

London Borough of Newham Financial Regulations

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Definition of Terms

“The Authority”	Means the London Borough of Newham
“The Chief Executive”	means the Officer appoint under the Local Government Act 1972. Joe Duckworth is the Chief Executive.
“The Chief Finance Officer”	Means the Officer appointed under the Section 151 of the Local Government Act 1972 to be responsible for the Council’s financial affairs. Currently Bob Heaton
“The Monitoring Officer”	The Officer designated under Section 5 of the Local Government Act 1989. Currently Helen Sidwell
“The Chief Internal Auditor	Means the Officer charged with the responsibility for the activities of the Internal Audit. Currently Marianne Wood.
“Level One Officer”	Means the Chief Executive and Executive Directors.
“Level Two Officer”	Means an officer who reports to a level one officer or who has been designated by a level one officer as having the authority set out at level two in the Scheme of Management Delegations. This will ordinarily be a Service Head, or an officer in the Chief Executive’s Directorate who reports direct to the Chief Executive.
“Service Head”	Means an officer who reports the Chief Executive or an Executive Director and is responsible for a Division or Service Area.
“Directorate”	Means the staff, services and functions for which a level one officer is responsible.
“Service Area”	Means the staff, services and functions for which a level two officer is responsible.
“External Auditor”	Means PricewaterhouseCoopers appointed in accordance with the Local Government Finance Act 1982 Section 15.

Introduction: Reasons for Financial Regulations

- 1.1 The Local Government Act 2000 required local authorities to review their arrangements and introduce one of three new forms of political structure. Newham adopted the following option:
‘Mayor and Cabinet’ – an elected Mayor who forms part of an Executive with between two and nine Councillors appointed by the Mayor.
- 1.2 Introducing new political and managerial structures raises many important governance issues and can expose an authority to risk.
- 1.3 To conduct its business efficiently, the London Borough of Newham needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Authority
- 1.4 The financial regulations provide clarity about the financial accountabilities of individuals – cabinet members, the Chief Executive, the Monitoring Officer, the Chief Finance Officer, Chief Internal Auditor and level 1 and 2 officers. Each of the financial regulations sets out the overarching financial responsibilities.
- 1.5 The Financial Regulations also link to other internal regulatory documents forming part of the Council’s Constitution. For example, Contract Standing Orders, Schemes of Delegation, the role of Overview and Scrutiny Committees and codes of conduct. There are also links to more detailed financial procedures, guidance and instructions.

Structure of the Five Financial Regulations

Each of the five regulations, in Appendices A to E, is set out in the same framework:

- Appendix A Financial Management Accountabilities.
- Appendix B Financial Planning (including Budgets and Budget Monitoring).
- Appendix C Risk Management and Control of Resources (including Fraud).
- Appendix D Systems and Procedures (making payments, receipting and taxation).
- Appendix E Joint Arrangements (partnerships and grant claims).

Why is this important?

- This sets the context for the financial procedures.

Key controls

- This explains the key internal controls that set the framework for ensuring financial regulations are operating effectively.
- **Responsibilities of the Chief Finance Officer.**
- **Responsibilities of level 1 and 2 officers.**

Breach of Regulations

Any breach of the Financial Regulations could lead to disciplinary action being taken against the individual(s) concerned.

Status of Financial Regulations

- 2.1. The Financial Regulations provide the framework for managing the Authority's financial affairs and are deemed to be part of Newham Council's Constitution. They apply to every member and officer of the Authority and anyone acting on its behalf.
- 2.2. The Regulations identify the financial responsibilities of the Full Council, Executive and the Overview and Scrutiny Members, the Chief Executive, the Monitoring Officer, the Chief Finance Officer and level 1 & 2 officers. Executive members and level 1 & 2 officers should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, such as school governors, references to level 1 & 2 officers in the regulations should be read as referring to them.
- 2.3. 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 properly authorised, provides value for money and achieves best value.
- 2.4. The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Full Council for approval. The Chief Finance Officer is also responsible for reporting breaches of the Financial Regulations to the Council and/or to the Executive Members.
- 2.5. Newham's **Financial Procedures**, (how the regulations will be implemented) follow in the appendices to the Financial Regulations.
- 2.6. Level 1 & 2 officers are responsible for ensuring that all staff in their service area are aware of the existence and content of Newham's Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their service areas.
- 2.7. The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations that members, officers and others acting on behalf of the Council are required to follow.

Financial Regulations

A: Financial Management

Introduction

- A.1. Financial management covers all financial accountabilities in relation to the running of the Authority, including the Policy Framework and Budget.

The Full Council - see article 4 of the Council's Constitution.

- A.2. The Full Council is responsible for adopting the Authority's Constitution and Members' Code of Conduct and for approving the Policy and Budget Frameworks within which the Executive operates. It is also responsible for approving and monitoring compliance with Newham's overall framework of accountability and control. The Full Council is also responsible for monitoring compliance with the agreed policy and related executive decisions.
- A.3. The Full Council is responsible for approving procedures for recording and reporting 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 in Part 3.

The Executive - see article 7 of the Council's Constitution.

- A.4. The Executive consists of the Mayor and a cabinet of between two and nine Councillors appointed by the Mayor. The Executive is responsible for proposing the Policy Framework and Budget to the Full Council, and for discharging executive functions in accordance with the Policy Framework and Budget.
- A.5. Executive decisions can be delegated to the Mayor, to an individual cabinet member, to a committee of the Cabinet, an officer or to a joint committee.
- A.6. The Executive is responsible for establishing protocols to ensure that individual executive members consult with relevant officers before taking a decision within their delegated authority. In doing so, the individual member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

Committees of the Executive

Overview and Scrutiny Committee – see article 6 of the Council's Constitution

- A.7. The Overview and Scrutiny Committee is responsible for scrutinising executive decisions before or after they have been taken and for holding the Executive to account. The Overview and Scrutiny Committee is also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Authority.

Other Committees

Standards Committee see - article 9 of the Council's Constitution

- A.8. The Standards Committee is established by the Full 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 Members' Code of Conduct, and for monitoring the operation of the code.

Other Regulatory Committees - see article 8 of the Council's Constitution

- A.9. Planning, conservation and licensing are not executive functions but are exercised through the politically proportionate planning and licensing committees under powers delegated by the Full Council. The Planning and Licensing Committees report to the Full Council.

Audit Board - see Part 3 Ref. 3.3.12 of the Council's Constitution

- A.10. The Audit Board is an advisory body and reports to the Mayor, through Mayor and Cabinet or Council (as appropriate). 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 the External Auditor's reports and the Annual Audit Letter, the Statement of Accounts, Internal Audit's Annual Report, risk management and fraud arrangements annually. Board members will call in Heads of Service when they receive an audit report with a limited or no assurance opinion so that they can be satisfied that adequate action is being taken.

The Statutory Officers - see article 12 of the Council's Constitution

Chief Executive

- A.11. The Chief Executive is responsible for the corporate and overall strategic management of the Authority as a whole. They must report to and provide information for the Executive, the Full Council, the Overview and Scrutiny Committee and other committees. They are responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Chief Executive is also responsible for the system of record keeping in relation to all of the Full Council's decisions and is the Head of Paid Service with overall responsibility for ensuring the necessary staffing resources, to carry out the Council's functions, are kept under review.
- A.12. The Chief Executive must ensure that executive decisions and the reasons for them are made public. They must also ensure that council members are aware of decisions made by the Executive and of those made by officers who have delegated executive responsibility.

Monitoring Officer

- A.13. The Monitoring Officer is responsible for promoting and maintaining high standards of financial 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 Full Council, the Audit Board and/or to the Executive, and for ensuring that the Constitution is kept up to date and adhered to.
- A.14. The Monitoring Officer is responsible for advising all councillors about the legal implications of any decision and who has authority to take a particular decision.
- A.15. The Monitoring Officer is responsible for advising the Executive or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the Policy Framework.
- A.16. The Monitoring Officer (together with the Chief Finance Officer) is responsible for advising the Executive or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the Budget. Actions that may be 'contrary to the Budget' include:
- Initiating a new policy
 - Committing expenditure in future years to above the budget level
 - Incurring inter-service transfers above Virement limits
 - Causing the total expenditure financed from Council Tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- A.17. The Monitoring Officer is responsible for maintaining an up-to-date constitution.

Chief Finance Officer

A.18. The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Authority. 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 1996.
- The Accounts and Audit Regulations 2003.
- The Local Government Act 2003.
- The Accounts and Audit (Amendment) (England) Regulations 2006.

A.19. The Chief Finance Officer is responsible for:

- The proper administration of Newham's financial affairs, including keeping proper accounting records.
- 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.
- Internal Audit.
- Risk management.

A.20. Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Full Council, the Executive and the External Auditor if the Authority or one of its officers:

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

Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally.
- The Authority 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.

Level 1 and 2 Officers

A.21. The Financial responsibilities of level 1 and 2 officers are:

- Ensuring that executive members are 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 Authority.

A.22. It is the responsibility of level 1 & 2 officers to consult with the Chief Finance Officer and seek approval on any matter liable to affect Newham's finances materially, before any commitments are incurred.

Other financial accountabilities

Virements

- A.23. The Full Council is responsible for agreeing procedures for the Virement of expenditure between budget headings.
- A.24. Level 1 & 2 officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Finance Officer where required. They must notify the Chief Finance Officer of all virements, and seek approval for those over £100k.

Treatment of Year-end Balances

- A.25. The Chief Finance Officer is responsible for agreeing procedures for carrying forward under and overspendings on budget headings.

Accounting Policies

- A.26. The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting Records and Returns

- A.27. The Chief Finance Officer is responsible for determining the accounting procedures and records for the Authority.

The Annual Statement of Accounts

- A.28. 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) and International Financial Reporting Standards (IFRS) where relevant. The Full Council has delegated responsibility for approving the Annual Statement of Accounts to the Investment and Accounts Committee.

B: Financial Planning

Introduction

- B.1. The Full Council is responsible for agreeing Newham's budget and policy framework, which will be proposed by the Executive. In terms of financial planning, the key elements are:
- The Corporate Plan.
 - The Medium Term Budget Strategy.
 - The Investment Strategy.

Policy Framework

- B.2. The Full Council is responsible for approving the Budget and Policy Framework. The Policy Framework comprises the plans and strategies as laid out in Article 4 of the Council's Constitution and the rules governing the Budget and Policy Framework are set out in Part 4.3.
- B.3. The Full 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 Full Council by the Monitoring Officer and or the Chief Finance Officer.
- B.4. The Full Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another in the Virement Scheme. Full details can be found in the Financial Procedural Rules in Part 4.6 of the Council's Constitution. The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the Budget and Policy Framework within the financial limits set by the Council.

Preparation of the Corporate Plan

- B.5. The Chief Executive is responsible for proposing the Corporate Plan to the Executive for consideration before its submission to the Full Council for approval.

Preparation of the Best Value Performance Plan

- B.6. The Chief Executive is responsible for proposing the Best Value Performance Plan (BVPP), including Best Value Performance Indicators to the Executive for consideration before its submission to the Full Council for approval.

Budget Format

- B.7. The general format of the Budget will be approved by the Full Council and proposed by the Executive on the advice of the Chief Finance Officer. The Draft Budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Budget Preparation

- B.8. The Chief Finance Officer is responsible for ensuring that an annual revenue budget and a three-year Medium Term Budget Strategy are prepared on a robust basis, for consideration by the Executive, before submission to the Full Council. The Full Council may amend the Budget or ask the Executive to reconsider it before approving it.
- B.9. The Executive is responsible for issuing guidance on the general content of the Budget in consultation with the Chief Finance Officer as soon as possible following approval by the Full Council.
- B.10. It is the responsibility of level 1 & 2 officers to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive.

Budget Monitoring and Control

- B.11 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must monitor and control expenditure against budget allocations and report to the Executive on the overall position on a regular basis.
- B.12 It is the responsibility of level 1 & 2 officers 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.

Resource Allocation

- B.13 The Chief Finance Officer is responsible for developing and maintaining an effective resource allocation process that ensures due consideration of the Full Council's Policy Framework.

Preparation of the Capital Programme and or Investment Strategy

- B.14 The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis, as part of the Budget Framework for consideration by the Executive before submission to the Full Council.

Guidelines

- B.15 Guidelines on budget preparation are issued to members and level 1 & 2 officers by the Executive following agreement with the Chief Finance Officer. The guidelines will take account of:
- Legal requirements.
 - Medium-term planning prospects.
 - The Corporate Plan.
 - Available resources.
 - Spending pressures.
 - Best value and other relevant government guidelines
 - Other internal policy documents.
 - Cross-cutting issues (where relevant.)
 - Assessment of risks.
 - Maintenance of reserves.
- B.16 It is the responsibility of the Chief Finance Officer to advise the Executive and/or the Full Council on prudent levels of reserves for the Authority.

C: Risk Management and Control of Resources

Introduction

- C.1. It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

- C.2. The Executive is responsible for approving Newham's Risk Management Policy Statement and Strategy and for reviewing the effectiveness of risk management. This is done in consultation with the Audit Board. The Executive is responsible for ensuring that proper insurance exists where appropriate.
- C.3. The Chief Finance Officer is responsible for preparing Newham's Risk Management Policy Statement, for promoting it throughout the Authority and for advising the Executive on proper insurance cover where appropriate.

Internal Control

- C.4. Internal control refers to the systems of control devised by management to help ensure that Newham's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- C.5. 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.
- C.6. It is the responsibility of Chief Officers 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 performance targets.

Audit Requirements

- C.7. The Accounts and Audit Regulations of 1996, 2003 and 2006 issued by the Secretary of State for the Environment require every local authority to maintain an adequate and effective Internal Audit Service.
- C.8. The Audit Commission is responsible for appointing external auditors to each local authority. 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.
- C.9. The Authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue & Customs who have statutory rights of access.

Preventing Fraud and Corruption

- C.10. The Chief Finance Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy. Level 1 & 2 officers are responsible for reporting all cases of fraud or suspicions (including money laundering) of fraud to the representatives appointed by the Chief Finance Officer (the Head of Finance for money laundering and the Chief Internal Auditor of suspicions of fraud).

Assets

- C.11. Level 1 & 2 officers should ensure that records and assets are properly maintained and securely held. 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.

Treasury Management

- C.12. Newham has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities*.
- C.13. The Full 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 Local Authorities*. The Policy Statement is proposed to the Full Council by the Executive. The Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.
- C.14. All money in the hands of the Authority is controlled by the Officer designated for the purposes of section 151 of the Local Government Act 1972, i.e. the Chief Finance Officer.
- C.15. The Chief Finance Officer is responsible for reporting to the Executive a proposed Treasury Management Strategy for the coming financial year at or before the start of each financial year.
- C.16. 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 Local Authorities*.
- C.17. The Chief Finance Officer is responsible for reporting to the Executive three times each financial year on the activities of the Treasury Management Operation and on the exercise of their delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30th September of the succeeding financial year.

Staffing

- C.18. The Head of Paid Service is responsible for determining how officer support for executive and non-executive roles within the Authority will be organised.
- C.19. The Head of Paid Service is responsible for providing overall management to staff. They are also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- C.20. Chief Officers are responsible for controlling total staff numbers by:
- Advising the Executive on the budget necessary in any given year to cover estimated staffing levels.
 - Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs.
 - The proper use of appointment procedures.

D: Systems and Procedures

Introduction

- D.1. Sound systems and procedures are essential to an effective framework of accountability and control.

General

- D.2. The Chief Finance Officer is responsible for the operation of Newham's accounting systems, the form of accounts and the supporting financial records. Any changes made by level 1 and 2 officers to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, level 1 & 2 officers are responsible for the proper operation of financial processes in their own services.
- D.3. Any changes to agreed procedures by level 1 and 2 officers to meet their own specific service needs should be agreed with the Chief Finance Officer.
- D.4. Level 1 and 2 officers should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- D.5. Level 1 and 2 officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Level 1 and 2 officers must ensure that staff are aware of their responsibilities under freedom of information legislation.

Income and Expenditure

- D.6. It is the responsibility of level 1 and 2 officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively. This scheme should identify staff authorised to act on the level 1 or 2 officers' behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority. The Executive is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

Payments to Employees and Members

- D.7. The Chief Finance Officer is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

Taxation (Including Value Added Tax)

- D.8. The Chief Finance Officer is responsible for advising level 1 and 2 officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Authority.
- D.9. The Chief Finance Officer is responsible for maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate to HM Revenue and Customs.

Trading Accounts/Business Units

- D.10. It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of Trading Accounts and Business Units.

E: Joint Arrangements- See article 11 of the Council's Constitution

Introduction

- E.1. The London Borough of Newham provides a distinctive leadership role for the Community and brings together the contributions of its various stakeholders. Newham also seeks to achieve its Vision, via the promotion or improvement of the economic, social and environmental well being of its area.

Partnerships

- E.2. The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3. The Executive can delegate functions, including those relating to partnerships, to officers. These are set out in the Scheme of Delegation that forms Part 3 of the Council's Constitution.
- E.4. The Chief Executive represents the Authority on partnership and external bodies, in accordance with the Scheme of Delegation.
- E.5. The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Authority.
- E.6. The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. They must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies. They must also consider how these arrangements can demonstrate Value for Money and continuous improvement.
- E.7. Level 1 & 2 officers are responsible for monitoring the partnership arrangements on an ongoing basis. Level 1 & 2 officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

External Funding

- E.8. The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

Work for Third Parties

- E.9. The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies.

Appendices

LBN Financial Procedures

Appendix A = Financial Management.

Appendix B = Financial Planning.

Appendix C = Risk Management and Control of Resources.

Appendix D = Financial Systems and Procedures.

Appendix E = External Arrangements.

Appendix A

Financial Management

Financial Management Standards

Managing Expenditure

Why is this important?

- 1.1. 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

- 1.2. The key controls for financial management standards are:
 - (a) Their promotion throughout the Authority.
 - (b) A monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are regularly reported to the Mayor and to Scrutiny.
 - (c) The Council's budget and accounts are divided and sub-divided into cost centres each of which should have one and only one cost centre manager who will be responsible for formulating the budget for that cost centre

Responsibilities of the Chief Finance Officer

- 1.3. To ensure the proper administration of the financial affairs of the Authority.
- 1.4. To set the financial management standards and to monitor compliance with them.
- 1.5. 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 staff throughout the Authority.
- 1.6. To make suitable financial training available to relevant non-financial staff.
- 1.7. To advise on the key strategic controls necessary to secure sound financial management.
- 1.8. To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

Responsibilities of Level 1 and 2 Officers

- 1.9. To promote the financial management standards set by the Chief Finance Officer in their services and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- 1.10. To promote sound financial practices to service staff. This includes ensuring financial training is supplied to relevant staff, including cost centre managers and that officers do complete the financial training. Monitoring of training undertaken will be monitored through organisational indicators.
- 1.11. All Level 1 and 2 officers have overall responsibility to ensure expenditure is monitored and managed within approved budgets. Over and underspends must be reported under the Chief Finance Officer's budget monitoring procedures as soon as they are identified during the financial year. Over spends are only allowed with the express approval of the Chief Finance Officer.

- 1.12. Cost centre managers are responsible for managing expenditure on their cost centre and must ensure that sufficient budget is available before making a commitment to spend. Cost centre managers are responsible for making best use of available financial resources.
- 1.13. If a cost centre manager becomes aware that their budget will be over or underspent by more than the Chief Finance Officers variance threshold, then an explanatory report must be sent to the executive director (and Chief Finance Officer).
- 1.14. Cost centre managers who overspend or make commitment to spend without sufficient budget may be held to account under the Council's conduct procedures.
- 1.15. If a cost centre is overspending, the report must include reasons for the overspend and what action will be taken to ensure the cost centre breaks even by year-end. If an overspend is unavoidable, then the service director / level 1 or 2 officer is responsible for financing the overspend within other cost centres within their service.
- 1.16. If a cost centre is underspending, then the report must include reference to any reduction in service quality and the action to be taken to improve the service. If the underspend is due to efficiency savings which do not impact adversely on service quality, then the cost centre manager is to report this to their service director / level 1 or 2 officer.
- 1.17. The Chief Finance Officer will notify Service directors if underspends can be used to fund future service growth.

Scheme of Virement

Why is this important?

- 1.18. The Scheme of Virement is intended to enable the Executive, level 1 and 2 officers and their staff to manage budgets with a degree of flexibility within the overall Budget and Policy Framework determined by the Full Council, and therefore to optimise the use of resources.

Key Controls

- 1.19. Key controls for the Scheme of Virement are:
 - (a) It is administered by the Chief Finance Officer within guidelines set by the Full Council. Any variation from this scheme requires the approval of the Full Council
 - (b) The overall Budget is proposed by the Executive and approved by the Full Council. Level 1 and 2 officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the Budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be a group of services as shown in the approved estimates report.
 - (c) Virement does not create additional overall budget liability. Level 1 and 2 officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Level 1 or 2 officers must plan to fund such commitments from within their own budgets.

Responsibilities of the Chief Finance Officer

- 1.20. To prepare jointly with the level 1 or 2 officer a report to the Executive where virements in excess of £500,000 are proposed that are within the budget framework or to Full Council where they are outside the budget framework.

Responsibilities of Level 1 & 2 Officers

- 1.21. A Level 1 or 2 officer may exercise virement on budgets under their control for amounts up to £100,000 on any one budget head during the year, following notification to the Chief Finance Officer, subject to the conditions in following five paragraphs below.
- 1.22. Amounts greater than £100,000 require the approval of the Chief Finance Officer and the Level 1 or 2 Officer, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. Amounts greater than £500,000 require the approval of Full Council.
- 1.23. The prior approval of the Chief Finance Officer is required for any virement, of whatever amount, where it is proposed to:
 - Vire between budgets for capital financing, support services, rates, insurance and pensions.
 - Vire between budgets managed by different level 1 & 2 officers.
- 1.24. A virement that is likely to impact on the level of service activity of another level 1 or 2 officer should be implemented only after agreement with the relevant Level 1 or 2 Officer.
- 1.25. A virement that transfers resources from one service to finance different activities in another service must be authorised by the Mayor, and relevant service directors and the Chief Finance Officer.
- 1.26. No virement relating to a specific financial year should be made after the year end.
- 1.27. A school's governing body should follow the Governing Bodies Support Service Guidelines in transferring budget provision between heads of expenditure within the delegated school budget.
- 1.28. Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
 - (a) The amount is used in accordance with the purposes for which it has been established
 - (b) The Executive has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Executive.

Treatment of year-end balances

Why is this important?

- 1.29. The annual allocation of resources i.e. the Budget is linked to service delivery and certain outcomes. There may be various reasons why under or over spends occur at the year end and it is important that these are considered on a consistent basis and regarding the financial position of Newham as a whole.
- 1.30. The arrangements below deal with the transfer of resources between accounting years, i.e. a carry-forward. For these purposes, a budget heading refers to the service groupings in the Estimates Report.

Key Controls

- 1.31. Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

Responsibilities of the Chief Finance Officer

- 1.32. To decide on the appropriate treatment of requests for carry over's of balances made by level 1 or 2 officers.
- 1.33. To report on the overall annual performance against the Budget Strategy to the Mayor and to Scrutiny.

Responsibilities of Level 1 and 2 Officers

- 1.34. There is a presumption that there will be no carry forwards of underspendings on services allowed. However there may be exceptional circumstances, where an underspending may be allowed, subject to the overall financial position both of the Service and of the Council as a whole. Such an instance may be that if, by not allowing a carry forward, the Authority would suffer a loss of grant or spending powers in the following year. In such circumstances the relevant level 1 or 2 officer must put forward a case to the Chief Finance Officer.
- 1.35. All internal business unit surpluses shall normally be retained for the benefit of the Authority and their application shall require the approval of the Chief Finance Officer.
- 1.36. Schools' balances shall be available for carry-forward to support the expenditure of the school concerned. Where an unplanned deficit occurs, the governing body will be asked to prepare a detailed financial recovery plan for consideration by the Executive Director, Children & Young People and the Chief Finance Officer. Schools will normally be expected to agree a plan to recover the deficit within a maximum of five years. Where unplanned deficits exceed £500,000, the recovery plan will be presented for consideration by the Executive Member concerned.
- 1.37. In exceptional circumstances, schools may seek to incur expenditure to be financed by anticipating the following year's budget share. Such arrangements under the Licensed Deficit Scheme require the prior approval of the Executive. Proposals shall be accompanied by a detailed plan setting out how the deficit will be reduced over the agreed period, and must be supported by a resolution of the Governing Body.

Accounting Policies

Why is this important?

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

Key Controls

- 1.39. 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 authority and its expenditure and income, and also reflect reasonable and prudent judgements.

Responsibilities of the Chief Finance Officer

- 1.40. 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 31st 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.
- (g) Work in progress.
- (h) Stocks and stores.
- (i) Deferred charges and deferred capital receipts.
- (j) Government grants.
- (k) Leasing.
- (l) Basis of debt redemption.
- (m) Pensions.
- (n) Joint ventures and undertakings.

Responsibilities of Level 1 & 2 Officers

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

Accounting Records and Returns

Why is this important?

1.42. Maintaining proper accounting records is one of the ways in which Newham discharges its responsibility for stewardship of public resources. The Authority 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 authority’s resources.

Key Controls

1.43. The key controls for accounting records and returns are:

- (a) All executive members, finance staff and budget managers operate within the required accounting standards and timetables.
- (b) All the Authority’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 (link to continuity planning document).
- (d) Reconciliation procedures are carried out to ensure transactions are correctly recorded.
- (e) Prime documents are retained in accordance with legislative and other requirements (link to Freedom of Information (FOI)/document retention guidelines).

Responsibilities of the Chief Finance Officer

1.44. To determine the accounting procedures and records for the Authority. Where these are maintained outside the finance service, the Chief Finance Officer should consult the level 1 or 2 officer concerned.

1.45. To arrange for the compilation of all accounts and accounting records under their direction.

1.46. To comply with the following principles when allocating accounting duties:

- (a) Separating the duties of providing information about sums due to or from the Authority 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 engage in these same transactions themselves.
- 1.47. To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 1996, 2003 and 2006.
- 1.48. To ensure that all claims for funds including grants are made by the due date.
- 1.49. To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Full Council to approve the Statement of Accounts by the dates contained in the Audit Regulations 2003
- 1.50. To administer the Authority's arrangements for under- and overspendings to be carried forward to the following financial year.
- 1.51. To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention schedule.

Responsibilities of Level 1 & 2 Officers

- 1.52. To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- 1.53. To comply with the principles outlined in paragraph 1.46 when allocating accounting duties.
- 1.54. To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.55. To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

The Annual Statement of Accounts

Why is this important?

- 1.56. Newham has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Full Council has delegated approval of the Statutory Annual Statement of Accounts to the Investment Committee.

Key Controls

- 1.57. The key controls for the Annual Statement of Accounts are:
- Newham 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 Newham, that officer is the Chief Finance Officer.
 - The Authority's Statement of Accounts must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP) (CIPFA/LASAAC).

Responsibilities of the Chief Finance Officer

- 1.58. To select suitable accounting policies and to apply them consistently.
- 1.59. To make judgements and estimates that are reasonable and prudent.
- 1.60. To comply with the Statement of Recommended Practice (the SORP).
- 1.61. To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st

March.

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

Responsibilities of Level 1 & 2 Officers

- 1.63. To comply with accounting guidance provided by the Chief Finance Officer and that they supply information when required.

Appendix B

Financial Planning

Performance Plans

Why is this important?

- 2.1. Each local authority has a statutory responsibility to publish various performance plans, including best value performance plans, crime reduction strategies, community care plans, etc. These are collated as part of the Corporate Plan. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. Newham is required to publish annually the Best Value Performance Plan (BVPP), which summarises its performance and position in relation to best value. This Corporate Plan is a key element in Newham's programme of engaging with the public. External audit is required to report on whether the Authority has complied with statutory requirements in respect of the preparation and publication of the plan.

Key Controls

- 2.2. The key controls for performance plans are:
 - (a) To ensure that all relevant service plans are produced and that they are consistent with the Corporate Plan.
 - (b) To produce plans in accordance with statutory requirements.
 - (c) To meet the timetables set.
 - (d) To ensure that all performance information is accurate, complete and up to date.
 - (e) To provide improvement targets which are meaningful, realistic and challenging.
 - (f) To ensure that plans are risk assessed in accordance with the guidance provided.

Responsibility of Chief Finance Officer

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

Responsibility of Level 1 & 2 Officers

- 2.4. To ensure that the financial information that needs to be included in performance plans is in accordance with statutory requirements and agreed timetables.
- 2.5. To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- 2.6. To ensure that performance information is monitored with sufficient frequency to allow corrective action to be taken if targets are not likely to be met.
- 2.7. To contribute to the development of performance plans in line with statutory requirements.
- 2.8. To develop corporate and service targets, objectives and performance information.
- 2.9. To ensure that plans are risk assessed in accordance with the guidance provided.

Budgeting

Format of the Budget

Why is this important?

- 2.10. 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

- 2.11. 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.

Responsibilities of the Chief Finance Officer

- 2.12. To advise the Executive on the format of the budget that is approved by the Full Council.

Responsibilities of Level 1 & 2 Officers

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

Revenue Budget Preparation, Monitoring and Control

Why is this important?

- 2.14. Budget management ensures that once the budget has been approved by the Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority 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.
- 2.15. By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it. Underspends against budget also need to be monitored and managed to ensure financial resources are most effectively utilised to achieve required service standards.
- 2.16. 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.

Key Controls

- 2.17. 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 cost centre heading.
 - (c) Budget managers accept accountability for their budgets and the level of service to be delivered and understand their 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.

Responsibilities of the Chief Finance Officer

- 2.18. To establish an appropriate Budget Framework for budgetary management and control, that ensures:
 - (a) Budget management is exercised within annual cash limits unless the Full Council agrees otherwise.
 - (b) Each level 1 or 2 officer has available timely information on income 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, Scheme of Delegation and the Financial Regulations
 - (e) Each cost centre has a single named manager, determined by the relevant Level 1 or 2 Officer. 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.
- 2.19. To administer the Council's Scheme of Virement (See Regulation 1.11)
- 2.20. To submit reports to the Executive and to the Full Council in consultation with the relevant Level 1 or 2 Officer where a level 1 or 2 officer is unable to balance expenditure and resources within existing approved budgets under their control.
- 2.21. To prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of Level 1 & 2 Officers

- 2.22. To maintain budgetary control within their services, in adherence to the principles in 2.17 above, and to ensure that all income and expenditure are properly recorded and accounted for.
- 2.23. To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Level 1 or 2 Officer (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.
- 2.24. To ensure that spending remains within the Service's overall cash limit throughout the financial year, and that individual budget heads do not overspend or underspend. Managers must monitor spend against budget and take appropriate corrective action where significant variations from are forecast. Budget variances must be reported to the Chief Finance Officer as soon as identified along with a management action plan..
- 2.25. 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. Managers who make commitment to spend without sufficient budget may be held to account under the Council's conduct procedures.
- 2.26. To prepare and submit reports to the Executive and Scrutiny on the Service's projected expenditure compared with its budget, in consultation with the Chief Finance Officer.
- 2.27. To ensure prior approval by the Full 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 Authority's services.
- 2.28. To ensure compliance with the Scheme of Virement.
- 2.29. To first agree with the relevant Level 1 or 2 Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Level 1 or 2 Officer's level of service activity.

Budgets and Medium-term Planning

Why is this important?

- 2.30. Newham is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The Budget is the financial expression of the Authority's plans and policies.
- 2.31. A robust revenue budget needs constructing so as to ensure that resource allocation properly reflects the Service Plans and priorities of the Full Council. Budgets (spending plans) are needed so that Newham can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.
- 2.32. Medium-term planning (or a three- to five-year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that Newham is always preparing for events in advance.

Key Controls

- 2.33. The key controls for budgets and medium-term planning are:
- (a) Specific budget approval for all expenditure.
 - (b) Budget managers are involved in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Executive 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.

Responsibilities of the Chief Finance Officer

- 2.34. To prepare and submit reports on budget prospects for the Executive, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.35. To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the Budget approved by the Full Council, and after consultation with the Executive and level 1 & 2 officers.
- 2.36. To prepare and submit reports to the Executive on the aggregate spending plans of services and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.
- 2.37. To advise on the medium-term implications of spending decisions.
- 2.38. To encourage the best use of resources and value for money by working with level 1 & 2 officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

- 2.39. To advise the Full Council on executive proposals in accordance with their responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of Level 1 & 2 Officers

- 2.40. To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Executive.
- 2.41. To prepare budgets that are consistent with any relevant cash limits, with the Authority's Annual Budget Cycle and with guidelines issued by the Executive. The format should be prescribed by the Chief Finance Officer in accordance with the Mayoral Medium Term Budget Strategy.
- 2.42. To integrate financial and budget plans into service planning, enabling budget plans to be supported by financial and non-financial performance measures.
- 2.43. In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and investment budgets in accordance with the Scheme of Delegation.
- 2.44. 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 Full Council in the approved budget framework.
 - (d) Initiatives already under way.

Resource Allocation

Why is this important?

- 2.45. 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. Resources may include staff, money, equipment, goods and materials.

Key Controls

- 2.46. The key controls for resource allocation are:
- (a) Resources are acquired in accordance with the law and using an approved authorisation 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.

Responsibilities of the Chief Finance Officer

- 2.47. To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- 2.48. To assist in the effective and efficient allocation of resources to budget managers.

Responsibilities of Level 1 & 2 Officers

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

- 2.50. To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery. Level 1 & 2 officers are responsible for declaring surplus resources once identified to allow these resources to be applied to other Council priorities.

Investment Strategy

Why is this important?

- 2.51. Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to Newham, 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 create financial commitments for the future in the form of financing costs and revenue running costs.
- 2.52. Capital expenditure is part of the Council's Investment Strategy and should be carefully prioritised in order to maximise the benefit of resources. The Prudential Code regime allows the Council to borrow to levels that are affordable, prudent and sustainable.

Key Controls

- 2.53. The key controls for capital programmes are:
- (a) Specific approval by the Full Council for the programme of capital expenditure.
 - (b) Expenditure on capital schemes is subject to the approval of the Chief Finance Officer.
 - (c) A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Executive.
 - (d) Approval by the Executive where investment schemes are to be financed from the revenue budget, up to a specified amount, and subject to the approval of the Full Council, where the expenditure exceeds this amount.
 - (e) Proposals for improvements and alterations to buildings must be approved by the appropriate level 1 or 2 officer.
 - (f) Mayoral approval for the Medium Term budget framework gives approvals for block approvals on investment programmes and that detailed schemes are then approved by the Chief Finance Officer under the scheme of delegation.
 - (g) The development and implementation of asset Management Plans.
 - (h) Accountability for each proposal is accepted by a named manager.
 - (i) Monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Chief Finance Officer

- 2.54. To prepare the investment strategy jointly with level 1 or 2 officers and the Chief Executive and to report them to the Executive for approval. The Executive will make recommendations on the capital estimates and on any associated financing requirements to the Full Council. Council / Mayoral approval is required where a level 1 or 2 officer proposes to bid for or exercise additional borrowing approval not anticipated in the Capital Programme. This is because the extra borrowing may create future commitments to financing costs under the Prudential Code.
- 2.55. To prepare and submit reports to the Executive on the projected income, expenditure and resources compared with the approved estimates.
- 2.56. To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements. Full details are contained within the Capital Programme Financial Regulations.

- 2.57. To obtain authorisation from the Executive for individual schemes where the estimated expenditure exceeds the capital programme provision by more than a specified amount.

Responsibilities of Level 1 & 2 Officers

- 2.58. To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- 2.59. To appoint project managers to each project.
- 2.60. To ensure that all capital proposals have undergone a project appraisal and project risk assessment in accordance with guidance issued by the Chief Finance Officer.
- 2.61. To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final costs of schemes in the approved Capital Programme for submission to the Chief Finance Officer.
- 2.62. To ensure that adequate records are maintained for all capital contracts, including updated risk assessments.
- 2.63. 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.
- 2.64. To prepare and submit reports, jointly with the Chief Finance Officer, to the Executive, of any variation in contract costs greater than the approved limits.
- 2.65. To prepare and submit reports, jointly with the Chief Finance Officer, to the Executive, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- 2.66. 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. To consult with the Chief Finance Officer and to seek Executive approval where the Level 1 or 2 Officer proposes to bid for Supplementary Supported Capital Expenditure (SCE(R)) approvals to be issued by government services to support expenditure that has not been included in the current year's capital programme.

Refer to the resource allocation bid process guidance for further information.

Prudential Code Overview

- 2.67. The main requirements of the Prudential Code are to:
- Demonstrate the affordability of capital expenditure plans.
 - Ensure prudent external borrowing levels.
 - Verify the Treasury Management decisions are taken in accordance with good professional practice.
 - Underpin the accountability of an authority's capital investment planning processes.
 - Support effective option appraisal, asset management planning and capital strategies.
 - Consider all resources of the Authority – link to robust future years planning (i.e. allows spend to save schemes to be considered).
 - Allow for an estimate of the incremental impact on Council Tax for the forthcoming financial year and the next two financial years.
 - Allow for an estimate incremental impact on average HRA rents for the forthcoming financial year and the next two financial years.

- 2.68. Details of the Prudential Code and the Council's borrowing limits are contained within the Annual Treasury Strategy that is approved by Council before the start of the financial year to which it relates.

Maintenance of Reserves

Why is this important?

- 2.69. Newham 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 Newham 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 purchase or renewal of capital items.

Key Controls

- 2.70. To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) and LAAP Bulletin 55 and Audit Commission guidance.
- 2.71. For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 2.72. Authorisation and expenditure from reserves by the appropriate level 1 or 2 officer in consultation with the Chief Finance Officer.

Responsibilities of the Chief Finance Officer

- 2.73. To advise the Executive and/or the Full Council on prudent levels of reserves for the Authority over the lifetime of the Medium Term Budget Strategy, and to take account of the advice of the External Auditor in this matter.

Responsibilities of Level 1 & 2 Officers

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

Appendix C

Risk Management and Control of Resources

Risk Management

Why is this important?

- 3.1. 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 secure the assets and to ensure the continued financial and organisational well-being of Newham as an organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures that Newham already has in place to manage identified risks and then recommending the action needed to control these risks effectively.
- 3.2. It is the overall responsibility of the Executive to approve the Council's Risk Management Strategy, and to promote a culture of risk management awareness throughout the Authority.

Key Controls

- 3.3. 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 Newham. Refer to <http://intranet.newham.gov.uk/risk/documents.htm> website for the Risk Management Guide.
 - (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.
 - (e) Procedures are in place to investigate claims within required timescales.
 - (f) Acceptable levels of risk are determined and insured against where appropriate.
 - (g) Newham has identified service continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

Responsibilities of the Chief Finance Officer

- 3.4. To prepare and promote Newham's Risk Management Policy Statement.
- 3.5. To develop risk management controls in conjunction with other level 1 & 2 officers.
- 3.6. To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance.
- 3.7. To offer insurance cover to schools in accordance with legislation or Local Education Authority requirements.
- 3.8. To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

Responsibilities of Level 1 & 2 Officers

- 3.9. To notify the Chief Finance Officer immediately of any death, injury, loss, liability or damage that may lead to a claim against the Authority and provide any documentation, information or explanation required by the Chief Finance Officer or the Authority's insurers.
- 3.10. To take responsibility for risk management, having regard to advice from the Chief Finance Officer, the Corporate Risk Manager and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 3.11. To ensure that there are regular reviews of risk within their services.
- 3.12. To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 3.13. To consult the Chief Finance Officer and the Head of Legal Services on the terms of any indemnity that the Authority is requested to give.
- 3.14. To ensure that employees, or anyone covered by Newham'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.

Internal Controls

Why is this important?

- 3.15. Newham is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 3.16. Newham has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 3.17. Newham 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 these risks.
- 3.18. 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.

Key Controls

- 3.19. The key controls and control objectives for internal control systems are:
 - (a) Key controls should be reviewed on a regular basis and Newham should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively (Refer to Council's Governance Statement)
 - (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) Reviews should be conducted of financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
 - (d) An effective Internal Audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing

guideline *Guidance for Internal Auditors*, CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.

Responsibilities of the Chief Finance Officer

- 3.20. To assist the authority 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.
- 3.21. The Chief Finance Officer is responsible for reporting significant internal control matters to the Mayor and Executive as part of the Council's Governance Statement.

Responsibilities of Level 1 & 2 Officers

- 3.22. 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.
- 3.23. To review existing controls in the light of changes affecting Newham and to establish and implement new ones in line with guidance from the finance director. Level 1 or 2 officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 3.24. To report significant internal control matters to the Chief Finance Officer and Internal Audit and to ensure staff have a clear understanding of the consequences of lack of control.

Audit Requirements

Internal Audit

Why is this important?

- 3.25. 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 (SI 2003/533), Regulation 6, more specifically requires that a "relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems".
- 3.26. Accordingly, internal audit is an independent and objective appraisal function established by Newham 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

- 3.27. The key controls for Internal Audit are:
- (a) That it is independent in its planning and operation
 - (b) The Chief Internal Auditor has direct access to the Head of Paid Service, all levels of management and directly to elected members
 - (c) The Internal Auditors comply with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Responsibilities of the Chief Finance Officer

- 3.28. To ensure that internal auditors have the authority to:
- (a) Access authority 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 Authority to account for cash, stores or any other authority asset under their control
 - (e) Access records belonging to third parties, such as contractors, when required
 - (f) Directly access the Head of Paid Service, the Executive and Audit Board.
- 3.29. To approve the strategic and annual audit plans prepared by the Head of Internal Audit, which take account of the characteristics and relative risks of the activities involved.
- 3.30. To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of Level 1 & 2 Officers

- 3.31. To ensure that the 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.
- 3.32. To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 3.33. To consider and respond promptly to recommendations in audit reports.
- 3.34. To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 3.35. To notify the Chief Internal Auditor immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the level 1 or 2 officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.36. To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Internal Auditor prior to implementation.

External Audit

Why is this important?

- 3.37. The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The External Auditor has rights of access to all documents and information necessary for audit purposes.
- 3.38. 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 issued in March 2000 (revised 2005) sets out the auditor's objectives to review and report upon matters such as:
- (a) The financial aspects of the audited body's corporate governance arrangements (part of the Use of Resources Assessment).
 - (b) The audited body's financial statements
 - (c) Aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the BVPP.

- 3.39. Newham's accounts are scrutinised by external auditors, who must be satisfied that the Statement of Accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

Key Controls

- 3.40. 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 audits.

Responsibilities of the Chief Finance Officer

- 3.41. 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.
- 3.42. To ensure there is effective liaison between External and Internal Audit.
- 3.43. To work with the External Auditor and advise the Full Council, Executive and Chief Officers on their responsibilities in relation to external audit.

Responsibilities of Level 1 & 2 Officers

- 3.44. 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.
- 3.45. To ensure that all records and systems are up to date and available for inspection.

Preventing Fraud and Corruption

Why is it this important?

- 3.46. Newham will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority.
- 3.47. Newham'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.
- 3.48. Newham also expects that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.

Key Controls

- 3.49. The key controls regarding the prevention of financial irregularities are that:
- (a) Newham has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption;
See Fraud Policy Statement and Fraud Response Plan.
<http://intranet.newham.gov.uk/AZ/index.htm>
 - (b) All members and staff act with integrity and lead by example.
See member and officer Codes of Conduct in Part 5 of the Council's Constitution;
 - (c) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt. High standards of conduct are promoted amongst members by the Standards Committee - See Article 9 of the Council's Constitution;
 - (d) The maintenance of a register of interests in which any hospitality or gifts accepted must be recorded - See <http://intranet/staffinformation/index.htm>;

- (e) Whistle blowing procedures are in place and operate effectively
<http://intranet.newham.gov.uk/AZ/index.htm>;
- (f) Legislation including the Public Interest Disclosure Act 1998 is adhered to.

Responsibilities of the Chief Finance Officer

- 3.50. To develop and maintain an anti-fraud and anti-corruption policy.
- 3.51. To maintain adequate and effective internal control arrangements.
- 3.52. To ensure that, where appropriate, suspected irregularities are reported to the Chief Internal Auditor, the Chief Executive, the Executive and the Audit Board.

Responsibilities of Level 1 & 2 Officers

- 3.53. To ensure that all suspected irregularities are reported to the Chief Internal Auditor.
- 3.54. To instigate Newham's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 3.55. To ensure that where financial impropriety is discovered, the Chief Internal Auditor is informed, (The Chief Internal Auditor will act on these in accordance with the Fraud Response Plan and the Prosecution Policy). For further information see the Formal Sanctions Policy and Strategy Document.
- 3.56. To maintain a register of interests.

Assets

Security

Why is this important?

- 3.57. Newham holds assets in the form of property, vehicles, equipment, furniture and other items worth many 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

- 3.58. 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 Authority 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 Authority so as to maximise benefits.
 - (d) An asset register is maintained for the Authority, assets are recorded when they are acquired by Newham and this record is updated as changes occur with respect to the location and condition of the asset.
 - (e) All staff is aware of their responsibilities with regard to safeguarding Newham's assets and information, including the requirements of the Data Protection Act and software copyright legislation. <http://intranet/staffinformation/index.htm>;
 - (f) All staff are aware of their responsibilities with regard to safeguarding the security of Newham's computer systems, including maintaining restricted access to the information

held on them and compliance with Newham's computer and internet security policies, <http://intranet/staffinformation/index.htm>;

Responsibilities of the Chief Finance Officer

- 3.59. To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value/cost price in excess of £10,000. The function of the Asset Register is to provide the Authority with information about fixed assets so that they are:
- safeguarded;
 - used efficiently and effectively; and
 - adequately maintained.
- 3.60. To receive the information required for accounting, costing and financial records from each Level 1 & 2 Officer.
- 3.61. To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC)*.

Responsibilities of Level 1 & 2 Officers

- 3.62. The appropriate level 1 or 2 officer shall maintain a property database in a form approved by the Chief Finance Officer for all properties, plant and machinery and moveable assets currently owned or used by the Authority. Any use of property by a service or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 3.63. To ensure that lessees and other prospective occupiers of council land are not allowed to take possession of or to enter the land until a lease or agreement, in a form approved by the Level 1 or 2 Officer in consultation with the Chief Finance Officer and the Head of Property Services has been established as appropriate. Refer to Property and Design guidance on renting & leasing accommodation.
- 3.64. To ensure the proper security of all buildings and other assets under their control.
- 3.65. Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Chief Officer and the Chief Finance Officer. The Head of Property Services must be consulted on these matters.
- 3.66. To pass Title Deeds to the appropriate level 1 or 2 officer who is responsible for custody of all Title Deeds.
- 3.67. To ensure that no authority asset is subject to personal use by an employee without proper authority. (See asset disposal guidelines).
- 3.68. To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority.
- 3.69. To ensure that the service maintains a register of moveable assets in accordance with arrangements defined by the Chief Finance Officer.
- 3.70. To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 3.71. To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

- 3.72. To ensure cash holdings on premises are kept to a minimum.
- 3.73. To ensure that keys to safes and similar receptacles are securely held by a responsible officer at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- 3.74. To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Executive agrees otherwise.
- 3.75. To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.
- 3.76. 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 Authority in some way.
- 3.77. Further information – refer to the Council’s Asset Management Plan (AMP) for additional information on property matters.

Inventories

- 3.78. To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery.
- 3.79. To carry out an annual independent check of all items on the inventory in order to verify location, review, and condition and to take action in relation to 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 authority.
- 3.80. To make sure that property is only used in the course of the Authority’s business, unless the level 1 or 2 officer concerned has given permission otherwise.

Stocks and Stores

- 3.81. To make arrangements for the care and custody of stocks and stores in the service.
- 3.82. 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.
- 3.83. To investigate and remove from the Authority’s records (i.e. write off) discrepancies as necessary, or to obtain executive approval if they are in excess of a predetermined limit.
- 3.84. To authorise or write off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Head of Finance, the Executive decides otherwise in a particular case.
- 3.85. To seek level 1 or 2 officer approval to the write-off of redundant stocks (see disposals section).

Asset Disposal

Why is this important?

- 3.86. 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 Authority.

Key Controls

- 3.87. 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 Authority, 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.

Responsibilities of the Chief Finance Officer

- 3.88. To issue guidelines representing best practice for disposal of assets.
- 3.89. To ensure appropriate accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds if appropriate.

Responsibilities of Level 1 & 2 Officers

- 3.90. To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.
- 3.91. Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Level 1 or 2 Officer and the Head of Finance. The Head of Property Services must be consulted on these matters once a potential land or building disposal has been identified.
- 3.92. A system of recording disposals should be recorded, even for items of nil value. Officers disposing of assets will need to seek written approval from manager.
- 3.93. Computer assets transferred from one service/section to another should be recorded.
- 3.94. To ensure that income received for the disposal of an asset is properly banked and coded.
- 3.95. Assets with no sale value – consideration to be given to if there is any possible charitable use for the equipment.
- 3.96. Releasing of assets to staff – assets can only be released to staff in circumstances where the asset has no charitable use and would otherwise be destroyed. If the asset has a value then the member of staff must pay the value of the equipment to the Council. In all circumstances, managerial written authority at officer level 1 or 2 is required.

Additional Information

- 3.97. Guidelines on the disposal/transfer of computer equipment is available on the ICT section of the Council Intranet. <http://intranet/corporateict/Policies.htm>
- 3.98. Guidance on the disposal of property (land & buildings) is available from the Head of Property Services.
- 3.99. Guidance on VAT consequences on disposal is available from the VAT intranet site.

Intellectual Property

Why is this important?

- 3.100. Intellectual property is a generic term that includes inventions and writing. If these are created by the Employee during the course of employment, then, as a general rule, they belong to the Employer, not the Employee. Various acts of Parliament cover different types of intellectual property.

- 3.101. Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key Controls

- 3.102. In the event that Newham decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Authority's approved intellectual property procedures.

Responsibilities of the Chief Finance Officer

- 3.103. To develop and disseminate good practice through Newham's intellectual property procedures.

Responsibilities of Level 1 & 2 Officers

- 3.104. To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

Treasury Management

Why is this important?

- 3.105. This is increasingly important due to the size and complexity of the Authority's treasury management activities and the demands placed on them. These include effective risk management, performance measurement and the pursuit of best value, the growth of cross-sectoral partnerships and the sophistication of the financial and money markets.

Key Controls

- 3.106. Newham has adopted the key recommendations of CIPFA's *Treasury Management in the Public Services: Code of Practice*, (the Code), as described in Section 5 of that Code.
- 3.107. Accordingly, Newham will create and maintain as the cornerstones for effective treasury management :
- A Treasury Management Policy Statement, stating the policies and objectives of its Treasury Management activities.
 - Suitable Treasury Management Practices (TMP's), setting out the manner in which Newham will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 3.108. Newham will receive reports on its Treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMP's.
- 3.109. Newham delegates responsibility for:
- the implementation and monitoring of its Treasury Management policies and practices to the Mayor, in consultation with Cabinet;
 - the execution and administration of Treasury Management decisions to the Chief Finance Officer, who will act in accordance with the organisations policy statement and TMP's, and if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

Responsibilities of Chief Finance Officer-Treasury Management and Banking

- 3.110. To arrange Newham's borrowing and investments in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and Newham's Treasury Management Policy Statement and Strategy.

- 3.111. To report three times a year on Treasury Management activities to the Mayor in consultation with Cabinet.
- 3.112. To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Chief Finance Officer.

Responsibilities of Level 1 & 2 Officers – Treasury Management and Banking

- 3.113. Not to undertake any borrowing commitment e.g. leasing without first seeking advice from the Chief Finance Officer on the financing of any transactions.

Responsibilities of Chief Finance Officer– Investments and Borrowing

- 3.114. To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by the Full Council.
- 3.115. To ensure that all securities that are the property of the authority or its nominees and the Title Deeds of all property in the authority’s ownership are held in the custody of the appropriate Chief Officer or authority such as CREST.
- 3.116. To effect all borrowings in the name of the Authority.
- 3.117. To either act as Newham’s registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority, or to instruct a suitable third party to act as said registrar.

Responsibilities of Level 1 & 2 Officers – Investments and Borrowing

- 3.118. 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 Full Council, following consultation with the Chief Finance Officer.

Responsibilities of Level 1 & 2 Officers – Trust Funds and Funds Held for Third Parties

- 3.119. To arrange for all Trust Funds to be held, wherever possible, in the name of the Authority. All officers acting as Trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Chief Finance Officer, unless the deed otherwise provides.
- 3.120. To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Head of Finance, and to maintain written records of all transactions.
- 3.121. To ensure that Trust Funds are operated within any relevant legislation and the specific requirements for each trust. To also ensure that specialist investment is taken where required.

Responsibilities of the Chief Finance Officer –Imprest Accounts

- 3.122. To provide Newham employees with cash or bank imprest accounts to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- 3.123. 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.
- 3.124. To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

Responsibilities of Level 1 & 2 Officers – Imprest Accounts

- 3.125. To ensure that employees operating an imprest account:

- (a) Obtain and retain vouchers to support each payment from the imprest account. Where appropriate a VAT receipt/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 amount.
- (d) Record transactions promptly.
- (e) Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder.
- (f) Carry out an independent check of the records at least annually.
- (g) Provide the Chief Finance Officer with a certificate of the value of the account held at 31st March each year.
- (h) Ensure that the 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.
- (i) On leaving the Authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Chief Finance Officer for the amount advanced to them.

Staffing

Why is this important?

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

Key Controls

3.127. The key controls for staffing are:

- (a) An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched.
- (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 Authority.
- (d) Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Chief Finance Officer

3.128. To ensure that budget provision exists for all existing and new employees.

3.129. To act as an advisor to Level 1 & 2 Officers on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of Level 1 & 2 Officers

3.130. To produce an annual staffing budget.

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

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

- 3.133. To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- 3.134. To ensure that the Head of Human Resources and the Chief Finance Officer are immediately informed if the staffing budget is likely to be materially over or under spent.

Appendix D

Financial Systems and Procedures

General

Why is this important?

- 4.1. Services have many systems and procedures relating to the control of Newham's assets, including purchasing, costing and management systems. Services are increasingly 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.
- 4.2. The Chief Finance Officer has a professional responsibility to ensure that Newham's financial systems are sound and should therefore be notified of any new developments or changes.

Key Controls

- 4.3. The key controls for systems and procedures are:
 - (a) Basic data exists to enable Newham'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.

Responsibilities of the Chief Finance Officer

- 4.4. To make arrangements for the proper administration of Newham's financial affairs, including to:
 - (a) Issue advice, guidance and procedures for officers and others acting on Newham's behalf;
 - (b) Determine the accounting systems, form of accounts and supporting financial records;
 - (c) Establish arrangements for audit of Newham's financial affairs;
 - (d) Approve any new financial interfaces and systems to be introduced;
 - (e) Approve any changes to be made to existing financial systems.

Responsibilities of Level 1 & 2 Officers

- 4.5. 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.
- 4.6. 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.
- 4.7. To incorporate appropriate controls to ensure that, where relevant:
 - (a) All input is genuine, complete, accurate, appropriately authorised, 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.

- 4.8. To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 4.9. To ensure there is a documented and tested disaster recovery plan for each system, to allow information system processing to resume quickly in the event of an interruption. Refer to the Council's *Continuity Plan* for further information.
- 4.10. To ensure that systems are documented and staff trained in operations.
- 4.11. To consult with the Chief Finance Officer before changing any existing system or introducing new systems.
- 4.12. To establish a scheme of delegation identifying officers authorised to act upon the level 1 or 2 officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 4.13. To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations.
- 4.14. 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 fireproof location, preferably off site or at an alternative location within the building.
- 4.15. 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.
<http://intranet.newham.gov.uk/dataprotection/index.htm>
- 4.16. To ensure that relevant standards and guidelines for computer systems issued by the level 1 or 2 officer are observed.
- 4.17. To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.18. To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
 - (a) Only software legally acquired and installed by the authority is used on its computers;
 - (b) Staff are aware of legislative provisions;
 - (c) In developing systems, due regard is given to the issue of intellectual property rights.

Income and Expenditure

Income

Why is this important?

- 4.19. 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 Newham's cashflow and also avoids the time and cost of administering debts.

Key Controls

- 4.20. The key controls for income are:
- (a) All income due to Newham is identified and charged correctly, in accordance with the Budget and corporate debt strategies, which are regularly reviewed;
 - (b) All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
 - (c) All money received by an employee on behalf of Newham is paid without delay to the Chief Finance Officer, or as they direct, to Newham's bank or National Giro account, and is 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 collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.
Refer to the Council's corporate income policy, income practice notes and corporate write-off policy for additional information.

Responsibilities of the Chief Finance Officer

- 4.21. To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection.
- 4.22. To order and supply to services all receipt forms, books or tickets and similar items and to satisfy themselves regarding the arrangements for their control.
- 4.23. To agree the write-off of bad debts up to an approved limit in each case and to refer larger sums to the Executive.
- 4.24. To approve all debts to be written off in consultation with the relevant level 1 or 2 officer and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit Regulations 2003.
- 4.25. To obtain the approval of the Executive in consultation with the relevant level 1 or 2 officer for writing off debts in excess of the approved limit.
- 4.26. To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Level 1 & 2 Officers

- 4.27. To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review the policy regularly, in line with corporate policies and the Budget Strategy.
- 4.28. To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 4.29. To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

- 4.30. To issue official receipts or to maintain other documentation for income collection.
- 4.31. To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 4.32. To hold securely receipts tickets and other records of income for the appropriate period.
- 4.33. To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 4.34. To ensure that income is paid fully and promptly into the appropriate Newham 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. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 4.35. To ensure income is not used to cash personal cheques or other payments.
- 4.36. To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the Authority and to ensure accounts are sent out promptly. Level 1 or 2 officers should use established performance management systems to monitor recovery of income and bring to the attention of the Chief Finance Officer areas of concern. Level 1 or 2 officers 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 Authority's behalf. Only cash up to approved levels can be held on the premises.
- 4.37. To keep a record of every transfer of money between employees of the Authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 4.38. To recommend to the Chief Finance Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. 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.
- 4.39. To obtain the approval of the Chief Finance Officer when writing off debts in excess of the approved limit, and the approval of the Executive where required.
- 4.40. To notify the Chief Finance Officer of outstanding income relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Chief Finance Officer.

Ordering and Paying for Works, Goods and Services

Why is this important?

- 4.41. Public money should be spent with demonstrable probity and in accordance with Newham's policies. Newham has a statutory duty to achieve best value in part through economy and efficiency. Newham's procedures should help to ensure that services obtain value for money from their procurement arrangements. These procedures should be read in conjunction with Newham's Procurement Code of Practice.
<http://intranet.newham.gov.uk/ccu/ProcurementMap/Processes.htm>

General

- 4.42. Every Officer and Member of Newham 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 procurement decisions on behalf of the Authority, in accordance with appropriate codes of conduct.
- 4.43. Official orders must be in a form approved by the Chief Finance Officer including orders to be issued through electronic ordering systems. Official orders must be issued for all works, goods or services to be supplied to the Authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer.
- 4.44. Standard terms and conditions must not be varied without the prior approval of the Chief Finance Officer.
- 4.45. Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment from the Authority shall be by BACS, cheque or other instrument or approved method, drawn on the Authority's bank account or National Giro account by the Chief Finance Officer. BACS should be the preferred method of payment. The use of direct debit shall require the prior agreement of the Chief Finance Officer.
- 4.46. Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

Key Controls

- 4.47. The key controls for ordering and paying for works, goods and services are:
- (a) All works, goods and services are ordered only by authorised persons and are correctly recorded.
 - (b) All works, goods and services shall be ordered in accordance with Newham's Procurement Code of Practice unless they are purchased from sources within the Authority
 - (c) Works, goods and services received are checked to ensure they are in accordance with the order. The person who placed the order should not receive goods.
 - (d) Payments are not made unless works, goods or services have been received by Newham 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. All payments are certified for payment by properly authorised officers acting in accordance within the scope of their delegated authority.
 - (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.

Responsibilities of the Chief Finance Officer

- 4.48. To ensure that Newham's financial systems and procedures are sound and properly administered.
- 4.49. To ensure that a register of all contracts is maintained.
- 4.50. To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 4.51. To approve the form of official orders and associated terms and conditions.
- 4.52. To make payments from Newham's funds on the Level 1 or 2 Officer's authorisation that the expenditure has been duly incurred in accordance with the Financial Regulations.
- 4.53. 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.
- 4.54. To make payments to contractors on the certificate of the appropriate Level 1 or 2 Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.55. To provide advice and encouragement on making payments by the most economical means.
- 4.56. To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

Responsibilities of Level 1 & 2 Officers

- 4.57. To ensure that all contracts entered into are listed on the register of all contracts.
- 4.58. To ensure that unique pre-numbered official orders are used for all works, goods and services, other than the exceptions specified in 4.43.
- 4.59. To ensure that orders are only used for works, goods and services provided to the Service Directorate. Individuals must not use official orders to obtain works, goods or services for their private use.
- 4.60. To ensure that only those staff authorised by them sign or electronically authorise orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority, and that the Chief Finance Officer be kept supplied with this up to date list. The authoriser of the order should be satisfied that the works, 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 Authority's approach to procurement. Value for money should always be achieved.
- 4.61. To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. A different officer from the person who authorised the order should where possible, carry out this check. Appropriate entries should then be made in inventories or stores records.
- 4.62. To ensure that payment is not made unless a VAT invoice has been received, checked, coded and certified for payment, confirming:
 - (a) Receipt of works, goods or services;
 - (b) That the invoice has not previously been paid;
 - (c) That expenditure has been properly incurred and is within budget provision;
 - (d) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;

- (e) Correct accounting treatment of tax;
 - (f) That the invoice is correctly coded;
 - (g) That discounts have been taken where available;
 - (h) That appropriate entries will be made in accounting records.
- 4.63. To ensure that at least two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- 4.64. To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice.
- 4.65. To encourage suppliers of works, goods and services to receive payment by the most economical means for the Authority. It is essential, however, that payments made by direct debit have the prior approval of the Chief Finance Officer.
- 4.66. To ensure that the service obtains best value from purchases by taking appropriate steps to obtain competitive prices for works, goods and services of the appropriate quality. This is to be achieved by following the procedures and best practice guidelines issued by the Chief Finance Officer as contained in Newham's Procurement Code of Practice.
- 4.67. Unless certain contract terms or exceptions apply, to ensure that contractors normally invoice on monthly basis in arrears and that they put all charges for one order or contract on one invoice unless the contractor is undertaking work for different council services / cost centres in which case an invoice can be delivered to each area.
- 4.68. To ensure that contractors do not deliver separate invoices to the same council service with the intention or effect of circumventing the financial authorisation limits of individual officers.
- 4.69. These procedures and guidelines, as contained in the Procurement Code of Practice, include:
- (a) Details of authorised officers and the extent of their authority.
 - (b) The mandatory use of corporate and service contracts where these exist relative to the procurement requirements.
 - (c) Financial thresholds above which requirements must be exposed to competitive quotation or formal tendering procedures.
 - (d) Advertisement for tenders.
 - (e) Procedure for creating, maintaining and revising a standard list of contractors.
 - (f) Selection of tenderers.
 - (g) Compliance with UK and EC Legislation and Regulations.
 - (h) Procedures for the submission, receipt, opening and recording of tenders.
 - (i) The circumstances where financial or technical evaluation is necessary.
 - (j) Procedures for negotiation.
 - (k) Procedure for acceptance of tenders.
 - (l) The form of contract documentation.
 - (m) Cancellation clauses in the event of corruption or bribery.
 - (n) Contract records.

- 4.70. To ensure that employees are aware of:
National codes of conduct for local government employees (which shall be summarised in relevant procedures, terms and conditions of employment).

Any employee/member code and other codes and protocols relating to the duties and obligations of staff as set out in the Constitution, the Declaration of Interest of Officers Guidance and the Declaration of Corporate Gifts and Hospitality Guidance form.

The Council's Financial Regulations.

- 4.71. To ensure that all officers who may be involved in the ordering and payment processes complete a Declaration of Interest form.
- 4.72. To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer. This is because of the potential impact on the Authority's prudential borrowing limits, to protect the Authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 4.73. To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Chief Finance Officer.
- 4.74. Regarding contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Chief Finance Officer the systems and procedures to be adopted in relation to financial aspects. These should include certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validating the subcontractors' tax status.
- 4.75. To notify the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.76. To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.
- 4.77. To ensure that all expenditure is intra vires (examples of expenditure that are not intra vires and that have been identified – costs of leaving events for staff; costs of events for staff at Christmas).

Payments to Employees and Members

Why is this important?

- 4.78. Staff costs are the largest item of expenditure for most of Newham's services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and those members' allowances are authorised in accordance with the scheme adopted by the Full Council.

Key Controls

- 4.79. 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 in relation to:
- Starters.
 - Leavers.

- Variations.
 - Enhancements.
- and that payments are made on the basis of timesheets or claims;
- (b) Frequent reconciliation of payroll expenditure against approved budget and bank account;
 - (c) All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule;
 - (d) That HM Revenue and Customs regulations are complied with.

Responsibilities of the Chief Finance Officer

- 4.80. To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by the Chief Finance Officer, on the due date.
- 4.81. To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- 4.82. To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 4.83. To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 4.84. To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 4.85. To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

Responsibilities of Level 1 & 2 Officers

- 4.86. To ensure appointments are made in accordance with Newham's regulations and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 4.87. To notify the Chief Finance Officer of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Chief Finance Officer.
- 4.88. To ensure that adequate and effective systems and procedures are operated, so that:
 - payments are only authorised to bona fide employees and are processed in line with the officer scheme of delegation;
 - payments are only made where there is a valid entitlement and approved by authorised persons only;
 - conditions and contracts of employment are correctly applied;
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness;
 - authorised persons may not approve payments on behalf of or for members of their family who also work for the Council.
- 4.89. To send an up-to-date list of the names of officers authorised to sign records to the Head of Human Resources, together with specimen signatures. The payroll provider should have signatures of Human Resources officers and officers authorised to sign timesheets and claims.

- 4.90. To ensure that payroll transactions are processed only through the payroll system. Level 1 or 2 officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Chief Finance Officer.
- 4.91. Level 1-5 officers have delegated authority to certify travel and subsistence claims 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 Authority, 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.
- 4.92. To ensure that the Chief Finance Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.93. To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of Members

- 4.94. To submit claims for members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the year end.

Taxation

Why is this important?

- 4.95. Like all organisations, Newham is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

Key Controls

- 4.96. The key controls for taxation are:
 - (a) Budget managers are provided with relevant information and kept up to date on tax issues - see Intranet <http://intranet/VATNew/vatweb/index.htm>.
 - (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 stipulated timescale.

Responsibilities of the Chief Finance Officer

- 4.97. To complete all HM Revenue and Customs returns regarding PAYE.
- 4.98. To complete monthly returns regarding the Construction Industry Scheme to HM Revenue and Customs.
- 4.99. To provide annual return of information to HM Revenue and Customs under sections 16-19 of the Taxes Management Act 1970.
- 4.100. To complete annual return of income tax liability under Income and Corporation Taxes Act 1988.
- 4.101. To complete a monthly return of VAT inputs and outputs to HM Revenue & Customs.
- 4.102. To protect the Authority's Partial Exemption position.

- 4.103. To maintain up-to-date guidance for authority employees on taxation issues, (advice on regular vat issues is available on the Intranet).
- 4.104. To provide VAT advice.
- 4.105. To ensure that all persons employed by the authority are added to the authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.

Responsibilities of Level 1 & 2 Officers

- 4.106. To ensure that all persons employed by the Authority are added to the Authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 4.107. To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry scheme requirements. If not then a higher rate tax deduction must be made.
- 4.108. To provide annual information records in the format required by HM Revenue and Customs for Taxes Management returns.
- 4.109. To ensure that the correct VAT liability is attached to all income due and that all VAT income is accounted for correctly.
- 4.110. To ensure that advice is sought when undertaking VAT exempt activities. In particular with reference to land and property.
- 4.111. To follow the guidance on taxation issued by the Chief Finance Officer in the Authority's accounting manual and VAT website.

Trading Accounts and Business Units

Why is this important?

- 4.112. Under Best Value, Newham is required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. We are also required to disclose the results of significant trading operations in the BVPP and Statement of Accounts.

Responsibilities of the Chief Finance Officer

- 4.113. To advise on the establishment and operation of trading accounts and business units.

Responsibilities of Level 1 & 2 Officers

- 4.114. To consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 4.115. To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.

- 4.116. To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 4.117. To ensure that each business unit prepares an annual business plan.

Appendix E

External Arrangements

Partnerships

Why is this important?

- 5.1. Partnerships play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Newham is working in partnership with a range of organisations from the public, private, voluntary and community sectors using its distinctive local authority leadership role to bring together the contributions of the various stakeholders.
- 5.2. The key partnership through which this is done is the Local Strategic Partnership (LSP) which was formed in 2001 around the shared ambition that ‘by 2010 Newham will be a major business location and a place where people will choose to live and work.’ A central part of the LSP’s work is to encourage the main service providers in the borough to work together to produce better outcomes for local residents and to help create sustainable development in the area.. The Government, the Council and other service providers are working together to reallocate resources and adapt work programmes to meet these objectives.
- 5.3. Partnerships will include all third party arrangements that are not secured by contract. These will be the main target to ensure risk management, value for money and governance are considered at the outset.
- 5.4. Newham also mobilises investment, bids for funds, champions the needs of the area and harnesses the energies of local people and community organisations.

General

- 5.5. The main reasons for entering into a partnership are:
 - (a) To provide new and better ways of delivering services.
 - (b) The desire to find new ways to share risk.
 - (c) The ability to access new resources.
 - (d) To forge new relationships.
- 5.6. A partnership is defined as where a business relationship exist which is not contractual.
- 5.7. A partner is defined as either:
 - (a) An organization (private or public) undertaking, part funding or participating as a beneficiary in a project; or
 - (b) A body whose nature or status gives it a right or obligation to support the project.
- 5.8. Partners participate in projects by:
 - (a) Acting as a project deliverer or sponsor, solely or in concert with others; or
 - (b) Acting as a project funder or part funder, including “in kind” contributions; or
 - (c) Being the beneficiary group of the activity undertaken in a project.
- 5.9. 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.

Key Controls

- 5.10. The key controls for Newham as a local authority partner are:
- (a) If appropriate, to be aware of responsibilities under Newham's Financial Regulations and Procurement Code;
 - (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 (including financial management and responsibilities for identifying and funding overspending) 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.

Responsibilities of the Chief Finance Officer

- 5.11. To advise on effective controls that will ensure that resources are not wasted.
- 5.12. To ensure that a register of all partnership arrangements is maintained.
- 5.13. 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) Risk appraisal and management.
 - (c) Resourcing, including taxation issues.
 - (d) Audit, security and control requirements.
 - (e) The year end arrangements.
- 5.14. To ensure that the accounting arrangements are satisfactory.

Responsibilities of Level 1 & 2 Officers

- 5.15. To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Head of Finance.
- 5.16. To ensure that a partnership registration form has been completed for inclusion on the Register of Partnership Arrangements.
- 5.17. To ensure that the Partnerships Risk Assessment Process has been completed.
- 5.18. To ensure that the project appraisal process includes the appraisal of different options for delivery and that tax advice is sought.
- 5.19. To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.
- 5.20. To ensure that all agreements and arrangements are properly documented.

- 5.21. To provide appropriate information to the Chief Finance Officer to enable a note to be entered into Newham's Statement of Accounts concerning material items.

External funding

Why is this important?

- 5.22. 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 Authority. Newham is encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Government funding streams brought together in the Local Area Agreement (LAA) and other funding such as New Deal for Communities (NDC) and European funding provide additional resources to enable the Authority to deliver services to the local community. However, there can be a danger that although the scope for external funding has increased, such funding may be linked to tight specifications and therefore not be flexible enough to link to the Authority's overall plan.

Key controls

- 5.23. 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 Full Council
 - (c) To ensure that both match-funding requirements and mainstreaming funding are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Chief Finance Officer

- 5.24. To ensure that all funding notified by external bodies is received and properly recorded in Newham's accounts.
- 5.25. To ensure that the match-funding and mainstreaming requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 5.26. To ensure that the Council fulfils its accountable body role by ensuring that projects are progressed in line with agreed programme delivery plans and all expenditure is properly incurred, recorded, monitored and reconciled.
- 5.27. To ensure that audit requirements are met.

Responsibilities of Level 1 & 2 Officers

- 5.28. To ensure that all claims for funds are made by the due date, in accordance with Chief Finance Officer Guidance.
- 5.29. To ensure that the project progresses in accordance with the agreed programme delivery plan / budget and that all expenditure is properly incurred and recorded.

Work for Third Parties

Why is this important?

5.30. Current legislation enables Newham 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 are minimised and that such work is intra vires.

Key Controls

5.31. 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 that the formal approvals process is adhered to.
- (c) To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the Contract Register.

Responsibilities of Chief Finance Officer

5.32. To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the Contract Register.

Responsibilities of Level 1 & 2 Officers

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

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

5.35. To ensure that appropriate insurance arrangements are made.

5.36. To ensure that Newham is not put at risk from any bad debts.

5.37. To ensure that no contract is subsidised by Newham.

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

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

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

5.41. To ensure that all contracts are properly documented.

5.42. To ensure that the guidance issued by the Chief Finance Officer is complied with.

5.43. To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts.

Glossary

CREST	Multi-currency electronic settlement system for UK and Irish securities.
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<p>Imprest Account</p>	<p>Imprests are sums of money advanced to officers to enable payments to be made outside of the council's standard system for the payment of creditors. As claims for reimbursement are made, the appropriate budget heading is debited and the imprest account is topped up to its original level.</p> <p>Proper records of payments and reimbursements shall be kept by all imprest holders and payments shall be supported, so far as is practicable, with receipts or vouchers. Where appropriate, VAT receipts should be obtained.</p> <p>It should always be possible to reconcile the sum originally advanced against cash-in-hand and payments paid. Claims for reimbursement of expenditure should be made at regular intervals on forms similar to the one attached. This form requires the imprest holder to reconcile and certify that the imprest is correct.</p> <p>Imprests are generally advanced for the purpose of defraying petty cash expenditure.</p>
<p>Partnerships</p>	<p>If a business relationship exists which is not contractual – this will be considered a partnership. This definition will capture all third party arrangements that are not secured by contract.</p>
<p>Treasury Management</p>	<p>This refers to the management of the Authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.</p>
<p>Value for Money</p>	<p>Value for Money (VfM) is often thought of as the relationship between economy (e.g. price paid for providing a service), efficiency (e.g. a measure of productivity – how much we get out for what we put in) and effectiveness (e.g. impact, what volume of service is provided, what satisfaction there is). VfM is achieved when the optimum balance between all three is achieved (relatively low costs, high productivity and successful outcomes).</p> <p>The Mayor's strategy for cost effectiveness explains how managers and heads of service can go about determining whether their services provide VfM and whether VfM is improving. It includes looking at the trends in unit costs, benchmarking performance, trends in public perception, and the results of service reviews, risk management and achievement of efficiency targets among others. Services of comparatively high cost and/or low performance should be investigated further so that it is understood why they are in that position. We should then seek ways to reduce cost and/or improve performance.</p>