

DARTFORD BOROUGH

COUNCIL

FINANCIAL

REGULATIONS

FINANCIAL REGULATIONS FOR DARTFORD BOROUGH COUNCIL

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BACKGROUND

Dartford Borough Council is one of 12 district authorities in the county of Kent. The geographical county of Kent also includes Medway Unitary Authority. Dartford has population of approximately 90,000 and an area of approximately 7,300 hectares. It provides a diverse range of services to its residents. It works in partnership with Kent County Council, other districts, 8 parish/town councils and a number of other organisations.

The key themes from the Council's Corporate Plan are:

- **Economic Development and Regeneration**
- **Health and Well Being**
- **Safer Communities**
- **Environment & Transport**
- **Housing & Stronger Communities**
- **A Council Performing Strongly**

An overarching priority is to provide high quality improving services that reflect public aspirations. The Council will be an inclusive, well led and managed organisation with an open and positive culture. It will make the best use of resources and recognise the vital contribution of all Members and staff in achieving the Council's aims and objectives.

The Council's governance structure is laid down in its Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed.

The Council operates a Leader and Cabinet form of executive.

STATUS OF FINANCIAL REGULATIONS

These Financial Regulations provide the framework for managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf.

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These Financial Regulations identify the financial responsibilities of the Council, Cabinet (executive) Members, the Head of Paid Service (Managing Director), the Monitoring Officer (Executive Director), the Chief Finance Officer (Managing Director), other Directors and other senior staff. Where decisions have been delegated or devolved to other responsible officers, references to the Director in these Financial Regulations should be read as referring to them.

All Members and staff have a general 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, is authorised properly, 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 General Assembly of the Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of these Financial Regulations to the Audit Board.

The Council's detailed financial procedures, setting out how the regulations will be implemented, are contained in the appendices to these Financial Regulations, and the Financial Guidance Manual. The contents of the Financial Guidance Manual and how to use it are given in Appendix F.

Directors are responsible for ensuring that all staff in their Directorates are aware of the existence and content of these Financial Regulations and other internal regulatory documents and that they comply with them.

The Chief Finance Officer is responsible for issuing advice and guidance to underpin these Financial Regulations that Members, Officers and others acting on behalf of the Council are required to follow.

FINANCIAL REGULATIONS FOR DARTFORD BOROUGH COUNCIL

1. FINANCIAL REGULATION 1: FINANCIAL MANAGEMENT

1.1 INTRODUCTION

1.1.1 Financial management covers all financial accountabilities in the running of the Council, including the policy framework and budget.

1.2 THE GENERAL ASSEMBLY OF THE COUNCIL

1.2.1 The General Assembly of the Council is responsible for adopting the Council's Constitution, the Members' Allowances Scheme and for approving the policy framework and budget within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Constitution.

1.2.2 The General Assembly of the Council is responsible for approving procedures for recording and reporting decisions taken. This includes decisions delegated by and decisions taken by the Council and its Committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution.

1.3 THE CABINET

1.3.1 The Cabinet is responsible for proposing the policy framework and budget to the General Assembly of the Council, and for discharging executive functions in accordance with the policy framework and budget.

1.3.2 Executive decisions can be delegated to a committee of the Cabinet, an officer or a joint committee.

1.4 COMMITTEES OF THE COUNCIL

1.4.1 Quality Services Committee

1.4.2 The Quality Services Committee considers new approaches to service delivery and recommends to the Cabinet, demanding performance targets for all services, so as to deliver continuous improvements which reflect both national and local considerations etc.

1.4.3 Scrutiny Committee

1.4.4 The Scrutiny Committee is responsible for scrutinising executive decisions before or after they have been implemented and for holding the Cabinet to account.

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1.4.5 Audit Board

1.4.6 The Audit Board reports to the General Assembly of the Council. It has right of access to all the information it considers necessary and can consult directly with internal and external auditors. The Board is responsible for reviewing internal audit's annual report, individual internal audit reports, the external audit annual plan and the Council's arrangements for risk management.

1.4.7 Standards Committee

1.4.8 The Standards Committee is established by the General Assembly of the Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Member Code of Conduct, and for monitoring the operation of the Code.

1.4.9 Other regulatory committees

1.4.10 The Development Control Board and the Licensing Committee report respectively to the General Assembly of the Council on planning and licensing issues.

1.5 THE STATUTORY OFFICERS

1.5.1 Head of Paid Service (Managing Director)

1.5.2 The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole. He/she must report to and provide information for the Cabinet, the General Assembly of the Council, the Scrutiny Committee and other committees. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping for the General Assembly of the Council's decisions.

1.5.3 Monitoring Officer (Executive Director)

1.5.4 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the standards committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the General Assembly of the Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

1.5.5 The Monitoring Officer must ensure that executive decisions and the reasons for them are made public. He/she must also ensure

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that Members are aware of decisions made by the Cabinet and of those made by Officers who have delegated executive responsibility.

- 1.5.6** The Monitoring Officer is responsible for advising Members and Officers about who has authority to take a particular decision.
- 1.5.7** The Monitoring Officer is responsible for advising the Cabinet or General Assembly of the Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- 1.5.8** The Chief Finance Officer is responsible for advising the Cabinet or General Assembly of the Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget.
- 1.5.9** The Monitoring Officer is responsible for maintaining an up-to-date constitution.
- 1.5.10** Chief Finance Officer (Managing Director)
- 1.5.11** The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Section 151 of the Local Government Act 1972
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Accounts and Audit Regulations 2003
- 1.5.12** The Chief Finance Officer is responsible for:
- 1.5.13**
- The proper administration of the Council's financial affairs
 - Setting and monitoring compliance with financial management standards
 - Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - Providing financial information
 - Preparing the revenue budget and capital programme
 - Treasury management.
- 1.5.14** **Section 114** of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the General Assembly of the Council, executive and external auditor, if the Council or one of its Officers:
- Has made, or is about to make, a decision which involves incurring unlawful expenditure

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- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss of deficiency to the Council
- Is about to make an unlawful entry in the Council's accounts.

1.5.15 Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise, should he/she be unable to perform the duties under Section 114 personally. The Head of Finance and Resources fulfils this role.
- The Council to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.

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1.6 DIRECTORS

1.6.1 Directors are responsible for:

- Ensuring that Cabinet is advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer
- Signing contracts on behalf of the Council.

1.6.2 It is the responsibility of Directors to consult with the Chief Finance Officer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

1.7 OTHER FINANCIAL ACCOUNTABILITIES

1.7.1 Virement

1.7.2 The General Assembly of the Council is responsible for agreeing procedures for virement of expenditure between budget headings.

1.7.3 Directors are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Finance Officer where required.

1.7.4 Treatment of year-end balances

1.7.5 The General Assembly of the Council is responsible for agreeing procedures for carrying forward under and overspendings on budget headings.

1.7.6 Accounting Policies

1.7.7 The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

1.7.8 Accounting records and returns

1.7.9 The Chief Finance Officer is responsible for determining the accounting procedures and records for the Council.

1.7.10 The annual statement of accounts

1.7.11 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)*.

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- 1.7.12** The Audit Board is responsible for approving publication of the annual statement of accounts.

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2. FINANCIAL REGULATION 2: FINANCIAL PLANNING

2.1 INTRODUCTION

2.1.1 The General Assembly of the Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the Cabinet. For financial planning, the key elements are:

- The Corporate Plan
- The three year budget and capital programme.

2.2 POLICY FRAMEWORK

2.2.1 The policy framework comprises various statutory plans and strategies.

2.2.2 The General Assembly of the Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the General Assembly of the Council by the Managing Director.

2.2.3 The General Assembly of the Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities, in order to deliver the budget policy framework within the financial limits set by the council.

2.2.4 Preparation of the Corporate Plan

2.2.5 The Managing Director is responsible for proposing the Corporate Plan to the Cabinet for consideration before its submission to the General Assembly of the Council for approval.

2.3 BUDGETING

2.3.1 Budget format

2.3.2 The general format of the budget will be approved by the General Assembly of the Council and proposed by Cabinet Members on the advice of the Chief Finance Officer.

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2.3.2 The budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

2.3.3 Budget preparation

2.3.4 The Chief Finance Officer is responsible for ensuring that a three year revenue budget is prepared for consideration by Cabinet, before submission to the General Assembly of the Council. The General Assembly of the Council may amend the budget or ask the Cabinet to reconsider it before approving it.

2.3.5 The Chief Finance Officer is responsible for issuing guidance on the general content of the budget as soon as possible following approval by the General Assembly of the Council.

2.3.6 It is the responsibility of Directors to ensure that budget estimates reflecting agreed service plans are submitted to the Chief Finance Officer and that these estimates are prepared to line with the guidance issued.

2.3.7 Budget monitoring and control

2.3.8 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He/she must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.

2.3.9 It is the responsibility of Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Finance Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.

2.3.10 Resource allocation

2.3.11 The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the General Assembly of the Council's policy framework.

2.3.12 Preparation of the Capital Programme

2.3.13 The Chief Finance Officer is responsible for ensuring that a three year Capital Programme is prepared annually for consideration by Cabinet before submission to the General Assembly of the Council.

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2.3.14 Guidelines

2.3.15 Guidelines on budget preparation are issued to Directors by the Chief Finance Officer following consultation with the Cabinet. The guidelines will take account of:

- Legal requirements
- Medium-term planning prospects
- The Corporate Plan
- Available resources
- Spending pressures
- Relevant government guidelines

2.4 MAINTENANCE OF RESERVES

It is the responsibility of the Chief Finance Officer to advise the Cabinet and/or the General Assembly of the Council on prudent levels of reserves for the Council.

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3. FINANCIAL REGULATION 3: RISK MANAGEMENT AND CONTROL OF RESOURCES

3.1 INTRODUCTION

3.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic, financial and operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

3.2 RISK MANAGEMENT

3.2.1 The Council is responsible for approving the Council's risk management strategy. The Audit Board is responsible for the review and monitoring of the Council's arrangements for managing risk.

3.2.2 The Chief Finance Officer is responsible for preparing the Council's risk management strategy and for promoting it throughout the Council.

3.3 INTERNAL CONTROL

3.3.1 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.

3.3.2 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. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

3.3.3 It is the responsibility of Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial and performance targets.

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3.4 AUDIT REQUIREMENTS

3.4.1 The Accounts and Audit Regulations 2003 require every local Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.

3.4.2 The Audit Commission is responsible for appointing external auditors to each local Council. The basic 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.

3.4.3 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

3.5 PREVENTING FRAUD AND CORRUPTION

3.5.1 The Chief Finance Officer is responsible for the development and maintenance of an Anti-fraud and Corruption Policy.

3.6 ASSETS

3.6.1 Directors should ensure that records and assets are maintained properly and held securely. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

3.7 TREASURY MANAGEMENT

3.7.1 The Council has adopted CIPFA's *Code of Practice for Treasury Management in Public Services*.

3.7.2 The General Assembly of the Council is responsible for approving the treasury management policy statement, setting out the matters detailed in paragraph 15 of CIPFA's *Code of Practice for Treasury Management in Public Services*. The policy statement is proposed to the General Assembly of the Council by the Cabinet. The Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.

3.7.3 The Treasury Management Panel oversees the Council's treasury management function, in accordance with the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code for Capital Finance in Local Authorities, scrutinises the Treasury and Annual Investment Strategy (AIS) and Officer decisions which are taken under it and scrutinises the risk management process, in particular, the approach and implementation to counterparty risk.

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- 3.7.4** All money in the hands of the Council is controlled by the Chief Finance Officer.
- 3.7.5** The Chief Finance Officer is responsible for reporting to the Cabinet a proposed treasury management strategy for the coming financial year at or before the start of each financial year.
- 3.7.6** All executive decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Public Services*
- 3.7.7** The Chief Finance Officer is responsible for reporting to the Cabinet not less than four times in each financial year on the activities of the treasury management operation and on the exercise of his/her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

3.8 STAFFING

- 3.8.1** The General Assembly of the Council is responsible for determining the pay and conditions of the following "Officers Reporting to the Council":

Managing Director
Executive Director
Regeneration Director
Strategic Director
Project Director
Head of Finance and Resources
Head of Legal Services
Head of Housing

- 3.8.2** The Head of Paid Service is responsible for the terms and conditions of all other staff and for providing overall management to staff. He/she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

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4.0 FINANCIAL REGULATION 4: SYSTEMS AND PROCEDURES

4.1 INTRODUCTION

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

4.2 GENERAL

4.2.1 The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Directors to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, Directors are responsible for the proper operation of financial processes in their own directorates.

4.2.2 Any changes to agreed procedures by Directors, to meet their own specific service needs, should be agreed with the Chief Finance Officer.

4.2.3 Directors should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.

4.2.4 Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Directors must ensure that staff are aware of their responsibilities under freedom of information legislation.

4.3 INCOME AND EXPENDITURE

4.3.1 It is the responsibility of Directors to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Director's behalf, in respect of payments, income collection and procurement, together with the limits of their authority. The Council is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

4.4 PAYMENTS TO EMPLOYEES AND MEMBERS

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

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4.5 TAXATION

4.5.1 The Chief Finance Officer is responsible for advising Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.

4.5.2 The Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

4.6 TRADING ACCOUNTS AND BUSINESS UNITS

4.6.1 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts and business units.

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5. FINANCIAL REGULATION 5: EXTERNAL ARRANGEMENTS

5.1 INTRODUCTION

- 5.1.2** The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

PARTNERSHIPS

5.2

The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations, to address local needs.

5.2.1

- 5.2.2** The Cabinet can delegate functions – including those relating to partnerships – to Officers. These are set out in the Scheme of Delegation to Officers that forms part of the Council's Constitution. Where functions are delegated, the Cabinet remains accountable for them.

- 5.2.3** The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct in partnerships.

- 5.2.4** The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He/she must also consider the overall corporate governance arrangements and ensure that legal issues are considered fully when arranging contracts with external bodies. He/she must ensure that the risks have been appraised fully before agreements are entered into with external bodies.

- 5.2.5** Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

5.3 EXTERNAL FUNDING

- 5.3.1** The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and recorded properly in the Council's accounts.

5.4 WORK FOR THIRD PARTIES

- 5.4.1** The Cabinet is responsible for approving the basis of any contractual arrangements proposed for any work for third parties or external bodies.

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1A APPENDIX A FINANCIAL MANAGEMENT

1A.1 FINANCIAL MANAGEMENT STANDARDS

1A.1.1 Why is this important?

All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

Key controls

The key controls and control objectives for financial management standards are:

- (a) a monitoring system to review compliance with financial standards
- (b) regular comparisons of performance indicators and benchmark standards that are reported to the Cabinet and General Assembly of the Council.
- (c) a Whistleblowing Policy
- (d) An anti Fraud and Corruption Policy

1A.1.2 Responsibilities of the Chief Finance Officer

To ensure the proper administration of the financial affairs of the Council.

To set the financial management standards and to monitor compliance with them.

To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance.

To advise on the key strategic controls necessary to secure sound financial management.

To ensure that financial information is available to enable accurate

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and timely monitoring and reporting of comparisons of national and local financial performance indicators.

1A.1.3 Responsibilities of Directors

To promote the financial management standards set by the Chief Finance Officer in their directorates and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.

To promote sound financial practices in relation to the standards, performance and development of staff in their directorates.

1A.2 MANAGING EXPENDITURE

1A.2(a) Cash Limiting Rules

1A.2(a)1 Why is this important?

The cash limiting rules are intended to enable the Cabinet, Directors and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the General Assembly of the Council, and therefore to optimise the use of resources.

Key controls

Key controls for the cash limiting rules are:

- (a) it is administered by the Chief Finance Officer within guidelines set by the General Assembly of the Council. Any variation from the rules requires the approval of the General Assembly of the Council.
- (b) the overall budget is agreed by Cabinet and approved by the General Assembly of the Council. Directors and budget managers are authorised to incur revenue expenditure in accordance with the estimates that make up the budget. For capital projects valued at over £100,000 Cabinet approval is required before expenditure (other than preliminary work) is incurred. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure.
- (c) virement does not create additional overall budget liability. Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring expenditure

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from one-off sources of savings or additional income, or create future commitments, including full year effects of decisions made part way through a year, for which they have not identified future resources.

1A.2(a)2 Responsibilities of the Chief Finance Officer

To prepare jointly with the Director a report to the Cabinet where virements from revenue budgets in excess of £30,000 are proposed. For capital budget virements over £50,000 or 10% of the budget (whichever is the greater) must be referred to the Cabinet. To report to the Cabinet any individual virement of over £10,000 approved by a Director.

1A.2(a)3 Responsibilities of Directors and budget managers

The following rules give budget managers and Directors greater freedom to use resources to meet service objectives, whilst ensuring that the overall budget is not breached.

The following virement rules will not apply to "employee" budgets or other budgets that are controlled centrally. Because of the need to fund a vacancy factor, it is necessary to adopt specific procedures, to ensure that the overall staffing budget is monitored and controlled to meet the budget parameters.

Freedom of Virement

The detailed rules for virement shown below will:

(a) Only apply to individual budgets approved by the Managing Director. Each year before the start of the financial year, the Managing Director will determine any specific budgets that are exempt from the general rules.

(b) Only apply in the year of account. Any permanent approval of virement between different service areas will require Cabinet approval.

For the purposes of virement, the budget is re-aligned into the traditional Directorate/Service Heading format and this is shown at the end of the small budget book.

Definitions:

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Service Heading: the name of the service shown in the Directorate format of the budget book, shown at the top of each main budget in bold capitals, e.g. "Public Realm".

Service Area: the lowest level shown in the budget book, e.g.

"Premises"
Supplies and service"
"Transport"
"Agency and contracted services"
"Sales"
"Fees and charges"

Spending Officer: the person named as such for each Service Heading in the budget book

Spending Officers will have freedom to vire between individual budgets within each service area. Thus, using the above definitions a spending officer has freedom to vire between all the individual budgets making up the total of (say) "supplies and services" in the "Public Realm" budget. There is NO limit to the amount of virement.

In addition, for both expenditure and income budgets, Spending Officers will have freedom to vire between different service areas within their Service heading budget, up to a maximum of £5,000. Again using the above definitions, in the "Public Realm" budget, the Spending Officer can vire between

"Premises"
"Supplies and service"
"Transport"
"Agency and contracted services"
"Sales"
"Fees and charges"

There is no limit to the number of virements that a "Spending Officer" can agree, but the budget for each cannot change (up or down) from the original budget by more than £5,000.

Directors, have authority to approve virements as above up to a limit of £15,000.

Directors also have authority to vire budgets between different "Service Headings", but the bottom line budget for each "Service Heading" cannot change from the original budget by more than £20,000 in any year. Thus for example the responsible Director could approve virement between "Public Realm" and say "Markets".

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Further, the Managing Director can authorise individual virements up to £30,000. This is in addition to the above, and applies also to items funded from reserves.

For capital budgets, Directors can agree virements up to £20,000 or 5% (whichever is the greater) in total for each budget. The Managing Director is authorised to approve virements of up to £50,000 or 10% (whichever is the greater). The amounts apply to the original budget in the year.

All other virements have to be reported to Cabinet for approval.

All individual virements approved by officers over £10,000 will be reported to the Cabinet for information.

All Managers and Directors will be responsible for monitoring performance against cash limits each month. Budget monitoring reports will be submitted to Cabinet at least every three months.

Managerial Responsibilities

Directors are personally responsible for maintaining expenditure within the overall cash limit for their Directorate.

Spending Officers are responsible to the relevant Director and not directly to the Cabinet. The Council requires Directors to ensure that all Spending Officers are aware of their responsibilities and are monitoring their budgets on a regular basis, so as to report to committee and highlight exception items, where appropriate.

An appropriate Director and Spending Officer will be identified for all budgets. Any change of Spending Officer will require approval by the Managing Director.

Directors are responsible for ensuring that adequate financial and other management information, including projections of outturn, is maintained. This information is subject to sorting and verification by the Managing Director or officer designated by him and is required for monitoring by the Cabinet. Where Directors identify particular information problems, they must take steps to ensure these are addressed.

The use of 'one-off' or 'part-year' savings must not give rise to growth in a full year, unless these arrangements are endorsed by the Cabinet. Such proposals must include the identification of compensatory savings to fund growth in a full year.

Where a Director recommends a range of remedial action to a service area, in order to correct a possible overspend on the cash limit and where, after they have considered any separate comments submitted by the Managing Director, the Cabinet takes

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a decision which is unlikely to maintain expenditure within the limit, the Managing Director must report on the circumstances to the Council, recommending action as necessary.

No-one may contravene Standing Orders, Financial Regulations or Council procedures and policy, in order to maintain expenditure within the cash limit.

Where Directors intend to alter service delivery practice in order to effect savings and believe that a service area's policy objectives may be affected, they must seek the approval of the Cabinet, prior to implementing such a change.

All virements should aim to assist the Council in achieving its highest priorities, as expressed in the Corporate Plan. Resource allocation should follow Corporate Plan priorities and support the key business objectives.

Any proposals to raise income by increasing fees and charges, or by imposing a new charge where none existed before, must be approved by the Cabinet before implementation. Such a request for approval must comply with any information requirements needed to satisfy Members.

1A.2(b)1 Treatment of year-end balances

Why is this important?

To ensure the integrity of the budget and the medium-term financial plan, it is important that year end balances are treated in accordance with agreed policies and guidelines.

Key controls

Appropriate accounting procedures are in operation to ensure that balances and reverses carried forward are correct.

1A.2(b)2 Responsibilities of the Chief Finance Officer

To ensure that balances and reserves are carried forward in accordance with accounting standards and guidelines agreed by the General Assembly of the Council.

To report jointly with the relevant Director over and underspendings of 5% or £10,000 (whichever is the greater) to the

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Cabinet on service budget.

1A.2(b)3 Responsibilities of Directors

To adhere to the guidelines set by the Chief Finance Officer when providing information for the finalising of the end of year accounts.

To provide any information required by the Chief Finance Officer to report any budget variances to Cabinet.

1A.3 ACCOUNTING POLICIES

1A.3(a) Why is this important?

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March.

Key Controls

The key controls for accounting policies are:

- (a) systems of internal control are in place that ensures that financial transactions are lawful.
- (b) suitable accounting policies are selected and applied consistently
- (c) proper accounting records are maintained
- (d) financial statements are prepared which present fairly the financial position of the Council and its expenditure and income

1A.3(a)1 Responsibilities of the Chief Finance Officer

To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:

- (a) separate accounts for capital and revenue transactions
- (b) the basis on which debtors and creditors at year end are included in the accounts
- (c) details on substantial provisions and reserves
- (d) fixed assets
- (e) depreciation
- (f) capital charges

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- (g) work in progress
- (h) stocks and stores
- (i) deferred charges
- (j) accounting for valued added tax
- (k) government grants
- (l) leasing
- (m) pensions

1A.3(a)2 Responsibilities of Directors

To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

1A.4 ACCOUNTING RECORDS AND RETURNS

1A.4(a) Why is this important?

Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

Key controls

The key controls for accounting records and returns are:

- (a) all finance staff and budget managers operate within the required accounting standards and timetables
- (b) all the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- (c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- (d) reconciliation procedures are carried out to ensure transactions are correctly recorded
- (e) prime documents are retained in accordance with legislative and other requirements

1A.4(a)1 Responsibilities of the Chief Finance Officer

To determine the accounting procedures and records for the Council. Where these are maintained outside Financial Services,

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the Chief Finance Officer should consult the Director concerned.

To arrange for the compilation of all accounts and accounting records under his/her direction.

To comply as far as is practical, with the following principles when allocating accounting duties:

- (a) separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them
- (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions

To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2003.

To ensure that all claims for funds including grants are made by the due date.

To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable.

To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention policy.

1A.4(a)2 Responsibilities of Directors

To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.

To comply with the principles outlined above when allocating accounting duties.

To maintain adequate records to provide a managerial trail leading from the source of income/expenditure through to the accounting statements.

To supply information required to enable the statement of accounts to be completed in accordance with guidelines by the Chief Finance Officer.

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1A.5 THE ANNUAL STATEMENT OF ACCOUNTS

1A.5(a) Why is this important?

The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The General Assembly of the Council is responsible for approving the statutory annual statement of accounts.

Key Controls

The key controls for the annual statement of accounts are:

- the Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the Managing Director
- the Council's statement of accounts must be prepared in accordance with proper practices as set out in *Code of Practice on Local Council Accounting in the United Kingdom: A Statement of recommended Practice* (the SORP) (CIPFA/LASAAC).

1A.5(a)1 Responsibilities of the Chief Finance Officer

To select suitable accounting policies and to apply them consistently.

To make judgements and estimates that are reasonable and prudent.

To comply with the SORP.

To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 20xx.

To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

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1A.5(a)2 Responsibilities of Directors

To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information, when required.

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2A APPENDIX B FINANCIAL PLANNING

2A.1 CORPORATE AND SERVICE PLANS

Why is this important?

The Council prepares a Corporate Plan covering a rolling three year period and this is reviewed and updated annually. The Corporate Plan sets out the Council's overall priorities and objectives.

Service Plans are an integral part of the Council's performance management framework and translate the Corporate Plan and the budget into individual services.

Key controls

The key controls for performance plans are:

- (a) to ensure that all relevant plans are produced and that they are consistent
- (b) to produce plans in accordance with any statutory requirements
- (c) to meet timetables set
- (d) to ensure that all performance information is accurate, complete and up to date
- (e) to provide improvement targets which are measurable, meaningful, realistic and challenging.

2A.1(a)1 Responsibilities of the Chief Finance Officer

To advise and supply the financial information that needs to be included in relevant plans in accordance with any statutory requirements and agreed timetables.

To contribute to the development of corporate and service targets and objectives and performance information.

To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

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2A.1(a)1 Responsibilities of Directors

To produce performance plans relevant to the directorate.

To contribute to the development of corporate performance plans in line with statutory requirements.

To contribute to the development of corporate and service targets and objectives and performance information.

To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met

To ensure that timescales in the performance management framework are adhered to.

2A.2 BUDGETING

Format of the budget

Why is this important?

The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

Key Controls

The key controls for the budget format are:

- (a) the format complies with all legal requirements
- (b) the format complies with CIPFA's *Best Value Accounting – Code of Practice*
- (c) the format reflects the accountabilities of service delivery

2A.2(a)1 Responsibilities of the Chief Finance Officer

To advise the Cabinet on the format of the budget that is approved by the General Assembly of the Council.

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2A.2(a)2 Responsibilities of Directors

To comply with accounting guidance provided by the Chief Finance Officer.

Revenue budget preparation, monitoring and control

Why is this important?

Budget management ensures that once the budget has been approved by the General Assembly of the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

By continuously identifying and explaining variances against budget targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget.

To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budget control may take place at a more detailed level if this is required by the Chief Finance Officer.

Key controls

The key controls for managing and controlling the revenue budget are:

- (a) budget managers should be responsible only for income and expenditure that they can influence
- (b) there is a nominated budget manager for each budget heading
- (c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their

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financial responsibilities

- (d) budget managers follow an approved certification process for all expenditure
- (e) income and expenditure are properly recorded and accounted for
- (f) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

2A.2(a)3 Responsibilities of the Chief Finance Officer

To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within annual cash limits unless the General Assembly of the Council agrees otherwise
- (b) each Director has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- (c) expenditure is committed only against an approved budget head
- (d) all officers responsible for committing expenditure comply with relevant guidance, and the Financial Regulations
- (e) each budget head has a single named manager, determined by the relevant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

To administer the Council's cash limiting rules.

To submit reports to the Cabinet, in consultation with the relevant Director, where a Director is unable to balance expenditure and resources within existing approved budgets under his/her control.

To prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis.

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2A.2(a)4 Responsibilities of Directors

To maintain budgetary control within their directorates to ensure that all income and expenditure are properly recorded and accounted for.

To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.

To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.

To prepare and submit to the Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Chief Finance Officer.

To ensure prior approval by the General Assembly of the Council or executive (as appropriate) for new proposals of whatever amount, that:

- (a) create financial commitments in future years
- (b) change existing policies, initiate new policies or cease existing policies
- (c) materially extend or reduce the Council's services

To ensure compliance with the cash limiting rules.

To agree with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another Director's service.

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2A.3 Budgets and medium term planning

2A.3(a) Why is this important?

The Council is a complex organisation responsible for delivery of a wide variety of services. It needs to plan effectively and to develop systems to enable resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the General Assembly of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a Council to budget for a deficit.

Medium term planning involves a planning cycle in which managers and Members develop plans over a period longer than one year. As each year passes, another future year will be added to the medium term plan. This ensures that the Council is always preparing for events in advance.

Key controls

The key controls for budgets and medium term planning are:

- (a) specific budget approval for all expenditure
- (b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Cabinet for their budgets and the level of service to be delivered
- (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

2A.3(a)1 Responsibilities of the Chief Finance Officer

To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of the effect on the three year budget assumptions and beyond, where appropriate.

To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the General Assembly of the Council, and after consultation with the Cabinet and Directors.

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To prepare and submit reports to the Cabinet on the aggregate spending plans of directorates and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.

To advise on the medium term implications of spending decisions.

To encourage the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice on conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

To advise the General Assembly of the Council in accordance with his/her responsibilities under section 151 of the Local Government Act 1972.

2A.3(a)2 Responsibilities of Directors

To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet.

To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Chief Finance Officer.

To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets.

When drawing up draft budget requirements, to have regard to:

- (a) spending patterns and pressures revealed through the budget monitoring process
- (b) legal requirements
- (c) policy requirements as defined by the General Assembly of the Council in the approved policy framework
- (d) initiatives already under way

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2A.4 Resource allocation

2A.4(a) Why is this important?

A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities and corporate priorities. Resources may include staff, money, equipment, goods, materials and property.

Key controls

The key controls for resource allocation are:

- (a) resources are acquired in accordance with the law using an approved procurement process
- (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for
- (c) resources are securely held for use when required
- (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons

2A.4(a)1 Responsibilities of the Chief Finance Officer

To advise on methods available for the funding of resources, such as grants from central government.

To assist in the allocation of resources to budget managers

2A.4(a)2 Responsibilities of Directors

To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

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2A.4(a)3 Capital Programme

Why is this important?

Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and can create financial commitments for the future in the form of financing costs and revenue running costs.

The Council is restricted in its ability to fund capital expenditure. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of resources.

Key controls

The key controls for capital programmes are:

- (a) specific approval by the General Assembly of the Council for the programme of capital expenditure
- (b) expenditure on capital schemes is subject to the approval of the Chief Finance Officer
- (c) a process for approving capital projects and monitoring their progress
- (d) proposals for improvements and alterations to buildings must be approved by Managing Director, normally as part of the annual budget.
- (e) schedules for individual schemes within the overall budget approved by the General Assembly of the Council must be submitted to the Cabinet for approval (e.g. minor works), or under other arrangements approved by the General Assembly of the Council
- (f) the development and implementation of an asset management plan
- (g) accountability for each proposal is accepted by a named manager
- (h) monitoring of progress in conjunction with expenditure and comparison with approved budget

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2A.4(a)4 Responsibilities of the Chief Finance Officer

To prepare capital estimates jointly with Directors and to report them to the Cabinet Members for recommendation to with the associated financing requirements to the General Assembly of the Council.

To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.

To issue guidance concerning capital schemes and controls, e.g. on project appraisal techniques. The definition of 'capital' will be determined by the Chief Finance Officer having regard to government regulations and accounting requirements.

To obtain, jointly with the relevant Director, authorisation from the Cabinet for individual schemes were the estimated expenditure exceeds the capital programme provision by more than £50,000 or 10% (whichever is the greater)

2A.4(a)5 Responsibilities of Directors

To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.

To ensure that all capital proposals, above a defined cost level, have undergone a project appraisal in accordance with any guidance issued by the Chief Finance Officer.

To prepare regular reports reviewing the capital programme for their services. They should also prepare a monthly return of schemes in the approved capital programme for submission to the Chief Finance Officer.

To ensure that adequate records are maintained for all capital contracts.

To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.

To obtain, jointly with the Chief Finance Officer, authorisation from the Cabinet for individual schemes were the estimated expenditure exceeds the capital programme provision by more than £50,000 or 10% (whichever is the greater)

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To prepare and submit reports, jointly with the Chief Finance Officer, to the Cabinet, of any variation in contract costs greater than the approved limits. The Cabinet has unlimited power of virement within the capital programme.

To prepare and submit reports, jointly with the Chief Finance Officer, to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.

To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.

2A.5 MAINTENANCE OF RESERVES

2A.5(a) Why is this important?

The Council must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the Identified Initiative Reserve.

Key controls

To maintain reserves in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) and agreed accounting policies.

For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

Authorisation of expenditure from reserves by the Chief Finance Officer.

2A.5(a)1 Responsibilities of the Chief Finance Officer

To advise the Cabinet and/or the General Assembly of the Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

2A.5(a)2 Responsibilities of Directors

To ensure that resources are used only for the purposes for which they were intended.

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3A APPENDIX C RISK MANAGEMENT AND CONTROL OF RESOURCES

3A.1 RISK MANAGEMENT

3A.1(a) Why is this important?

All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to manage the barriers that might prevent achievement of the key objectives and to secure the assets of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

It is the overall responsibility of the Council to approve the Council's risk management strategy, and to promote a culture of risk management awareness throughout the Council. The Audit Board reviews and monitors the Council's arrangements for risk management.

Key controls

The key controls for risk management are:

- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Council
- (b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
- (c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
- (d) provision is made for losses that might result from the risks that remain

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(e) acceptable levels of risk are determined and insured against where appropriate

(f) the Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

3A.1(a)1 Responsibilities of the Chief Finance Officer

To prepare and promote the Council's risk management strategy.

To develop risk management controls in conjunction with other Directors.

To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

3A.1(a)2 Responsibilities of Directors

To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers (e.g. health and safety)

To ensure that there are regular reviews of risk within their directorates in accordance with the risk management strategy.

To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Chief Finance Officer or the Council's insurers.

To notify the Chief Finance Officer and the Head of Legal Services on the terms of any indemnity that the Council is requested to give, and not to enter into such indemnity without specific approval.

To ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

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3A.2 INTERNAL CONTROLS

3A.2(a) Why is this important?

The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

The Council has statutory obligations, and therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage the risks.

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

- (a) efficient and effective operations
- (b) reliable financial information and reporting
- (c) compliance with laws and regulations
- (d) risk management

3A.2(a)1 Key controls

The key controls and control objectives for internal control system are:

- (a) key controls should be reviewed on a regular basis and the Council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
- (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and

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information systems

- (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.

3A.2(a)2 Responsibilities of the Chief Finance Officer

To assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

3A.2(a)3 Responsibilities of Directors

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

To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Chief Finance Officer. Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective – e.g. because of duplication.

To ensure staff have a clear understanding of the consequences of lack of control.

3A.3 AUDIT REQUIREMENTS

3A.3(a) Internal Audit

Why is this important?

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003, regulation 6, more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control”.

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

Key controls

The key controls for internal audit are:

- (a) that it is independent in its planning and operation
- (b) the Audit Manager has direct access to the Head of Paid Service, all levels of management and directly to elected Members
- (c) internal auditors comply with the CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom*.

3A.3(a)1 Responsibilities of the Chief Finance Officer

To ensure that internal auditors have the authority to:

- (a) access Council premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems.
- (c) receive any information and explanation considered necessary concerning any matter under consideration
- (d) require any employee of the Council to account for cash, stores or any other Council asset under his/her control.
- (e) access records belonging to third parties, such as contractors, when required
- (f) directly access the Head of Paid Service, the Cabinet and Audit Board

To recommend the strategic and annual audits plans, prepared by the head of internal audit, take account of the characteristics and relative risks of the activities involved, for approval by the Cabinet and Audit Board as appropriate.

To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

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3A.3(a)2 Responsibilities of Directors

To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

To ensure that auditors are provided with any information and explanations that they seek in the course of their work.

To consider and respond promptly to recommendations in audit reports in accordance with the audit protocol.

To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

To ensure that new systems for maintaining financial records, or records of assets, or changes to systems, are discussed with and agreed by the Chief Finance Officer prior to implementation.

3A.3(a)3 External Audit

Why is this important?

The Local Government Finance Act 1972 set up the Audit Commission, which is responsible for appointing external auditors to each local Council in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.

The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice sets out the auditor's objectives to review and report upon:

(a) the financial aspects of the audited body's corporate governance arrangements

(b) the audited body's financial statements

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- (c) aspects of the audited body's arrangements to manage its performance

The Council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a code of audit practice, which external auditors follow when carrying out their duties.

3A.3(a)4 Responsibilities of the Chief Finance Officer

To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.

To ensure there is effective liaison between external and internal audit.

To work with the external auditor and advise the General Assembly of the Council, Cabinet and Directors on their responsibilities in relation to external audit.

3A.3(a)5 Responsibilities of Directors

To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

To ensure that all records and systems are up to date and available for inspection.

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3A.4 PREVENTING FRAUD AND CORRUPTION

3A.4(a) Why is this important?

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

The Council's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

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

Key controls

The key controls regarding the prevention of financial irregularities are that:

- (a) the Council has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption
- (b) all Members and staff act with integrity and lead by example
- (c) high standards of conduct are promoted amongst Members by the Standards Committee
- (d) the maintenance of registers of hospitality (Members and Officers) in which any hospitality or gifts accepted must be recorded
- (e) the maintenance of registers of interest (Members and Officers)
- (f) whistle-blowing procedures are in place and operate effectively

3A.4(a)1 Responsibilities of the Chief Finance Officer

To develop and maintain an Anti-fraud and Corruption Policy and Whistleblowing Policy.

To maintain adequate and effective internal control arrangements.

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To ensure that all suspected irregularities are reported to the Audit Manager and the Head of Paid Service, as appropriate.

3A.4(a)2 Responsibilities of Directors

To ensure that all suspected irregularities are reported to the Audit Manager.

To instigate the Council's disciplinary procedures or reference to the Chief Finance Officer and Monitoring Officer (for breaches of the Member Code of Conduct) where the outcome of an audit investigation indicates improper behaviour.

To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.

To maintain any specific registers of hospitality, where relevant.

3A.5 ASSETS

3A.5(a) Security

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

Key controls

The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

- (a) resources are used only for the purposes of the Council and are properly accounted for
- (b) resources are available for use when required
- (c) resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to

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maximise benefits

- (d) an asset register is maintained for the Council and assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset
- (e) all staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act 1998 and software copyright legislation
- (f) all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer e-mail and internet security policies.

3A.5(a)1 Responsibilities of the Chief Finance Officer

To ensure that an asset register is maintained in accordance with good practice for all fixed assets. The function of the asset register is to provide the Council with information about fixed assets so that they are:

- safeguarded
- used efficiently and effectively
- adequately maintained

To receive the information for accounting, costing and financial records from each Director.

To ensure that assets are valued in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC)*

3A.5(a)2 Responsibilities of Directors

The appropriate Director shall maintain a property database in a form approved by the Chief Finance Officer for all land and property currently owned or use by the Council.

To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement has been established.

To ensure the proper security of all buildings and other assets under their control.

To ensure that any health and safety issues arising from Council

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owned property are brought to the attention of the Health and Safety Officer and the Housing Maintenance Manager.

Where land or buildings are surplus to requirements, a recommendation for sale should be made to the Project Director.

To ensure that no Council asset is subject to a personal use by an employee without proper authority.

To ensure the safe custody of vehicles, equipment, furniture, stock stores and other property belonging to the Council.

To ensure that the Directorate maintains a register (inventory) of moveable assets in accordance with arrangements defined by the Chief Finance Officer.

To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.

To ensure cash holdings on premises are kept to a minimum.

To ensure that keys to safes and similar receptacles are kept secure at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.

To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless the Chief Finance Officer agrees otherwise.

To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.

To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

3A.5(a)2 Inventories

To maintain inventories of moveable assets and record an adequate description of furniture, fittings, equipment, plant and machinery above the value of £1,000. See Financial Guidance Manual for further details.

To carry out an annual check of all items on the inventory in order to verify location, review conditions and to take action in relation to

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surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.

To make sure that property is only used in the course of the Council's business, unless the Director concerned has given permission otherwise.

3A.5(a)3 Stocks and Stores

To make arrangements for the care and custody of stocks and stores in the directorate.

To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.

To investigate and recommend removal from the Council's records (i.e. write off) discrepancies as necessary, or to obtain executive approval if they are in excess of a predetermined limit.

To authorise disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless the Chief Finance Officer decides otherwise in a particular case.

To seek executive approval to the write-off of redundant stocks and equipment in excess of a predetermined sum.

3A.5(a)4 Asset disposal

Why is this important?

It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Council.

Key controls

Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Council, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.

These procedures protect staff involved in the disposal from accusations of personal gain.

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3A.5(a)5 Responsibilities of the Chief Finance Officer

To issue guidelines representing best practice for disposal of assets.

To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds, if appropriate.

3A.5(a)6 Responsibilities of Directors

To arrange for the disposal of surplus or obsolete materials, stores or equipment, in accordance with agreed procedures.

To ensure that income received for the disposal of an asset is properly banked and coded.

3A.6 TREASURY MANAGEMENT

3A.6(a) Why is this important?

Many millions of pounds pass through the Council's books each year. This led to the establishment of codes of practice. These aim to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

Key controls

That the Council's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the Council's treasury policy statement and Treasury Management Strategy.

3A.6(a)1 Responsibilities of the Chief Finance Officer – treasury management and banking

To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the Council's treasury management policy statement and strategy.

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To report (at least) four times a year on treasury management activities to the Cabinet.

To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Chief Finance Officer.

3A.6(a)2 Responsibilities of Directors – treasury management and banking

To follow the instructions on banking as issued by the Chief Finance Officer.

3A.6(a)3 Responsibilities of Chief Finance Officer – investments and borrowing

To ensure that all investments of money are made in the name of the Council or in the name of approved nominees.

To ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership, are held in the custody of the appropriate Director.

To effect all borrowings in the name of the Council.

To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.

3A.6(a)4 Responsibilities of Directors – investments and borrowing

To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Chief Finance Officer.

3A.6(a)5 Responsibilities of the Chief Finance Officer –imprest (petty cash) accounts

To provide employees of the Council with cash imprest (petty cash) accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.

To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

To reimburse imprest (petty cash) holders as often as necessary

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to restore the imprest (petty cash), but normally not more than monthly.

3A.6(a)6 Responsibilities of Directors – imprest (petty cash) accounts

To ensure that employees operating an imprest (petty cash) account:

- (a) obtain and retain vouchers to support each payment from the imprest (petty cash) account. Where appropriate, an official receipted VAT invoice must be obtained
- (b) make adequate arrangements for the safe custody of the account
- (c) produce upon demand by the Chief Finance Officer cash and all vouchers to the total value of the imprest (petty cash) amount
- (d) record transactions promptly
- (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest (petty cash) holder
- (f) provide the Chief Finance Officer with a certificate of the value of the account held at 31 March each year
- (g) ensure that the cash imprest (petty cash) float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
- (h) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest (petty cash) advance, an employee shall account to the Chief Finance Officer for the amount advanced to him/her.

3A.7 STAFFING

3A.7(a) Why is this important?

In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

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Key controls

The key controls for staffing are:

- (a) an appropriate staffing strategy and policy exists
- (b) procedures are in place for forecasting staffing requirements and cost
- (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the Council
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.
- (e) Controls are in place to ensure that only properly authorised appointments are made

3A.7(a)1 Responsibilities of the Chief Finance Officer

To ensure that budget provision exists for approved staffing levels.

To act as an advisor to Directors on areas such as national insurance and pension contributions, as appropriate.

3A.7(a)2 Responsibilities of Directors

To agree the annual staffing budget with the Chief Finance Officer.

To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

To ensure that the staffing budget is not exceeded and that it is managed to enable the agreed level of service to be provided.

To ensure that the Head of Resources and the Chief Finance Officer are immediately informed if the staffing budget is likely to be materially overspent.

4. APPENDIX D FINANCIAL SYSTEMS AND PROCEDURES

GENERAL

4A.1 Why is this important?

Directorates have many systems and procedures relating to the control of the Council's assets, including procurement, costing and management systems. Directorates are predominantly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

The Chief Finance Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.

Key controls

The key controls for systems and procedures are:

- (a) basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated
- (b) performance is communicated to the appropriate managers on an accurate, complete and timely basis
- (c) early warning is provided of deviations from target, plans and budgets that require management attention
- (d) operating systems and procedures are secure

4A.1(a) Responsibilities of the Chief Finance Officer

To make arrangements for the proper administration of the Council's financial affairs, including to:

- (a) issue advice, guidance and procedures for officers and others acting on the Council's behalf
- (b) determine the accounting systems, form of accounts and supporting financial records
- (c) establish arrangements for audit of the Council's financial affairs

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- (d) approve any new financial systems to be introduced
- (e) approve any changes to be made to existing financial systems.

4A.1(a)1 Responsibilities of Directors

To ensure that accounting records are properly maintained and held securely.

To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.

To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

To incorporate appropriate controls to ensure that, where relevant:

- (a) all input is genuine, complete, accurate, timely and not previously processed
- (b) all processing is carried out in an accurate, complete and timely manner
- (c) output from the system is complete, accurate and timely.

To ensure that, where practical, the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.

To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.

To ensure that systems are documented and staff trained in operations.

To consult with the Chief Finance Officer before changing any existing system or introducing new systems.

To establish a scheme of delegation identifying officers authorised to act upon the Director's behalf in respect of payments, income collection and procurement, including variations, and showing the limits of their Council.

To supply lists of authorised officers, with specimen signatures

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and delegated limits, to the Chief Finance Officer, together with any subsequent variations.

To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fire proof location, preferably off site or at an alternative location within the building.

To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.

To ensure that relevant standards and guidelines for computer systems issued by the relevant Director are observed.

To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.

To comply with the copyright designs and patents legislation and, in particular, to ensure that:

- (a) only software legally acquired and installed by the Council is used on its computers
- (b) staff are aware of legislative provisions

4A.2 INCOME AND EXPENDITURE

4A.2(a) Income

Why is this important?

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and also avoids the time and cost of administering debts.

Key controls

The key controls for income are:

- (a) all income due to the Council is identified and charged correctly
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery

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- (c) all money received by an employee on behalf of the Council is paid without delay to the Chief Finance Officer or, as he/she directs, to the Council's bank account, and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due
 - for reconciling the amount due to the amount received
- (d) effective action is taken to pursue non-payment within defined timescales
- (e) formal approval for debt write-off is obtained
- (f) appropriate write-off action is taken within defined timescales
- (g) appropriate accounting adjustments are made following write-off action
- (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
- (i) money not allocated and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

4A.2(a)1 Responsibilities of the Chief Finance Officer

4A.2.(a)2 To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.

To order and supply to directorates all receipt forms, books or tickets and similar items and to satisfy himself/herself regarding the arrangements for their control.

To agree the write-off of bad debts up to £3,000 in each case and to refer larger sums to the Cabinet.

To obtain the approval of the Cabinet in consultation with the relevant Director for writing off debts in excess of £3,000.

To ensure that appropriate accounting adjustments are made following write-off action.

4A.2(a)3 Responsibilities of Directors

To establish a charging policy for the supply of goods or

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services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.

To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.

To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

To issue official receipts or to maintain other documentation for income collection.

To hold securely receipts, tickets and other records of income for the appropriate period.

To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling. Only up to approved levels of cash can be held on the premises.

To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail.

To ensure income is not used to cash personal cheques or other payments.

To raise accounts promptly for work done, goods supplied, services rendered or other amounts due.

To ensure that sums due to the Council are recorded correctly, monitor recovery of income and flag up areas of concern to the Chief Finance Officer. Directors have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

To recommend to the Chief Finance Officer all debts to be written off up to £3,000 and to keep a record of all sums written off. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.

To obtain the approval of the Chief Finance Officer and where appropriate Cabinet, when writing off debts in excess of £3,000.

To notify the Chief Finance Officer of outstanding income relating to the previous financial year as soon as possible after

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31 March in line with the timetable determined by the Chief Finance Officer.

4A.3 Procuring and paying for work, goods and services

4A.3(a) Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

4A.3(a)1 General

Every officer and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.

Official orders must be in a form approved by the Chief Finance Officer. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer.

The normal method of payment to suppliers will be by BACS transfer. Payment by cheque will only be agreed in exceptional circumstances. The use of direct debit requires the prior agreement of the Chief Finance Officer.

Key controls

The key controls for ordering and paying for work, goods and services are:

- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
- (b) all goods and services shall be ordered in accordance with the Council's standing orders and contract procedures
- (c) goods and services received are checked to ensure they are in accordance with the order

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- (d) payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards
- (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
- (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule
- (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
- (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

4A.3(a)2 Responsibilities of the Chief Finance Officer

To ensure that all the Council's financial systems and procedures are sound and properly administered.

To approve any changes to existing financial systems and to approve any new systems before they are introduced.

To approve the form of official orders and associated terms and conditions.

To make payments from the Council's funds on the budget holders authorisation that the expenditure had been duly incurred in accordance with Financial Regulations and Standing Orders.

To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.

To make payments to contractors on authorisation of a contract certificate, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

To provide advice and guidance on making payments by the most economical means.

To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown

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against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

4A.3(a)3 Responsibilities of Directors

To ensure that goods and services are procured in accordance with Financial Regulations and Standing Orders using systems and procedures approved by the Chief Finance Officer.

To ensure that orders are only used for goods and services for the Council. Individuals must not use official orders to obtain goods or services for their private use.

To ensure that only those staff authorised by him/her to originate orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their Council. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Council's approach to procurement. Value for money should always be achieved.

To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.

To ensure that a two stage process is adopted to authorise any invoice for payment and that the two stages are authorised by separate officers.

Stage 1

The first stage of the authorisation process, either online or by signing the "Goods received" or "checked and coded" boxes on the relevant form, means confirmation that:

- (a) the goods works or services have been received and are of the required quantity and quality and fit for the purpose intended
- (b) that the invoice has not previously been paid
- (c) that expenditure has been charged against the correct budget

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- (d) that prices are arithmetically correct and accord with quotations, tenders, contracts or catalogue prices, or are otherwise reasonable
- (e) where VAT is included , it is correct and in the required format
- (f) that discounts have been taken where available
- (g) that if the invoice is in payment for non consumable moveable assets valued at over £500, an entry has been made on the relevant inventory

Stage 2

The second stage of the authorisation process, either online or by signing the “certified by” box on the relevant form, means confirmation that:

- (a) The invoice has passed through the stage 1 process
- (b) That any Standing Order or Financial Regulation relevant to the purchase of the goods or services has been complied with e.g. rules for quotations and/or tenders
- (c) The expenditure has been correctly authorised and budget provision exists.

To ensure that the directorate maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their Council shall be forwarded to the Chief Finance Officer.

To ensure that payments are only made following receipt of a formal invoice, and that no payment is made on a photocopy or statement.

To ensure that the directorate obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, having regard to the Procurement Guide. The financial thresholds for procurement are:

Orders for goods and services with an estimated cost of less than £75,000 should be procured in accordance with Contract Standing Order (CSO) 7 (section 7 of the Procurement Guide) and any guidance issued by the Chief Finance Officer. Full details can be found in the Procurement Guide. In summary this requires:

For goods and services with an estimated value less than £10,000 at least one quote must be obtained in advance.

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For goods and services with an estimated value of between £10,000 and £75,000, at least three written quotes are required before procurement can be authorised. Quotes should be obtained using the Pro Contract portal or otherwise as approved by the head of Finance and Resources

For goods and services with an estimated value of more than £75,000 formal tendering using the Pro Contract portal is required, using the European rules where relevant..

Whilst there is a general presumption in favour of open competition, there will be some circumstances where it may not be appropriate. In such circumstances the requirements of CSO 13 should be followed

If a contractor or consultant is responsible for procuring goods or services on behalf of the Council then they must abide by the Council's Contracts Standing Orders and Procurement Guide. Directors and Spending Officers responsible for the appointment of contractors or consultants are required to bring this to their attention where relevant.

To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

4A.4 Payments to employees and Members

4A.4(a) Why is this important?

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is important that all payments are accurately recorded and accounted for, and that Members' allowances are authorised in accordance with the Members' Allowances Scheme adopted by the General Assembly of the Council.

Key controls

The key controls for payments to employees and Members are:

- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables for:
 - starters

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- leavers
- variations
- additional payments

(b) frequent reconciliation of payroll expenditure against approved budget and bank account

(c) all appropriate payroll documents are retained and stored for the define period in accordance with the document retention schedule

(d) Inland Revenue regulations are complied with.

4A.4(a)1 Responsibilities of the Chief Finance Officer

To arrange the secure and reliable payment of salaries wages, or other emoluments to employees, in accordance with procedures prescribed by him/her, on the due date.

To record and make arrangements for the accurate and timely payment of tax, pension and other deductions.

To make arrangements for payment of all travel and subsistence and other claims.

To make arrangements for paying Members' allowances in accordance with the scheme approved by the Council.

To ensure that there are adequate arrangements to meet any pension administration timescales set by Kent County Council.

4A.4(a)2 Responsibilities of Head of Finance and Resources

To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.

To ensure that adequate and effective systems and procedures are operated, so that:

- payments are only authorised to bona fide employees
- payments are only made where there is a valid entitlement
- conditions and contracts of employment are correctly applied
- employee's names on the payroll are checked at regular intervals to verify accuracy and completeness

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4.4A(a)3 Responsibility of Directors

To send an up-to-date list of names and officers authorised to sign payroll records to the Head of Finance and Resources , together with specimen signatures.

To ensure that payroll transactions are processed only through the payroll system. Directors should give careful consideration to the employment status of individuals employed on a self employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from Financial Services (payroll).

To certify travel and subsistence claims, overtime and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Finance Officer is informed, where appropriate.

4.4A(a)4 Responsibilities of Members

To submit claims for any allowances payable to Members, that require the completion of a claim form e.g. travel and subsistence allowances, on a monthly basis and, in any event, within one month of the year end.

4A.5 TAXATION

4A.5(a) Why is this important?

The key controls for taxation are:

- (a) budget managers are provided with relevant information and kept up to date on tax issues
- (b) budget managers are instructed on required record keeping
- (c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- (d) records are maintained in accordance with instructions
- (e) returns are made to the appropriate authorities within the

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stipulated timescale.

4A.5(a)1 Responsibilities of the Chief Finance Officer

To complete all HMRC returns regarding PAYE.

To complete a monthly return of VAT inputs and outputs to HMRC.

To provide details to the HMRC regarding the construction industry tax deduction scheme.

To maintain up-to-date information for Council employees on taxation issues in the Financial Guidance Manual.

4A.5(a)2 Responsibilities of Directors

To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.

To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

To ensure that all persons employed by the Council are done so using the approved procedures.

Appointment of anyone classed as self employed or someone from an agency requires the prior approval of the Head of Finance and Resources.

To follow the guidance on taxation issued in the Financial Guidance Manual.

5 APPENDIX E EXTERNAL ARRANGEMENTS

5A.1 PARTNERSHIPS

Why is this important?

Partnerships play a key role in delivering services to the community and in helping to promote and improve the well-being of the area. The Council works in partnership with others – public authorities private companies, community groups, voluntary organisations etc. The Council's distinctive leadership role is to bring together the contributions of the various stakeholders. All parties to a partnership arrangement therefore need to deliver a shared vision of services based on user wishes.

The Council will mobilise investment, bid for funds, champion the needs of its area and harness the energies of local people and community organisations. The Council is measured by what it achieves in partnership with others.

5A.1(a) General

The main reasons for entering into a partnership are:

- (a) the desire to find new ways to share risk
- (b) the ability to access new resources
- (c) to provide new and better ways of delivering services
- (d) to forge new relationships

The term partnership can encompass a wide range of collaborative arrangements. A partnership is a joint working arrangement where the partners:

- are otherwise independent bodies;
- agree to co - operate to achieve a common goal;
- create an organisational structure or process to achieve the partnership's outcomes;
- plan and implement a jointly agreed programme, often with joint staff and/or resources;
- share relevant information and pool risks and rewards.

Partnerships should, ultimately, improve the quality of services being provided to Dartford's citizens and should achieve outcomes for communities which individual agencies/bodies may not be able to achieve on their own. Partnerships should have one or more of the following aims:

- improve service delivery through better co – ordination, especially where services are provided by a range of organisations;

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improve the quality of people's lives;
tackle complex and county-wide issues;
facilitate and increase community engagement through improved information, consultation and participation;
through community engagement, help to ensure that services are developed in alignment with customers' needs;
stimulate more creative approaches to problems by bringing together people with different backgrounds, skills and assumptions and sharing risks and rewards more widely;
wield greater influence than individual partners could achieve, thus enhancing the impact on other parties;
tackle complex cross-cutting issues;
reduce waste and/or duplication, pool resources and improve economies of scale;
gain access to new resources;
meet statutory or organisational requirements; and
provide opportunities for learning from people in different organisations and with different perspectives.

Partners participate in projects by:

- (a) acting as a project deliverer or sponsor, solely or in concert with others
- (b) acting as a project funder or part funder
- (c) being the beneficiary group of the activity undertaken in a project.

Partners have common responsibilities:

- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
- (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives
- (c) be open about any conflict of interests that might arise
- (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors
- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
- (f) to act wherever possible as ambassadors for the project.

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Key controls

The key controls for the Council partners are:

- (a) if appropriate, to be aware of their responsibilities under the Council's Financial Regulations and Contract Standing Orders.
- (b) to ensure that risk management processes are in place to identify and assess all known risks
- (c) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- (d) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- (e) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

to ensure compliance with the Partnerships Code of Practice and the Standards for England's Partnership Behaviour Protocol.

5A.1(a)1 Responsibilities of the Chief Finance Officer

To advise on effective controls that will ensure that resources are not wasted.

To advise on the key elements of funding a project. They include:

- (a) a scheme appraisal for financial viability in both the current and future years
- (b) resourcing, including taxation issues
- (c) audit, security, and control requirements
- (d) carry-forward arrangements

To ensure that the accounting arrangements are satisfactory.

5A.1(a)2 Responsibilities of Directors

To ensure that, before entering into agreements with external

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bodies, a risk management appraisal has been prepared.

To ensure that such agreements and arrangements are properly documented and not entered into without approval.

To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Council's statement of accounts concerning material items.

5A.2 EXTERNAL FUNDING

5A.2(a) Why is this important?

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

Key controls

The key controls for external funding are:

- (a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood
- (b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by the General Assembly of the Council and the Corporate Plan
- (c) to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements
- (d) to ensure that when external funding is provided for a limited period only, that the implications of losing the funding is disclosed to Members.

5A.2(a)1 Responsibilities of the Chief Finance Officer

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To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflects these requirements, and any future loss of that funding.

To ensure that audit requirements are met.

5.A2(a)2 Responsibilities of Directors

To ensure that bids for external funding are not made without budget provision for the match-funding and consideration of an exit strategy where funds are for a limited period.

To ensure that Cabinet approval is obtained before any bid is made, if there are any potential ongoing costs not included in the budget or medium term financial plan.

To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

To ensure that all claims for funds are made by the due date.

5A.3 WORK FOR THE THIRD PARTIES

5A.3(a) Why is this important?

Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

Key controls

The key controls for working with third parties are:

- (a) To ensure that proposals are costed properly in accordance with guidance provided by the Chief Finance Officer
- (b) To ensure that contracts are drawn up using guidance provided by the Chief Finance Officer and Head of Legal Services and that the formal approvals process is adhered to

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- (c) To ensure guidance is issued for the financial aspects of third party contracts

5A.3(a)1 Responsibilities of Chief Finance Officer

To issue guidance with regard to the financial aspects of third party contracts.

5A.3(a)2 Responsibilities of Directors

To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.

To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.

To ensure that appropriate insurance arrangements are made.

To ensure that the Council is not put at risk from any bad debts.

To ensure that no contract is subsidised by the Council.

To ensure that, wherever possible, payment is received in advance of the delivery of the service.

To ensure that the directorate/unit has the appropriate expertise to undertake the contract.

To ensure that such contracts do not impact adversely upon the services provided for the Council.

To ensure that all contracts are properly documented and monitored.

To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the statement of accounts.

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APPENDIX F FINANCIAL GUIDANCE MANUAL

You can access the Financial Guidance Manual on the intranet under [PROCEDURES / FINANCIAL PROCEDURES / Financial Guidance Manual](#). The introduction explains how to use the manual. The following are the main headings in the manual (but are subject to change).

1. INTRODUCTION
2. ACCOUNTING AND FINANCIAL INFORMATION SYSTEM
3. BUDGET MONITORING (REVENUE, RESERVES, CAPITAL AND VIREMENTS)
4. BUDGET PROCESS
5. CAR LEASING AND CAR LOANS
6. COMMITTEE REPORTS AND FINANCIAL IMPLICATIONS
7. CONSULTANTS
8. CONTRACT PAYMENTS
9. FINAL ACCOUNTS (CLOSURE OF THE ACCOUNTS)
10. FINANCIAL VETTING OF CONTRACTORS AND TENDERERS
11. GOODS AND SERVICES - ORDERING
12. GOODS AND SERVICES - PAYING
13. INCOME
14. INSURANCE
15. INTERNAL AUDIT
16. MISCELLANEOUS:
 - MISCELLANEOUS - BANKING
 - MISCELLANEOUS - POSTAGE STAMPS
 - MISCELLANEOUS - CHANGE FLOATS
 - MISCELLANEOUS - DOCUMENT RETENTION
 - MISCELLANEOUS - GIFTS, HOSPITALITY AND ENTERTAINMENT
 - MISCELLANEOUS - INVENTORIES
17. PROJECT MANAGEMENT SYSTEM
18. RISK MANAGEMENT
19. TENDERS:
 - TENDERS - INVITATION, SUBMISSION AND OPENING
 - TENDERS - EVALUATION OF TENDERS
 - TENDERS - TENDER ACCEPTANCE FORM
 - TENDERS - MAKING PAYMENTS UNDER A CONTRACT
20. VALUE ADDED TAX (VAT)