

- (1) CHESHIRE EAST BOROUGH COUNCIL
- (2) CHESHIRE WEST AND CHESTER BOROUGH COUNCIL

FINANCIAL MEMORANDUM

The attached document is the Financial Memorandum referred to in the Administrative Agreement made between Cheshire East Borough Council and Cheshire West and Chester Borough Council dated 1 April 2009.

Signed by
LISA QUINN
duly authorised for
and on behalf of Cheshire East Borough Council
in the presence of

Solicitor
Eversheds
Eversheds House, Manchester

Signed by
JULIE GILL
duly authorised for
and on behalf of Cheshire West and Chester Borough Council
in the presence of

Solicitor
Eversheds
Eversheds House, Manchester

CHESHIRE SHARED SERVICES – FINANCIAL MEMORANDUM

Introduction and Purpose of Document

1. This Memorandum sets out the financial arrangements for the operation of Cheshire Shared Services and is made pursuant to the Administrative Agreement between Cheshire East Council and Cheshire West and Chester Council.

Preparation and Agreement of Business Plans and Budgets

2. Prior to the start of the financial year, the Discharging Council will liaise with the Arranging Council to prepare a Business Plan for each of the services that are to be delivered on a shared basis, and will produce a first draft of that Plan by 31 January. The Business Plan will set out:
 - a. the total budgetary requirements for the service (revenue and capital),
 - b. the Cheshire East and Cheshire West and Chester contributions to these budgets
 - c. an associated expenditure profile
 - d. the arrangements for sharing actual costs (see paragraph 14 below)
 - e. an inventory of material assets used by the service (see paragraph 17 below).
3. The Joint Officer Board will consider and agree the Business Plans and will refer the Plans to the Joint Committee for formal approval.
4. By the 30 October the Joint Officer Board will carry out a mid year review of the financial position as at 30 September, and will agree any required adjustments to the budgetary contributions provided.

Accounting Requirements

5. The Discharging Council will maintain a Service Account for each service delivered. These Accounts will record the budgetary contributions from each council and all income and expenditure associated with the particular service. Where possible, such expenditure will be identified within the Accounts as being attributed to Cheshire East Council and Cheshire West and Chester Council.
6. As staff on secondment to the Discharging Council will remain employees of the Arranging Council, all salary and other payroll related costs of the Secondees (including employer NI, pension and staff expenses) will be met by the Arranging Council. However, an equivalent amount will be recorded in the respective Service Account.
7. The respective Service Manager will be responsible for monitoring the Service Account and will provide monthly reports to both councils and as required, to the Joint Officer Board.
8. By the 30 April the Discharging Council will produce an end of year Service Account for each service. This Account will apportion actual income and expenditure between the two

councils in accordance with the arrangements set out at below and will reconcile the results with the budgetary contributions. The Account will identify any resulting over / underpayments.

9. The Joint Officer Board will agree the end of year Service Accounts and will refer then to the Joint Committee for formal approval.
10. Any over / underpayment will be settled by the respective Council by 31 May
11. Where the sharing of a particular service terminates before 31 March, the Discharging Council will produce a final Service Account in accordance with the above arrangements. Any over / underpayment will be settled within 2 months of the termination date.

Definition of Income and Expenditure

12. For the purposes of the accounting arrangements outlined in this Memorandum, income and expenditure are defined as follows:
 - o Income:- any income derived from a third party pertaining to the delivery of the service and / or the exclusive use of the service. This includes Government Grants provided for the direct use of the service.
 - o Expenditure – any direct expenditure relating to the delivery of the service plus the agreed relevant service overheads / central recharges such as accommodation related costs. A list of eligible expenditure for each service will also be set out in the respective Service Agreement.

Cash Flow Arrangements

13. The Arranging Council will make payments to the Discharging Council in accordance with a payment schedule, which takes account of the aggregate of the expenditure profiles set out in the Business Plans. The two councils will agree the payment schedule by 31 May.

Cost Sharing Arrangements

14. Each Service Account will record all income and expenditure associated with the delivery of the particular service. The Account will apportion total income and expenditure between the two councils as follows:
 - a. Expenditure which has already been identified (coded) as either a Cheshire East Council cost or Cheshire West and Chester Council cost will be accounted for accordingly.
 - b. Total income will be deducted from the remaining total expenditure and the resulting balance will be apportioned by reference to the relevant activity / transactional / other volumetric measures / other arrangements set out in the Business Plan. (Note that as the first Business Plan will not be agreed until 31 May, the apportionment will be applied retrospectively to 1 April 2009 in the first year).
 - c. In the absence of other measures agreed through the Business Plan, the apportionment ratio (after making the deduction for total income) shall be 50:50.

Capital Expenditure

15. The need for any capital expenditure will be set out in the Business Plan, which will be prepared annually but will cover the subsequent 3 year period. The capital contributions from each council, and the period over which such contributions will be provided will be set out in the Business Plan and agreed by the Joint Committee as part of the Business Planning process. All capital expenditure will be accounted for by the council providing that contribution.
16. A Project Board (or an alternative governance arrangement) will be established to oversee the work associated with the capital expenditure.

Assets

17. An inventory of all material assets used shall be set out in the Business Plan and kept up to date by each service. The arrangements for disposal of any assets or the treatment of assets on termination of any shared service, shall be as set out in the Service Agreements.

Capital Receipts

18. Any capital receipts will be accounted for by the council where the associated asset is recorded on the balance sheet.

I agree that the Administrative Agreement made between Cheshire East Borough Council and Cheshire West and Chester Borough Council dated 1 April 2009 and any Service Agreements and Secondment Agreements made pursuant to that Administrative Agreement shall be held in escrow until Cheshire East Borough Council and Cheshire West and Chester Borough Council come into existence on 1 April 2009.

Signed by
LISA QUINN
duly authorised for
and on behalf of Cheshire East Borough Council
in the presence of

Solicitor
Eversheds
Eversheds House, Manchester

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