

Financial Regulations

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INTRODUCTION

Why do we have Financial Regulations?

The County Council is responsible for many millions of pounds of public money and has a number of statutory responsibilities in relation to its financial affairs.

The Local Government Act 1972 directs that Authorities shall make arrangements for the proper administration of their financial affairs and that one of their officers be responsible for the administration of those affairs. The Constitution of the County Council designates the County Treasurer the Chief Finance Officer and hence the section 151 officer.

Under powers contained in the Local Government Finance Act 1982 (s23 and 35) the Secretary of State also makes regulations as to the accounts themselves and requires them to be audited by the Audit Commission. The "Accounts and Audit Regulations" require that the "Responsible Financial Officer" must determine and be responsible for the accounting systems and the form of both the accounts and all supporting records of the authority. They must further ensure (by maintaining an effective and adequate internal audit) that rules so made are observed and that all records are maintained in a satisfactory manner. To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Authority.

Status of Financial Regulations

Financial regulations provide the framework for managing the authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf.

- The regulations identify the financial responsibilities of the full Council, Cabinet and Scrutiny Members, the Head of Paid Service, Chief Officers, the Monitoring Officer, the Chief Finance Officer and other Heads of Service.

All members and officers have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.

The Chief Finance Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the full Council for approval. They are also responsible for reporting, where appropriate, breaches of these Financial Regulations to the Council and/or to the members of the Cabinet.

The authority's detailed financial procedures, setting out how these Regulations will be implemented, are contained in the Financial Standards manual.

Chief Officers and Heads of Service are responsible for ensuring that all staff in their departments are aware of the existence and content of the authority's financial regulations.

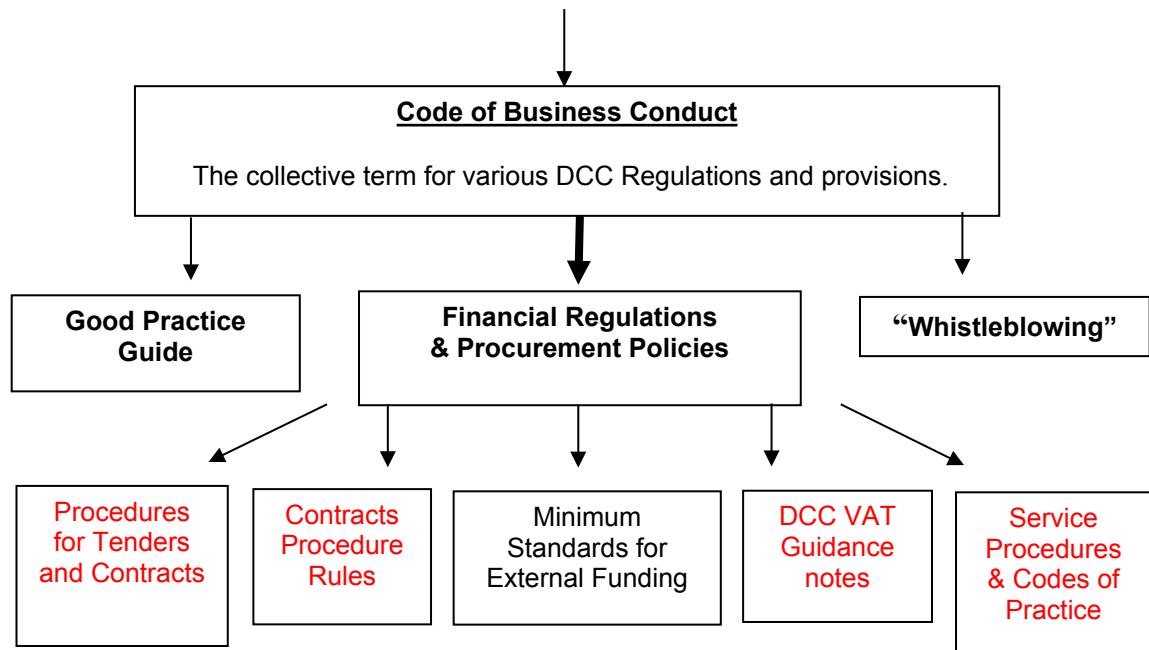
The Chief Finance Officer is responsible for issuing advice and guidance to underpin the financial regulations.

Where Financial Regulations fit in

Financial Regulations are linked to other internal regulatory documents forming part of the Council's Constitution. The following illustration shows where Financial Regulations fit in the hierarchy of the County Council's Codes and Standards and their relationship to other documents.

The Council's Constitution

These govern the way in which the County Council works & the conduct of elected Members and Officers.



What areas are covered in Financial Regulations?

Financial Regulations are set out under a number of broad sections. Each section contains an explanation of the importance of the area, a set of regulations and, where necessary, supporting detailed standards. Where appropriate, reference is made to other appropriate guidance throughout. A glossary is provided at the back of the document.

STATEMENT OF PRINCIPLES

The Council expects high standards of conduct from its members and officers and those with whom it has dealings and this expectation is set out in the Council's policy statement on the Proper Conduct of Business - The Good Practice Guide.

Further to this, the Council expects honesty, openness and integrity to be the values which underpin its financial affairs and all those involved with the Council's finances should work with these values in mind. An extension of this is the Statement of Principles below which provide the basis for the detailed guidance in Financial Regulations.

The Principles

The Council is responsible for the stewardship of public money and will make arrangements to safeguard the interests of taxpayers and other stakeholders.

The Council expects its members and officers to exercise high standards in financial management and administration and aims to stimulate openness and a climate of frankness that it will support through policies and regulations, such as the "whistleblowing" policy.

The importance of planning, monitoring and controlling the use of resources is of vital importance to the Council and it will make arrangements for these activities to be undertaken effectively.

Issues of probity will be dealt with effectively and the Council will work to meet its duty to maintain proper accounts and related records.

Value for money is at the core of the Council's financial activity and the way in which it administers its financial affairs.

Compliance with statutory requirements, accounting standards and appropriate codes of practice will be inherent in the Council's arrangements for financial matters.

Allocation of responsibility and authority in relation to financial matters will be clearly identified.

The Council is a large organisation and is mindful of the need for consistent standards in financial administration and management across all its operations and will set in place guidance to be adhered to by all its directorates. In particular, it expects staff to consult with and use all of the expertise in financial matters that it has available and act on advice from such sources.

The assets and resources of the Council must be protected from loss, damage and theft.

Identifying and quantifying risks to the Council is of key importance and arrangements must be made to reduce, eliminate or insure against them as appropriate.

The accurate, appropriate and timely payment and collection of monies forms much of the routine financial business of the Council and arrangements will be made for its proper administration. National, Government targets for invoice payment are reflected in the Council's payment policy at:

http://www.devon.gov.uk/index/economyenterprise/doing_business_with_us/paymentsfromthecouncil/payment_invoices.htm

A FINANCIAL MANAGEMENT

Importance of this area

Financial Management covers all financial accountabilities in relation to the running of the Council, including the Policy Framework and budget. Below are set out the main areas of responsibility of financial management.

A 1 The Full Council

The Full Council is responsible for adopting the Council's constitution and Members code of conduct and for approving the policy framework, budget and borrowing within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the Authority's overall framework of accountability as set out in its constitution and is responsible for monitoring compliance with agreed policy and reporting decisions taken.

A 2 The Cabinet

The Cabinet is responsible for proposing the policy framework and budget to the full Council. Within the approved policy and budget frameworks the Cabinet is responsible for day to day direction of the Council's affairs. The Constitution provides for the necessary decision-making at three levels:

- (a) Key Decisions – decisions which by reason of their financial, strategic or corporate importance are taken by the whole Cabinet;
- (b) Cabinet Member Decisions – each member of the Cabinet is assigned a particular area of service responsibility (a Cabinet Remit) and can take decisions within that Remit after the proposal has been notified to all members of the Council;
- (c) Chief Officer & Heads of Service Decisions – decisions taken within a chief officer's professional or management role or in accordance with specific delegated powers.

A 3 Committees

A 3.1 Scrutiny Committees are responsible for scrutinising Cabinet decisions and for holding the Cabinet to account.

A 3.2 The Audit Committee is an advisory body that reports to the full Council. It has the right of access to all of the information it considers necessary and can consult directly with internal or external auditors. The Committee is responsible for reviewing the external auditor's reports, the annual audit letter and the internal audit's annual plan and report.

A 3.3 The Standards Committee is responsible for advising the council on the adoption and revision of the Members code of conduct and for monitoring the operation of the code.

A 4 Statutory Officers

A 4.1 The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority as a whole. They must report to and provide information for the Cabinet, the full Council, Scrutiny Committees and other Committees. They are responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

A 4.2 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and for reporting any actual or potential breaches of the law or maladministration and for ensuring that the procedures for recording and reporting key decisions are operating effectively. The Monitoring Officer is responsible for

advising all members and officers about who has the authority to take a particular decision and whether a decision is likely to be considered contrary to the policy framework. The Monitoring Officer and the Chief Finance Officer are also responsible for advising the Cabinet or full Council if a decision could be considered contrary to the budget. An example of such a decision would be promoting a new policy without thought as to the budget implications.

A 4.3 County Treasurer (The Chief Finance Officer)

Lawfulness and Financial Prudence of Decision Making

After consulting with the Head of the Paid Service and the Monitoring Officer, the Chief Finance Officer will report to the Full Council or to the Cabinet in relation to an Cabinet function and the Council's external auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.

The Chief Finance Officer, if necessary in conjunction with the Chief Executive and after consultation with the Leader of the Council, shall have the powers to take any action necessary to safeguard the interests of the Council.

Administration

The Chief Finance Officer has responsibility for the proper administration of the Council's financial affairs. This includes setting and monitoring compliance with financial management standards, advising on the corporate financial position and on key financial controls, providing financial advice, advising on preparation of revenue and capital budgets, and treasury management.

These responsibilities are set out in statute such as section 151 of the Local Government Act 1972. They refer to the totality of the financial affairs of the Council in all its dealings. The rights and responsibilities of the Chief Finance Officer in relation to school delegated budgets are constrained, in part, by the provisions of the Education Reform Act 1988 and the School Standards and Framework Act 1998. Details are provided in the Devon Scheme for the Financing of schools.

Advice

The Chief Finance Officer is responsible for advising committees on all financial matters. They must be consulted on all financial matters and given adequate opportunity to provide written comments in any report with financial implications. All reports to the Cabinet or Committees with a significant financial implication are to be made under the joint names of the Head of Service concerned and the Chief Finance Officer.

Where the urgency procedures set out in the Council's Constitution are to be invoked, the Chief Finance Officer must first be consulted on financial and other resource implications.

A 4.4 Money Laundering Reporting Officer

The Deputy s151 Officer is appointed as the Money Laundering Reporting Officer and the Head of Audit Services is appointed as the Deputy Money Laundering Reporting Officer.

They will be responsible for notifying the National Crime Agency (NCA) of any suspected cases of money laundering committed within the accounts of Devon County Council as soon as possible and fulfil other duties as defined by legislation or regulation related to the post. Simultaneously, the Cabinet Member for Finance & Property will be kept informed of any notifications to NCA and of any issues arising from them.

A5 Chief Officers must operate efficient systems of financial control and are responsible for

- (a) ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.
- (b) ensuring that Cabinet members are advised of legal implications of all proposals and that the legal implications have been agreed with the Monitoring Officer.
- (c) the signing of contracts on behalf of the Council (except where the seal of the council is applied). Chief Officers may, however, delegate authority to sign contracts below £1,000,000 to Heads of Service or an Officer to whom they have specifically delegated authority to sign contracts within their area of responsibility. In all cases before signing a contract the officer concerned must be satisfied that the necessary approval to award the contract has been obtained.
- (d) Consulting with the Chief Finance Officer and seeking his/her approval on any matter that could materially affect the authority's financial position before any commitments are incurred.

Other Financial Accountabilities

A6 Accounting Arrangements

- A 6.1 The Chief Finance Officer is responsible for keeping the accounts and financial records of the Council. They must also approve accounting and other systems with a financial function and accounting records of directorates.
- A 6.2 Accounting procedures will reflect recommended professional practices, and follow accounting principles as determined by the Chief Finance Officer. Accounting procedures will be reviewed as necessary by the Chief Finance Officer in consultation with Chief Officers and Heads of Service to ensure that they provide the information required by both without duplication of records.
- A 6.3 No change to existing accounting procedures must be made without prior consultation with the Chief Finance Officer.
- A 6.4 The Chief Finance Officer must examine and certify where required any submission, estimate or claim for payment of grant by a Government Department or funding from any other body. Officers responsible for the administration of such grants, funds and spending associated with them must ensure compliance with the conditions of the grant/funding and where appropriate adhere to the Council's Minimum Standards for External Funding.
- A 6.5 The Chief Finance Officer must examine and certify where required any financial return to a Government Department or other body.

A7 Year end accounting

- A 7.1 The Chief Finance Officer 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 Cabinet is responsible for approving the annual Revenue and Capital Outturn and for agreeing procedures for carrying forward under and over-spending on budget headings. The County Council's final financial position as presented in the Annual Statement of Accounts will be approved by the Audit Committee on behalf of the Council.

A8 Financial training

- A 8.1 Chief Officers and Heads of Service are responsible for ensuring staff receive appropriate training to undertake their financial responsibilities, in accordance with any standards set by the Chief Finance Officer.

A9 Grants and subscriptions

- A 9.1 Service Cabinet Members (advised by the relevant Chief Officer) will approve all grants or subscriptions exceeding £50,000. Grants or subscriptions below this level will be approved by the relevant Chief Officer (where this payment exceeds £10,000 the Cabinet Member will be kept informed).
- A 9.2 Officers must satisfy themselves that organisations to be grant-aided are financially viable for the duration of the appropriate project or activity. The Head of Service must give local members a month's notice of any grant they propose to make or withdraw.
- A 9.3 The Officer must ensure that any grant or contribution is not a supply of service by checking with the VAT section, and that the payment does not contravene the State-Aid rules for Local Government.

A10 Use of Capital Receipts

- A 10.1 All capital receipts will be treated as corporate capital receipts unless specific approval is obtained from the Cabinet for an alternative treatment.

A11 Use of Consultants

- A11.1 If any person is to be engaged either as interim manager, consultant, professional or to fulfil the position of an Office Holder they shall be engaged under the Hiring Temps, Agency Workers, Interims & Consultants Policy. They will be subject to approvals in line with those of procurement & purchasing as set out in the Constitution and to comply with Tax Legislation. Any waivers of this regulation shall be in line with that of waivers for Tenders. For engagements at Chief Officer level, approval shall be sought through the Appointments Committee.
- A11.2 If any professional person is to be engaged as a lead consultant for a major organisational review or to lead a major project on behalf of the County Council the written approval of the Cabinet Member must first be obtained.
- A11.3 For projects and activities under their control, Chief Officers, in consultation with the leader and Chief Executive, may appoint specialist consultants up to the value of £100,000 per consultant. Where the total requirement value is over £100,000 approval is required from the Chief Executive and the Cabinet Member (Organisational Development & Digital Transformation).

A12 Commercial units

- A 12.1 The management and control of the Commercial Units is the direct responsibility of the relevant Heads of Service who must ensure they operate within the requirements and constraints of public accountability required by law and embodied in Financial Regulations.
- A 12.2 Commercial Units will be required to adopt the appropriate accounting practices advised by the Chief Finance Officer and are required to comply with Financial

Regulations except where exceptional arrangements are made by the Chief Finance Officer and approved by Cabinet.

A13 Pensions

It is the responsibility of officers preparing to outsource activities of the County Council that involve the transfer of pension rights and liabilities to notify the Chief Finance Officer of any proposal prior to substantive negotiations taking place with third parties.

In consultation with the Chief Finance Officer the full cost and implication of the transfer of pension rights and liabilities must be disclosed in the financial appraisal that is prepared in relation to the outsourcing proposal.

The Chief Finance Officer must be consulted about and approve revised pension arrangements before formal agreements are made.

B FINANCIAL PLANNING AND CONTROL OF EXPENDITURE

Importance of this area

The importance of this area is in the need for sound planning, monitoring and control of resources. Sound budget management is crucial to informing good decision making and achieving best value in the use of the Council's resources.

B1 Policy Framework

B 1.1 The full Council is responsible for agreeing the authority's policy framework and budget that will be proposed by the Cabinet. In terms of financial planning the key elements are

The strategic plan
The medium-term financial plan
The annual revenue budget
The capital strategy
The annual capital programme
Prudential Indicators (limits for external borrowing, other long-term liabilities and related matters and Treasury Management Strategy)

B2 Performance Plans

B 2.1 The Policy framework includes the statutory plans that the County Council has to compile set out at Article 4 of the Constitution. The Chief Finance Officer is responsible for the provision of financial information to be included in performance plans in accordance with statutory requirements and agreed timetables.

B3 Revenue Budget Preparation

B 3.1 The Chief Finance Officer is responsible for ensuring that a revenue budget for the coming year and a medium-term financial strategy for the two subsequent financial years is prepared for consideration by the Cabinet.

B 3.2 The Chief Finance Officer is responsible for providing guidance on the general format of the budget.

B 3.3 The Cabinet is responsible for setting a target budget for each Cabinet Remit service area.

B 3.4 Subsequently Chief Officers will prepare, in consultation with the Heads of Service and relevant Cabinet Member and in accordance with the framework set down by the Chief Finance Officer an estimate of income and expenditure for the ensuing financial year within the spending targets set by the Cabinet.

B 3.5 The Cabinet will then submit a 'final budget' to the full Council for approval.

B 3.6 The Chief Finance Officer is responsible for reporting to the full Council on the robustness of estimates contained within the budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.

B4 Determination of Affordable Borrowing

- B4.1 It is the responsibility of the Chief Finance Officer to provide the County Council with a written report on affordable levels of borrowing. This report is to be presented at the meeting when the annual budget is set and should have regard to the Prudential Code for Capital Finance issued by the Chartered Institute of Public Finance and Accountancy. The report will contain a number of prudential indicators that demonstrate that capital spending plans are affordable, prudent and sustainable.

B5 Resource Allocation

- B 5.1 The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures that both capital and revenue expenditure plans take account of the council's policy framework and changing priorities within that.
- B 5.2 It is the responsibility of Chief Officers to ensure that the revenue and capital budget estimates reflect agreed service plans, are in line with the medium-term financial plan, the capital strategy and that they follow any guidance issued by the Cabinet. The guidance will take account of the following:-

- Legal requirements
- Medium term planning prospects
- The strategic plan
- Available resources and spending pressures
- Best value
- Other cross cutting issues

B6 Maintenance of Reserves

- B 6.1 It is the responsibility of the Chief Finance Officer to provide the Cabinet with a written report on levels of reserves that are considered prudent. This advice to be based on an annual risk assessment of the Authority.
- B 6.2 The Authority's medium term financial plan should, in part, be based on how to either reach or maintain the recommended level of reserves.

B7 Revenue Budget Monitoring and Control

- B 7.1 Management and control of a Service budget (or part where appropriate) is the responsibility of the appropriate Chief Officer.
- B 7.2 Chief Officers must ensure that there is a designated senior officer accountable to them for the detailed management of their budget and notify the Chief Finance Officer of those so designated.
- B 7.3 Chief Officers and the Chief Finance Officer will jointly carry out regular budget monitoring and reporting to identify financial problems and key issues and to recommend the management action necessary to resolve them. Responsibility for management action rests with the Chief Officer.
- B 7.4 Joint monitoring reports defining service financial problems and key issues with recommended action will be made to the Cabinet on a regular basis. Where agreement on information or recommended action cannot be reached, the Chief Officer and Chief Finance Officer have the duty to report separately.
- B 7.5 With the explicit approval of the Cabinet in each case, and subject to the overall outturn position, at the end of each financial year any net under-spending within a Service's revenue budget may be carried forward into the following year. Any net over-spending of the Service shall be made good in the ensuing financial year unless other exceptional arrangements are approved by the full Council

- B 7.6 The County Council's final financial position as presented in the Annual Statement of Accounts will be approved by the full Council.

B8 Monitoring and Control of Affordable Borrowing

- B8.1 It is the responsibility of the Chief Finance Officer to develop and maintain systems to monitor performance against prudential indicators. Reports on performance against indicators including early warning of any possible breach of any prudential indicator will be made to the Cabinet on a regular basis.

B9 Authority to Incur Revenue Expenditure

- B 9.1 No expenditure shall be incurred or any reduction in income authorised by any officer or Committee unless such expenditure or reduction in income is:-
- (a) covered by the annual or supplementary budgets approved by the full Council;
 - (b) the benefit of a carried forward under-spending within Regulation 7.5
 - (c) covered by a virement (see Financial Accountabilities B 11)

B10 Purchase of IT Equipment

- B 10.1 The Cabinet have delegated powers for approving the purchase of new and additional IT Hardware to the Chief Finance Officer and the Cabinet Member with responsibility for the Finance or Resources Remit. The approval process will be aligned to the cycle of Cabinet meetings.

B11 Virements

- B 11.1 Where a virement represents a major change in policy and is greater than £100,000, the Chief Officer and the Chief Finance Officer need to prepare a brief report for the Cabinet seeking its approval to the policy change and the associated virement.
- B 11.2 All other virements should be approved by the Chief Officer or nominated representative and the Chief Finance Officer informed in writing.

B12 Capital Expenditure and Leasing

Preparation of the capital programme

- B12.1 The Chief Finance Officer is responsible for ensuring that a capital strategy for the ensuing financial year and four subsequent financial years is prepared.
- B12.2 The Chief Finance Officer is responsible for ensuring that every service area submits to the Cabinet proposals for capital expenditure for the ensuing financial year.
- B12.3 The Capital Programme Group will assist in evaluating Capital Projects proposed for inclusion in the capital programme and make recommendations to the Chief Finance Officer.
- B12.4 Before items included in an approved Capital Programme may be committed a detailed estimate of their cost must be submitted to the Cabinet for approval. Items with a gross cost exceeding £100,000 must be submitted individually; others may be aggregated. **Cabinet may also delegate approval of targeted programmes of work to member led Committees for schemes in excess of this amount.**
- B12.5 The amount of capital expenditure to be financed by **external** borrowing must be approved by the full Council.

Authority to incur, and control of, capital expenditure

B12.6 All capital expenditure proposals must be included in the approved capital programme.

B12.7 Revised project approvals must be obtained in line with the table of delegation set out below and will include the increase in approved programme and its financing. **An exception to the table will be where borrowing is required for financing, and in such instances Cabinet approval must be sought.**

Limit	Authorisation
Up to £50,000, from the original project approval.	Head of Capital & Technical Responsible Finance Officer in conjunction with Relevant Head of Service
Up to £200,000, from the original project approval.	Responsible Chief Finance Officer/ Deputy in conjunction with Capital Programme Group and Relevant Cabinet Member/s
Up to £1,000,000, from the original project approval.	Responsible Chief Finance Officer/Deputy in conjunction with Capital Programme Group and Relevant Cabinet Member/s via FIN letter
Above £1,000,000, from the original project approval.	Full Cabinet. Based on recommendation from Chief Finance Officer and Capital Programme Group

B12.8 The introduction of new capital items after the Capital Programme has been approved (whether additional or in substitution) requires advance approval. Approvals must be obtained in line with the table of delegation set out below, and will include the increase in approved programme and its financing. **An exception to the table will be where borrowing is required for financing, and in such instances Cabinet approval must be sought.**

Limit	Authorisation
Up to £50,000.	Head of Capital & Technical Responsible Finance Officer in conjunction with Relevant Head of Service
Up to £200,000.	Responsible Chief Finance Officer/ Deputy in conjunction with Capital Programme Group and Relevant Cabinet Member/s
Up to £1,000,000.	Responsible Chief Finance Officer/Deputy in conjunction with Capital Programme Group and Relevant Cabinet Member/s via FIN letter
Above £1,000,000.	Full Cabinet. Based on recommendation from Chief Finance Officer and Capital Programme Group

B12.9 New approvals and variations approved in periods will be reported as part of the budget monitoring cycle to members and the Capital Programme Group.

B12.10 The Cabinet must approve any re-phasing of Capital Programmes.

B12.11 Capital items purchased must be recorded in the appropriate register or inventory.

Capital receipts

B12.12 The Chief Finance Officer must be informed of all proposed sales of land and buildings so that the effect on financial and property management can be assessed.

B12.13 The procedures for declaring properties surplus to requirements are set out in the Council's Code of Practice for the Disposal of Surplus Property.

B12.14 The Head of Digital Transformation & Business Support will be responsible for the negotiations of all such sales. The Chief Finance Officer will be consulted on the sale of assets at less than Full Market Value.

B12.15 Capital receipts must be accounted for separately from revenue income and officers banking these monies must ensure accurate use of capital analysis codes, as well as compliance with the other regulations concerning income, banking and Tax.

Leasing

B12.16 All vehicle, plant, furniture and equipment leasing must be negotiated in conjunction with the Chief Finance Officer. Provision for the acquisition of leased items must be included in the capital programme.

B12.17 All property leases and other property acquisitions must be notified to the Chief Finance Officer, who will seek the approval of the Cabinet, before a commitment is entered into so that the effect of Central Government controls on the Capital Programme can be assessed.

C RISK MANAGEMENT AND CONTROL OF RESOURCES

Importance of this area

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority. Equally, regulations are needed to ensure arrangements are in place to protect the assets and resources of the Council.

C1 Risk Management

C 1.1 The Cabinet is responsible for approving the authority's risk management strategy and for reviewing the overall effectiveness of the strategy.

C 1.2 The Chief Finance Officer, in conjunction with Chief Officers and Heads of Service, is responsible for preparing the authority's risk management policy statement and for promoting it throughout the Council and updating it.

C 1.3 The general controls for risk management are:-

C 1.3.1 Procedures are in place to identify, assess, prevent or contain material known risks and these procedures are operating effectively throughout the authority.

C 1.3.2 A monitoring process is in place to review the effectiveness of risk reduction strategies and the operation of these controls

C 1.3.3 Managers know which risks they are responsible for managing and are provided with the relevant information

C 1.3.4 Provision is made for any losses that might result from the risks that remain.

C 1.3.5 Claims are investigated within a given time scale

C 1.3.6 Acceptable levels of risk are determined and insured against where appropriate

C 1.3.7 The Council has identified business continuity plans in the event of a disaster that results in significant loss or damage to its resources.

C2 Internal Control

Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

Systems of internal control

C2.1 The Chief Finance Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice.

C2.2 It is the responsibility of Chief Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

- C2.3 The Chief Finance Officer will prepare an annual statement on the effectiveness of the County Council's system of internal control. This statement will be published as part of the Annual Statement of Accounts and will be approved by the Audit Committee.

C3 Separation of duties

Financial procedures must be undertaken whenever possible using separate persons to undertake different parts of a sequence of operations so that no one person authorises the whole of any one transaction. An example would be ordering, receiving and authorising payment for a transaction, where at least two, if not three, people should be involved in the separate parts of the process.

C4 Retention of records

Accounting and other records must be retained for periods that comply with relevant legal requirements and the detailed standards below.

- C 4.1 Records must be retained for periods specified by Internal Audit, which will ensure the Council's compliance with VAT and other law. The following periods provide a broad indication only:
- (a) Expenditure records (e.g. order books, invoices) should generally be retained for three years plus the current year.
 - (b) Income records (e.g. receipt books, debtor invoices) should generally be retained for six years plus the current year.
 - (c) All records associated with grant funding must be retained for longer periods if required by the funding body.

C5 Investments and Treasury Management

- C 5.1 All investments of money under its control shall be made in the name of the Council or in the name of nominees approved by the Cabinet.
- C 5.2 All securities that are the property of or in the name of the Council or its nominees, and the title deeds of all property in its ownership, shall be held by the Chief Finance Officer or appointed custodians/other nominees or the Council's bankers as appropriate.
- C 5.3 All borrowings will be in the name of the Council.
- C 5.4 The Chief Finance Officer will be the Council's registrar of stocks, bonds and mortgages and will maintain records of all borrowing of money by the Council.
- C 5.5 Funds held in trust will wherever possible be in the name of the Council.
- C 5.6 All officers acting as trustees or controlling funds by virtue of their official position have a duty to exercise due care over the custody of valuables and documents and the administration of funds.
- C 5.7 The Council adopts the key recommendations of CIPFA's Treasury Management in Public Services: Code of Practice (the Code).
- C 5.8 Accordingly, the Council will create and maintain, as the cornerstone for effective treasury management :

a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;

suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- C 5.9 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in the TMPs.
- C 5.10 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the County Council's policy statement and TMPs and, if a CIPFA Member, with CIPFA's *Standard of Professional Practice on Treasury Management*.
- C 5.11 The Council's Corporate Services Committee, or its successor body, will be responsible for ensuring the effective scrutiny of the treasury management strategies and policies.
- C 5.12 The full Council is required to approve certain maximum borrowing levels before the start of each financial year based on the recommendations of the Chief Finance Officer.
- C 5.13 The Chief Finance Officer is empowered to make decisions regarding the premature repayment of debt and the acquisition of new debt (debt rescheduling) within the borrowing limits set by the Cabinet. All such decisions will be in line with the County Council's Treasury Management Policy Statement. A full analysis of the budgetary implications of the debt rescheduling will be undertaken before any decision is reached. This analysis will include an assessment of all risk factors affecting the current and future cost implications of the debt rescheduling.

C6 Security of Council Property

- C 6.1 The Chief Finance Officer will maintain a register of land and buildings owned by the Council and have custody of all title deeds under secure arrangements.
- C 6.2 Heads of Service are responsible for maintaining proper security of Council property and cash holdings in accordance with the detailed standards below:

C 6.2.1 Other than where approved by the Heads of Service the Council's property must not be removed other than in the ordinary course of the Council's business or used other than for the Council's purposes.

C 6.2.2 Where Council property is held in the homes of Officers or Members, those individuals must make reasonable arrangements for its safe custody and return the property when required by the Council.

C 6.2.3 Maximum limits for cash holdings must be agreed with the Chief Finance Officer and must not be exceeded without express permission.

C 6.2.4 All reasonable steps should be taken for the secure storage of cash. The Council's Insurance policy for cash storage carries a £50 excess, which would be borne by the establishment suffering the loss.

C 6.2.5 Keys to safes and similar receptacles must be subject to adequate security and the loss of keys must be reported to the Chief Finance Officer immediately. Safes and similar receptacles must be subject to an annual contents review, listing and certification by an appropriate manager.

C 6.3 The Head of Digital Transformation & Business Support is responsible for maintaining proper security and privacy of information held in the main computer installation.

C 6.4 Heads of Service are responsible for controlling access to main computer installation data and access to all computer data within their own directorates in accordance with the Council's Data Protection and Security Policy and Guidelines.

C7 Sale of Assets

C 7.1 Heads of Service may make arrangements for disposal of surplus items (excluding land and buildings and leased items) with an estimated value of up to £5,000. For surplus items with an estimated value in excess of £5,000 prior notification of the sale must be provided to the Devon Procurement Service, to ensure that value-for-money is secured from the disposal.

C 7.2 All asset disposals must be undertaken transparently so as to maximise income to the Council and no favour should be shown to staff or other third parties.

C8 Stocks and Stores

C 8.1 Heads of Service are responsible for the custody and control of stocks and stores in their directorates in accordance with the detailed standards below.

Detailed Standards

C8.1.1 Unless otherwise agreed in writing by the Chief Finance Officer, a complete record of all stores received on behalf of the Council, whether from suppliers, surplus stores, as gifts, or material returned from works sites, together with a record of all issues made and balances in hand at any time must be kept in a form agreed by the Chief Finance Officer.

C8.1.2 In addition to the periodical testing of stocks in hand, unless agreed otherwise in writing by the Chief Finance Officer, Heads of Service must undertake a complete stocktaking of all stores at least once during each financial year.

C8.1.3 Where required by the Chief Finance Officer, stock sheets must be prepared and passed to them showing at 31st March (as nearly as may be), the actual stocks in hand and their value. This will be as revealed by the stocktaking (see C 8.1.4 below). The stocks in hand and their value must be shown in the stores accounts, together with any surpluses or deficiencies.

C8.1.4 The stocktaking must be supervised by a responsible person (other than the person responsible for the stores) nominated for the purpose by the Service Director, and both the person taking the stock and the person supervising must certify the stock sheets.

C8.1.5 Any deficiency, theft or other loss in value including obsolete stock exceeding 2.5% or £1,000 whichever is the greater, on any one item revealed on the occasion of the annual stocktaking or otherwise, must be reported at the earliest opportunity to the Chief Finance Officer for the necessary authority to write off each deficiency or to obtain a decision as to other action to be taken. The report must state the quantities and values in question, together with any other relevant information. The Chief Finance Officer is empowered to write off deficiencies.

C 8.1.6 Wherever a storekeeper or person in charge of stores hands over, leaves or ceases to have custody of stores, the Head of Service must ensure that a prior check is made of the stores concerned and that a handing over certificate is signed by the out-going and incoming officers.

C 8.1.7 Stocks and stores must not be carried by any directorate in excess of reasonable requirements as ascertained by experience.

C9 Inventories

- C 9.1 Heads of Service are responsible for the maintenance of inventories of plant and equipment for establishments in their control in accordance with the detailed standards below.

Detailed Standards

C 9.1.1 Inventories of plant, equipment, and other moveable articles including those donated or held under leasing agreements or on trust, must be maintained in accordance with the instructions of the Chief Finance Officer in respect of each establishment, depot or other appropriate unit. Such inventories must include items held at the homes of Officers or Members. Chief Officers and Heads of Service must ensure that:-

- (a) such inventories are kept up-to-date;
 - (b) items held under leasing agreements are appropriately identified;
 - (c) any deficiency, theft or other loss is reported at the earliest opportunity to the Chief Finance Officer, who may advise the Cabinet ;
 - (d) the deletion of items from inventories is authorised by the countersignature of an appropriate Officer;
 - (e) details of the disposal of the items are stated on the inventory;
 - (f) an adequate record is maintained of transfer of control and any temporary borrowing or other removal from the establishment of any item which is (or should be) listed in the inventory, including items held at the homes of Officers or Members;
 - (g) whenever an Officer who is responsible for the custody of the items recorded in an inventory hands over that responsibility to another, the inventory is checked and the incoming Officer must sign as accepting responsibility for the custody of the items recorded in the inventory;
- a complete inventory check is carried out at least annually, and the result certified by the Head of Establishment.

C 9.1.2 All property owned by the Council must, as far as practicable, be effectively marked as Council property.

C10 Insurance

The council faces many risks of different kinds in carrying out its functions e.g. risk of damage to assets, loss of resources etc. Regulations here are designed to protect the interests of the Council, its staff and the people it serves.

- C 10.1 The Cabinet will decide the Council's policy on insurance. Heads of Service must notify the County Solicitor promptly of all new risks or properties which may need to be insured and of any alterations affecting existing risks or insurances indicating the amount of cover required.

- C 10.2 All insurances and related claims are to be arranged in accordance with the detailed standards below.

Detailed Standards

C 10.2.1 The County Solicitor is responsible for advising the Cabinet of any insurance required by the Council and of market changes.

C 10.2.2 Any event that gives rise to a claim under any policy of insurance must be notified immediately by the Head of Service concerned to the County Solicitor who will deal with all claims.

C 10.2.3 Any officer in respect of whom the Council is required by Section 114 of the Local Government Act 1972 to take security, and any other person handling public money or money's worth in respect of whom the Cabinet consider it desirable, must be covered by insurance in such form it approves.

C 10.2.4 Any officer who uses his own motor vehicle on Council business is required to insure against third party risks in such form as to indemnify the Council against claims arising, and the policy, including any necessary endorsements and renewal receipts, must be produced for inspection by the Chief Finance Officer if so required other than in those cases where they are deemed to be covered by implied endorsements under the arrangements made between the Local Government Association and various insurers. Chief Officers and Heads of Service are responsible for acquainting officers under his control of the foregoing requirement.

C 10.2.5 Before any contract is made the County Solicitor must approve the insurance cover to be furnished by the contractor in respect of any act or default.

C11 Ex gratia payments

C 11.3 On the recommendation of the Heads of Service, the County Solicitor may, after consultation with the Chief Finance Officer, exercise delegated power to make any ex gratia payment in a sum not exceeding £1,000 for damage to or loss of property where such payment is calculated to facilitate or is conducive or incidental to the discharge of any of the functions of the Council.

C12 Gifts and Hospitality

The Council and the Public expect the highest standards of integrity from public servants. Formal standards are in place to guide staff and Members on these matters and to ensure consistency of judgement.

C 12.1 All employees must observe the provisions of the Council's policy on Gifts and Hospitality which is reproduced in the detailed standards below.

Detailed Standards

C 12.1.1 A particular source of conflict between the private and the public interest is the offer of gifts, hospitality or other benefits in kind to Councillors and Officers in connection with their official duties. A difficult exercise of judgement may sometimes be necessary to decide how the public interest, and the Council's good name, may best be served. A reasonable amount of entertainment is a normal part of the courtesies of public life and extreme inflexibility can give unnecessary offence to people and organisations with whom the Council's relationships should be cordial. But an appearance of improper influence is easily created, and with it encouragement of cynicism about the motives of those who serve in Local Government.

C 12.1.2 With the exceptions listed below, an Officer should refuse any personal gift offered to them or to a member of their family by any person or body who has or seeks dealings with the Council. The offer should be reported immediately to the Chief Officer concerned. These paragraphs are particularly directed to individuals or organisations or persons who already do or who seek to provide work, goods or services to the Council, e.g. building contractors, suppliers of goods or equipment and firms able to provide professional or commercial services to the Council. In addition, there may be occasions where because of the special relationship between the donor and donee, e.g. social worker and client, similar rules should apply.

In these cases, legacies, fees or presents of any description should not be accepted and any employee in doubt should first seek the advice of the Head of Service/ Chief Officer.

C 12.1.3 Exceptions :-

(i) A modest gift of a promotional character given to a wide range of people. These gifts are usually given at Christmas-time and include calendars, diaries, desk sets, tape measures, scales and other articles of use in the office.

(ii) Gifts on the conclusion of any courtesy visit to a factory or firm of a sort normally given by that firm.

(iii) A modest gift where refusal would cause needless offence and the giver is not seeking a decision of business but merely wishes to express thanks for advice, help or co-operation received, e.g. a modest gift from a client for personal care.

(iv) An unsolicited legacy from a client for personal care, which must be reported to Cabinet.

It is wise to err on the side of caution and an obviously expensive gift should raise a question even if it otherwise falls within one of the above categories. If in doubt, seek the advice of the Head of Service/Chief Officer.

C 12.1.4 When a gift has to be refused, this should be with tact, because the offer of gifts is common practice in the commercial world. In some cases a gift is simply delivered and there may be a problem over returning it. It is sometimes acceptable to the giver for the gift to be the subject of a raffle and the proceeds placed to a charitable fund, e.g. Unison Welfare Fund. An arrangement of this sort should only be made with the Head of Service approval and recorded by letter.

C 12.1.5 Hospitality is sometimes offered to representatives of the Council and is accepted at official level because it is reasonable in all the circumstances. Where it is offered to individual employees, special caution is needed where the host is seeking to do business with the Council or to obtain a decision from it. It is important to avoid any suggestion of improper influence. The question is one of judgement and the following examples are intended to give general guidance:-

Acceptable

* A working lunch of modest standard provision to allow the parties to continue to discuss business. Senior Officers should consider reciprocation on a subsequent occasion if there is need for further meetings.

* Invitation to a Society or Institute dinner or a function, for example, private architect inviting Devon Property Practice staff to RIBA dinner.

* Invitation to take part in a sporting event.

* Invitation to take part in Company jubilee or other anniversary celebration.

Unacceptable

* Holiday abroad or weekend in a holiday centre.

* Offer of hotel and tickets for theatre.

* Use of Company flat or hotel suite.

* Invitation to attend sporting events at the courtesy of a private individual or company

In general terms, it will often be more acceptable to join in hospitality offered to a group than to accept something unique to oneself. When a particular matter is currently in issue with the County Council, e.g. an arbitration, then clearly common sense dictates that offers of hospitality be refused even if in normal times they would be on the acceptable list.

C13 Voluntary Unofficial Funds

- C13.1 For reasons of probity and accountability, the good practice applied to Council funds should also be applied to unofficial funds. This section therefore requires that administrative arrangements for unofficial funds meet the standards expected by the Council.
- C13.2 Unofficial funds do not fall within the Council's VAT registration. School unofficial funds must follow the Schools' Financial Regulations set out within the Schools Finance Manual. For VAT guidance relating to unofficial funds please refer to the VAT guides or contact the VAT team for assistance.
- C13.3 Officers controlling, wholly or in part, any voluntary unofficial fund must ensure that audit and accounting arrangements are in place which comply with the detailed standards below and other guidance issued by the Chief Finance Officer.
- C13.4 Heads of Service must ensure that they are aware of all voluntary unofficial funds in their service area, maintain a record of them and ensure that the accounts are audited and put before the management bodies annually.

Detailed Standards

C 13.1.1 Officers must ensure that arrangements are in place to:

- (a) ensure that a suitably experienced person (not necessarily professionally qualified) audits the fund in accordance with procedures recommended by the Chief Finance Officer;
- (b) arrange for audited statements of accounts to be submitted to and received by the appropriate management body at least annually. Such statements must include a signed certificate in a form prescribed by the Chief Finance Officer.
- (c) ensure that other guidance issued by the Chief Finance Officer in the manual "Management of Voluntary Unofficial funds" is complied with

C14 Safeguarding clients' private property

- C 14.1 Heads of Service and heads of establishments responsible for the private property of a person (other than a member of staff) under their or their service areas guardianship or supervision must adhere to the detailed standards below.
- C 14.2 Heads of any establishments responsible for the receipt or disbursement of clients' cash must ensure that such transactions are conducted within arrangements agreed by the Chief Officer and the Head of Devon Audit Partnership.

Detailed Standards

C 14.1.1 Heads of Service must ensure that all steps are taken to:

- (a) prevent or mitigate loss or damage or diminution in value of the private property of any vulnerable client immediately on assumption of responsibility for the care of that client, and;
- (b) inform without delay the Head of Internal Audit of any such case of loss, damage or diminution in value.

C 14.1.2 Heads of establishments must :-

(a) take all steps to prevent or mitigate loss or damage to that property immediately on assumption of responsibility for that person. Such steps must include:-

- (i) preparing (with a Council employee as witness) and then maintaining a detailed inventory of the property;
- (ii) ensuring immediate safe custody of all the property to the satisfaction of the Service Director and the Chief Finance Officer.

(b) in any case of loss or damage or diminution in value, notify without delay the Service Director and the Head of Internal Audit.

C15 Fraud and Corruption

C 15.1 All Officers and Members are responsible for giving immediate notification to the Head of Internal Audit where there are grounds to suggest any financial impropriety or irregularity concerning cash, stores or other property of the Council or held by the Council.

C 15.2 Any financial irregularity will be dealt with in accordance with the Policy Document titled "Strategy for Dealing with Financial Irregularities". Where there are grounds to suggest any irregularity, after preliminary investigation the Chief Finance Officer will consult with the Chief Officer and the County Solicitor before involving the Police if it is considered that a criminal offence may have been committed. A report may be made of any irregularity to the Cabinet after consultation with the appropriate officers.

C16 Audit Requirements

The Council has a statutory responsibility to maintain an effective and adequate system of internal audit. Regulations in this area are therefore important to provide a formal framework for the activities of the Internal Audit team. There are also statutory requirements in respect of external audit and other inspection agencies.

Internal Audit

C 16.1 As required by law the Chief Finance Officer will maintain an internal audit of the Council's financial dealings.

C 16.2 Internal Audit will follow professional standards and guidelines issued by the Chartered Institute of Public Finance and Accountancy and the Auditing Practices Board.

C 16.3 The Chief Finance Officer or authorised representatives may, for the purposes of audit, have the following access to premises and records:

- (a) enter on any Council premises or land and have access to all Council property;
- (b) have access at all times to all records, documents and correspondence relating to all financial and other transactions of the Council or non-official

- funds operated by Council staff or private property belonging to vulnerable clients;
- (c) require and must receive any explanations as are necessary;
- (d) require any employee of the Council to produce cash, stores or any other Council property or that of an unofficial fund under his control;
- (e) remove records, documents or assets required for further investigation as necessary.

External Audit

C 16.4 ~~The Audit Commission is responsible for appointing external auditors to each local authority. In July 2016 Public Sector Audit Appointments Ltd (PSAA) was selected by the Secretary of State for Communities and Local Government to take on the role of Appointing Person for principal local government and police bodies. The basic general powers and duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998~~ **Part 3 of the Local Audit and Accountability Act 2014, establishes the framework for appointing external auditors to each local authority. In July 2016 Public Sector Audit Appointments Ltd (PSAA) was selected by the Secretary of State for Communities and Local Government to take on the role of Appointing Person for principal local government and police bodies. The basic general powers and duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998** **Part 5 of the Local Audit and Accountability Act 2014.**

Other review bodies

C 16.5 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM **Revenue & Customs (HMRC)** ~~Customs and Excise and the Inland Revenue~~, who have statutory rights of access.

C17 Staffing

C 17.1 Chief Officers are responsible for the operation of the following controls over staffing:

- (a) A staffing strategy is in place that matches staffing requirements and budget allocations
- (b) Appropriate methods are used to forecast staffing requirements and related costs.
- (c) Staffing establishments specified as full time equivalents are approved alongside the annual budget.
- (d) Any subsequent increases in establishment levels will require the approval of the appropriate Cabinet Member.
- (e) Procedures are in place to ensure that only properly authorised vacancies are advertised.
- (f) Monitoring of full-time equivalents against budget is undertaken on a quarterly basis.
- (g) Corporate minimum standards on recruitment and selection are followed at all stages of the recruitment process.

D SYSTEMS AND PROCEDURES

Importance of this area

This area forms much of the routine financial business of the Council and involves large numbers of transactions and staff. This area will be of interest to many people and it is important that such a major area of activity is clearly regulated and those regulations are supported by thorough detailed standards.

D1 General Controls

The general controls for systems and procedures are

- (a) Basic data exists to enable the Authority's objectives, targets, budgets and plans to be formulated.
- (b) Performance is communicated to appropriate managers on accurate, complete and timely basis.
- (c) Early warning is provided of deviations from targets, plans and budgets and management action taken.
- (d) Operating and Audit systems and procedures are secure and monitored.

D2 Procurement arrangements

D 2.1 Heads of Service must ensure and be able to demonstrate that the County Council obtains value for money in its procurement activity, that this accords with service priorities and appropriate procurement procedures have been followed.

D 2.2 The most effective purchasing arrangements should be used. In the case of routine purchasing this should be undertaken via in-house providers and call-off or framework contracts, wherever possible, except:-

- (a) significant transactions excluded by agreement between the Chief Officer and the Head of Procurement;
- (b) small items, which may be purchased through an imprest account in accordance with regulation D 7 below;

The Head of Digital Transformation & Business Support will seek to provide access to a range of corporate and framework contracts. Corporate contracts and approved framework contracts must be used where such contracts exist. Staff should access these contracts using the electronic ordering system if available.

D 2.3 Where any purchasing of goods or services involves tendering or contracts these arrangements must conform to the requirements set out by the Chief Finance Officer in the Council's Minimum Standards and Minimum Procedures for Tenders and Contracts.

D 2.4 The Chief Finance Officer must ensure that e-business/purchasing processes maintain the security and integrity for transacting business electronically and must approve the introduction of such systems.

D3 Orders for goods and services

D 3.1 Heads of Service are responsible for the control and use of all orders and requisitions within their service area, and for access to systems which generate them in accordance with the detailed standards below.

Detailed Standards

D 3.2 Purchase Orders are required for the purchase of all goods and services except:-

- (a) rents (previously agreed by the Chief Finance Officer);
- (b) rates and water charges;
- (c) gas and electricity;
- (d) telephone charges, grants and minor cash purchases - but a record of the submission for payment of such items must be kept;
- (e) where purchased in an emergency situation as described in section D4 below;
- (f) where purchased via a Council credit card in accordance with section D6 below;
- (g) a formal written contract under Part 5 Section 3 of the County Council's Constitution and approved by the Chief Finance Officer is in place;
- (h) small items purchased from imprest accounts;
- (i) spend that is processed via the social care system;
- (j) VAT only invoices;
- (k) insurance claims;
- (l) grants and contributions

D 3.3 All purchase orders must be approved and issued through the Council's P2P/ FINEST financial system or other financial system specifically approved by the Chief Finance Officer.

D 3.4 The design of all orders and requisitions must be approved in advance by the Chief Finance Officer.

D 3.5 Heads of Service are responsible for:-

- (a) the control and use of all orders and requisitions within their services, and for access to systems that generate them;
- (b) providing the Chief Finance Officer with the names and limits of their authority of those authorised to approve orders and a specimen of their signatures;
- (c) ensuring that budget provision exists for all purchases and any commitments created must be reflected in future decision making;
- (d) ensuring that all orders placed include the correct analysis code and VAT code;
- (e) ensuring that staff approving orders have received appropriate purchasing training;
- (f) all orders issued from their services and ensuring that every order:
 - (i) clearly specifies the standards, quality and quantity of goods and services required including any specific requirements;
 - (ii) states the agreed price or contract terms, including relevant taxes, delivery or other charges, early payment discounts and required times of delivery;
 - (iii) where appropriate, shows the Devon County Council contract number to ensure preferred rates or discounts are obtained.

D 3.6 Staff of the Council or Councillors or their families are not allowed to purchase goods privately under County Council contract arrangements or solicit preferential treatment in a private capacity from the Council's suppliers. Staff are not permitted to accept gifts from the Council's suppliers, or potential suppliers, as set out in the Council's statement on official conduct and referred to in section C12 of this document.

D4 Emergency Arrangements

D 4.1 There may be instances where a good or service has to be obtained and access to the P2P/ FINEST or other specifically approved system is not available. In these instances and subject to section D 4.2 below the goods or services may be obtained without a prior purchase order.

D 4.2 The dispensation in section D 4.1 above is restricted to emergency issues only e.g. safety of a vulnerable person, natural disaster or risk of death, risk of physical injury, risk of mental harm or other totally unavoidable circumstance that prevent a purchase order from being raised at the time of purchase.

- D 4.3 In all cases where a good or service has been obtained under sections D 4.1 and D 4.2 above a purchase order must be placed as soon as practicable and in any event within 14 days or payment made through a system specifically approved by the Chief Finance Officer.

D5 Payment of Accounts

- D 5.1 All payments shall be under the direction of the Chief Finance Officer as set out in the detailed standards below.

Detailed Standards

D 5.2 All invoices from suppliers will be directed to the central P2P/ FINEST Accounts Payable team except in respect of goods and services ordered through a non-P2P/FINEST system that has been specifically approved by the Chief Finance Officer.

D 5.3 No payment for goods or services will be made unless the relevant service area has confirmed within the P2P/ FINEST system or other system specifically approved by the Chief Finance Officer that the goods or services have been received and are of a satisfactory standard.

D 5.4 Where appropriate, the relevant Head of Service will ensure that all changes to inventories, stores records, stock books have been made to take account of the goods received.

D 5.5 All invoices which exactly match an approved order will be automatically processed and paid by the central P2P/ FINEST team.

D 5.6 Invoices which do not exactly match an approved order but are within financial tolerances agreed from time to time by the Chief Finance Officer will be automatically processed and paid by the central P2P/ FINEST Accounts Payable team.

D 5.7 Invoices which do not match an approved order and which are outside the financial tolerances set under section D 5.6 above will not be paid and will be referred to the relevant service area who will reconcile any difference with the supplier and amend any relevant order or obtain an amended invoice as necessary before re-submission to the central P2P/ FINEST Accounts Payable team.

D 5.8 In exceptional circumstances payment may be required in advance of the supply of goods or services, though this is not best practice. In such cases, payment must follow the normal authorisation process required by these standards with the exception that the goods or service will not yet have been received. The authorising officer must take extra care in such transactions and ensure:-

- (a) only reputable suppliers are involved.
- (b) that the amounts of such payments are appropriate to be paid in advance and do not present unnecessary risk.
- (c) all other reasonable steps are taken to protect the Council from risk and potential loss.

D 5.9 Staff must ensure that valid payments are processed in sufficient time to meet payment deadlines and to avoid late payments and potential penalties being incurred.

D 5.10 The use of direct debits as a payment method requires the prior agreement of the Chief Finance Officer.

D 5.11 Staff of the Council must not prepare or amend suppliers' invoices.

D 5.12 Staff of the Council who have contact with suppliers of goods or services who are engaged in pressure selling activities, or who receive unsolicited promotional or direct marketing materials, or who receive invoices for goods or services not received, are required to report the matter to their line manager, who, in turn, will advise the Chief Finance Officer.

D 5.13 If, on examining any item submitted to them for payment, the Chief Finance Officer or staff authorised by them is not satisfied that it is in order, it is the duty of the Chief Finance Officer to ensure such investigations as they deem necessary are undertaken before or after payment.

D 5.14 Where credit notes are received in respect of accounts payable, these should be set off against a current accounts payable invoice, or by raising a debtor invoice to recover the sum due.

D 5.15 Sums properly due to the Council must not be written off until the Chief Finance Officer is satisfied that all steps possible have been taken to recover the sums due. Sums in excess of £2,500 will be determined after consultation with the County Solicitor. After this consultation, the authority of the Cabinet Member must then be obtained to write off sums due in excess of £10,000.

D6 Company credit cards

- D 6.1 The Chief Finance Officer will make arrangements for the administration of "company" credit cards and will issue them where circumstances require.
- D 6.2 Heads of Service are responsible for ensuring that "company" credit cards used in their Directorate are only held by appropriate staff and are used strictly in compliance with the specific guidance issued by the Chief Finance Officer.

D7 Imprest accounts and advances

- D 7.1 All advances are made under the direction of the Chief Finance Officer and must be dealt with in accordance with the detailed standards below.

Detailed Standards

D 7.1.1 Advances may be made to appropriate officers on account of imprest expenditure or for other reasons as may be agreed by the Chief Finance Officer.

D 7.1.2 Imprest accounts may only be established, and their details amended, by the Chief Finance Officer who will make the necessary arrangements with the Council's bankers.

D 7.1.3 Imprest holders must maintain a complete record of all transactions. At least once in each month expenditure must be certified by the Head of Service or other authorised officer as correctly paid, the cash in hand (and where applicable reconciled bank account balances) reconciled with the balance shown on the account and reimbursement, supported by all relevant vouchers, claimed from the Chief Finance Officer in such form as he may require. The reconciliation should take account of any reimbursement already claimed but not yet received.

D 7.1.4 In no circumstances may cash received, other than imprest account reimbursement, be paid into these accounts.

D 7.1.5 None of the following items of expenditure shall be paid out of imprests:-

- (a) sums which fall due for payment periodically, (e.g. rents);

- (b) travelling expenses of officers (other than very minor items below £5 for occasions that are neither regular nor frequent) or of Members of the Council;
- (c) except where two signatories sign each such cheque, single payments of £100 or more;
- (d) payment of (or on account of) salaries and wages or payment to an individual of employed status;

D 7.1.6 Payments must not normally be made from imprests to creditors with whom the Council has regular dealings.

D 7.1.7 When required each officer holding an imprest must certify in writing to the Chief Finance Officer that such sum is held, either in cash or in vouchers to be reimbursed.

D 7.1.8 It is the duty of Heads of Service:-

- (a) to verify the balances independently of the imprest holder at frequent intervals;
- (b) to notify the Chief Finance Officer well in advance whenever an officer who holds an imprest gives notice of leaving the employment of the Council or immediately it is known that an officer otherwise ceases to be responsible for such imprest account.

D 7.1.9 A bank account must be opened for all imprest accounts exceeding £100: such bank accounts must not be allowed to run into overdraft. Any imprest exceeding £500 must be operated through a bank account which requires two signatures to effect withdrawals exceeding £500. Heads of Service must notify the Chief Finance Officer of all authorised signatories, and subsequent changes.

D 7.1.10 All reasonable steps should be taken for the secure storage of cash. The Council's insurance policy for cash storage carries a £50 excess, which would be borne by the establishment suffering the loss.

D8 Payroll and Pensions

Regulations in this area are vital to ensuring staff are paid accurately, on time and that payroll information of sound quality is available to management

Salaries and wages

- D 8.1 The payment of all salaries, wages, compensation and other emoluments to all employees or former employees of the Council will be made by the Head of Human Resources or under arrangements agreed by them in accordance with the detailed standards below.

Detailed Standards

D 8.1.1 Each Head of Service must promptly notify the Head of Human Resources in accordance with the time tables and in the form prescribed by them of all matters affecting the payment of such emoluments, and in particular;

- (a) appointments, resignations, dismissals, suspensions, secondments and transfers;
- (b) absences from duty for sickness or other reason, apart from approved leave;
- (c) changes in remuneration, other than normal increments and pay awards and agreements of general application;
- (d) information necessary to maintain records of service for superannuation, income tax, National Insurance etc.
- (e) Changes in circumstances affecting car loans.

The Head of Human Resources will make proper arrangements to inform the Head of Pensions as appropriate.

D 8.1.2 Appointments of all employees must be made in accordance with the regulations of the Council concerning establishments, grades and rates of pay.

D 8.1.3 All time records or other pay documents must be in a form prescribed or approved by the Head of Human Resources and must be certified by or on behalf of the Head of Service.

D 8.1.4 Records or systems for the storage, transfer and processing of information maintained in employing directorates in connection with the payroll function must be in a form agreed by the Head of Human Resources.

D 8.1.5 In applying scales of salaries or wages, Heads of Service/Chief Officers must confer as necessary with the Chief Finance Officer.

D 8.1.6 Where errors in the payment of salaries, wages or pensions are discovered in employing directorates the Chief Finance Officer and the Head of Payroll must be informed immediately. It is the responsibility of the Head of Payroll to inform employees or former employees of errors made and to recover any sums overpaid in accordance with prescribed procedures.

D 8.1.7 Overpayments in excess of £2,500 must not be written off unless the Chief Finance Officer is satisfied:-

- (a) after consultation with the County Solicitor that all steps possible have been taken to recover the sums due; or
- (b) that the cost of recovering any sums due would exceed the sum involved; or
- (c) that recovery would cause undue hardship to the employee concerned.

Overpayments of £2,500 or less must not be written off without the agreement of the Chief Finance Officer and the Head of Service.

The prior authority of the Cabinet Member must be obtained to write off sums in excess of £10,000 unless the matter has been determined as part of the corporate policy and procedure for salary overpayments (formal stage).

Pensions

- 8.2 The payment of all pensions to former employees of the Council will be made by the Chief Finance Officer or under arrangements agreed by them in accordance with the detailed standards **set out in D 8.1 above** below.

D9 Travelling, subsistence and financial loss allowances

- D 9.1 Claims for payment of travelling and subsistence will be made in a manner approved by the Chief Finance Officer as set out in the detailed standards below.
- D 9.2 Payments to Members, including additional Members of County Council Committees who are entitled to claim travelling or other allowances, will be made by the Chief Finance Officer.

Detailed Standards

D 9.1.1 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses must be submitted in accordance with the terms and conditions of the County Council scheme. Due regard must be given to economy: normally, the shortest distance must be used unless authorised by the line manager, with due regard to time taken, such as faster journey times or to avoid roadworks. The claims must agree with entries in the individual's travel diary, be duly certified and in a form approved by the Chief Finance Officer and made up to a specified day of each

month, within twenty-one days thereof. The names of officers authorised to sign such records must be sent to the Chief Finance Officer by Heads of Service together with specimen signatures and be amended on the occasion of any change.

D 9.1.2 The certification by or on behalf of the Heads of Service/ Chief Officers will be taken to mean that the allowances are properly payable by the Council.

D 9.1.3 Officers' claims submitted more than six months after the expenses were incurred will be paid only with the express approval of the Chief Finance Officer or an Officer designated by them.

D 9.1.4 Claimants are responsible for obtaining and retaining VAT receipts (whether in paper or electronic format) to support their expense claims, including mileage claims. Where an employee leaves the employ of the Council the line manager must collect and retain all receipts which are still within the retention period.

D10 Income and Banking

It is important to ensure that all income due to the Council is identified, collected on time and recorded accurately in the Councils accounts. Also, banking arrangements must be appropriate and well recorded for the Council to exercise adequate control.

Income

D10.1 Heads of Service/Chief Officers are responsible for the collection of sums due to the Council and for the issuing of receipts and invoices in accordance with the detailed standards below.

D10.2 A limit is imposed on the cash amount to be received in settlement for the payment for goods and services of £10,000 in any one transaction. This limit is required to ensure that the County Council complies with the Money Laundering Regulations 2007.

D10.3 Scales of charges for services and allowances and any variations thereof (except where fixed by statute) must be reviewed at regular intervals by the Chief Executive or the relevant Chief Officer, as appropriate, and agreed with the Chief Finance Officer before submission to Cabinet for approval.

Detailed Standards

D 10.1.1 The Chief Finance Officer must be consulted by Heads of Service on proposals to acquire any cash till or accounting equipment.

D 10.1.2 The records kept by each department with regard to items of income must be in such form as may be required by the Chief Finance Officer.

D 10.1.3 Heads of Service must provide to the Chief Finance Officer such particulars in connection with work done, goods supplied, or services rendered and all other amounts due, as may be required to record correctly all sums due to the Council and to ensure promptness in the rendering of accounts and the recovery thereof.

D 10.1.4 The Chief Finance Officer must be promptly notified of all money due to the Council under contracts, leases, tenancy and other agreements, conveyances and other arrangements entered into which involve the receipt of money by the Council, and must have access to the original documents or relative particulars.

D 10.1.5 The Chief Finance Officer must maintain a detailed record of land and building in respect of which rent is or may be receivable, together with sufficient details of the terms of tenancy to enable the correct amount of rents receivable to be recovered, either directly from the tenant, or by deduction from salary or wages in the case of service tenancies.

D 10.1.6 Sums properly due to the Council must not be written off until the Chief Finance Officer is satisfied that all steps possible have been taken to recover the sums due. Sums in excess of £2,500 will be determined after consultation with the County Solicitor. After this consultation, the authority of the Cabinet Member must then be obtained to write off sums due in excess of £10,000.

D 10.1.7 Where the Council contracts to supply goods or services to external parties, the arrangements must avoid inappropriate subsidy.

Banking arrangements

D 10.4 The Chief Finance Officer is the sole officer authorised to make arrangements regarding the Council's bank accounts in accordance with the detailed standards below.

D 10.5 The Chief Finance Officer will make arrangements for regular overall bank reconciliation.

D 10.6 Heads of Service, after consultation with the Chief Finance Officer, will make secure arrangements for the collection and banking of cash and for prompt reconciliation and monitoring of these monies.

Detailed Standards

D 10.4.1 All Council bank accounts will be in the name of the Devon County Council, except for the banking arrangements of an officer performing a statutory function in his own right; the Chief Finance Officer must be notified of all bank accounts so held.

D 10.4.2 Unless otherwise agreed by the Chief Finance Officer, officers authorised to collect County Council money must issue official receipts therefor. Also, they must promptly, at such intervals as the Chief Finance Officer may direct, pay over all sums received to the Chief Finance Officer or, by arrangement with them, to the Council's bankers. All reasonable steps should be taken for the secure storage of cash. The Council's insurance policy for cash storage carries a £50 excess, which would be borne by the establishment suffering the loss.

D 10.4.3 Each officer who receives money on behalf of the Council must keep an accurate and chronological account of all receipts and deposits.

D 10.4.4 Money received or held on behalf of the Council must be banked in full and not be used to cash personal or any other cheques whatsoever.

D 10.4.5 Receipts must only be issued on receipt books, tickets and other documents of a similar nature which have been ordered and issued by or under the direction of the Chief Finance Officer. A record must be maintained of every issue of such documents.

D 10.4.6 When banking monies care must be taken to ensure accurate use of analysis codes and VAT codes.

D11 Taxation

Compliance with taxation rules is important for the Council to meet its legal requirements and avoid unnecessary costs. Failure to comply with tax legislation can result in penalties and interest payments (which are payable from service budgets) or may lead to the overpayment or under-recovery of taxes.

- D 11.1 Heads of Service must ensure all staff are aware of the various tax regimes that impact on their areas of operational activity and ensure that they are compliant with legislation governing tax and the detailed standards below.

Detailed Standards

VAT

D 11.1.1 Officers should be aware of the Council's VAT guidance notes, available via the Council's internal web platform, and have access to them as the primary reference document for VAT related matters.

D 11.1.2 VAT must be paid and recovered within the time constraints laid down by H.M Revenue and Customs (HMRC).

D 11.1.3 Officers are responsible for obtaining and issuing proper tax documents (e.g. invoices, receipts) to ensure compliance with VAT law and to facilitate full VAT recovery on expenditure.

D 11.1.4 Officers have a responsibility to operate within the framework of the Council's VAT guidance and to follow the recommendations of the VAT team to ensure the Council's compliance with HMRC's VAT regulations.

D 11.1.5 The VAT team must be immediately notified of all errors that may have a VAT element for due consideration of timely disclosure and/or VAT adjustment prior to the submission of the monthly VAT Return.

D 11.1.6 The Council can only recover VAT incurred on exempt business activities where it can evidence that VAT on these activities is less than 5% of total VAT incurred during that financial year. The partial exemption calculation is based on information processed through the Council's finance systems. All services are responsible for ensuring that they record exempt activity correctly. Any breach of the partial exemption limit could cost the Council a significant sum of money.

D 11.1.7 The VAT team must be notified and consulted at the earliest stage of all new projects, included but not limited to, where they involve land/property (including lease arrangements); joint working or collaborative arrangements or where the Council acts as agent for other parties.

D 11.1.8 Officers must immediately advise the VAT team of any transaction which involves a non-UK creditor. Any sales made to non-UK debtors must be notified to the VAT team before the transaction takes place.

D 11.1.9 Officers must ensure that VAT registration changes of suppliers are immediately notified to the Payments team, supported by documentation from the supplier which evidences the change.

Other taxation

D 11.1.10 Guidance on taxation matters, other than VAT, will be issued from time to time by the Chief Finance Officer.

D 11.1.11 Officers responsible for the issuing or payment of invoices must give consideration to the impact of the various taxes. Particular attention should be paid to the correct treatment of employment taxes and VAT.

D 11.1.12 In instances of doubt over the correct treatment of taxation staff should consult the appropriate staff of the Chief Finance Officer as follows;

P.A.Y.E & National Insurance – Human Resources Payroll Team

VAT and other taxation – Devon Finance Services VAT & Taxation Team

Construction Industry Scheme (CIS) – Devon Finance Services Revenue Team

E COLLABORATIVE AND AGENCY ARRANGEMENTS, EXTERNAL FUNDING AND SERVICE CHANGES

Importance of this area

The importance of this area is in the local authority's distinctive leadership role for the community, bringing together contributions from the various stakeholders, optimising funding opportunities and achieving best value whilst minimising the risk to Devon ratepayers.

This may involve the establishment of collaborative arrangements (formal or informal partnerships), joint ventures, joint operational models (such as pooled budgets) or providing an agency service.

It is essential that the responsibilities, obligations and commitment attached to such arrangements are properly managed and accounted for.

E1 Collaborative Arrangements, Joint Ventures and Joint Operational Models

- E 1.1 The Chief Finance Officer must be consulted on the financial and probity implications of all proposed arrangements before any such agreements are finalised. Final arrangements must then be approved by the Chief Finance Officer and be in accordance with the detailed standards below.
- E 1.2 Chief Officers are required to agree and formally accept the roles and responsibilities of each of the partners involved before the project commences and to communicate regularly with partners for the duration of the project.
- E 1.3 Chief Officers are responsible for assessing the risks and benefits associated with the proposed arrangements and for ensuring any such arrangement is in the best interest of the Council and its service users.
- E 1.4 Chief Officers are responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships, joint ventures and pooled budgets that apply throughout the authority.
- E 1.5 Formal Joint Ventures will be subject to Committee approval. Governance arrangements, financial framework and funding must be agreed in advance of the signing of any agreements or formal commitment of the Authority.
- E 1.6 Further guidance is available in the 'Partnership Guidance'.

Detailed Standards

E 1.1.1 Collaborative arrangements, Joint Ventures and Joint Operational models may be used as a means of acquiring goods, works or services and may be of a complex nature. It is therefore necessary that the Chief Finance Officer is consulted on the financial implications of such arrangements in a timely manner, including the completion of the relevant forms, to include Partnership Risk assessment, VAT and Accounting checklists and must approve that:

- (a) Where applicable, confirmation of DCC as Accountable and/or Lead body.
- (b) DCC specific costs and income are provided for in the Council's budget;
- (c) A governance structure including each partner's agreement to the roles, responsibilities and accountability described in a joint document (partnership

agreements or Memorandum of understanding/agreement) in a form as agreed with the County Solicitor.

- (d) Agreement with the DCC VAT section on the treatment of VAT for transactions.
- (e) Arrangements are in place for accurate accounting for costs and income;
- (f) Sufficient controls are in place for the successful operation of the partnership, including arrangements for sufficient access to financial and other records;
 - (i) Carry forward arrangements have been determined.
 - (ii) A formal risk assessment has taken place, including a risk assessment of third parties, and a management strategy devised
 - (iii) An auditing regime has been established.
 - (iv) A due diligence exercise has been completed in respect of potential partners (including any third parties)

E2 External Funding

- E 2.1 Before any bid for external funding is submitted the Chief Finance Officer must be consulted on the financial and probity implications of the project, **except for projects with a gross spend of less than £50,000, which require approval from the Head of Service.** This covers all funding which is competitively bid and/or where funding bodies are extending current funding proposals.
- E 2.2 **Any proposal for DCC to be the Accountable and/or Lead body must be approved by the Chief Finance Officer.**
- E 2.2 In promoting or committing the authority to any externally funded projects Chief Officers must ensure adherence to the Council's 'External Funding Minimum Standards'.
- E 2.3 All funding received from external bodies or associated parties must be properly recorded in the authority's accounts.
- E 2.4 Key conditions of funding and any statutory requirements must be understood and followed
- E 2.5 Any match-funding requirements must be given due consideration prior to entering into long term agreements and future revenue budgets must reflect those requirements
- E 2.6 Collaborative partnerships to deliver external funding must comply with E1 above.

E3 Work for Third Parties (Agency arrangements)

- E 3.1 The Chief Officer must be consulted on any proposed arrangements for DCC staff to do work for a third party and the proposals must be costed properly before an agreement is reached.
- E 3.2 Where the proposal is for the delivery of any financial service the Chief Finance Officer must give approval before any commitment is made to a third party. The assessment must include governance arrangements (including whose financial framework is to be complied with) and agreed VAT treatment (disclosed or undisclosed agency agreement). Formal contracts or a memorandum of understanding must be drawn up prior to any work commencing. These arrangements may be subject to the annual professional indemnity return.

E4 Alternative Commissioning/Delivery Models

- E 4.1 The Chief Officer must be consulted on the financial and probity implications of proposals which change the mode of delivery for a service or significant part thereof. Project management principles should be followed to produce an options appraisal and risk assessment. The Chief Finance Officer and County Solicitor must be consulted on any significant change because of the potential impact on Council services and the management of risk.

GLOSSARY OF TERMS

<u>TERM</u>	<u>DESCRIPTION</u>
P2P	The Council's automated ordering, goods received and invoice payment system
FINEST	FINEST is the Council's main accounting system and is used for many financial activities, some of which have been performed manually in the past, including raising orders and paying invoices.
Imprest account	This is a separate bank account, with a cheque book facility, to which an advance is made to facilitate quick payment for small items
Capital expenditure	<p>Capital expenditure includes the following however financed:-</p> <ul style="list-style-type: none">(a) the acquisition of land, buildings, furniture, equipment, plant and vehicles;(b) the construction of new buildings or improvements to existing buildings;(c) road improvements, bridgeworks, and traffic management and waste disposal schemes;(d) internal or external professional fee costs on the above;(e) grants and advances for a capital purpose;(f) property leases for more than three years duration. <p>Other expenditure may be brought within the definition of capital expenditure by Central Government Regulations. The Chief Finance Officer will advise Heads of Service/Strategic Directors whenever changes arise.</p>
Capital receipt	The sale of land, buildings and leases of land or buildings of more than three years duration, are capital receipts. Particular rules must be observed in dealing with the proceeds and they must not be confused with revenue income such as fees and charges.
Ex gratia payments	Ex-gratia payments are made in situations where no legal obligation exists.
Voluntary unofficial Funds	These are any funds (other than those of the Council) controlled wholly or in part by an officer by reason of his/her employment either by the Council or by Managers of an establishment maintained by the Council. They include monies collected from fund raising events, donations and other sources.
Virement	Movements of budget provisions between budget headings.
Commercial Units	The Council has a number of units that it regards as "Commercial Units" (some of which have arisen from statute i.e. Direct Service Organisations). In broad terms these units provide services which, though readily available from the private sector, the Council considers preferable to provide in-house for reasons of Best Value. Such units function more naturally in a commercial fashion, are income driven, have clear external competitors but do not operate for profit.

County Treasurer

Chief Finance (s151) Officer

Procurement Officer

The County Council's Procurement Officer

Chief Officers &
Heads of Services

Officers appointed by the Council comprising the management
of the County Council set out at Part 8 of this Constitution