

FINANCE AND CONTRACT PROCEDURE RULES



APPENDIX 1

**FINANCE AND CONTRACT
PROCEDURE RULES**

**Proposed revisions to Foreword &
Sections A- D (January 2012)**



FINANCE AND CONTRACT PROCEDURE RULES

Foreword

- 1 Finance and Contract Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on its behalf, including School Governors operating under local delegation arrangements
- 2 The Rules identify the financial responsibilities of the full Council, Cabinet, Overview and Scrutiny Members, statutory officers and the Corporate Management Team. Cabinet Members and the Corporate Management Team **must** maintain a written record where decision making has been delegated to Members of their staff, including seconded staff.
- 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.
- 4 The Director of Finance and Business Services is responsible for maintaining a continuous review of the Finance and Contract Procedure Rules and submitting any additions or changes necessary to the full Council for approval. The Director of Finance and Business Services is also responsible for reporting, where appropriate, breaches of the Finance and Contract Procedure Rules to the Council and/or to the Cabinet Members.
- 5 Corporate Management Team are responsible for ensuring that all staff in their Services are aware of the existence and content of the Council's Finance and Contract Procedure Rules and other internal regulatory documents and that they comply with them, as required by the Council's Code of Conduct for Employees. Failure to comply with the Code of Conduct will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.. They must also ensure that an adequate number of copies are available for reference within their Services.
- 6 The Director of Finance and Business Services, as Section 151 Officer, is responsible for issuing advice and guidance to underpin the Finance and Contract Procedure Rules that Members, officers and others acting on behalf of the Council are required to follow. Internal Audit provides assurance to the Section 151 Officer with regard to the effectiveness of the Council's internal control environment. The Internal Audit Manager reports to the Director of Finance and Business Services



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- 7 The Rules set out the framework for managing the Council's financial affairs and although they can not cover every eventuality, the spirit of the Rules must always be followed. Where there is any uncertainty in matters of interpretation, you are advised to consult the Director of Finance and Business Services, the Internal Audit Manager and/or the Monitoring Officer. You are also advised to consult the Employee Code of Conduct or Members Code of Conduct .

A Financial Management

Why is this important?

Financial Management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

What's covered in this Section?

The roles and responsibilities of:

- The full Council
- The Cabinet
- The committees of the Cabinet
- The statutory officers
- The Corporate Management Team

Other financial accountabilities:

- Virement
- Supplementary estimates
- Treatment of year end balances
- Accounting policies
- Accounting records and returns
- The Annual Statement of Accounts

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The Full Council

- A.1** The responsibilities of the full Council are set out in Chapter 4 and Part 3 of the Constitution. In respect of financial matters, this includes approving the Policy Framework and Budget within which the Cabinet operates.
- A.2** The Budget comprises the allocation of financial resources to different services and projects, proposed contingency funds, the Council Tax base and Council Tax rate, and decisions relating to the control of the Council's borrowing requirement, the control of capital expenditure and the setting of virement limits.

The Cabinet

- A.3** The Cabinet's responsibilities , in respect of financial matters include :-
- Developing and reviewing the Council's plans and policies.
 - Advising on budget setting.
 - Ensuring proper arrangements exist for the effective and efficient management of the Council's executive affairs.
 - Monitoring and auditing the lawful, proper and efficient conduct of the Council's financial affairs, including the extent to which budgets and financial policies are being met and any appropriate remedial action.
 - Ensuring officers exercising delegated powers on behalf of the Cabinet discharge their responsibilities efficiently and effectively.

Cabinet Members

- A.4** Individual Cabinet Members or Portfolio Holders have specific decision making powers which are set out in Part 3 of the Council's Constitution. Cabinet Members responsibilities in respect of financial matters include:-
- The proper administration of the Council's services.
 - Ensuring adequate staffing, premises and other resources to secure agreed standard and target outcomes within the scope of their portfolio.



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- The efficient use and day to day maintenance of Council premises.
- Ensuring budget control and financial monitoring within the scope of their portfolio.
- Submitting to the Cabinet, annual estimates of expenditure and income in respect of services within their portfolio.
- Making recommendations to the Cabinet in respect of strategic policy concerning matters within their portfolio.

A.5

Cabinet Members must consult with relevant officers before exercising their delegated decision making powers. 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

Overview and Scrutiny Committees

A.6

Overview and Scrutiny Committees are responsible for discharging the Council's functions under Section 21 of the Local Government Act 2000, including:-

- scrutinising Cabinet decisions before or after they have been implemented;
- undertaking general policy reviews and making recommendations in respect of the development of future policies and strategies.
- establishing task and finish reviews as they see fit.

Audit and Governance Committee

A.7

The Audit and Governance Committee has right of access to all the information it considers necessary and can consult directly with internal and external auditors.

A.8

The committee is responsible for :

- Overseeing the Council's role and responsibilities in respect of Corporate Governance and Audit.
- Supporting the Council's audit function, both internal and external.
- Supporting the Chief Financial Officer in relation to the



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performance of their duties.

- Approving any Council Statement of Accounts as may be required by the relevant Account and Audit Regulations.
- Reviewing and approving the Annual Governance Statement.
- Ensuring the Council's Risk Management arrangements are operating effectively.
- Ensuring the Council has in place appropriate policies and mechanisms to safeguard resources.

Standards Committee

A.9 The Standards Committee is established by the full Council and its responsibilities include:-

- promoting and maintaining high standards of ethical behaviour by developing, maintaining and monitoring codes of Conduct for Members of the Council and its employees.
- promoting high standards of responsiveness by the Council to its clients and contacts.

Statutory Officers

Head of Paid Service (Chief Executive)

A.10 The Chief Executive is the Head of the Council's Paid Service. The responsibilities of the Chief Executive are set out in full in Part 3 of the Council's Constitution, they include:-

- Leading and directing the strategic management of the Council.
- Ensuring the effective pursuit and achievement of the Council's objectives.
- Ensuring the Council's activities are carried out with maximum effectiveness and efficiency.

A.11 The Chief Executive must report to and provide information for the Cabinet, the full Council, the Overview and Scrutiny Committees and other committees.

Monitoring Officer

A.12 The Borough Solicitor is the Council's Monitoring Officer pursuant to Section 5 and 5A of the Local Government and Housing Act 1989 (as amended) and is responsible for exercising the functions of that role,



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This includes reporting, in consultation with the Chief Executive and Director of Finance and Business Services, to the full Council (or to the Executive in relation to an Executive function), if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to a finding of maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. Cabinet

- A.13** The Borough Solicitor must ensure that Cabinet decisions and the reasons for them are made public. He or she must also ensure that Council Members are aware of decisions made by the Cabinet and of those made by officers who have delegated responsibility.
- A.14** The Borough Solicitor is responsible for advising all Members and officers about who has authority to take a particular decision.
- A.15** The Borough Solicitor is responsible for advising the Cabinet 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 Borough Solicitor (together with the Director of Finance and Business Services) is responsible for advising the Cabinet 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 which may have financial implications;
 - committing expenditure in future years to above the budget level;
 - agreeing budget 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 significant amount ("Significant" to be defined by the Director of Finance and Business Services or their representative).
- A.17** The Borough Solicitor is responsible for maintaining an up-to-date Constitution.

Responsible Financial Officer

- A.18** The Director of Finance and Business Service is the financial adviser to the Council, the Cabinet and officers and is the Council's 'responsible financial officer' under the Accounts and Audit Regulations. He or she is



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responsible for the proper administration of the Council's affairs as specified in, and undertaking the duties required by, Section 151 of the Local Government Act 1972, Section 114 of the Local Government Finance Act 1988, the Local Government and Housing Act 1989, the Local Government Act 2003 and all other relevant legislation.

A.19

The Director of Finance and Business Services is responsible generally, for discharging, on behalf of Cheshire East Council, the responsibilities set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government , including :-

- in conjunction with the other Corporate Management Team, the proper administration of the Council's financial affairs;
- setting and monitoring compliance with financial management standards.
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital programme
- treasury management.

A.20

Section 114 of the Local Government Finance Act 1988 includes a requirement for the Director of Finance and Business Services to report to the full Council, Cabinet and external auditor if the Council or one of its officers:

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

Section 114 of the 1988 Act also requires:

- the Director of Finance and Business Services to nominate a properly qualified Member of staff to deputise should he or she be unable to perform the duties under section 114 personally. The designated deputy for this purpose is the Finance Manager.
- the Council to provide the Director of Finance and Business Services with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to



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carry out the duties under section 114.

Money Laundering Reporting Officer

- A.21** The Director of Finance and Business Services is appointed as the Council's Money Laundering Reporting Officer and will maintain and advise on Anti-Money Laundering procedures.
- A.22** They will be responsible for notifying the Serious Organised Crime Agency (SOCA) of any suspected cases of money laundering committed within the accounts of the Council as soon as possible and fulfil other duties as defined by legislation or regulation related to the post. Simultaneously, the Resources Portfolio Holder will be kept informed of any notifications to SOCA and of any issues arising from them.

Corporate Management Team

- A.23** The officer management arrangements for the Council are overseen by a Corporate Management Team comprising the Chief Executive, the Strategic Director (Places and Organisational Capacity), the Strategic Director (Children, Families and Adults), the Head of Human Resources and Organisational Development, the Director of Finance and Business Services, and the Borough Solicitor. Each member of the Corporate Management Team is accountable to the Chief Executive for leading the Services within his or her area of responsibility and ensuring that the Services are managed in accordance with the objectives, plans, policies programmes, budgets and processes of the Council.
- A.24** Within these arrangements, powers are delegated to Corporate Management Team members, who will establish, operate and keep under review Local Schemes of Delegation, to cascade powers and responsibilities to Heads of Service and other subordinate officers. Every such sub-delegation will be recorded in writing within a Local Scheme of Delegation. The sub-delegation of functions shall not in any way diminish the overall responsibility and accountability of the delegator.
- A.25** Corporate Management Team members are responsible for financial management within their directorates. They shall manage the development of budget policy options with a detailed assessment of financial implications within the budget process and resource framework agreed by the Council.

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Schemes of Financial Delegation

A.26 Corporate Management Team members will establish, operate and keep under review Local Schemes of Delegation, in consultation with the Director of Finance and Business Services, to ensure that:-

- The day to day financial management of services within their directorate is carried out in a secure, efficient and effective manner, and in accordance with the Finance Procedure Rules and associated relevant guidance.
- Budgetary problems are contained wherever possible, within the directorate, and if necessary, specific in year approval for the transfer of resources between budgets is sought.
- Reports are made to the appropriate bodies on the management of resources and performance against targets set out in the business plan.
- Risks are appropriately assessed, reviewed and managed.
- All members of staff are fully trained, aware of and comply with the requirements of Financial Procedure Rules, including the Contract Procedure Rules.
- All allegations of suspected fraud, corruption and financial irregularity are promptly reported to the Director of Finance and Business Services and Borough Solicitor, and that any local investigations are undertaken thoroughly, consistently and impartially.

A27 Schemes of Financial Delegation will set out all financial responsibilities and approval limits as delegated by the Corporate Management Team to Heads of Service, and any sub-delegations within services. Authorised Officers are those officers given specific delegated authority by their Head of Service as documented in that service's Scheme of Financial Delegation. The financial limits specified in the Scheme of Financial Delegation will be used to control access to financial systems and on-line transaction approvals.

Managing Expenditure

Scheme of Virement

A.28 A virement constitutes the movement of existing approved budgets from one area to another and is not an increase in overall budgets through



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the addition of new monies.

- A.29** The Scheme of Virement is intended to enable the Cabinet, Corporate Management Team and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources.
- A.30** The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.
- A.31** Corporate Management Team are responsible for agreeing in-year virements within delegated limits, in consultation with the Director of Finance and Business Services where required.

Key controls for the scheme of virement are:

(a) It is administered by the Director of Finance and Business Services within guidelines set by the full Council. Any variation from this scheme requires the approval of the full Council

(b) The overall budget is agreed by the Cabinet and approved by the full Council. Corporate Management Team and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. Income received cannot be used to defray expenditure. 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 division of service as identified in the approved Budget Report, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis.

(c) Virement does not create additional overall budget liability. Corporate Management Team 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. Corporate Management Team must plan to fund such commitments from within their own budgets.

(d) The Director of Finance and Business Services may determine that specific budgets are 'ringfenced' for budget management purposes. This means that they may only be used for the approved purpose and



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are exempt from the normal scheme of virement. Resources may not be vired into or out of ringfenced budgets and any year-end under or overspends are not available for carry forward.

A.32 Approval limits for virements are as follows:

Approval Level	Virement Amount/Percentage
Head of Service	Up to £100,000 or 10% of their net Service budget, whichever is the lowest. (Revenue)
Corporate Management Team	Greater than 10% of a net Service budget but less than £100,000 (Revenue) Up to £100,000 between net Service budgets (Revenue) within their area of responsibility Up to £100,000 funded from underspends within the approved Service budget (Capital)
Corporate Management Team in consultation with Resources Portfolio Holder	Over £100,000 and up to and including £500,000 (Revenue/Capital)
Cabinet Members	Over £500,000 and up to and including £1,000,000 (Revenue/Capital)
Council	<ul style="list-style-type: none"> ▪ £1,000,000 or more; and/or ▪ Significant ongoing financial implications; and/or ▪ Significant policy change. (Revenue/Capital) “Significant” to be defined by the Director of Finance and Business Services or their representative.

- No virements are permitted from ringfenced budgets.

Supplementary Estimates

A.33 Where services wish to undertake an activity not originally identified in the budget or extend an existing capital scheme where additional income or ringfenced funding becomes available in year, approval must be sought for a fully funded supplementary capital or revenue estimate in accordance with A36 below. The Director of Finance and Business Services must be consulted to establish that the funding identified can be legitimately linked to the expenditure in question.

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- A.34** Any request for a supplementary capital or revenue estimate for £1,000,000 or more, whether or not it is fully funded, must be approved by Council.
- A.35** Supplementary estimates which are not fully funded and are to be met from reserves or balances or general purpose funding (i.e Council tax or non-ringfenced grant) regardless of value, must be approved by Council. Council approval is also required where there are significant implications (as determined by the Director of Finance and Business Services) for future year's budgets.
- A.36** Approval limits for fully funded supplementary capital and revenue estimates, as defined in A36 above, are as follows:

Approval Level	Supplementary Estimate Amount
Corporate Management Team	Up to £100,000
Corporate Management Team in consultation with Resources Portfolio Holder.	Between £100,000 and £500,000
Cabinet Members	Between £500,000 and £1,000,000
Council	Over £1,000,000

Treatment of Year End Balances

- A.37** The full Council is responsible for agreeing procedures for carrying forward under- and overspendings on budget headings.
- A.38** A budget head is considered to be a division of service as identified in the approved Budget Report, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis.
- A.39** Any residual overspending on a Service budget will be carried forward as the first call on the following year's budget.
- A.40** Any revenue underspending at the year end may be carried forward, subject to the agreement of the Cabinet, and on the advice of the Resources Portfolio Holder. All carryforward proposals must be supported by an appropriate business case demonstrating that the underspend was planned and that the resources carried forward will be earmarked for a specific purpose or issue. Corporate Management Team should include provisional indications of likely carry forward requests in their reports on the mid-year and three-quarter review of



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performance.

- A.41** Capital block provisions are allocations within which the full starts value of approved schemes must be contained. Any uncommitted sum at the year end may, exceptionally, be carried forward subject to consideration by the Resources Portfolio Holder, of the business case supporting the proposal. Any uncommitted sum which is not justified on this basis will be returned to Council balances. Equally, any overspending will be carried forward as the first call on the following year's provision.

Accounting Policies

- A.42** The Director of Finance and Business Services is responsible for selecting accounting policies and ensuring that they are applied consistently.

- A.43** The key controls for accounting policies are:

- Systems of internal control are in place to ensure that financial transactions are lawful.
- Suitable accounting policies are selected and applied consistently.
- Accurate and complete accounting records are maintained.
- Financial statements are prepared which present fairly the financial position of the Council and its expenditure and income.

- A.44** The Director of Finance and Business Services is responsible for:

- selecting suitable accounting policies and ensuring that they are applied consistently.
- exercising supervision over financial and accounting records and systems.
- preparing and publishing reports containing the statements on the overall finances of the Council including the Council's Annual Report and Accounts.

- A.45** Corporate Management Team are responsible for adhering to the accounting policies and guidelines set by the Director of Finance and Business Services.

Accounting Records and Returns

- A.46** The Director of Finance and Business Services is responsible for determining the accounting procedures and records for the Council.



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- A.47** All accounting procedures will be approved by the Director of Finance and Business Services.
- A.48** All accounts and accounting records will be compiled by the Director of Finance and Business Services or under his/her direction. The form and content of records maintained in other directorates will be approved by the Director of Finance and Business Services.
- A.49** The key controls for accounting policies are:
- calculation, checking and recording of sums due to or from the Council will be separated as completely as possible from their collection or payment.
 - officers responsible for examining and checking cash transaction accounts will not process any of these transactions themselves.
 - reconciliation procedures are carried out to ensure transactions are correctly recorded.
 - procedures are in place to enable accounting records to be reconstituted in the event of systems failure.
 - prime documents are retained in accordance with legislative and other requirements.

The Annual Statement of Accounts

- A.50** The Director of Finance and Business Services is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC). Approval of the statutory accounts has been delegated by Council to the Audit and Governance Committee.

B Financial Planning

Why is this important?

The full Council is responsible for agreeing the authority's Policy Framework and Budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:

The Business Plan – this sets out:-

- What the Council wants to achieve in the short and medium term
- How services will change in the light of priorities, performance, resources, workforce planning needs and consideration of risks.
- Investment required to deliver change
- How much services will cost in overall terms and to service users
- How much Council Tax will be levied

The Budget - this is the financial expression of the Council's Business Plan. It sets out the allocation of resources to services and projects, the level of contingency funding, the Council Tax base and Council Tax rate, borrowing limits and capital financing requirements.

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

The Treasury Management Strategy – which sets out the arrangements for the management of the Council's borrowing, lending, cash flows and investments.

Specific Service Plans and Strategies which have a financial implications.

What's covered in this Section?

- Policy Framework
- Strategic Planning Framework

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- Budgeting
 - Format of the Budget
 - Revenue Budget Preparation, Monitoring and Control
 - Determination, Monitoring and Control of Affordable Borrowing
 - Resource Allocation
 - Capital Programmes
- Leasing and Rental Agreements
- Maintenance of Reserves
- Reporting



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Policy Framework

- B.1** The full Council is required by law, to agree a Policy Framework. The Policy Framework is defined in Chapter 4 of the Council's Constitution.
- B.2** The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the Policy Framework.
- B.3** The full Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the Policy Framework within the financial limits set by the Council.

Strategic Planning Framework

- B.4** Each year the Council produces a Business Plan, including an approved budget, capital programme, treasury management strategy asset management strategy and reserves strategy detailing the financial and service scenario over a three year planning horizon and the policy and expenditure changes required to respond to this scenario.
- B.5** The Director of Finance and Business Services will advise the Council on the financial environment, financial policies (including the appropriate levels of reserves and contingencies, prudential borrowing and treasury management) and the policy and expenditure options to assist in the determination of its Budget. The Corporate Management Team and Heads of Service will support this process by assessing and advising on the service scenario and policy and expenditure options for revenue and capital, in their area of responsibility, in a form determined by the Director of Finance and Business Services.
- B.6** The Cabinet, advised by the Director of Finance and Business Services, Corporate Management Team and Heads of Service, will develop a budget package including financing options, policy and expenditure options and capital programme. This will be subject to scrutiny by the Overview and Scrutiny Committee before the Cabinet finalises its recommendations to Council. The final Budget policy and Council Tax precept will be determined by Council.



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Budgeting

Format of the Budget

- B.7** 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.
- B.8** The general format of the budget will be approved by the full Council and proposed by the Cabinet on the advice of the Director of Finance and Business Services. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Revenue Budget Preparation, Monitoring and Control

Revenue expenditure

- B.9** Revenue expenditure is broadly defined as any expenditure incurred on the day to day running of the Council. Examples of revenue expenditure include salaries, energy costs, and consumable supplies and materials.

Preparation

- B.10** The Director of Finance and Business Services is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis for consideration by the Cabinet, before submission to the full Council. The full Council may amend the budget or ask the Cabinet to reconsider it before approving it in accordance with the Constitution.
- B.11** The Cabinet is responsible for issuing guidance on the general content of the budget in consultation with the Director of Finance and Business Services as soon as possible following approval by the full Council.
- B.12** It is the responsibility of Corporate Management Team to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.
- B.13** The Cabinet will then submit a 'final budget' to the full Council for approval.
- B.14** The Director of Finance and Business Services is responsible for reporting to the full Council on the robustness of estimates contained within the



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budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.

- B.15** The Council shall not approve additional net expenditure to either revenue or capital budgets without first having considered the advice of the Cabinet and the Director of Finance and Business Services on the financial implications arising.

Monitoring and Control

- B.16** The Director of Finance and Business Services is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations at a corporate level and report to the Cabinet on the overall position on a regular basis.

- B.17** It is the responsibility of Corporate Management Team to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Director of Finance and Business Services. They **must** report on variances within their own areas. They **must** also take any action necessary to avoid exceeding their budget allocation and alert the Director of Finance and Business Services to any problems.

- B.18** The Director of Finance and Business Services is responsible for the following:

(a) Establishing an appropriate framework of budgetary management and control which ensures that:

- budget management is exercised within annual cash limits unless the full Council agrees otherwise
- timely information on receipts and payments is made available, which is sufficiently detailed to enable officers to fulfil their budgetary responsibilities
- expenditure is committed only against an approved budget head
- all officers responsible for committing expenditure comply with relevant guidance, and Finance and Contract Procedure Rules
- each cost centre has a single named manager, determined by the relevant Head of Service. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
- significant variances from approved budgets are investigated and reported by budget managers regularly.



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(b) Administering the Council's scheme of virement.

(c) Submitting reports to the Cabinet and to the full Council, in consultation with the relevant Director or Head of Service, where they are unable to balance expenditure and resources within existing approved budgets under their control.

(d) Preparing and submitting reports on the Council's projected income and expenditure compared with the budget on a regular basis.

B.19 Corporate Management Team are responsible for the following:

(a) Maintaining budgetary control within their Services, in adherence to the principles in B.17, and ensuring that all income and expenditure is properly recorded and accounted for.

(b) Ensuring that an accountable budget manager is identified for each item of income and expenditure under their control. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

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

(d) Ensuring that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.

(e) Preparing and submitting to the Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Director of Finance and Business Services.

(f) Ensuring prior approval by the full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:

- create financial commitments in future years

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- change existing policies, initiate new policies or cease existing policies or materially extend or reduce the Council's services.

(g) Ensuring compliance with the scheme of virement.

(h) Agreeing with the appropriate Director or Corporate Management Team member any budget proposal, (including a virement proposal) which impacts across their respective service areas, after having consulted with the Director of Finance and Business Services and the Resources Portfolio Holder.

(i) Ensuring Schemes of Financial Delegation are maintained for all Services within their area of responsibility.

(j) Ensuring best value is obtained.

Determination, Monitoring and Control of Affordable Borrowing

B.20 Under the Local Government Act 2003 the Council is required by regulation to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities. The key objectives of the Prudential Code are to ensure that within a clear framework, the capital investment plans of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management supports prudence, affordability and sustainability.

B.21 The Council is responsible for approving prior to the commencement of the financial year the prudential indicators for the forthcoming financial year and at least the two subsequent financial years required by the Code. The indicators required as a minimum are:

For the three year period:

- Estimates of the ratio of financing costs to net revenue stream
- Estimates of capital expenditure
- Estimates of the Council Tax that would result from the totality of the estimated capital expenditure
- Estimate of capital financing requirement (underlying need to borrow for a capital purpose)
- Authorised limit for external debt
- Operational boundary for external debt

After the year end actual values are to be calculated for:

- Ratio of financing costs to net revenue stream

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- Capital expenditure
- Capital financing requirement
- External debt

B.22 The Director of Finance and Business Services is responsible for:

- establishing procedures to both monitor performance against all forward looking prudential indicators and for ensuring that net external borrowing does not exceed the capital financing requirement.
- reporting to Council any significant deviations from expectations.
- ensuring that regular monitoring is undertaken in year against the key measures of affordability and sustainability, by reviewing estimates of financing costs to revenue and the capital financing requirement.
- reporting to Council, setting out management action, where there is significant variation in the estimates used to calculate these prudential indicators, for example caused by major overruns of expenditure on projects or not achieving in-year capital receipts.

Resource Allocation

B.23 The Director of Finance and Business Services is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's Policy Framework.

B.24 The Director of Finance and Business Services is responsible for:

- Advising on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- Assisting in the allocation of resources to budget managers.

B.25 Corporate Management Team are responsible for:

- Working within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- Identifying opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

Capital Programmes

Capital Expenditure

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- B.26** Capital expenditure is broadly defined as expenditure in excess of £10,000, on the acquisition of a tangible asset, or expenditure which adds to (rather than merely maintains), the value of an existing asset and/or extends the useful life of an asset and increasing usability, provided that the asset yields benefits to the Council and the services it provides is for a period of more than one year.

Capital Approvals

- B.27** Capital approvals referred to in these Finance Procedure Rules relate to the total cost or “starts value” of each provision or scheme rather than the anticipated expenditure in each year. Individual items estimated to cost in excess of £250,000 will be treated as separate schemes or provisions.
- B.28** An Option Appraisal in the form of a detailed Business Case Template, in a form agreed by the Director of Finance and Business Services, must be prepared for all capital proposals with a gross estimated cost in excess of £250,000, including the replacement of individual vehicles or items of equipment, before being submitted for inclusion in the Capital Programme or before approval is sought from Members in year. A summarised version of the Business Case Template will also be required for all proposals over £100,000. These will be used as the basis for assessing the affordability and deliverability of the scheme, as well as for monitoring, reporting and post-implementation review.
- B.29** Option Appraisals, in the form of a Business Case Template, must also be prepared for all revenue proposals with a significant financial impact, risk profile or policy change, as specified by the Director of Finance and Business Services. The proforma, in a form agreed by the Director of Finance and Business Services, must include an assessment of the Service consequences, risk and impact on users, and include any differential impact on particular groups or localities.

Capital Block Provisions

- B.30** As part of the annual policy and planning process, schemes in the capital programme which have not reached an advanced state will be reconsidered.
- B.31** Services are expected to develop reserve capital schemes which can be brought forward in the event of changes in the approved programme, subject to approval via the normal routes.
- B.32** Block provisions will be approved within the Capital Programme for individual schemes costing less than £250,000. A detailed breakdown of

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the expenditure proposed must be submitted for approval by the appropriate Cabinet Member as part of the policy and planning process. This requirement will also apply to block provisions included in the vehicle and equipment replacement programme.

Capital Monitoring and Amendments to the Capital Programme

- B.33** Where possible, all capital schemes contained within the block provision should be approved through the annual capital programme setting process, within the timetable set out by the Director of Finance and Business Services and approved by Council in February. Any subsequent further breakdown of block approvals must follow the appropriate approval route, with completion of a delegated decision proforma where necessary.
- B.34** Any 'in year' approval sought for capital schemes in excess of £250,000 must be supported by a complete Business Case Template, in the format prescribed by the Director of Finance and Business Services, which has been endorsed by the Capital Asset Group prior to submission to the appropriate Members.
- B.35** Project managers must ensure that the project specification remains consistent with the approved capital appraisal and continues to represent value for money for the Council. Where project outcomes or costs alter significantly from those set out in the original appraisal a revised Business Case Template must be completed and submitted to the officer Capital Asset Group.
- B.36** Wherever possible, expenditure in respect of Highways improvements funded by developers and Rechargeable works should be included in the Capital Programme. Where this is not possible Heads of Service may approve capital expenditure in respect of:
- Highway improvements fully funded by developers under Section 278 of the Highways Act 1980, provided that a formal agreement has been completed with the developer
 - Other rechargeable reinstatement work costing in excess of £10,000
 - Urgent work to repair, replace or reinstate vehicles, buildings or equipment, where the work is to be fully funded from insurance monies following consultation with the Finance Manager.
- B.37** In addition, Heads of Service may authorise essential design work required in advance of the start of the financial year on capital schemes



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which are in the programme approved by Council in February.

Capital Receipts

- B.38** The Director of Finance and Business Services must be informed of all proposed sales of land and buildings so that the effect on financial and property management can be assessed.
- B.39** The Council will determine the amount of receipts to be set aside for the repayment of debt and how the balance of such receipts is to be used.

Leasing and Rental Agreements

- B.40** Leasing or renting agreements must not be entered into unless the service has established that they do not constitute a charge against the Council's prudential borrowing limits. Advice can be obtained from the Director of Finance and Business Services on general leasing arrangements and on whether the lease is a finance or operating lease. Director of Finance and Business Services approval must be obtained for all agreements which may involve a leasing charge.
- B.41** Leases relating to land or property also require the approval of the Director of Finance and Business Services. Only the Monitoring Officer or his/her authorised deputies, or persons specifically authorised by the Service Scheme of Financial Delegation, may sign such agreements.

Maintenance of Reserves

- B.42** It is the responsibility of the Director of Finance and Business Services to advise the Cabinet and/or the full Council on prudent levels of reserves for the Council.
- B.43** The key controls are:
- Professional standards as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) and agreed accounting policies.
 - Clear agreement of the purpose for which reserves are held and the type of expenditure which they may be used to fund.
 - Clear processes for the authorisation of appropriations to and from reserves.
- B.44** The Director of Finance and Business Services is responsible for:

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- Advising the Cabinet and/or the full Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

B.45 Corporate Management Team are responsible for:

- Ensuring that resources are used only for the purposes for which they were intended.

Reporting

B.46 Heads of Service are responsible for preparing regular reports on overall financial and non-financial performance and progress against service plan targets, and for submitting these to the Cabinet, and the Overview and Scrutiny Committee after consulting the Director of Finance and Business Services in accordance with procedures agreed from time to time. These reports must include specific reference to the implementation of policy changes and new developments agreed as part of the budget setting process and other specific requirements as notified in the reporting guidance. Capital Project Managers will report periodically to their relevant Cabinet Member on the progress and forecast of all capital expenditure and income against the approved programme.

B.47 These regular reports are also to include specific reference to Service performance against the expected non-financial outcomes in the form of key performance targets. Heads of Service are expected to achieve value for money in the delivery of services and the reports should demonstrate how this has been achieved together with an analysis of how key policy and expenditure proposals have been implemented.

The key reporting stages are:

- Approval of the service plan, including budget statement and performance targets.
- Approval of the Business Case, which will be in a form prescribed by the Director of Finance and Business Services for any scheme estimated to cost in excess of £250,000, before it can be included in the Capital Programme.
- Quarterly reviews of revenue and capital expenditure with the first quarter report concentrating on the emerging budget issues resulting from a budget risk analysis, together with details of the action plans in place to mitigate budget risk.
- Final outturn reports for both revenue and capital expenditure, including full post-implementation review, on all major capital



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schemes completed during the year. This will also include a report on the use of block provisions.

- Summary quarterly reviews and outturn position statements of both capital and revenue expenditure will also be reported to Council through its relevant subordinate bodies.

B.48 In addition, the reports will be specifically required to give details in respect of the following:-

- Potential overspends and proposed remedial action, including any impact on balances and future year's budgets which may need to be factored in to future financial scenario planning
- Amendments to approved budgets (virements, SCE's etc) where Member approval is required.

C Risk Management and Control of Resources

Why is this important?

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

What's covered in this Section?

- Risk Management
- Insurance
- Internal Controls
- Audit Requirements
 - Internal Audit
 - External Audit
- Preventing Fraud and Corruption
- Financial Irregularities
- Assets
 - Property
 - Security
 - Inventories
 - Stocks and Stores
 - Cash
 - Intellectual Property
 - Asset Disposal
 - Write offs
- Treasury Management
 - Treasury Management and Banking
 - Investments and Borrowings
 - Trust Funds and Funds held for Third Parties
- Staffing
 - Salaries and Wages
 - Early Retirement/Severance
 - Travelling and Subsistence
 - Code of Conduct
- Third Party Funds
- Retention of Records

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Risk Management and Insurance

- C.1** The Cabinet is responsible for advising Council on an appropriate risk management policy statement and strategy, including risk appetite/tolerance levels, and for reviewing the effectiveness of risk management. The Cabinet is also responsible for ensuring that proper insurance exists where appropriate.
- C.2** The Head of Policy and Performance is responsible for preparing the Council's risk management policy statement and for promoting it throughout the Council.

Insurance

- C.3** The Director of Finance and Business Services will maintain and administer the Council's insurances. The Director of Finance and Business Services is responsible for authorising the settlement or repudiation of insurance claims and associated costs. Advice will be sought from the Council's solicitors, insurers, and claim handlers.
- C.4** Corporate Management Team and Heads of Service are responsible for informing the Director of Finance and Business Services immediately of:
- Any insurance claims received
 - Any events which may result in an insurance claim against the Council
 - The terms of any indemnity which the Council is required to give prior to entering into any contracts etc.
 - Any new risks which might require to be insured, together with any changed circumstances affecting existing risks. Consideration should be given to new projects, new ways of working, changes in legislation requiring new ways of delivery etc where the insurance impact is often overlooked.
- C.5** No new insurances may be taken out without prior consultation with the Director of Finance and Business Services.
- C.6** Corporate Management Team must ensure that there is co-operation with the Insurance Team in providing the correct documentation and that the correct retention of documents is observed.
- C.7** Service budgets will be charged with the cost of legal penalties or losses incurred by the Council as a result of any failure to comply with the

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requirements of the Civil Procedure Rules and these Finance and Contract Procedure Rules relating to claims.

Risk Management

- C.8** The Council's approach to Risk Management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.
- C.9** The Head of Policy and Performance develops the strategy and supporting framework on behalf of the Corporate Management Team, The Audit and Governance Committee scrutinise the risk management process ensuring the Council's risks are managed effectively and that strategic decisions are informed by, and influence the Risk Register.
- C.10** Corporate Management Team are responsible for ensuring the Risk Management Strategy is implemented and that the full risk management cycle operates within their Service.

The full cycle consists of:

- Identification of risks, both negative and positive, in relation to the objectives of the Council.
- Evaluation of risks scored for likelihood and impact, both gross (before any controls) and net (with existing controls)
- Treatment of the risk either by: avoidance, mitigation, transfer or to consciously accept the risk.
- Actions and risks monitored and reviewed on a regular basis.
- The Council's Risk Register will be maintained and co-ordinated by the Head of Policy and Performance.

- C.11** There are two levels to the Risk Register:

Corporate - those risks that impact on the organisation's overall objectives either because of their frequency of occurrence or the significance of the impact.

Service - those risks that impact on the service objectives. There should be a movement of risks both upwards and downwards throughout the levels and treatment addressed at the most appropriate level of the organisation.

- C.12** Heads of Service are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the agreed guidance and procedures.



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- C.13** Service strategic risk assessments will be carried out annually to inform the service plan. These risk assessments will form the basis of the Service element of the Council's risk register.
- C.14** Heads of Service will take account of, and address, corporate risks where appropriate and inform the Head of Policy and Performance of any service risks that should be considered significant enough to raise to the corporate level.
- C.15** Service Risk Registers, and associated actions, will be monitored and reviewed on a regular basis (at least quarterly) as part of the performance management process.
- C.16** The corporate risk register will be reported to the Corporate Management Team and to the Audit and Governance Committee in accordance with the budget reporting cycle.

Internal Controls

- C.17** Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C.18** The Director of Finance and Business Services 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.19** It is the responsibility of Corporate Management Team 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

Internal Audit

- C.20** 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

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financial affairs”. The Accounts and Audit Regulations 2011 more specifically require that a “relevant body must undertake an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

- C.21** The CIPFA Internal Audit Code of Practice defines internal audit as “an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation’s objectives.”
- C.22** The Council’s Internal Audit function provides assurance to the Section 151 officer and the Audit and Governance Committee, with regard to the effectiveness of the Council’s internal control environment.
- C.23** The Council must, on an annual basis, produce an Annual Governance Statement. This statement must provide a description of the system of internal control within the Council, a description of any work undertaken to assess the effectiveness of the internal control framework, and any significant internal control weaknesses.
- C.24** To contribute to the production of the Annual Governance Statement, the Internal Audit Manager is responsible for planning and delivering a programme of independent review of the Council’s activities, the scope of the programme being based on the Council’s objectives and an assessment of the risk which may affect the achievement of these objectives.
- C.25** The Internal Audit Manager is also responsible for reporting to those charged with Governance and currently satisfies this requirement by presenting an annual report to the Audit and Governance Committee, summarising the audit plans for the coming year and a commentary on audit activity which is completed or in progress. A mid year report setting out progress against the annual audit plan is taken to the Audit and Governance Committee. In addition any matters of material importance in relation to audit matters are also reported to the Cabinet and Audit and Governance Committee.
- C.26** Audit staff will have full access to all premises, assets, records and third party fund transactions. With regards to organisations participating in partnering arrangements, Internal Audit staff shall have such access to premises, assets and records of the partner as is necessary for the purposes of the partnering arrangement, as detailed in Procedure Rule F.17. Partners will be required to grant reasonable access when requested



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and details of such access should be agreed with the partner and set down in the Partnering Agreement. Where the right of access has not been specified in existing arrangements then appropriate discussions with partners should take place.

External Audit

- C.27** The Audit Commission is responsible for appointing external auditors to each local Council. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- C.28** The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

Preventing Fraud and Corruption

- C.29** The Director of Finance and Business Services is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.
- C.30** The Council has an approved Anti Fraud and Corruption Strategy which places responsibility for maintaining an anti fraud culture with all Members, Managers and individual Members of staff. Any matters which involve, or are thought to involve, any fraud or other significant irregularity involving Council assets or those of a third party fund, must be notified immediately to the Internal Audit Manager, in conjunction with other officers detailed in the Council's Anti Fraud and Corruption Strategy, will decide what steps are necessary.
- C.31** In line with the Anti Fraud and Corruption Strategy the Borough Solicitor will, in consultation with the appropriate Corporate Management Team member and Internal Audit Manager, decide whether any matter under investigation should be recommended for referral to the Police or the appropriate enforcement agency.

Assets

- C.32** In the context of these Rules, assets are defined as the resources, other than people, that the Council uses to deliver its service functions. Assets include buildings, land and infrastructure; furniture; equipment; plant; stores and "intellectual property" such as computer software, data and information of all kinds.
- C.33** Corporate Management Team and Heads of Service are responsible for

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the care, control and proper and economical use of all assets used in connection with the operation and delivery of their Services. Proper records should be maintained for these assets, together with appropriate arrangements for their management and security.

- C.34** Heads of Service are responsible for ensuring that assets are used only for official purposes and that all appropriate rights, licenses and insurances are obtained.
- C.35** Heads of Service are responsible for ensuring that all computer software used is properly licensed.
- C.36** Corporate Management Team are expected to have policies in place for:
- the effective disposal of surplus assets
 - asset replacement programme
 - compilation of and regular review of Asset inventories.

Property

- C.37** The Council's Asset Management Strategy sets out the vision, core values and objectives that form the context for the preparation of the Corporate Asset Management Plan and Service Asset Management Plans.

The Council has adopted a Corporate Landlord approach to the ownership and management of its property assets. The Corporate Landlord approach means that the ownership of property assets and the responsibility for their management and maintenance is transferred from service directorates to the Corporate Landlord, which is a centralised corporate function.

- C.38** In this way the Corporate Landlord approach :
- Enables the Council to utilise its assets to deliver better, more efficient services to our communities.
 - Unlocks the value of assets, seeks efficiencies through joint arrangements with our public sector partners and maximises private sector investment.
 - Ensures the provision of a consistent, corporate and strategic approach to the management of the Council's property portfolio, consolidating resources, eliminating duplication, improving efficiency, procurement and the establishment of corporate property standards
 - Supports the delivery of the Council's Corporate Plan
- C.39** Individual services are occupiers of land and property for the purposes of

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delivering their functions.. There are specific responsibilities that fall to both Corporate Landlord and occupiers depending on the nature of the asset and service. The occupiers priority is to plan and deliver their operational service. The Corporate Landlord's priority is to ensure the service is adequately accommodated and to maintain and manage the property asset.

- C.40** The Corporate Landlord's responsibility extends to the acquisition, development and disposal of land and property. This means that the Corporate Landlord would be responsible for asset review, feasibility and options appraisal across all services.
- C.41** All property acquisitions, lettings and disposals must first be discussed with the Strategic Director of Places and Organisational Capacity. Separate rules apply to specific processes, such as the use of capital receipts from property sales to pay for new schemes, and guidance should be sought from the Director of Finance and Business Services and the Strategic Director of Places and Organisational Capacity where this arises.

Inventories

- C.42** Heads of Service must ensure that proper arrangements are made to maintain inventories of all valuable and transportable items, including vehicles, furniture, computer and other equipment (including software), visual aids, expensive tools and sports equipment.
- C.43** The inventory must be updated for all acquisitions and disposals and checked at least annually. Items acquired under leasing arrangements must be separately identified for disclosure in the published final accounts.

Stocks

- C.44** Stock is defined as consumable items constantly required and held by a Service in order to fulfil its functions. Heads of Service are responsible for the control of stocks. They must ensure that stocks are appropriately secured and recorded, do not exceed reasonable requirements and that all significant stock is accounted for in the year end accounts. Stocks should be checked at least once a year, more frequently in the case of expensive items.

Cash

- C.45** Cash held on any Council premises should be held securely and should not exceed any sums for which the Council is insured. (Detailed guidance on limits is available from the Council's Insurance Team. If this is

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unavoidable in exceptional circumstances, the Head of Service is responsible for making appropriate security arrangements.

Asset disposal/Write off

- C.46** Corporate Management Team and Heads of Service or their authorised officers, as specified in the appropriate Scheme of Financial Delegation, may authorise the write off of losses up to £5,000, or disposals, of obsolete or surplus equipment, materials, vehicles or stores up to a disposal value of £5,000. Where the sum exceeds £5,000 approval must be sought from the Resources Portfolio Holder. Any write off which arises as a result of theft or fraud must be notified to the Internal Audit Manager immediately.

Treasury Management

- C.47** The Council has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities*.
- C.48** 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 Cabinet. The Director of Finance and Business Services has delegated responsibility for implementing and monitoring the statement.
- C.49** All money in the hands of the Council is controlled by the Director of Finance and Business Services as designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the finance director.
- C.50** The Director of Finance and Business Services is responsible for reporting to the Cabinet a proposed treasury management strategy for the coming financial year at or before the start of each financial year.
- C.51** All Cabinet decisions on borrowing, investment or financing shall be delegated to the Director of Finance and Business Services, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Local Authorities*.
- C.52** The Director of Finance and Business Services is responsible for reporting to the Cabinet not less than four times in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.



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Banking

- C.53** It is the responsibility of the Director of Finance and Business Services to operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Director of Finance and Business Services.

Investments and Borrowings

- C.54** It is the responsibility of the Director of Finance and Business Services to:
- To ensure that all investments of money are made in the name of the Council or in the name of approved nominees.
 - To ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in safe custody..
 - To effect all borrowings in the name of the Council.
 - To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.

Trust Funds and Funds Held for Third Parties

- C.55** It is the responsibility of the Director of Finance and Business Services to:
- To arrange for all trust funds to be held, wherever possible, in the name of the Council (e.g. 'Cheshire East Borough Council on behalf of.....'). All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Director of Finance and Business Services, unless the deed otherwise provides.
 - To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Director of Finance and Business Services, and to maintain written records of all transactions.
 - To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Staffing

Salaries and Wages

- C.56** Corporate Management Team and Heads of Service are responsible, in consultation with the Head of Human Resources and Organisational Development, for providing accurate and appropriate information and



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instructions to the Human Resources and Finance Shared Service to enable the calculation and prompt payment of salaries, expenses and pensions, including details of appointments, promotions, regradings, resignations, dismissals, retirements and absences from duty. Human Resources and Organisational Development will advise the Human Resources and Finance Shared Service of relevant changes in respect of employee's pensions. The Head of the Human Resources and Finance Shared Service will make arrangements for payment to the appropriate bodies, of all statutory, including taxation, and other payroll deductions.

- C.57** Time sheets and other pay documents which are used to generate payment of salaries, wages or other employee-related expenses must be on official forms or via authorised electronic inputs. Heads of Service are responsible for ensuring that they are certified by an authorised officer and that they are submitted to the Human Resources and Finance Shared Service in accordance with the specified timetable. This includes on-line input entered locally. The names and specimen signatures of authorised officers must be secured by Corporate Management Team and Heads of Service and included in the service Scheme of Financial Delegation notified to the Director of Finance and Business Services.
- C.58** The Head of Human Resources and Organisational Development will implement national and local pay agreements as soon as possible after their notification from the appropriate body. Arrangements for funding such awards will be determined each year as part of the budgetary process.

Early Retirement/Severance

- C.59** Where Heads of Service wish to bring forward proposals under the Council's policies on severance and early retirement, they must be accompanied by a full cost and affordability assessment, in a form agreed by the Chief Executive, the Director of Finance and Business Services and the Head of Human Resources and Organisational Development. The approval of the relevant Portfolio Holder and Resources Portfolio Holder is required for proposals relating to SM1 and above..
- C.60** Heads of Service will generally be required to meet the costs of severance and early retirement from within their approved budget, subject to phasing over an agreed period. A corporate budget may also be established for this purpose and access to this budget will be subject to the agreement of the Director of Finance and Business Services and the Head of Human Resources and Organisational Development.



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Travelling and Subsistence

- C.61** Heads of Service are responsible for instructing the Head of Human Resources and Organisational Development and for providing appropriate and accurate information to enable the prompt and accurate payment of travelling, subsistence and other expenses to authorised employees in accordance with the terms of employment agreed by the Council.
- C.62** Heads of Service are responsible for ensuring that Council employees who use their cars for official business are properly insured to indemnify the Council against any loss and for ensuring that payments are only made in respect of journeys which are necessary and actually undertaken. Heads of Service should ensure that the most economical available means of transport is used, including pool cars, hire cars and car sharing.
- C.63** All claims for reimbursement must be made using appropriate official claim forms, always using electronic processing where available.

Code of Conduct

- C.64** The Code of Conduct for Employees applies to, and will be followed by all officers. It covers standards, disclosure of information, political neutrality, relationships, appointments and other employment matters, outside commitments, personal interests, equality issues, separation of roles during tendering, gifts and hospitality, use of financial resources and sponsorship.
- C.65** Where an outside organisation wishes to sponsor or is asked to sponsor a local government activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts and hospitality applies, as detailed in the Code of Conduct for Employees.

Third Party Funds

- C.66** A third party fund is defined as any fund financed other than by the Council, controlled wholly or partly by a member of the Council's staff in connection with the clients, establishments or activities of the Council such as School Funds, Amenity Funds or Criminal Injuries Compensation Payments for children in care.
- C.67** Officers maintaining third party funds are responsible for informing the Internal Audit Manager of their nature and purpose.
- C.68** Money or goods belonging to the third party fund must be kept completely

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separate from other money or goods belonging to the Council. Similarly, completely separate records must be kept of the money or goods involved.

- C.69** An independent auditor must be appointed who has suitable qualities though not necessarily professionally qualified, to audit the third party fund on an annual basis. The Internal Audit Manager will advise on such appointments. Annual Statements of Account and Audit Certificates must be formally presented to a Management Committee or other appropriate governing body.
- C.70** Corporate Management Team are responsible for ensuring that any third party funds controlled by Council staff are:-
- formally declared to the Internal Audit Manager as part of a register kept by the Service/Service
 - maintained separately and correctly in accordance with these Finance Procedure Rules, and
 - subject to the same standards of stewardship and probity as Council funds.
- C.71** The Returning Officer will be responsible for maintaining complete and accurate records and for reconciliation with regard to elections accounts.

Retention of Records

- C.72** The Council, in common with other public and private organisations, has certain statutory obligations it has to meet for the retention of its records. It also has to fulfil the requirements of HM Revenue and Customs, other legislative requirements and the external auditors in respect of its financial records.
- C.73** All records held should have an appropriate retention period assigned to them, which meet the statutory obligations to retain financial records, but also takes into account legislative requirements such as the Limitation Act and Data Protection Act; Freedom of Information requirements; and the business needs of the Service.
- C.74** The majority of financial records must be kept for 6 years from the end of the tax year to which they relate. Some records however, may need to be kept for longer periods e.g. if required to defend future insurance claims. It is possible others can be destroyed within shorter periods.

D Financial Systems and Procedures

Why is this important?

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

What's covered in this Section?

- Income and Expenditure
 - Income
 - Banking Arrangements
 - Generating Income
 - Collection of Income
 - Bad Debts
 - Ordering and paying for work, goods and services
 - General Principles
 - Payment of Invoices
 - Non-invoice payments
 - Purchase Cards/Credit Cards
 - Imprest Accounts
 - Payments to Members
- Taxation
- Trading Accounts and Business Units



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Income and Expenditure

Banking Arrangements

- D.1** The Council will approve the terms under which banking services, including overdraft facilities, are provided.
- D.2** All bank accounts must be titled impersonally in the name of Cheshire East Borough Council.
- D.3** Subject to any directions given by the Council, all arrangements with the Council's bankers must be made solely through the Director of Finance and Business Services. No bank accounts may be opened or arrangements made with any other bank except by agreement with the Director of Finance and Business Services.
- D.4** Bank transfers from the General Fund and subsidiary accounts must be signed by the Director of Finance and Business Services, or those officers authorised to sign through the agreed Scheme of Financial Delegation.
- D.5** Cheques drawn must bear the mechanically impressed or facsimile signature of the Director of Finance and Business Services or be signed by the Director of Finance and Business Services or other officer authorised to sign through the agreed Scheme of Financial Delegation.

Income

Generating Income

- D.6** Local Authorities do not have general powers to trade with, or levy charges upon, other organisations or private individuals. The use of flexibilities in the Local Government Act 2003, its interpretation and application needs to be agreed in consultation with the Borough Solicitor. Corporate Management Team are responsible for ensuring that the appropriate legal authority for all income generating activities has been identified and for maintaining an Income and Charging Strategy in a format specified by the Director of Finance and Business Services.

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- D.7** Charges must be reviewed annually in the light of all relevant information, including consideration of appropriate inflation factors. Where changes have significant financial consequences, approval is required in accordance with the limits set out below:-

Approval Level	Financial Impact of Change in Charges
Corporate Management Team	Up to and including £100,000
Director of Finance and Business services in consultation with Resources Portfolio Holder	More than £100,000 and up to and including £500,000
Cabinet Members	Over £500,000 and up to and including £1,000,000
Council	£1,000,000 or more

Collection of Income

- D.8** Council officers must comply with guidelines issued by the Director of Finance and Business Services for the safe and efficient collection and recording of all money due to the Council.
- D.9** Corporate Management Team are responsible for ensuring that accounts for income due to the Council, including grant claims, reimbursements and third party contributions, are raised immediately and accurately in a form approved by the Director of Finance and Business Services. These must include VAT where appropriate.
- D.10** The cost of collection should be taken into account when raising accounts. Corporate Management Team must ensure that the method of collection is the most cost effective relative to the value of the transaction.
- D.11** Corporate Management Team are responsible for ensuring that all income received is receipted, where required, recorded correctly against the appropriate budgets, and in the case of cash and cheques, banked with

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the minimum of delay. The frequency of banking should follow guidelines provided by the Director of Finance and Business Services to avoid incurring disproportionate banking charges on relatively low value transactions, taking into account local security arrangements.

- D.12** Corporate Management Team are responsible for monitoring income collection and ensuring appropriate recovery action is taken. A summary of the position on the level of outstanding debt and collection issues should be included in quarterly financial updates and the final outturn report. Full provision for income still outstanding six months after the due date should be made in Service accounts. This should not however preclude pursuit of the debt.
- D.13** The Director of Finance and Business Services will monitor compliance with Finance Procedure Rules D.11 and D13 and may, in circumstances where avoidable adverse cash flow has resulted, determine an appropriate interest charge against Service budgets.
- D.14** Credit notes must be authorised by appropriate officers nominated in the local Scheme of Financial Delegation.
- D.15** Any receipts, tickets or other documents used as receipts should be in a format agreed by the Director of Finance and Business Services. All controlled stationery issued to a Head of Service must be recorded in a register, which is held by a single officer within each Service.

Bad Debts

- D.16** Bad debts may be written off as follows:

Approval Level	Bad Debt Amount
Corporate Management Team and Heads of Service, or Authorised Officer as contained in the Scheme of Financial Delegation, in consultation with the Director of Finance and Business Services.	Up to and including £2,500
Corporate Management Team and Heads of Service, in consultation with the Director of Finance and Business Services and Borough Solicitor.	Over £2,500 and up to and including £5,000.
Corporate Management Team and Heads of Service, in consultation with the Director of Finance and Business Services and Borough Solicitor and	Over £5,000 and up to and including £10,000.

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appropriate Portfolio Holder.	
Corporate Management Team and Heads of Service, in consultation with the Director of Finance and Business Services, Borough Solicitor, appropriate Portfolio Holder and Resources Portfolio Holder.	Over £10,000 and up to and including £50,000.
Cabinet Members	Over £50,000.

- D.17** Corporate Management Team are responsible for ensuring that an adequate provision for bad debt is made in the Council's accounts at year end and that contributions to this provision are included in budgetary projections and outturn reports.

Ordering and paying for work, goods and services

General Principles

- D.18** Corporate Management Team and Heads of Service are responsible for providing all appropriate information and instructions to the Head of the Human Resources and Finance Shared Service to allow for prompt and accurate payment for goods and services provided and for the analysis of expenditure.
- D.19** Except for purchases by visa purchase card, all purchases must be supported by an official requisition and purchase order unless previously agreed with the Director of Finance and Business Services. All purchases, including by visa purchase card, must have regard to these Finance Procedure Rules.
- D.20** All requisition and purchase orders must be authorised in accordance with the relevant service Scheme of Financial Delegation to ensure that funds are available to pay for the purchase.
- D.21** Where a requisition for the purchase of goods or services exceeds £10,000 in value Finance and Contract Procedure rules E.33 – E.36 apply.
- D.22** All official purchase orders must include, as a minimum, the order number, the price agreed with the supplier, description of the goods or services to be provided, the delivery address, the address where invoices must be received and the terms and conditions for the goods and services to be provided.

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- D.23** Heads of Service must ensure that there is adequate separation of duties in the raising and authorisation of requisitions, authorising of purchase orders, receipt of goods and authorisation of payments to creditors.
- D.24** Heads of Service must ensure robust processes to continually maintain computer records and accesses, and Schemes of Financial Delegation so that electronic workflows associated with core financial systems are not compromised.
- D.25** All purchasing activity must be carried out in accordance with the Council's Procurement Strategy and advice issued about efficient and effective use of the Council's core financial and e-procurement systems and processes. Such processes will include the deployment of VISA purchase cards.
- D.26** Approval of the Director of Finance and Business Services must be sought in advance of entering into any supply agreement with a commercial creditor who has not been set up on the Council's core financial system.
- D.27** Heads of Service must consult the the Director of Finance and Business Services on appropriate arrangements for purchases of goods and services which can not be accommodated within standard ordering and payment processes.

Payment of Invoices

- D.28** All invoices must be sent directly by the creditor to the address stated on the official purchase order to enable prompt payment.
- D.29** All invoices, as a minimum, must include the official purchase order number, the description of the goods or services provided, the quantity delivered, the delivery address, the date of the invoices and/ or date of delivery of the goods or services, the address and VAT registration number of the supplier and the price and VAT at the prevailing rate.
- D.30** Invoices received without a valid purchase order number will be returned to the creditor as unauthorised for payment.
- D.31** The Council's standard payment terms are 30 days from receipt of a correct invoice by BACS (Bankers Automated Clearing System). Alternative terms may not be negotiated or agreed with suppliers without the explicit approval of the Director of Finance and Business Services. Heads of Service are responsible for notifying suppliers of these terms and for ensuring that they are observed by all those involved in the purchasing and payment processing.

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- D.32** Payment will only be made for goods and services which have been formally receipted in accordance with receipting procedures set out by the Director of Finance and Business Services .
- D.33** All purchasing activity must be carried out in accordance with the Council's Procurement Strategy and advice issued about efficient and effective use of the Council's core financial and e-procurement systems and processes. Invoices received for payment must comply with the Council's best practice processes.

Non-invoice payments

- D.34** Where Heads of Service wish to initiate a payment to a third party without a supporting invoice, an official request for payment must be submitted in a form approved by the Director of Finance and Business Services.
- D.35** Any such requests must be authorised by an officer designated with an appropriate approval limit in the relevant service Scheme of Financial Delegation. They are responsible for ensuring that all payment details provided are accurate and that supporting records and documentation are available to substantiate the payment, including an official VAT receipt to allow for the reclaim of any VAT element.
- D.36** Appropriately authorised requests for payment will be processed by the Director of Finance and Business Services and paid by BACS. Cheques will only be used in exceptional cases and by prior agreement.
- D.37** Non-invoice payments should be requested on an exceptional basis only. Where payments of this type need to be made on regular basis Heads of Service must consider, in conjunction with the Director of Finance and Business Services, other alternative options which may be more appropriate.
- D.38** Payments or reimbursements in respect of salaries and wages, travelling expenses or other employment allowances must be processed through the Payroll system and not treated as a non-invoice payment.

Purchase Cards

- D.39** Heads of Service are responsible for the appropriate deployment and management of VISA purchase cards within their service.

Local Bank and Imprest Accounts

- D.40** Local bank and imprest accounts may only be used as alternatives to



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purchase orders and VISA purchase cards by prior consent and in accordance with specific guidance and instructions issued by the Director of Finance and Business Services.

D.41 Heads of Service are responsible for ensuring that where local arrangements are in place:

- Local Schemes of Financial Delegation set out clearly the responsibilities and approval limits of individual officers in respect of these arrangements; and that these are reviewed and updated regularly.
- They are operated in accordance with guidance issued and that appropriate management supervision and compliance monitoring is undertaken.
- Adequate records are maintained to allow for the verification and reconciliation of all payments made to the Council's general ledger and bank accounts, and to allow for the proper treatment of VAT.
- Arrangements are being operated for legitimate Council business only.

D.42 Local arrangements may not be used in any circumstances to circumvent either the Councils Corporate Procurement Strategy or agreed approval and authorisation procedures, nor must they be used for any payments in respect of salaries and wages, travelling or other employment expenses, or payments for work carried out under the Construction Industry Tax Deduction Scheme.

Payment to Members

D.43 The Director of Finance and Business Services is responsible for paying all allowances to Members.

D.44 The Director of Finance and Business Services will make payments to any Members entitled to claim allowances on receipt of the proper form, completed and certified in accordance with the Council's scheme for allowances.

Taxation

D.45 It is the responsibility of the Director of Finance and Business Services, in conjunction with the Head of the Human Resources and Finance Shared Service, to:

- To complete all Inland Revenue returns regarding PAYE.
- To complete a monthly return of VAT inputs and outputs to HM

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Revenue and Customs.

- To provide details to HM Revenue and Customs regarding the construction industry tax deduction scheme.
- To maintain up-to-date guidance for Council employees on taxation issues.

D.46 It is the responsibility of Corporate Management Team to:

- To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations.
- To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- To ensure that all persons employed by the Council are added to the Council'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.
- To follow the guidance on taxation issued by the Director of Finance and Business Services.

Trading Accounts and Business Units

D.47 Separate Trading Accounts are required when services are provided to either internal or external clients, on a basis other than a straightforward recharge of full cost. These accounts are also required where there is a minimum turnover of £1,000,000.

D.48 It is the responsibility of the Director of Finance and Business Services to advise on the establishment and operation of trading accounts and business units.

D.49 It is the responsibility of Corporate Management Team to:

- To consult with the Director of Finance and Business Services and Borough Solicitor 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 Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 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.



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