

# CHESHIRE EAST COUNCIL

## CABINET

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**Date of the meeting:** 3rd February 2009

**Report of:** Lisa Quinn, Borough Treasurer and Head of Assets

**Title:** Draft Finance and Contract Procedure Rules

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### **1.0 Purpose of Report**

- 1.1 To present the proposed framework for Finance and Contract Procedure Rules in order that they be operational from vesting day.

### **2.0 Decision Required**

- 2.1 To agree the recommended approach to Finance and Contract Procedure Rules.
- 2.2 To authorise the officers to develop the framework and the Rules for consideration by members in accordance with the timetable given in paragraph 8 below.

### **3.0 Financial Implications for Transition Costs**

- 3.1 There are no financial implications for transition costs.

### **4.0 Financial Implications 2009/10 and beyond**

- 4.1 There are no direct financial implications in the preparation of Finance and Contract Procedure Rules. However in exercising those Rules post vesting day, members and officers will be taking decisions that have significant financial implications.

### **5.0 Legal Implications**

- 5.1 It is essential that the Council has robust Finance and Contract Procedure Rules in place to enable the Council's financial affairs to be managed post vesting day. In exercising the responsibilities identified in the Rules, post vesting day, members and officers will be taking decisions that have significant legal implications.

### **6.0 Risk Assessment**

- 6.1 Without a robust set of Rules, members and officers will be unable to properly manage the authority's financial affairs. The likelihood of this occurring is very low and the mitigation is to ensure that the Rules are prepared and implemented on time.

### **7.0 Information**

- 7.1 It is a legal requirement to have a formal set of Finance and Contract Procedure Rules to enable members and officers to manage the authority's financial affairs. A robust and thorough set of Rules aids the efficient financial running of the Council.

- 7.2 The Rules need to be approved and in place by vesting day and are being prepared alongside other revisions to the Constitution to this timetable.
- 7.3 The existing Councils' various Rules have been reviewed alongside the CIPFA best practice 'model set' and a draft set produced. These have been to Governance Group, Finance Managers Group and other officers for comment and feedback. They have also been reviewed by the Borough Treasurer and Head of Assets.
- 7.4 Key points to note are shown as Appendix 1.

## **8.0 Next Stage**

- 8.1 Subject to members views, the Rules will be considered by members as detailed below, during which time officers will continue to develop the detailed content:
- Governance Committee – 9th February 2009; consideration of the suggested final Rules to be included in the Constitution presented to council.

## **9.0 Day One, Year One and Term One Issues**

- 9.1 The Rules must be in place and approved as part of the new council's constitution.
- 9.2 The Rules will need to be monitored and reviewed during the first year of the council.

## **9.0 Reasons for Recommendations**

- 10.1 In order for the Council to have a framework for managing the authority's financial affairs.

### ***For further information:***

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*Officer: Lisa Quinn, Borough Treasurer and Head of Assets*

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### ***Background Documents:***

*Documents are available for inspection at County Hall, Chester, Cheshire, CH1 1SF*

## Key Extracts from Draft Finance and Contract Procedure Rules

### 1 Virements

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

Approval limits for virements are as follows:

Approval Level	Virement Amount/Percentage
Head of Service	Up to £100,000 or 10% of a net Service budget, whichever is the lowest. (Revenue)
Chief Officers	Greater than 10% of a net Service budget but less than £100,000 (Revenue)  Up to £100,000 between net Service budgets (Revenue)  Up to £100,000 funded from underspends within the approved Service budget (Capital)
Chief Officers in consultation with relevant Cabinet Member and Cabinet Member for Resources	Over £100,000 and up to and including £500,000 (Revenue/Capital)
Cabinet	Over £500,000 and up to and including £1,000,000 (Revenue/Capital)
Council	<ul style="list-style-type: none"> <li>▪ £1,000,000 or more; and/or</li> <li>▪ Significant ongoing financial implications; and/or</li> <li>▪ Significant policy change.</li> </ul> (Revenue/Capital)  “Significant” to be defined by the Borough Treasurer and Head of Assets or their representative.

No virements are permitted from ringfenced budgets.

## **2 Supplementary Estimates**

Where services wish to undertake an activity not originally identified in the budget or extend an existing capital scheme where additional income becomes available in year, approval must be sought for a fully funded supplementary capital or revenue estimate.

<b>Approval Level</b>	<b>Supplementary Estimate Amount</b>
Chief Officers	Up to £100,000
Chief Officers in consultation with relevant Cabinet Member and Cabinet Member for Resources	Between £100,000 and £500,000
Cabinet	Between £500,000 and £1,000,000
Council	Over £1,000,000

## **3 Treatment of Year End Balances**

The full Council is responsible for agreeing procedures for carrying forward under and overspendings on budget headings.

Any revenue overspending on a Service budget will be carried forward as the first call on the following year's budget.

Any revenue underspending at the year end may be carried forward, subject to the agreement of the Cabinet on the advice of the Cabinet Member for Resources, except where any specific approval has already been given or where there is a specific grant condition requirement. 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. Chief Officers should include provisional indications of likely carry forward requests in their reports on the mid-year and three-quarter review of performance.

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 Cabinet Member for Resources 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.

## **4 Capital Approvals**

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.

Limits/treatment:

- Capital items estimated to cost in excess of £250,000 will be treated as separate schemes or provisions.
- An Option Appraisal in the form of a detailed Business Case template will be required for all schemes over £250,000.
- A summarised version of the Business Case template will be required for approvals being sought for over £100,000 and up to £250,000.
- A cost estimate and brief description of the nature of expenditure will be required for approvals being sought for over £10,000 and up to £100,000.

## 5 Generating Income

Charges for goods or services must be based on the principle of full-cost recovery, including all service and corporate overheads. Detailed guidance on costing and charging for services is set out in the detailed guidance. Where Chief Officers wish to charge more or less than the full cost, or where the proposal constitutes a new policy or a variation on previous practice the Borough Treasurer and Head of Assets must be consulted in advance.

The following approval levels apply:

Approval Level	Financial Impact of Change in Charges
Chief Officer	Up to and including £100,000
Borough Treasurer and Head of Assets in consultation with relevant Cabinet Member and Cabinet Member for Resources	More than £100,000 and up to and including £500,000
Cabinet	Over £500,000 and up to and including £1,000,000
Council	£1,000,000 or more

## 6 Bad Debts

Bad debts may be written off as follows:

Approval Level	Bad Debt Amount
Chief Officers and Heads of Service, or Authorised Officer as contained in the Scheme of Delegation, in consultation with the Borough Treasurer and Head of Assets.	Up to and including £2,500
Chief Officers and Heads of Service, in consultation with the Borough Treasurer and Head of Assets and Borough Solicitor.	Over £2,500 and up to and including £5,000.

Chief Officers and Heads of Service, in consultation with the Borough Treasurer and Head of Assets and Borough Solicitor and Cabinet Member.	Over £5,000 and up to and including £10,000.
Chief Officers and Heads of Service, in consultation with the Borough Treasurer and Head of Assets, Borough Solicitor, relevant Cabinet Member, and Cabinet Member for Resources.	Over £10,000 and up to and including £50,000.
Cabinet.	Over £50,000.

## 7 Contract Procedures

The table below summarises the procedures must be followed for different contract values.

The Total Value of the contract is the yearly contract value multiplied by the contract period (including any potential extension).

	<b>Total Value</b>	<b>Procedure to follow where no Contract exists</b>
<b>Informal</b>	Below £10,000	E-mail / telephone quotation(s)
	Above £10,000 but below £50,000 for goods, services and works	Comparison of written quotations from at least 3 bidders
<b>Formal</b>	Above £50,000 but below The EU threshold for goods, services and works	Formal tender process to secure tenders from at least 3 suppliers
	Above the EU threshold for goods, services and works	Tender process in accordance with EU Procurement Rules

## 8 Partnerships and Jointly Funded Projects

Legally a partnership is an arrangement entered into under the Partnership Act, and is heavily regulated as to the liabilities of partners. However, the majority of the partnerships entered into by the Council are more correctly called partnership arrangements and are, at their simplest, where the Council agrees to work with one or more external agencies to deliver common aims and objectives. These partner agencies could potentially be from a government department, any public, private, community or voluntary sector body or related party.

### Accredited Body

All public sector bodies that have a proven track record of successful working in collaboration with the Council in various partnership arrangements have been identified as 'Accredited Partners', a list of which is held by the Borough Treasurer and Head of Assets. It is the responsibility of the Borough Treasurer and Head of Assets to maintain this list and review it on an annual basis. Any subsequent changes, including additions and deletions will need approval from the Cabinet.

### Non-Accredited Body

Non Accredited partners include public bodies not specifically identified on the accredited list or private sector organisations. Where the Head of Service wishes to enter into a partnership or jointly funded project with another body not on the accredited list then he/she is required to consult with the Borough Treasurer and Head of Assets, the Borough Solicitor, the Procurement Manager, and the Head of Human Resources and Organisational Development, before following the approval route specified below.

<b>Accredited Body</b>	
The following can approve partnership proposals:	
<b>Approval level</b>	<b>Amount</b>
Chief Officers	Up to and including £100,000
Chief Officer In consultation with relevant Cabinet Member	Over £100,000 and up to £500,000
Cabinet	Over £500,000 and up to and including £1,000,000;
Council	Over £1,000,000.
<b>Non-Accredited Body</b>	
The following can approve partnership proposals:	
<b>Approval level</b>	<b>Amount</b>
Chief Officer in consultation with Cabinet Member for Resources	Up to and including £250,000
Cabinet	Over £250,000 and up to and including £500,000
Council	Over £500,000