has in place policies and procedures for whistleblowing, declaration of interests, gifts and hospitality, the combating of fraud, bribery and corruption, and money laundering.



## Officer Responsibilities

2.7 The full details of delegations to Chief Officers is set out in Part 3 of the Constitution and the Executive Mayor's Scheme of Delegation. The following sets out the key responsibilities of the Chief Executive, Monitoring Officer, Section 151 Officer, Corporate Directors and Directors, as these relate to financial issues, for ease of reference.

2.8 The Chief Executive MUST ensure:

- i. the provision of professional advice to all parties in the decision making process, including financial information;
- ii. arrangements are in place to monitor and manage the performance of the Council;
- iii. that arrangements are in place for internal control and the inclusion of the Annual Governance Statement in the annual accounts;
- iv. that, in consultation and with the agreement of both the Monitoring Officer and the Section 151 Officer, the reporting of any matter to Full Council, where the proper functioning of the Council is at risk.

2.9 The Monitoring Officer:

- i. MUST advise whether decisions of the Executive are in accordance with the Budget and Policy Framework. Actions that may be 'contrary to the Budget' include:
  - initiating a new policy for which no budget exists;
  - committing expenditure in future years above the approved budgeted level;
  - breaching virement limits;
  - causing the total expenditure financed from council tax, grants, other income and corporately held reserves to increase beyond that provided for in the approved budget;
- ii. is responsible for reporting, after consultation with the Head of Paid Service and the Section 151 Officer, any actual or potential breaches of the law or maladministration to the Council and/or to Cabinet;
- iii. is responsible for providing advice to all members on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and Budget and Policy Framework issues.

2.10 The majority of the responsibilities of the Section 151 Officer are covered in Part 3 of the Constitution or elsewhere within these Regulations. In addition, the Section 151 Officer MUST:

- i. carry out statutory duties arising under s151 of the Local Government Act 1972 and s114 of the Local Government Finance Act 1988, in relation to the financial administration and stewardship of the Council;
- ii. carry out statutory responsibilities under s25 of the Local Government Act 2003 and the Accounts and Audit Regulations;
- iii. maintain counter fraud systems, including fraud and anti-corruption strategies and measures;

- iv. provide financial information and professional financial advice to support the proper financial planning of the council;
- v. advise the Council on its overall financial resilience;
- vi. approve the Council's Scheme of Financial Delegation which sets out the financial authorisation limits for Officers.
- vii. issue advice and guidance to underpin the Financial Regulations;
- viii. ensure that statutory and other accounts and associated claims and returns in respect of grants are prepared;
- ix. ensure that the Minimum Revenue Provision (MRP) calculation is prudent;
- x. take ownership of the Council's corporate financial system.

2.11 In accordance with s114 of the Local Government Finance Act 1988, the Section 151 Officer MUST nominate a staff member to deputise for them.

2.12 The Corporate Directors MUST:

- i. operate financial processes that underpin operational controls, including a scheme of delegation;
- ii. control expenditure and income, monitor performance and take action to remain within agreed capital and revenue budgets;
- iii. consult with the Section 151 Officer and seek approval regarding any matters outside of the budget and policy framework which may affect the Council's finances materially, before any commitments are incurred;
- iv. only sign contracts on behalf of the Council when the expenditure to be incurred is budgeted for;
- v. promote the financial management standards set by the Section 151 Officer in their Directorates and monitor adherence to standards and practices;
- vi. ensure that budget estimates that reflect agreed service plans are prepared, and that these are in line with issued guidance;
- vii. ensure that a robust counter fraud and anti-bribery culture exists within their Directorates.

2.13 Directors and those reporting to them with budget responsibilities MUST:

- i. support their Corporate Director in fulfilling their financial responsibilities;
- ii. promote a culture of probity and sound financial control;
- iii. plan and deliver the major financial activities in their services;
- iv. promote financial accountability across the Directorate and act as an escalation point where there are financial or budget issues;
- v. in consultation with the finance service, ensure that a framework is maintained for support and advice to all staff involved in financial management and administration in their service;
- vi. ensure that every report to Council and Cabinet contains a financial implications section that sets out any financial impact or commitments arising from the proposals, and which has been approved by the Section 151 Officer or nominated representative in advance of publication;
- vii. ensure that claims for funds (including grants and 'match funding') are made in accordance with policies and procedures;
- viii. ensure that budget planning information, service revenue and capital monitoring and service outturn reports are provided in accordance with corporate timetables.

### 3. Financial Planning

#### Introduction

3.1 Financial planning is the process of projecting income and expenditure in line with the Executive Mayor's Business Plan. The revenue budget is the expression in financial terms of the delivery of the Executive Mayor's Business Plan over the subsequent year. The capital programme is the expression in financial terms of plans to purchase, construct or improve assets with a lasting value to deliver the Executive Mayor's Business Plan over the medium to long term.

3.2 In terms of financial planning, the key elements are:

- the Executive Mayor's Business Plan
- the Medium Term Financial Strategy
- the Revenue Budget
- the Capital Programme

3.3 Full Council MUST:

- i. Approve the Budget and Policy Framework. The framework comprises a number of statutory plans and strategies laid out in Article 4 of Part 2 of the Constitution;
- ii. Approve procedures for agreeing variations to approved budgets, plans and strategies as included in the Budget and Policy Framework;
- iii. Agree the level at which the Executive Mayor, Cabinet and Officers may reallocate budget funds from one service to another, as set out in these financial regulations.

#### Revenue Budget

3.4 The Chief Executive and Section 151 Officer together MUST ensure that a revenue budget is prepared on an annual basis for consideration by the Executive Mayor and Cabinet before submission to Full Council.

3.5 The Section 151 Officer MUST propose to the Executive Mayor the general format of the Budget.

3.6 The Section 151 Officer MUST issue guidelines on budget preparation to the Executive Mayor, Cabinet Members and Corporate Directors.

3.7 The Executive Mayor (or their delegate)<sup>1</sup> MUST propose the Medium-Term Financial Strategy, annual Budget, Council Tax and prudential indicators for approval by Full Council.

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<sup>1</sup> Under the Constitution, these Executive Mayor responsibilities may be delegated.

### 3.8 The Section 151 Officer MUST:

- i. report to Full Council, when the Budget and Council Tax is considered, on the robustness of the estimates and the adequacy of reserves provided for;
- ii. make any technical changes required to the version of the budget approved by Full Council and any such changes will be reflected in the final published budget book.

### 3.9 The Corporate Directors MUST ensure that budget estimates reflect agreed service plans, are realistic and prepared in line with guidance issued by the Section 151 Officer.

## Capital Programme

### 3.10 The Chief Executive and Section 151 Officer MUST ensure that a medium-term capital programme and capital strategy and financing plan is prepared on an annual basis for consideration by the Executive Mayor and Cabinet before submission to Full Council.

### 3.11 The Executive Mayor (or their delegate) MUST propose the capital programme to Full Council for approval.

### 3.12 The Section 151 Officer MUST:

- i. advise on the setting of any prudential indicators;
- ii. establish procedures to evaluate and appraise capital expenditure proposals;
- iii. build in the revenue implications of the capital programme, including debt costs from additional borrowing;
- iv. ensure surety is in place where external funding is contributing to the delivery of any capital project proposed for the capital programme (e.g. grant determinations, bonds, parent company guarantees or letters of intent).

### 3.13 The Corporate Directors MUST:

- i. ensure that capital proposals reflect agreed service plans and are prepared in line with guidance issued;
- ii. ensure that appropriate approval for any capital project proposed has been sought;
- iii. ensure that VAT implications of capital projects have been considered;

3.14 Where it is proposed to bid for funding from external sources to support capital expenditure, the approval levels to bid for the external funding are below (Council match funding needs to follow the normal governance processes);

Where the use of the external funding relates to existing Council policy, strategy, priority or service delivery:

<b>Up to £250k</b>	Head of Service
<b>Up to £1m</b>	Corporate Director or Director
<b>Up to (but not including) £10m</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer
<b>£10m and above</b>	The Executive Mayor or Cabinet

Where the use of the external funding relates to a new, or change to, Council policy, strategy, priority or service delivery:

<b>Up to £250k</b>	Director
<b>Up to (but not including) £5m</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer
<b>£5m and above</b>	The Executive Mayor or Cabinet

### Reserves, Provisions and Contingent Liabilities

3.15 The Section 151 Officer MUST:

- i. propose and ensure compliance with the Council's Reserves Policy agreed annually by Budget Council;
- ii. advise the Executive Mayor, Cabinet and Full Council on prudent levels of balances and reserves to be maintained;
- iii. approve creation, additions, drawdowns and changes to reserves in compliance with the Council's Reserves Policy.

3.16 The Section 151 Officer MUST ensure that provisions are set up for any liabilities of uncertain timing or amount that have been incurred.

3.17 The Section 151 Officer MUST ensure that contingent liabilities (where material) are noted in the annual statement of accounts, where a reliable estimate cannot be made.

## 4. Financial Decision Making

### Decisions

- 4.1 All decisions must be processed in accordance with the decision making and reporting framework set out in the Constitution and in taking decisions the Members and Officers must comply with the Council's Financial Regulations.
- 4.2 The Executive Mayor's Scheme of Delegation sets out the Executive Mayor's arrangements for the discharge of executive functions.

### Financial Implications of Reports

- 4.3 The Section 151 Officer MUST:
- i. monitor the quality of the financial implications information included in reports, to ensure Members have access to all relevant financial information when making decisions;
  - ii. provide financial implications where there are corporate implications and especially when corporate resources (revenue or capital) are required.
- 4.4 The Corporate Directors MUST ensure:
- i. that reports include all financial impacts or implications - including current and future years, capital and revenue, on all affected Directorates, including the impact on corporate resources and that a copy of the report is submitted to the Section 151 Officer or nominated representative for clearance;
  - ii. reports are compiled in accordance with best professional practice by suitable staff; and provide a sound basis for financial decision-making;
  - iii. in all relevant circumstances, that financial implications referred to in reports are reflected in current budgetary provisions or the Medium Term Financial Strategy.
- 4.5 Corporate Directors are reminded that these requirements extend to the legal reasonableness and financial prudence of all decisions taken by either Members or Officers.

### Croydon Pension Fund

- 4.6 The Section 151 Officer MUST, in accordance with the Local Government Pension Scheme regulations:
- i. ensure the proper administration of the financial affairs of the Fund;
  - ii. having taken appropriate professional advice, prepare and submit to the Pension Fund Committee: regular reviews of investment strategy, monitoring of investment managers, arrangements for admitted employers and reporting on the pensions administration service;
  - iii. prepare and publish the Pension Fund's annual report and accounts.

## 5. Financial Control

### Revenue Budget Monitoring and Control

#### 5.1 Corporate Directors MUST:

- i. have a robust system in place for monitoring activity levels which drive major budgets;
- ii. report to the Section 151 Officer and to the relevant Cabinet Member on variances above £100k within their own areas;
- iii. ensure spend remains within the service's overall cash limit, by taking appropriate corrective action, alerting the Section 151 Officer and Cabinet Member to any problems;
- iv. ensure that a budget manager is identified for each item of income and expenditure under their control;
- v. ensure prior approval by the Executive Mayor and the relevant Cabinet Member of new proposals, which fulfil one or more of the following criteria:
  - a. create financial commitments in future years in excess of existing budgets
  - b. change existing policies, initiate new policies or cease existing policies
  - c. materially extend or reduce the Council's services
  - d. exceed the limit defined by the Council as a key financial decision
  - e. exceed any limit set by the Executive Mayor as requiring reference to them or a Cabinet Member
- vi. where approval has been granted under v above, ensure it is set out in any reports to Committee or Council;
- vii. ensure virements (budget changes) comply with the financial regulations;
- viii. ensure robust measures are in place to combat fraud and corruption;
- ix. ensure Budget Accountability Statements are completed and complied with by budget managers.

#### Virements

5.2 Virements are the authorised transfer of a budget from one expenditure head to another. If such transfers do not:

- change the purpose for which the funding was approved
- involve new policy or policy change
- involve an increasing commitment in future years that cannot be contained within existing approved budget allocations

then these will be considered technical adjustments and Corporate Directors may make such changes, providing they notify the Section 151 Officer in advance.

Examples include additional grant or other external income receivable during a financial year, changes to grant rules or realignment of resources to approved business plans.

5.3 Also, if such transfers relate to an approved budget or a contingency intended for allocation during the year, its allocation will not be treated as virement, provided that the amount has been used in accordance with the purposes for which it was established and the Section 151 Officer has agreed the basis and the terms, including financial limits, on which it will be allocated.

5.4 If a change to the purpose of the funding is required, so that funding will be used for a purpose different to that for which it was approved, then a virement is required. This must not involve an increasing commitment in future years that cannot be contained within existing approved budgets. A new policy or a change in an existing policy require prior approval in line with the Constitution and the Budget and Policy Framework. Revenue virements MUST be approved as follows:

<b>Up to (but not including) £1m</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer
<b>£1m and above</b>	The Executive Mayor or Cabinet

*NB: multiple virement requests to / from the same budget heads will be treated cumulatively in any one financial year.*

### Capital Budget Monitoring and Control

5.5 The Corporate Directors MUST:

- i. provide regular updates on capital forecasts, in line with the timetable set by the Section 151 Officer;
- ii. report promptly to the Section 151 Officer on any proposed variations to the Capital Programme during a financial year;
- iii. report promptly to the Section 151 Officer circumstances where additional Council capital or revenue resources will be required to implement an approved capital project;
- iv. report to the Section 151 Officer on any proposed additions to the Capital Programme, resulting from the receipt of additional grant or other external funding.

5.6 Capital resources may be vired from one capital project or heading to another as follows provided that such transfers do not result in an overall increased commitment of capital resources and do not involve new policy or policy changes:

<b>Up to (but not including) £1m</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer
<b>£1m and above</b>	The Executive Mayor or Cabinet

5.7 In-year additions to the Capital Programme, which do not increase the overall capital programme envelope, can be approved as follows:

<b>Up to (but not including) £1m</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer
<b>£1m and above</b>	The Executive Mayor or Cabinet



5.8 The Section 151 Officer MUST:

- i. prepare and submit regular reports to Cabinet on progress against the approved capital programme, highlighting any variances and detailing any requests for amendments or additions to approved programmes.

## 6. Financial Accounting and Audit

### Accounting Policies

- 6.1 The Section 151 Officer MUST ensure that the accounting policies, practices and procedures adopted by the Council reflect professional standards and recommended good practice.

### Accounting Records and Returns

- 6.2 The Corporate Directors MUST ensure that their services:

- i. comply with the adopted accounting policies, practices and procedures;
- ii. ensure that financial records are carefully and systematically filed and retained for inspection by the Section 151 Officer and agencies (e.g. HM Revenue and Customs);
- iii. ensure the proper retention of accounting records in accordance with the advised minimum period of six years plus the current financial year. Where there is uncertainty, advice must be sought from the Data Protection Officer;
- iv. ensure that all claims for funds including grants are made by the due date and in line with the fund requirements;
- v. provide information required for, or to ensure completion of, all statutory and other financial returns by the due dates;
- vi. operate control accounts as agreed by the Section 151 Officer.

### The Annual Statement of Accounts

- 6.3 The Audit and Governance Committee MUST approve the annual Statement of Accounts of the Council and the Pension Fund on behalf of the Council.

- 6.4 The Section 151 Officer MUST:

- i. ensure that the Council's and Pension Fund's annual Statement of Accounts are prepared by the required statutory date and in accordance with the current Code of Practice;
- ii. liaise with external audit on the completion of the Statement of Accounts and the arrangements for the audit of these;
- iii. ensure that adequate documentation is available to support the Statement of Accounts;
- iv. sign and publish the Statement of Accounts.

6.5 The Corporate Directors MUST supply the Section 151 Officer with information required to complete the Statement of Accounts, in accordance with the agreed annual timetable.

### Audit Requirements

6.6 The Section 151 Officer MUST ensure:

- i. that external auditors are given access to all premises, personnel, documents and assets necessary for the purposes of their work;
- ii. that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided as soon as reasonably practicable.

6.7 Corporate Directors MUST:

- i. notify the Head of Internal Audit and the Head of Counter Fraud immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the Council's property or resources and, where appropriate, also inform the Police as soon as practically possible;
- ii. ensure that internal and external audit are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work;
- iii. ensure that all records and systems are up to date and available for inspection;
- iv. ensure that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided in a timely manner and is not unreasonably delayed.

## 7. Financial Administration

### Introduction

- 7.1 Robust systems must be developed and maintained to identify and evaluate all significant strategic, operational and financial risks to the Council, including the proactive participation of all those associated with planning and delivering services.

### Risk Management and Insurance

- 7.2 The Audit and Governance Committee MUST approve the Council's Risk Management Strategy and Policy and review the effectiveness of risk management. The Section 151 Officer is responsible for the Council's Risk Management Strategy and Policy.
- 7.3 The Section 151 Officer MUST, in consultation with the Cabinet Member for Finance, ensure that there are sufficient arrangements in place to protect the Council against insurable risks.
- 7.4 Corporate Directors MUST regularly review the effectiveness of risk management arrangements within their Directorates and ensure compliance with the Council's overall insurance arrangements.

### Internal Control

- 7.5 The Section 151 Officer MUST provide advice on effective systems of internal control that deliver the requirements of Financial Regulations and compliance with laws.
- 7.6 Corporate Directors MUST establish sound arrangements for planning, appraising, authorising and controlling their operations, ensuring they and their teams fully comply with the system of internal controls and act promptly to address any issues raised by Internal Audit, the external auditor or in the Annual Governance Statement.

### Preventing Fraud and Corruption

- 7.7 The Section 151 Officer MUST develop, review and maintain an Anti-Fraud and Corruption Strategy, including ensuring there is an effective counter fraud function.
- 7.8 Corporate Directors MUST ensure compliance with the Anti-Fraud and Corruption Strategy and with systems of internal control to prevent, detect and pursue fraud and corruption, including engaging with Counter Fraud Specialists when developing new policies, initiatives and strategies.

## Assets and Stocks

### Non-Land Assets and Stocks

#### 7.9 Corporate Directors MUST:

- i. ensure that records and assets are properly maintained and securely held and that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place;
- ii. maintain and review annually inventories of equipment, plant and machinery which has a value of over £5,000 or is portable or vulnerable to theft;
- iii. ensure compliance with issued procedures in respect of all asset disposals;
- iv. write off the value of obsolete stock in their Directorates.

7.10 The Section 151 Officer, in conjunction with the Chief Executive, MUST issue guidelines for the disposal of equipment, plant and machinery.

### Land and Property

#### 7.11 The Section 151 Officer MUST:

- i. issue guidelines on land and property acquisition, disposal and management;
- ii. set up appropriate systems for the recording of land and property on asset registers.

#### 7.12 Corporate Directors MUST:

- i. ensure that land and property are managed in compliance with guidelines from the Section 151 Officer and statutory obligations;
- ii. take appropriate financial and legal advice.

### Intellectual Property

7.13 The Chief Executive, in conjunction with the Monitoring Officer, MUST develop and disseminate best practice guidance regarding the treatment of intellectual property.

7.14 Corporate Directors MUST ensure compliance with the guidance and ensure staff are aware that anything they create during the course of their employment, whether written or otherwise, belongs to the Council.

## Treasury Management

7.15 The Council will create and maintain, as the cornerstones for effective treasury and investment management:

- i. a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities;
- ii. suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;
- iii. investment management practices (IMPs) for investments that are not for treasury management purposes.

7.16 The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the Treasury management in the public services – Code of practice and cross-sectoral guidance notes (TM Code), subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the TM Code's key principles.

7.17 The Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.

7.18 Full Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions (e.g. borrowing and investments) to the Section 151 Officer, who will act in accordance with the organisation's policy statement, TMPs and IMPs, and if they are a CIPFA member, CIPFA's Standard of Professional Practice on treasury management.

7.19 Full Council nominates Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

7.20 The Section 151 Officer MUST:

- i. report to Cabinet:
  - a. a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities;
  - b. suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;
  - c. investment management practices (IMPs) for investments that are not for treasury management purposes.
- ii. establish procedures to monitor and report on performance in relation to Prudential Indicators set by the Council;
- iii. ensure all borrowing and all investments of money are made in the name of the Council or in the name of an approved nominee.

## Loans to Third Parties

7.21 The s151 Officer MUST issue advice and guidance on relevant considerations, due diligence checks and other matters pertaining to lawful, best value and appropriate lending, including Financial Conduct Authority rules and guidance.

7.22 Corporate Directors MUST:

- i. ensure that effective due diligence is carried out on third parties before loans are agreed;
- ii. ensure a record of third party loan agreements is in place and the “Agreements with Third Parties” conditions set out below are complied with;
- iii. take appropriate financial and legal advice;
- iv. comply with the conditions of third party loan agreements and any statutory requirements.

7.23 Loans to third parties (excluding treasury management operations which are delegated to the Section 151 Officer) MUST be approved as follows:

<b>Up to £10k</b>	Head of Service or Director (e.g. as part of approved staff loan schemes)
<b>Up to £50k</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer
<b>Up to (but not including) £1m</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer and Director of Legal Services, and in consultation with the Executive Mayor and Cabinet Member
<b>£1m and above</b>	The Executive Mayor or Cabinet

## Trust Funds and funds held for third parties

7.24 Corporate Directors MUST arrange for all Trust Funds to be held, wherever possible, in the name of the Council and ensure that Trust Funds are operated within any relevant legislation and the specific requirements for each Trust.

## Banking

7.25 All arrangements with bankers must be made only by the Section 151 Officer or nominated representative as per the bank mandate, who is authorised to operate any bank accounts considered necessary for the efficient operation of the Council's activities. The Section 151 Officer MUST issue guidance on the administration and use of bank accounts.

7.26 Once approved, Corporate Directors MUST operate bank accounts within issued guidelines.

## Imprest Accounts and Cash

- 7.27 The Section 151 Officer MUST issue guidance on the arrangements for the monitoring and review of imprest accounts and cash withdrawn via purchase card cash systems.
- 7.28 Corporate Directors MUST ensure the operation of approved cash and bank imprest accounts are in accordance with procedures issued by the Section 151 Officer, including the Petty Cash Procedures.

## Purchase Cards

- 7.29 The Section 151 Officer MUST prescribe the procedures for the use of purchase cards.
- 7.30 Corporate Directors MUST ensure the use of purchase cards is in accordance with the procedures issued by the Section 151 Officer, including the Procurement Card Procedures.

## Receiving and Making Card Payments

- 7.31 The Section 151 Officer MUST ensure that card payment arrangements including chip and pin terminals and web based systems, set up for agreed purposes and assigned to nominated staff, are compliant with Payment Card Industry Data Security Standards (PCI DSS).
- 7.32 Corporate Directors MUST maintain secure card payment arrangements in accordance with the procedures issued.

## Staffing Costs

- 7.33 The Section 151 Officer MUST ensure there are arrangements in place for the accurate and timely payment of staff and associated payroll deductions and returns to Government departments.
- 7.34 An ex-gratia payment is a payment made as compensation or settlement to employees in respect of loss or damage which occurred during the performance of their duties. It does not reflect payments made when someone leaves the organisation (as that is dealt with via settlement agreements). The Corporate Directors are responsible for approving reasonable ex gratia payments up to (but not including) £20k in consultation with the Chief People Officer and for ensuring that a record of such payments is maintained. For ex-gratia payments of £20k or above, Corporate Directors MUST obtain the approval of the Section 151 Officer. Ex-gratia payments MUST be reported annually to the Appointments and Disciplinary Committee.

## 8. Financial Systems and Procedures

### Introduction

8.1 Sound systems and procedures are essential to an effective framework of accountability and control.

### Systems

8.2 The Section 151 Officer MUST ensure the Council has appropriate IT systems for financial purposes. This includes a Business Continuity Plan, in the event of any incident affecting systems used to deliver services for financial purposes.

8.3 Corporate Directors MUST:

- i. Obtain the approval of the Section 151 Officer for any changes to the existing financial systems or the establishment of new systems that contain (or underpin) financial information;
- ii. Ensure the proper operation of financial processes in their own Directorates, with any changes to agreed processes that impact on financial information agreed with the Section 151 Officer;
- iii. Ensure staff receive relevant financial training, which has been approved by the Section 151 officer.

### Income and Write Offs

8.4 The Section 151 Officer MUST specify the procedures to be followed in collecting income and writing off debts. This includes ensuring, in consultation with the Corporate Directors, that adequate provision is made for potential bad debts arising from uncollected income.

8.5 The Section 151 Officer is authorised to write-off the following types of debt where:

- i. the debtor has entered into liquidation, bankruptcy, debt relief order or is deceased and there are no funds nor estate on which to claim for recovery of the debt;
- ii. the Monitoring Officer has reviewed the case and recommends write-off;
- iii. the debtor cannot be located and all tracing efforts are exhausted;
- iv. collection efforts have been exhausted and/or are uneconomical to pursue further;
- v. the debt is statute barred under the Limitations Act 1980 and the Care Act 2014.



## 8.6 The Corporate Directors MUST:

- i. ensure there is an annual review of fees and charges, and that proposals are approved by the Executive Mayor (where an Executive function) or delegate (where an Executive function), or the relevant committee/body;
- ii. ensure official receipts are issued and any other documentation for income collection purposes is maintained;
- iii. ensure the security of cash handling;
- iv. comply with the Corporate Debt Collection And Recovery Policy of the Council;
- v. regularly review debt and write-off irrecoverable debts in their Directorates in line with the following approval limits:

<b>Up to £25k</b>	In line with Directorate schemes of financial delegation
<b>Up to £50k</b>	Director
<b>Up to (but not including) £1m</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer, and in consultation with the Cabinet Member for Finance
<b>£1m and above</b>	The Executive Mayor or Cabinet

## Ordering and Paying for Works, Goods and Services

8.7 In order to ensure that all the Council's financial systems and procedures for ordering and paying for works, goods and services are sound and properly administered, the Section 151 Officer MUST provide guidance on ensuring that:

- goods or services have been confirmed as received
- expenditure has been properly incurred and is within budget provision
- prices accord with orders, quotations, tenders, contracts or catalogue prices
- the correct accounting treatment of VAT has been applied, and
- the payment is correctly coded

8.8 The Corporate Directors MUST ensure that:

- i. systems and processes are in place in their Directorates to comply with guidance published by the Section 151 Officer and to comply with the Council's Contract Standing Orders;
- ii. the Council's corporate financial systems are used for payment, or where specialist systems are used, this is by agreement with the Section 151 Officer;
- iii. orders are raised for works, goods or services (or where this is not possible, it is with the prior approval of the Section 151 Officer);
- iv. goods and services are checked on receipt to verify that they are in accordance with the order;
- v. payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment;
- vi. payments are not made in advance of goods being supplied, work done or services rendered, except with the approval of the Section 151 Officer and to comply with the Council's Contract Standing Orders;

- vii. all undisputed invoices are settled within 30 days of receipt of a valid invoice (subject to any contractual or statutory obligation to pay earlier);
- viii. the Directorate obtains best value from purchases by following the guidance in the Constitution relating to Contract Standing Orders.

8.9 Deviation from schemes of delegation must be approved by the Section 151 Officer.

## Taxation

8.10 The Section 151 Officer MUST:

- i. maintain the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate;
- ii. advise Corporate Directors, in the light of guidance issued by appropriate bodies and relevant legislation, on all taxation issues that affect the Council.

8.11 Corporate Directors MUST:

- i. Where they are owners of financial systems, maintain appropriate records, making tax payments, receiving tax credits and submit tax returns by their due date as appropriate;
- ii. Consult with, and seek advice from, the Section 151 Officer on the potential tax implications of any new initiatives for the delivery of Council activity and services, including those that could impact on the Council's VAT "partial exemption" or incur stamp duty land tax liabilities.

## Trading Accounts

8.12 Trading accounts are used to determine whether a Council activity that is generating income (usually by selling services internally or externally) is covering all its costs, including overheads. The Section 151 Officer MUST publish guidance on the establishment and operation of trading accounts.

8.13 Corporate Directors MUST:

- i. observe all statutory requirements in relation to trading activity, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged;
- ii. ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

## Overheads and Internal Recharges

8.14 The Section 151 Officer MUST establish a framework for the charging of overheads and internal recharges and Corporate Directors MUST comply with the framework.

## 9. External Arrangements

### Partnerships

9.1 When entering into, or considering, a partnership, Corporate Directors MUST ensure that:

- i. the Council's financial and operational interests are protected;
- ii. appropriate financial and legal advice is taken;
- iii. a risk management appraisal is carried out;
- iv. necessary approvals are obtained before negotiations are concluded;
- v. an appropriate contract must be in place prior to the commencement of activity in the partnership;
- vi. approval levels are in compliance with the Contract Standing Orders;
- vii. the accounting and financial arrangements satisfy the requirements of the Council and allow for:
  - a. any required audit of the partnership's affairs; and
  - b. investigation by counter fraud specialists in the event of an allegation of fraud and or corruption.

9.2 Whenever the Council is entering into, or considering, a partnership, the Section 151 Officer MUST:

- i. promote the same financial administration standards of conduct in the partnership that apply throughout the Council;
- ii. advise on any financial implications (including tax treatment, limitation of liability, asset transfers and payment terms).

### External Funding

9.3 The approval levels for agreeing to apply for external funding are as follows (Council match funding needs to follow the normal governance processes):

Where the use of the external funding relates to existing Council policy, strategy, priority or service delivery:

<b>Up to £250k</b>	Head of Service
<b>Up to £1m</b>	Corporate Director or Director
<b>Up to (but not including) £10m</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer
<b>£10m and above</b>	The Executive Mayor or Cabinet

Where the use of the external funding relates to a new, or change to, Council policy, strategy, priority or service delivery:

<b>Up to £250k</b>	Director
<b>Up to (but not including) £5m</b>	the relevant Corporate Director(s) in agreement with the Section 151 Officer
<b>£5m and above</b>	The Executive Mayor or Cabinet

9.4 When applying for and accepting external funding, Corporate Directors **MUST** ensure that:

- i. the advice and guidance of the Section 151 Officer is followed;
- ii. any matched funding requirements are identified and provided for in the budget prior to any agreement being concluded;
- iii. appropriate financial and legal advice is taken;
- iv. the conditions of external funding agreements and any statutory requirements are complied with;
- v. expenditure met from external funding is properly incurred and recorded, that income is received at the appropriate time, returns are made by the specified dates, and that audit requirements of the funding body can be met;
- vi. a record of external funding agreements is in place and the 'Agreements with Third Parties' conditions set out below are complied with;
- vii. all governance procedures, including any Key Decision procedures, are completed;
- viii. all grants received are recorded in the central grants register maintained by the Chief Accountant's Team.

9.5 The Section 151 Officer **MUST**:

- i. ensure that all external funding is received and is properly recorded in the Council's accounts;
- ii. maintain a record of expected grants in liaison with the Corporate Directors (grants register);
- iii. build in any agreed financial implications (e.g. matched funding) into the budget strategy.

### Work by the Council for Third Parties

9.6 The Section 151 Officer **MUST** issue guidance on the financial aspects of contracts with third parties and external bodies.

9.7 The Corporate Directors **MUST** ensure that:

- i. work for third parties does not impact adversely on the services of the Council and that before entering into agreements a risk management appraisal has been carried out;
- ii. guidance issued by the Section 151 Officer is complied with and that all agreements and arrangements are properly documented;
- iii. approval levels are in compliance with the Contract Standing Orders.

## Companies and Outside Bodies

### 9.8 The Section 151 Officer MUST:

- i. advise on the financial implications resulting from the creation of or participation in a company or other outside body (including but not limited to Charities or Partnerships) including tax treatment, accounting arrangements and any service pricing and set up cost issues;
- ii. make decisions on the appointment and removal of directors (this is a delegated power from the Executive Mayor);
- iii. where appropriate, make decisions on director indemnities and insurance;
- iv. report annually to Cabinet on companies and outside bodies.

### 9.9 The Monitoring Officer MUST advise on the legal requirements, governance and implications with respect to the creation of or participation in a company or outside body and the ongoing running of or participation in a company or outside body.

### 9.10 In respect of the creation of or participation in and ongoing running of a company or outside body, Corporate Directors MUST ensure that:

- i. the Croydon Companies' Supervision and Monitoring Panel (CCSMP) have been consulted and are regularly updated, including immediately informing CCSMP of any issues;
- ii. the "Local Authority Owned Companies: A Good Practice Guide" by CIPFA document is complied with;
- iii. legal, governance and financial advice provided by the Monitoring Officer and Section 151 Officer is complied with;
- iv. any relevant Officer or Members guidance is complied with, including the "Protocol for Councillors, officers and individuals appointed or nominated by the Council to outside bodies".

## Agreements with Third Parties

### 9.11 When entering into any agreement (other than contracts covered under the Contract Standing Orders) with a Third Party, including but not limited to grant/funding agreements, loan agreements, property related agreements, a Memorandum of Understanding (MOU) or a Letter of Intent, Corporate Directors MUST ensure that:

- i. Third parties are not authorised or permitted to enter on any land or buildings belonging to the Council or to proceed with proposed arrangements until the following actions are completed:
  - a. where appropriate, proof of satisfactory insurance provided;
  - b. the third party has completed and returned to the Council the signed agreement, unless Legal Services are satisfied that Council's position is otherwise adequately protected;
  - c. where appropriate, a performance bond or parent company guarantee is duly completed;
  - d. all governance and due diligence procedures have been completed.

- ii. For agreements valued at or above £100,000, that Legal Services have reviewed any relevant agreement(s). In such circumstances the Director of Legal Services or other person authorised by the Director of Legal Services ('Authorised Signatory') must sign the agreement in accordance with the Council's Constitution. However, the relevant Corporate Director may sign and settle the terms of agreement if specifically authorised in writing to do so by the Director of Legal Services.
- iii. A copy of the agreement is retained and stored appropriately so that it is accessible.

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