

Policy Title	Inventories Policy
Policy/File Reference	FIN58 Ref 326
Version	1.0
Policy Summary	The purpose is to set a framework within which Council can manage its stock holdings to effectively and efficiently deliver its corporate strategy, in line with its risk appetite.
Responsible Officer(s)	Head of Finance
Date of Equality Screening	28 February 2024
Date of consultation - with Consultative Panel	
Date of consultation - with Unions	
Date of Council approval	27 March 2024
Implementation date	1 April 2024
Appendices attached	
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Revision History:

Version	Changes made by	Date	Reason for change
0.1	Head of Finance	Jan 2024	Draft for Finance consultation
0.2	Head of Finance	Feb 2024	Draft for CLT, HoST & SUM consultation
1.0	Head of Finance	Feb 2024	Draft for Council approval

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# Chapter 1: Inventories Policy Statement

## Introduction

The Council holds stock balances in excess of £250k and handles expenditure of £1.75M through stock and inventories in the course of a year. It is therefore imperative that it has appropriate policies and procedures in place to manage such significant balance and transaction values.

Chapter 1 of this document is policy and subject to Council approval. The remaining chapters are processes and subject to periodic management review.

## Policy Objectives

1. Set a framework for managing stock holdings in an effective and efficient manner
2. Provide management information for effective financial management
3. Comply with legal requirements as set out in LGFA 2011 and good practice

## Policy Statement

Stock and inventory should only be held where they facilitate the effective and efficient delivery of Council services.

Formal control procedures should be put in place by Service Units for stocks with a value of £5,000.

Stocks should be held securely, and computerised records kept.

Physical verification should be conducted once per annum or at least twice a year where shrinkage exceeds 2.5% of the stock value.

Write-offs must be authorised by a budget holder (Service Unit Manager, Head of Service or Director) in conjunction with the Corporate Accountant or Head of Finance.

## Definitions

Term	Definition
Budget Holder (per Budgeting Policy)	Revenue – Directors, Heads of Service and Service Unit Managers  Capital – Senior Responsible Owners
Stock Holder	The officer responsible for controlling the stock on a day-to-day basis.

## Related policies

Reference	Title
311	Procurement
326	Budgeting
284	Purchasing and Payments
	Anti-fraud, bribery and corruption

## Assistance

Should you have any queries regarding this policy please contact the Corporate Accountant at: [stuart.waring@ardsandnorthdown.gov.uk](mailto:stuart.waring@ardsandnorthdown.gov.uk)

## Chapter 2: Holding Stock

### Need for stock

Stock ties up financial resources and requires management and therefore should only be held where this allows for increased efficiency in the delivery of services, which outweighs the cost of holding such stock. Service units will need to determine the quantity of each item that should be maintained in the inventory. Consider factors such as demand, lead time, and storage capacity.

Typically, items that will be held in stock are items for resale, fuel, bins, consumables (such as protective clothing, stationery, cleaning materials and vehicle maintenance items). All items should be procured and purchased in line with the Procurement and Purchasing & Payments Policies.

### Procedures

Each Service Unit which holds stock should document its procedures in connection with those stocks, including at least the following topics:

- Who the stockholder is
- How access is controlled
- Minimum and maximum levels and re-order quantities
- Goods received and issues processes
- Record keeping (including unique references)
- Stock take procedures
- Management review
- Determining which items to hold or stop holding (including regular reviews)
- Processes to maintain quality
- How responsibilities are segregated so no-one person is in control of the whole stock system
- Processes for ensuring that all appropriate staff are aware of the items held in stock;
- Process for disposing of obsolete stock

### Obsolete stock

Service Units should consider the following once obsolete stock has been identified:

- Could the items be put to another use within the Service Unit?
- Could the items be put to another use within another Service Unit?
- How can the Council realise maximum value while ensuring disposal is carried out in a sustainable way? (eg. discount, auction, scrapped.)

## Finance Service Responsibilities

The Finance Service is therefore responsible for the following duties

- Maintaining this policy document;
- Setting up appropriate accounting records for inventories covered by the policy;
- Carrying out spot checks;
- Carrying out sample checks at stock takes
- Approving write offs in association with the responsible budget holder.

## Importance of Maintaining Internal Controls

It is important that internal controls are kept in place, as in situations like the recent health emergency, the Council is more vulnerable than usual to fraud activity.

## Chapter 3: Security and Records

### Security

Stock is a valuable asset and should therefore be under the control of a specified Service Unit Manager although daily transactional responsibilities may be delegated to other members of the Service Unit.

Stock should be held in an appropriately secure manner with access controlled.

### Records

Stock and inventory records should include at least the following topics:

- Item reference
- Item description
- Item location or bin number
- Quantity
- Purchase price
- Issue price (either weighted average or first in first out method of valuation)
- Details of additions to stock (PO number, supplier, date received etc.)
- Details of issues (Requisition number, date issued, etc.)
- Stock take details

Records form part of the financial records of the Council and should be kept for six years after the year end in which the transactions occurred (i.e. managers should hold records for the current year plus the six previous years).

### Stock takes

Stock takes should be conducted blind (without knowledge of what the records state) and where possible by individuals independent of the stockholder. Where this is not

possible, Service Unit managers should liaise with the Corporate Accountant to arrange for random checks to be carried out by Finance staff.

All stock take documents should be reviewed by management and appropriately signed. This is particularly important for adjustments to the balances for each item.

### **Returns to Finance Service**

Each year Service Unit Managers are required to confirm stock valuations and provide appropriate back-up to the Corporate Accountant. This should allow the timely and accurate preparation of the financial statements and assist with the statutory audit.