

FINANCE PROCEDURE RULES

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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. All decision makers need to ensure that they are not only empowered under the Constitution to make every decision that they propose to make, but that they are also authorised under these Rules to incur the financial consequences of every decision that they make.
- 2 The Rules identify the financial responsibilities of the full Council, Cabinet, Overview and Scrutiny Members, statutory officers and the Corporate Leadership Team.
- 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 Chief Operating Officer 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 Chief Operating Officer is also responsible for reporting, where appropriate, breaches of the Finance and Contract Procedure Rules to Audit & Governance Committee.
- 5 Corporate Leadership 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 and this Constitution. 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 Chief Operating Officer, 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.
- 7 The Rules are not intended to cover every eventuality, but the spirit of the Rules must always be followed. Where there is any uncertainty in matters of interpretation, advice should be sought from the Chief Operating Officer before decisions or actions are taken.

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 Leadership Team

Other financial accountabilities:

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

The Full Council

A.1 The responsibilities of the full Council are set out in Part 2 and Part 3 of the Constitution. In respect of financial matters, this includes approving the Policy Framework and Budget within which the Cabinet operates. The Council has established an Executive Monitoring Board which provides oversight and assurance for the Council on all project based activity with a strong focus on areas of major change the most significant risk and/or high financial values (including those of any strategic partners the Council is working with).

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 2 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.
- 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 and that they have authority to incur the financial consequences of that decision.

Committees

Overview and Scrutiny Committees

A.6 Overview and Scrutiny Committees are responsible for discharging the Council's functions under Section 9F to 9FI of the Local Government Act 2000, including:

- 🔑 scrutinising Cabinet decisions before or after they have been implemented;
- 🔑 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 necessary to effectively discharge its responsibilities 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 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.
- 🔑 Promoting and maintaining high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council

Statutory Officers

A.9 Chief Officers

Chief Officers are the Chief Executive or any Director of the Council to whom there has been specific delegation in writing by the Council or the Chief Executive.

In accordance with the management structure of the Council, Chief Officers will be referred to as follows:

- Tier 1: Chief Executive (Head of Paid Service)
- Tier 2: Direct reports to Tier 1
- Tier 3: Direct reports to Tier 2

A.10 Head of Paid Service (Chief Executive)

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 (Director of Legal Services)

A.12 The Director of Legal Services 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. This includes reporting, in consultation with the Chief Executive and Chief Operating Officer 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 by Cabinet.

A.13 The Director of Legal Services 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 Director of Legal Services is responsible for advising all Members and officers about who has authority to take a particular decision.

A.15 The Director of Legal 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 Policy Framework.

A.16 The Director of Legal Services (together with the Chief Operating Officer) is responsible for advising the Cabinet or full Council about whether a decision is likely to be considered contrary to 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 that cannot be contained within existing budgets;
- 🔑 committing expenditure in future years that exceeds Medium Term Financial Plan assumptions;
- 🔑 agreeing budget transfers that exceed approved 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 Chief Operating Officer or their representative).

A.17 The Director of Legal Services is responsible for maintaining an up-to-

date Constitution.

Responsible Financial Officer (Section 151 Officer)

A.18 The Chief Operating Officer 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 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 Chief Operating Officer 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 Leadership 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 Chief Operating Officer 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 Chief Operating Officer 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 Head of Finance and Performance.
- 🔑 the Authority to provide the Chief Operating Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

Money Laundering Reporting Officer

- A.21** The Chief Operating Officer 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 Portfolio Holder for Finance and Communications will be kept informed of any notifications to SOCA and of any issues arising from them.

Corporate Leadership Team

- A.23** The officer management arrangements for the Council are overseen by a Corporate Leadership Team comprising the Chief Executive, Chief Operating Officer, Executive Director of People, Strategic Director of Adult Services, Executive Director of Place, and Director of Legal Services. Each member of the Corporate Leadership 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 Leadership 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 Leadership 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.

Schemes of Financial Delegation

- A.26** Corporate Leadership Team members will establish, operate and keep under review Local Schemes of Delegation, in consultation with the Chief Operating Officer, 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.
- Expenditure is contained within the service's overall approved budget and that individual budget heads are not overspent, by monitoring the budget and taking appropriate and timely corrective action where significant variances are forecast and if necessary, seeking specific in year approval for the transfer of resources between budgets.
- Regular reports in an approved format are made to Cabinet on projected expenditure against budget and performance against service outcome targets set out in the business plan.
- Prior approval is sought at the appropriate level for new proposals that create financial commitments in future years, change existing policies, initiate new policies or materially extend or reduce the council's services.
- Resources are only used for the purposes for which they were intended.
- Compliance with the scheme of virement set out at A28 to A32 below.
- 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 Chief Operating Officer and Director of Legal Services , 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 Leadership 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 the addition of new monies.
- A.29** The Scheme of Virement is intended to enable the Cabinet, Corporate Leadership 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 limits for virement of expenditure between budget headings.
- A.31** Corporate Leadership Team are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Operating Officer where required.

Key controls for the scheme of virement are:

(a) It is administered by the Chief Operating Officer within guidelines set by the full Council. Any departure 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 Leadership 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.

(c) 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.

(d) Virement does not create additional overall budget liability.

(e) No virements are permitted from ring fenced budgets.

(f) Some revenue virements are essentially of an administrative nature, for example, implementation of restructuring and reorganisation proposals that have already received the appropriate level of officer and member approval; routine changes to the structure of the chart of accounts; changes to notional accounting budgets which are required for reporting purposes but which do not impact on the Councils cash expenditure. Where the virement is of an administrative nature, Member approval is not required and approval limits will be based on the Scheme of Delegation. Administrative virements that exceed these

limits will be approved by the Chief Operating Officer.

(g) Corporate Leadership 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 Leadership Team must plan to fund such commitments from within their own budgets.

A.32

Approval limits for virements are as follows:

| Approval Level | Virement Amount/Percentage |
|--|--|
| Head of Service | Up to £100,000 (Revenue) |
| Corporate Leadership Team (Relevant Executive Director) | From £100,000 to £500,000 between net Service budgets (Revenue) within their area of responsibility. From £100,000 to £1,000,000 funded from underspends within the approved Service budget (Capital) |
| Corporate Leadership Team (Relevant Executive Director) in consultation with Finance & Communications Portfolio Holder and relevant Portfolio Holder | £100,000 and up to £250,000 (Revenue/Capital) £500,000 - £1m (Revenue) £1m - £5m (Capital) |
| Cabinet (where virement is within budget and policy framework) | £1m+ (Revenue) £5m+ (Capital) |
| Council (where virement is outside the budget and policy framework) | £1m+ (Revenue) £5m+ (Capital) |

Supplementary Revenue Estimates

A.33

Where services wish to undertake an activity not originally identified in the budget or incur additional revenue expenditure on an existing activity where this is fully funded (for example through additional specific grant allocations), approval must be sought for a supplementary revenue estimate in accordance with A34 below. The

Chief Operating Officer must be consulted to establish that the funding identified can be legitimately linked to the expenditure in question.

A.34

Approval limits for fully funded supplementary revenue estimates are as follows:

| Approval Level | Supplementary Estimate Amount |
|---|---------------------------------------|
| Corporate Leadership Team (Relevant Executive Director) | Up to £100,000 |
| Corporate Leadership Team (Relevant Executive Director) in consultation with the Portfolio | £100,000 and up to £250,000 |
| Holder for Finance and Communications | |
| Portfolio Holders and (Relevant Executive Director) in consultation Portfolio Holder for Finance and Communications | Between £250,000 and up to £500,000 |
| Cabinet | Between £500,000 and up to £1,000,000 |
| Council with recommendation from Cabinet | £1,000,000 and over |

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A.35

Approval limits for supplementary revenue estimates which are to be funded from earmarked reserves or contingencies are as follows:

| Approval Level | Supplementary Estimate Amount |
|--|---|
| Chief Operating Officer | From earmarked reserves - Up to £250,000 From contingencies – Up to £500,000 |
| Chief Operating Officer in consultation with the Portfolio | From earmarked reserves - Between £250,000 and £500,000 From contingencies – Between £500,000 and £1,000,000 |

| | |
|--|--|
| Holder for Finance and Communications | |
| Cabinet | From earmarked reserves - Between £500,000 and £1,000,000 From contingencies – Over £1,000,000. |
| Council with recommendation from Cabinet | From earmarked reserves - £1,000,000 and over |

A.36 Supplementary revenue estimates which are to be funded wholly or in part from general reserves or general purpose funding (i.e. Council tax or non-ring fenced grant) must be approved by Council.

Supplementary Capital Estimates

A.37 Supplementary capital estimates which are fully funded from external resources (e.g., specific grant; developer's contributions) must be approved in accordance with A38 below.

A.38 Capital budget increases funded wholly or in part from additional Council resources such as capital reserves, borrowing and capital receipts, **regardless of value**, must be approved by Council. Council approval is also required where there are significant revenue implications for future year's budgets.

Approval limits for supplementary capital estimates are as follows:

| Approval Level | Supplementary Estimate Amount |
|---|---------------------------------------|
| Corporate Leadership Team | Up to £100,000 |
| Corporate Leadership Team in consultation with the Portfolio | £100,000 and up to £250,000 |
| Holder for Finance and Communications | |
| Portfolio Holders and Corporate Leadership Team in consultation Portfolio Holder for Finance and Communications | Between £250,000 and up to £500,000 |
| Cabinet | Between £500,000 and up to £1,000,000 |
| Council with recommendation from Cabinet | £1,000,000 and over |

Treatment of Year End Balances

- A.39** The full Council is responsible for agreeing procedures for carrying forward under- and overspendings on budget headings.
- A.40** 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.41** Any residual overspending on a Service budget may be carried forward as the first call on the following year's budget.
- A.42** Any revenue underspending at the year-end may be carried forward, subject to the agreement of the Cabinet, and on the advice of the Portfolio Holder for Finance and Communications. All carry forward 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 and appropriate purpose. Corporate Leadership Team should include provisional indications of likely carry forward requests in their reports on the mid-year and three-quarter review of performance. Before approval is sought for a carry forward, Corporate Leadership Team should ensure that there are no unfunded overspends within their directorate. It is extremely unlikely that proposed carry forwards for a service will be approved if there are unfunded overspends elsewhere within the directorate.
- A.43** 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, be carried forward subject to consideration by the Portfolio Holder for Finance and Communications. 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

The Chief Operating Officer is responsible for selecting appropriate accounting policies and ensuring that they are applied consistently; exercising oversight of financial and accounting records and systems; and preparing and publishing reports containing statements on the overall finances of the Council including the annual statement of accounts.

- A.44** 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.45 The Chief Operating Officer 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.46 Corporate Leadership Team are responsible for ensuring that staff in their directorates are aware of and adhere to the accounting policies, procedures and guidelines set by the Chief Operating Officer .

Accounting Records and Returns

A.47 The Chief Operating Officer is responsible for determining the accounting procedures and records for the Council.

A.48 All accounting procedures will be approved by the Chief Operating Officer

A.49 All accounts and accounting records will be compiled by the Chief Operating Officer or under his/her direction. The form and content of records maintained in other directorates will be approved by the Chief Operating Officer.

A.50 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.51 The Chief Operating Officer 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* (CIPFA/LASAAC) and signing them in accordance with the Accounts and Audit Regulation 2015. Approval of the statutory accounts has been delegated by Council to the Audit and Governance Committee.

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| B | Financial Planning |
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Why is this important?

The full Council is responsible for agreeing the Council'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 Programme - 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

- 🔗 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

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 Chief Operating Officer 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 Leadership 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 Chief Operating Officer.
- B.6** The Cabinet, advised by the Chief Operating Officer, Corporate Leadership 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 will be determined by Council.

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 Chief Operating Officer. The draft budget will 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 Chief Operating Officer 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 Chief Operating Officer as soon as possible following approval by the full Council.
- B.12** It is the responsibility of Corporate Leadership Team to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with any guidance or directions that may be issued by the Cabinet.
- B.13** The Cabinet will then submit a 'final budget' to the full Council for approval.
- B.14** The Chief Operating Officer is responsible for reporting to the full Council on the robustness of estimates contained within the budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.
- B.15** The Council shall not approve amendments to either revenue or capital budgets without first having considered the advice of the Cabinet and the Chief Operating Officer on the financial implications arising.

Monitoring and Control

- B.16** The Chief Operating Officer 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 Leadership Team to control income and expenditure within their area and to monitor performance, taking account of financial information and guidance provided by the Chief Operating Officer. 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 Chief Operating Officer to any potential overspending or under-achievement of income budgets in a timely manner.

B.18 The Chief Operating Officer 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.

(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 Leadership 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 approved budget, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate and timely 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 regular reports on the service's projected expenditure compared with its budget, in consultation with the Chief Operating Officer.

(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
- ✎ 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 Leadership Team member any budget proposal, (including a virement proposal) which impacts their respective service areas, after having consulted with the Chief Operating Officer and the Finance & Communications 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
- 👉 Capital expenditure
- 👉 Capital financing requirement
- 👉 External debt

B.22 The Chief Operating Officer 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 Chief Operating Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's Policy Framework.

B.24 The Chief Operating Officer 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 Leadership 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 Approvals

Capital Expenditure

- B.26** Capital expenditure is broadly defined as expenditure on the acquisition of a tangible asset, or expenditure which enhances (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 £250,000 and above will be treated as separate schemes or provisions. The Council has established a Project Gateway process to provide a strong quality assurance model for major Projects and Programmes which underpins these rules.

- B.28** A Business Case, in a format agreed by the Chief Operating Officer, must be prepared for all capital proposals, 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. The Business Case format will be proportionate to the value and level of risk. Where there is a greater risk further detail in the Business Case may also be required, in a format agreed by the Chief Operating Officer. Officers must comply with the Project Gateway Process as determined by the Chief Operating Officer which is subject to review by the Executive Monitoring Board.

- B.29** A Business Case, must also be prepared for all revenue proposals with a significant financial impact, risk profile or policy change, as defined by the Chief Operating Officer. The template, in a form agreed by the Chief Operating Officer, must include an assessment of the Service consequences, risk and impact on users, and include any differential impact on particular groups or localities. The Project Gateway process applies to these proposals in the same way as set out in B28 above.

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 periodically reviewed.

- 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 may be approved within the Capital Programme for individual schemes costing less than £250,000. A detailed breakdown of the expenditure proposed must be submitted as part of the policy and planning process.
- 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 Chief Operating Officer 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 template where necessary.

Capital Monitoring and Amendments to the Capital Programme

- B.34** Any 'in year' approval sought for capital schemes, must be supported by a completed, detailed Business Case template, in the format prescribed by the Chief Operating Officer, which has been considered by the Technical Enabler Group prior to submission through the appropriate decision making route.
- B.35** Once the Capital Programme has been approved, Project managers must produce a more detailed Business Case and appropriate Project Initiation Document (PID) as required outlining in more detail how the Project or Programme will be delivered which must be approved by the relevant SRO at a Project Board. Where project outcomes or costs alter significantly from those set out in the original Business Case a revised and updated Business Case must be completed and submitted to the relevant Project Board. This process is subject to Executive Monitoring Board oversight and assurance. In the event that the Executive Monitoring Board reviews a particular Project and considers that it is not being managed effectively or has become unviable the Portfolio Holder for Finance and Communications is authorised, in consultation with the Leader of the Council, the Portfolio Holder for Corporate Policy and Legal Services and the relevant Portfolio holder for the Project to recommend remedial action or, in exceptional circumstances, the abandonment of the Project or Programme through the appropriate decision making route.
- B.36** The capital programme will distinguish between committed expenditure from schemes already approved, recurring programmes and new proposals, both medium and longer term.
- B.37** Where budget provision is included for feasibility work and option

development in the capital programme and subsequently the scheme does not progress the expenditure incurred will be charged to revenue.

B.38 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
- 🔑 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 Head of Finance and Performance.

B.39 In addition, Heads of Service may authorise essential design work required in advance of the start of the financial year on capital schemes which are in the programme approved by Council in February.

B.40 Council will approve the reprofiling of spend on approved capital schemes across financial years. Council will approve the carry forward of slippage/accelerated spend into future financial years.

Capital Receipts

B.41 The Chief Operating Officer must be informed of all proposed sales of land and buildings so that the effect on financial and property management can be assessed.

B.42 On the advice of the Chief Operating Officer, the Council will determine how capital receipts will be applied when setting the annual revenue and capital budget.

Leasing and Rental Agreements

B.43 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 must be obtained from the Chief Operating Officer on general leasing arrangements and on whether the lease is a finance or operating lease. Chief Operating Officer approval must be obtained for all agreements which may involve a leasing charge.

B.44 Leases relating to land or property also require the approval of the Chief Operating Officer. Only the Director of Legal Services or his/her authorised deputies, or persons specifically authorised by the Service Scheme of Financial Delegation, may sign such agreements.

Maintenance of Reserves

B.45 It is the responsibility of the Chief Operating Officer to advise the Cabinet and/or the full Council on prudent levels of reserves for the Council.

B.46 The key controls are:

- 🔑 Professional standards as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom*: 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.47 The Chief Operating Officer is responsible for:

- 🔑 Advising the Cabinet and/or the full Council on prudent levels of reserves for the Council, having due regard to any advice that may be offered by the Council's external auditor in this matter.

B.48 Corporate Leadership Team are responsible for:

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

Reporting

B.49 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 Chief Operating Officer 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.50 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 Chief Operating Officer before it can be included in the Capital Programme.
- ☞ Quarterly reviews of revenue and capital expenditure.
- ☞ Final outturn reports for both revenue and capital expenditure, including full post-implementation review, on all major capital 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.51 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, supplementary capital estimates 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

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 Corporate Manager Governance and Audit is responsible for preparing the Council's risk management policy statement and for promoting it throughout the Council.

Insurance

- C.3** The Chief Operating Officer will maintain and administer the Council's insurances. The Chief Operating Officer is responsible for authorising the settlement or repudiation of insurance claims and associated costs acting on advice from the Council's solicitors, insurers, and claim handlers.
- C.4** Corporate Leadership Team and Heads of Service are responsible for informing the Chief Operating Officer 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 Chief Operating Officer.
- C.6** Corporate Leadership 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 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 Corporate Manager Governance and Audit develops the strategy and supporting framework on behalf of the Corporate Leadership 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 Corporate Risk Register.
- C.10** Corporate Leadership 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 Corporate Manager Governance and Audit.

- 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.
- 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 Corporate Manager Governance and Audit 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 Leadership Team and to the Audit and Governance Committee in accordance with the budget reporting cycle.

Business Continuity

- C.17** The Civil Contingencies Act 2004 places a statutory requirement for Local Authorities to maintain plans for the continuation of services in the event of an emergency, so far as is reasonably practicable. Services are expected to have arrangements in place to ensure the effective identification, evaluation and management of business critical services. Further guidance is available on Centranet and from the Corporate Manager Governance and Audit.

Internal Controls

- C.18** 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.19** The Chief Operating Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.20** It is the responsibility of Corporate Leadership 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.21** The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit Regulations 2015 more specifically require that a "relevant authority must ensure that it has a

sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.

- C.22** The Public Sector Internal Audit Standards define internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- C.23** The Council’s Internal Audit function delivers this function within the Council and 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.24** 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.25** To contribute to the production of the Annual Governance Statement, the Corporate Manager Governance and Audit, 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.26** The Corporate Manager Governance and Audit 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.27** Audit staff will have, in accordance with the Accounts and Audit Regulations, and with strict accountability for confidentiality, and safeguarding records and information, full, free and unrestricted access to any and all of the Council’s premises, personnel, assets, records and third party fund transactions pertinent to carrying out any engagement, including those of the Council’s alternative service delivery vehicles. These rights of access should be documented in the management agreement.

With regards to organisations participating in partnering arrangements, Internal Audit staff shall have such access to the premises, personnel assets and records of the partner as is necessary for the purposes of the

partnering arrangement, as detailed in Procedure Rule E.15. Partners will be required to grant reasonable access when requested 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.28** 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.29** The Local Audit and Accountability Act 2014 established new arrangements for the audit and accountability of relevant authorities. Under these new arrangements the Council has opted for its external auditors to be appointed by the Public Sector Audit Appointments Limited (PSAA), an independent company established by the LGA for this purpose.
- C.30** 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.31** The Chief Operating Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.
- C.32** The Council has an approved Anti Fraud and Corruption Policy which places responsibility for preventing fraudulent activity 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 Corporate Manager Governance and Audit Manager, in conjunction with other officers detailed in the Council's Anti Fraud and Corruption Strategy.
- C.33** In line with the Anti Fraud and Corruption Strategy the Monitoring Officer will, in consultation with the appropriate Corporate Leadership Team member and Corporate Manager Governance and Audit, decide whether any matter under investigation should be recommended for referral to the Police or the appropriate enforcement agency. The Council's External Auditor also has powers to independently investigate fraud and corruption.

Assets

- C.34** 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.35** Corporate Leadership Team and Heads of Service are responsible for 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. Information Assets should be recognised in line with the Council's guidance and recorded in the Information Asset Register.
- C.36** 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.37** Heads of Service are responsible for ensuring that all computer software used is properly licensed.
- C.38** Corporate Leadership 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.38** 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.

In this way the Corporate Landlord approach :

- C.39**
- 👉 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.40** Individual services are occupiers of land and property for the purposes of 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 occupier's 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.41** The Corporate Landlord's responsibility extends to the acquisition, development and disposal of land and property. This means that the Corporate Landlord is responsible for asset review, feasibility and options appraisal across all services.
- C.42** All property acquisitions, lettings and disposals must first be discussed with the Executive Director Place. 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 Chief Operating Officer and the Executive Director Place where this arises.

Inventories

- C.43** 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.44** 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.45** 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.46** Cash held on any Council premises should be held securely, and should not exceed any sums for which the Council is insured. If retention of cash on site is unavoidable in exceptional circumstances, the Head of Service is responsible for making appropriate security arrangements. All cash should be banked as quickly as possible.

Asset disposal/Write-off

- C.47** The Chief Operating Officer 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 Portfolio Holder for Finance and Communications. Any write off which arises as a result of theft or fraud must be notified to the Corporate Manager Governance and Audit immediately.

Treasury Management

- C.48** The Council has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities*.
- C.49** 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 Chief Operating Officer has delegated responsibility for implementing and monitoring the statement.
- C.50** All money in the hands of the Council is controlled by the Chief Operating Officer as designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the finance director.
- C.51** The Chief Operating Officer is responsible for proposing to the Cabinet a treasury management strategy for the coming financial year at or before the start of each financial year.
- C.52** All Cabinet decisions on borrowing, investment or financing shall be delegated to the Chief Operating Officer, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Local Authorities*.
- C.53** The Chief Operating Officer 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.

Banking

- C.54** It is the responsibility of the Chief Operating Officer to operate such bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Chief Operating Officer.

Investments and Borrowings

- C.55** It is the responsibility of the Chief Operating Officer 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.56 It is the responsibility of the Chief Operating Officer 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 Chief Operating Officer , unless the deed otherwise provides.
- ☞ To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Operating Officer, 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.57 Corporate Leadership Team and Heads of Service are responsible, in consultation with the Head of Strategic Human Resources, for providing accurate and appropriate information and instructions to the Employee Service Centre 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 will advise the Employee Service Centre of relevant changes in respect of employee's pensions. The Employee Service Centre manager will make arrangements for payment to the appropriate bodies, of all statutory, including taxation, and other payroll deductions.

C.58 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 Employee Service Centre 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 Leadership Team and Heads of Service and included in the service Scheme of Financial Delegation notified to the Chief Operating Officer.

C.59 The Head of Strategic Human Resources 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.60** 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 Chief Operating Officer and the Head of Strategic Human Resources. The Portfolio Holder and Portfolio Holder for Finance and Communications shall be consulted for proposals relating to SM1 and above.
- C.61** The Chief Executive or Chief Operating Officer must approve all requests up to £100,000 including pension strain. All requests in excess of £100,000 including pension strain must be approved by the Staffing Committee.
- C.62** 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 Chief Operating Officer and the Head of Strategic Human Resources.

Travelling and Subsistence

- C.63** Heads of Service are responsible for instructing the Head of Strategic Human Resources 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.64** 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.65** All claims for reimbursement must be made using appropriate official claim forms, always using electronic processing where available.

Further guidance is available via the Centranet>Working for us>Pay and Expenses

Code of Conduct

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.66** Where an outside organisation wishes to sponsor or is asked to sponsor a Council 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.

Further guidance is available via the [Centranet>Working for us>Performance and Conduct](#)

Third Party Funds

- C.67** 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.68** Officers maintaining Third Party Funds are responsible for informing the Corporate Manager Governance and Audit of their nature and purpose.
- C.69** Money or goods belonging to the Third Party Fund must be kept completely separate from other money or goods belonging to the Council. Similarly, completely separate records must be kept of the money or goods involved.
- C.70** 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 Corporate Manager Governance and Audit 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.71** Corporate Leadership Team are responsible for ensuring that any Third Party Funds controlled by Council staff are:-
- 🔗 formally declared to the Corporate Manager Governance and Audit 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.72** The Returning Officer will be responsible for maintaining complete and accurate records and for reconciliation with regard to elections accounts.

Retention of Records

- C.73** 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.74** 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.75** 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. Guidance on the appropriate retention period is given in the Council's Retention Policy and its Information Asset Register.

| | |
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| D | Financial Systems and Procedures |
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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 - Charging for 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

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 Chief Operating Officer. No bank accounts may be opened or arrangements made with any other bank except by agreement with the Chief Operating Officer .
- D.4** Bank transfers from the General Fund and subsidiary accounts must be authorised by the Chief Operating Officer, or those officers authorised to sign through the agreed Scheme of Financial Delegation or in accordance with the Treasury Management Practice Statements.
- D.5** Cheques drawn must bear the mechanically impressed signature of the Chief Operating Officer or be signed by the Chief Operating Officer or other officer authorised to sign through the agreed Scheme of Financial Delegation.

Income

Generating Income

- D.6** The Chief Operating Officer is responsible for developing and maintaining standards, procedures, systems and reports to facilitate the effective and efficient identification, collection, receipting, banking and recovery of income due to the Council in accordance with current relevant UK legislation.

Corporate Leadership 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 Chief Operating Officer.

- D.7** **Charging for Income**

Corporate Leadership Team, in consultation with the relevant Portfolio Holder, shall determine the level of fees or charges payable in respect of any chargeable goods or services supplied, work undertaken or the loan or use of plant, equipment or machinery.

D.8 Charges must be reviewed annually in the light of all relevant information, to the service area, including consideration of appropriate inflation factors.

D.9 Collection of Income

The Council operates a Sundry Debt Collection policy to secure invoiced sundry debt income for the provision of services. All debt owing to the Council must be collected promptly, effectively, efficiently and economically, while ensuring fair treatment of those that owe money, including consideration of any financial difficulties.

D.10 Council officers must comply with guidelines issued by the Chief Operating Officer for the safe and efficient collection and recording of all money due to the Council.

D.11 Corporate Leadership 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 Chief Operating Officer . These must include VAT where appropriate.

D.12 The cost of collection should be taken into account when raising accounts. Corporate Leadership Team must ensure that the method of collection is the most cost effective relative to the value of the transaction.

D.13 Payment shall be collected before the service or goods are provided unless explicitly agreed or stated otherwise in the fees and charges register.

D.14 Corporate Leadership 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 the minimum of delay. The frequency of banking should follow guidelines provided by the Chief Operating Officer Services should avoid incurring disproportionate banking charges on relatively low value transactions, taking into account local security arrangements.

D.15 Corporate Leadership 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.16 The Chief Operating Officer will monitor compliance with Finance Procedure Rules D.14 and D15 and may, in circumstances where

avoidable adverse cash flow has resulted, determine an appropriate interest charge against Service budgets.

D.17 Credit notes must be authorised by appropriate officers nominated in the local Scheme of Financial Delegation.

D.18 Any receipts, tickets or other documents used as receipts should be in a format agreed by the Chief Operating Officer. 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.19 Bad debts may be written off by Authorised Officers as contained in the Scheme of Financial delegation in consultation with the Chief Operating Officer, Director of Legal Services, the Portfolio Holder for Finance and Communications and the relevant Portfolio Holder.

D.20 Corporate Leadership 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.21 Corporate Leadership Team and Heads of Service are responsible for providing all appropriate information and instructions to Transactional Services to allow for prompt and accurate payment for goods and services provided and for the analysis of expenditure.

D.22 Except for purchases by visa purchase card, all purchases must be supported by an official requisition and purchase order unless previously agreed with the Procurement Manager. All purchases must have regard to these Finance Procedure Rules.

D.23 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.24 Where a requisition for the purchase of goods or services exceeds £5,000 in value Contract Procedure rules Part 2.1 apply.

D.25 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 a link to the standard terms and conditions for the goods and services to be provided.

- D.26** 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.27** 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.28** All purchasing activity must be carried out in accordance with the Council's Procurement Strategy & Contract Procedure Rules 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.29** Approval of the Procurement Manager 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.30** Heads of Service must consult the Chief Operating Officer on appropriate arrangements for purchases of goods and services which cannot be accommodated within standard ordering and payment processes.

Payment of Invoices

- D.31** All invoices must be sent directly by the creditor to the address stated on the official purchase order to enable prompt payment.
- D.32** 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.33** Invoices received without a valid purchase order number will be returned to the creditor as unauthorised for payment.
- D.34** 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 Procurement Manager. 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.
- D.35** Payment will only be made for goods and services which have been formally receipted in accordance with receipting procedures set out by the Chief Operating Officer.

D.36 All purchasing activity must be carried out in accordance with the Council's Procurement Strategy & Contract Procedure Rules and any advice or guidance that may be issued from time to time by the Procurement Manager regarding the 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.37 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 Procurement Manager.

D.38 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.39 Appropriately authorised requests for payment will be processed and paid by BACS. Cheques will only be used in exceptional cases and by prior agreement.

D.40 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 Procurement Manager, other alternative options which may be more appropriate. For the full list of exceptional payment types check the guidance available via the Centranet>Tasks and Tools>Buying Products and Services>Procurement>Payment Methods

D.41 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.42 Purchase Cards are an effective method of payment for goods and services of low value and for one off purchases. Heads of Service are responsible for the appropriate deployment and management of VISA purchase cards within their service in accordance with the financial scheme of delegation.

Further guidance is available via the Centranet> Tasks and Tools>Buying Products and Services> Procurement>Purchase Cards

Imprest Accounts

D.43 Imprest accounts may only be used as alternatives to purchase orders and VISA purchase cards by prior consent and in accordance with specific

guidance and instructions issued by the Procurement Manager.

D.44 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.45 Local arrangements may not be used in any circumstances to circumvent either the Council's Corporate Procurement Strategy & Contract Procedure Rules 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.46 The Chief Operating Officer is responsible for paying all allowances to Members.

D.47 The Chief Operating Officer will make payments to any Members entitled to claim allowances on receipt of the proper form, completed and certified in accordance with the approved scheme for allowances.

Taxation

D.48 It is the responsibility of the Chief Operating Officer, in conjunction with Transactional Services to:

- ✎ To complete all Inland Revenue returns regarding PAYE.
- ✎ To complete a monthly return of VAT inputs and outputs to HM 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.49 It is the responsibility of Corporate Leadership 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 Chief Operating Officer.

Trading Accounts and Business Units

D.50 As a general rule, 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. It is the responsibility of the Chief Operating Officer to advise on the establishment and operation of trading accounts and business units.

D.51 It is the responsibility of Corporate Leadership Team to:

- ☞ To consult with the Chief Operating Officer and Director of Legal Services 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.
- ☞ 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.

Alternative Service Delivery Vehicles

D.52 The Council has moved to a commissioning model and the creation of a series of alternative service delivery vehicles (ASDV's) forms an essential part of this strategy.

A framework has been developed to enable the Council to set up a series of new delivery vehicles in a way which enables the risks to be managed thoroughly and effectively. The aim of the framework is to ensure that all vehicles are given the best chance of succeeding, whilst safeguarding the interests of local tax payers.

The framework covers the approach to the key issues including: Strategic - The formation of new vehicles will drive the Council's

Plan. The strategic direction and agreed priorities of new vehicles and the Council will align with each other.

Financial

- The creation of several new vehicles will ensure that the overall financial position of the Council is improved. Where ever possible, new vehicles will offer more for less and reduce their call on funding from the Council.

Innovation

- New vehicles will contribute to the economic growth and prosperity of Cheshire East. They will promote a culture of enterprise and help create local jobs.

Governance and Control

- The decision making process undertaken by new vehicles will be accountable to the Council and protect the public of Cheshire East.

Performance

- New vehicles will deliver or improve on the standards of service specified by the Council. Where ever possible vehicles will promote self reliance and focus on meeting need over want.

Staff

- Staff employed by new vehicles will be motivated and encouraged to be entrepreneurial.

Competition and Procurement

- New vehicles will be competitive and offer improved Value for Money for the public.

The complete framework document is available on the Cheshire East website.

The wholly owned companies currently operate within the Financial Procedure Rules of Cheshire East Council, it is within the responsibility of the companies to determine if this approach is to be continued.

E External Arrangements

Why is this important?

The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.

What's covered in this Section?

- 👉 Partnerships and Jointly Funded Projects
- 👉 Support to Other Organisations

Partnerships and Jointly Funded Projects

- E.1** The Council is involved in a wide range of different 'Partnership' arrangements involving joint/external funding. The main reasons for this are:
- 👉 The ability to provide new and better ways of delivering services.
 - 👉 The ability to access new resources
 - 👉 The desire to find new ways to share risk
 - 👉 The ability to forge new relationships
- E.2** The Cabinet will agree periodically a policy in respect of joint/external funding, which will establish the general framework within which proposals and bids should be developed. Any financial impact falling on the Council through such an arrangement should be met through existing budgetary resources without any overspending resulting from the Council's involvement.
- E.3** Any partnership arrangement which involves the creation of, or participation in, separate legal entities such as joint ventures, trusts or limited companies requires the prior agreement of the Chief Operating Officer and the Director of Legal Services. Officers should also consider the need for a business case and compliance with the Project Gateway Process. Cabinet approval will also be required where any agreement requires the Council to act as guarantor for a third party or accountable body. **The creation of any new ASDVs will be in accordance with the ASDV Framework.**

Definitions

- E.4** 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.

- E.5** The nature and scope of Partnership arrangements can be very different. To define their roles in terms of these Rules the definitions listed below have been used. These definitions apply to all partnerships, whether the Council is contributing financially or not, including the use of fully funded grants or grants that have been earmarked for a specific purpose or are time limited.
- E.6** The Rules set out in this section deal with the approach to Partnerships. Detailed guidance can be obtained within the “Partnerships Protocol”.

Public/Public Partnerships

- E.7** Officers should consider whether the partnership is such that it establishes or implements a co-operation between the parties with the aim of ensuring that the public services they have to perform are provided with a view to achieving objectives they have in common as otherwise it may be that the Public Contracts Regulations 2015 apply and a call for partners should be advertised in accordance with the Contract Procedure Rules. Certain arrangements set out under E11 below are subject to public procurement legislation. Further advice should be sought from the CPU or Legal Services.

Defined as above as involvement with another public sector body or bodies or with the voluntary/not for profit sector. Within this category it is important to recognise that the Council can have a different role, outlined below, depending on the exact nature of the Partnership.

Contributing Partner

- E.8** Where the Council is contributing funding or other resources, to a wider partnership involving a partner or group of partners and where the ‘Accountable Body’ role is undertaken by another partner.

Lead Authority or Lead Partner

- E.9** Where the Council leads on behalf of the Partnership or consortium and is responsible for the wider management of the Partnership.

Accountable Body

- E.10** The Council may, in certain circumstances, need to act as the ‘Accountable Body’; even when the Council will not directly incur expenditure on behalf of the Partnership. The role assumes the responsibility for ‘looking after another parties monies’ and will require the

putting in place of appropriate and robust financial accounting and monitoring systems with the aim of safeguarding resources and minimising any risks and potential liabilities falling to the Council.

Public/Private Partnerships

- E.11** Defined as involvement with a private sector organisation or commercial enterprise, excluding those where a formal contract has been agreed when the Contract Procedure Rules will apply. Those contracts known as 'Partnering Contracts' and those funded by Private Finance Initiatives (PFIs) are not covered by this rule and fall under the Contract Procedure Rules.

Key Controls

- E.12** The key controls to be considered before the funding of partnerships or other joint projects is agreed consist of:
- 🔗 ensure that the key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
 - 🔗 ensure that funds are acquired only to meet the priorities, aims and objectives approved by the Council, and to add value to the services provided to the local community.
 - 🔗 ensure any finance (including any match funding), staffing, legal and audit requirements are given due consideration prior to entering into long term arrangements and that revenue budgets reflect these requirements.
 - 🔗 These arrangements should be documented in the form of a Business Case in the format prescribed by the Chief Operating Officer and be subject to the same Project Gateway process as all other Council proposals.

Further guidance can be found in the Partnerships Protocol.

Responsibilities of Officers

Chief Officers

- E.13** Chief Officers are responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts and that appropriate standards of probity, stewardship and best value are secured. This will include ensuring that all appropriate claims and returns are promptly and accurately submitted.
- E.14** Chief Officers are responsible for developing a policy framework for partnership working and joint funding, identifying key principles to ensure probity and value for money and obtaining the appropriate Member approval. The annual policy submission should identify any potential future partnerships and a risk assessment of the potential impact on services and

budgets that may arise.

Heads of Service

E.15 Before entering into any Partnership agreement involving joint funding, Heads of Service must consult the Director of Legal Services and the Chief Operating Officer, who will advise on the appropriate form of agreement or contract taking into account the nature and scale of the proposed arrangement and the extent of the legal and financial commitment involved. As a measure of good practice and as a minimum requirement, Heads of Service need to consider and apply all the following points, which are not exhaustive, to the agreement:

- 🔑 the overall purpose and objectives of the arrangement, including appropriate performance standards and output measures;
- 🔑 the constitutional and representational arrangements including procedures for decision making and the extent to which Cabinet powers and financial authority are to be delegated to individual officers;
- 🔑 the period of the agreement, exit strategies, notice and termination arrangements including redundancy costs and other potential liabilities on termination;
- 🔑 roles and responsibilities of the various parties including arrangements for banking, taxation and VAT matters, employment contracts, insurances and ownership of assets;
- 🔑 auditing and reporting requirements and the applicability of these Finance Procedure Rules, other Council Regulations and Codes of Conduct;
- 🔑 financial and non-financial contributions to be made by the respective parties and, where the arrangement is to extend beyond one year, the method for calculating and collecting payments in future years;
- 🔑 the named contact officer or project manager who will be responsible (within specified limits) for the Council's rights and obligations under the terms of the agreement and accountable for overall outcomes;
- 🔑 A clear exit strategy, for example, in terms of any residual ongoing costs;
- 🔑 Default procedures to be applied where the terms of the agreement are broken;
- 🔑 Arrangements for Internal Audit staff to have sufficient access to partner's premises, assets and records as is necessary for the purposes of the partnership;
- 🔑 As a measure of best practice, all partnership agreements should be subject to a complete review at least every four years.
- 🔑 Add to partnership section of contracts register held by the CPU

Approval Routes

- E.16** The Council's gross contributions to Partnerships may include capital and revenue expenditure, cash flow costs, support in kind (including staff time) and the cost of preparing and submitting bids. It is particularly important to identify support in kind, both to ensure that all such costs are recovered, where grant conditions allow, and to enable service and corporate managers to plan effectively. Capital funding must also meet the specific capital appraisal requirements as set out in Section B of these Rules.
- E.17** Following the officer consultation process and prior to entering into any agreement, appropriate Member approval, based on the Council's gross contribution over the life of the partnership,* should be sought by the Head of Service as listed below.

** For the purpose of this Rule the assumption is that a lifespan of no more than 4 years should be the norm, consistent with the Council's financial planning cycle.*

- E.18** The approval of partnership proposals will be subject to the same financial limits as other contractual arrangements:

Additional Funding Allocations or Policy Variations

- E.19** Partnerships often attract additional funding over and above their original levels of funding. If additional funding is made available which will result in the aggregate value remaining within the original approval limit then no further approval is required. Conversely if the additional funding increases the aggregate value to more than the original approval limit, then further approval is required in line with the routes identified in E.18 above. Where the additional funding constitutes a variation from the policy originally agreed by the Cabinet, then further approval from the Cabinet is required.
- E.20** If the contribution is to come from Council sources it will constitute a virement and Section B applies. Where the additional funding comes from an external source then approval for a fully funded supplementary estimate is required and Section B applies.

Bidding for grant funding

- E.21** In some circumstances there may be specific grant funds available, where these are aligned with the Council's priorities, accessed through some form of bidding process. Officers must seek the appropriate Member approval prior to any bid being submitted. Approval for 'in principle' Supplementary Revenue or Capital Estimates should be sought at the same time. Officers must ensure that they understand and are aware of the grant conditions attaching to any funding and consider whether the Council's processes and procedures are sufficient to comply with these conditions or whether more detailed processes need to be followed.

Reporting requirements

- E.22** Where the Council participates in any partnership or external funding arrangement either as a contributor or as an Accountable Body, an annual report must be presented to the appropriate Cabinet Member, outlining how sums have been used and the key outcomes and achievements. The report should also review the affordability and continued relevance of the arrangement to Service policies and objectives and seek appropriate Business Plan approval.
- E.23** Notwithstanding any statutory reporting requirement, the Head of Service will be required to provide, regular reports on progress and outcomes, financial and non-financial, for each significant partnership to the relevant Cabinet Member. Partnership projects should comply with the same regular reporting processes as other Council projects.

Support to Other Organisations

- E.24** The Cabinet Member for Finance and Communications will on a periodical basis, agree a policy setting down the approach to be taken to the allocation of grants, donations and other contributions to outside bodies, in consultation with the Chief Operating Officer and Head of Legal Services.
- E.25** Grants, donations and contributions will be paid by the Council in accordance with the policies determined under Finance Procedure Rule E.24 above, subject to there being adequate provision in service budgets and the appropriate approvals being sought.

| Approval level | Amount |
|-----------------------|---|
| Officers | Up to and including £50,000 (where grant is within approved grant policy) |
| Portfolio Holder | Between £50,000 and £100,000 (where grant is within approved grant policy)) |

| | |
|---------|---|
| Cabinet | All Grants of £100,000 or more. All grants which do not fall within existing approved grant policy require Cabinet Approval. |
|---------|---|

- E.26** The Grant Funding Protocol sets out further guidance on grant funding, consideration of state aid implications, the process for allocation and any conditions that should apply to any grant funding.
- E.27** Heads of Service will report on the outcomes achieved through the provision of support to outside bodies on an annual basis to the appropriate Member Group and Cabinet Member, with interim reporting on an exception basis or where the sums involved are significant.
- E.28** The rules in this section (E24- E28) and the Grant Funding Protocol shall not apply to grant funding arrangements relating to Capital Funding for School Places applied for by the Council on behalf of Academies, Foundation, Voluntary Aided and Free schools as these arrangements are delegated in the Constitution to the Executive Director People in accordance with the Council's educational functions under the Education Acts.

Annexe 1

Glossary of Terms/Definitions

Appropriation – Amounts transferred between the Revenue account and revenue or capital reserves.

Bad Debt - A debt becomes bad if it has not been collected within 6 months. Full provision for all bad debts has to be made within the revenue account, but the debt is still pursued until it is either recovered or written off as unrecoverable.

Balances (Revenue Account) - The accumulated surplus of income over expenditure. Members may agree that Balances be used to reduce future Council Tax precepts although a minimum level, consistent with prudence and best practice will be maintained. Amounts in excess of that required for day-to-day cash management and to finance working capital can be invested to generate interest income to the Council.

Block Provisions - Annual capital allocations made to cover minor schemes with starts values of less than £250,000.

Business Case Template – This is a proforma to be completed for all Capital schemes and all significant Revenue proposals. It will provide details on the expected outcomes falling from the proposed investment and identify how the proposal will meet corporate objectives.

Capital Approval - The capital programme provision as amended by any supplementary estimates or virements.

Capital Expenditure - Expenditure on the purchase, construction or replacement of capital (fixed) assets or expenditure which adds to the life or value of an existing fixed asset.

Capital Programme - The Council's plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, Highway Improvement schemes and design fees, and the acquisition of vehicles and major items of equipment.

Capital Project / Scheme - These terms mean the same thing and are used interchangeably within these Rules. A project/scheme may be separately identified in the capital programme or be an item within a block provision.

Capital Receipts - Income received from the sale of capital assets and available, subject to rules laid down by the Government, to finance new capital expenditure or to repay debt.

Carry-forward - An increase or reduction in a Service's new financial year budget, stemming from either an under or overspend in the previous year. All carry-forwards (except for Schools) need the approval of the Cabinet upon the

presentation of a business case.

Chief officers - Chief officers are the Chief Executive or any Director of the Council to whom there has been specific delegation in writing by the Council or the Chief Executive. Chief officers must operate efficient systems of financial control.

Contingencies - Sums set aside to meet either:

- the potential costs of activities expected to occur during the year over and above those costs included in Service budgets (pay and price contingency); or
- ☞ items which are difficult to predict in terms of financial impact or timing (contingency for uncertain items).

Contract - An agreement to supply goods, services or works for a price. A contract is normally in writing however a contractual arrangement may, inadvertently be entered into orally.

Contractor - Any person or organisation awarded a Contract. This includes any consultant appointed by the Council to advise on any project.

Corporate Procurement Unit (CPU) /Procurement – The corporate procurement unit is the department responsible for procurement activity within the Council.

Council Fund - The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in the year represents the excess of income over expenditure within the Consolidated Revenue Account. The level of balances held is based on the Council's assessment of the level of risk and uncertainty and the potential call on such reserves.

Debt Write-Off - Realising the cost of debt which is considered to be "bad" (unrecoverable) by writing it off against the revenue account or bad debt provision.

Earmarked Reserves – these reserves represent monies set aside that can only be used for a specific use or purpose.

Financial Schemes of Delegation – Financial Schemes of Delegation are the documents that set out, for each Service, all specific financial authorisations and approval limits as delegated by the Heads of Service to Authorised Officers within their Service. Heads of Service are responsible for maintaining up to date and accurate Financial Schemes of Delegation.

Financial Year - The Council's accounting period covers the 12 months from April 1 to March 31.

Forward Plan – as defined in the Constitution.

Internal Control - A procedural system designed to manage risk to an acceptable

level whereby different staff members perform different parts of a task, so that no one person is entirely responsible for processing a transaction from start to finish.

Key Decision - as defined in the Constitution.

Leases – Agreements covering the hire/rental of equipment or buildings, generally for a specified period of time and at a specified rate. There are two types of leases:

Operating Leases – where the risks and rewards of ownership remain with the lessor.

Finance Leases – most of the risks and rewards associated with ownership are transferred to the lessee (responsibility for maintenance, insurance etc will fall to the Council)

Option Appraisal/Business Case – This is required for all Capital schemes and all significant revenue proposals and takes the form of a Business Case Template. This will be used to assess whether the scheme is affordable and deliverable. Consequences to the Service are considered and evaluated and it will also provide a basis for monitoring and reporting progress. In the case of revenue proposals it will also take into account the risk and impact on users.

Policy and Expenditure Planning - The Council's annual cycle of planning for the medium and short-term future, aimed at achieving optimal allocation of available resources.

Policy and Expenditure Proposals - Proposals, including new policies, which have resource implications and will be subject to appraisal by Members, Management Board and consultees before inclusion in annual budget preparation.

Project Board – A group of senior officers, led by the Senior Responsible Owner (SRO) who are accountable for the success of a Project and represent specific business, user and supplier interests. More information on the make-up and operation of a Project Board can be found in the Project Management Handbook which is published and maintained by the Authority's Programme Management Office.

Project Gateway process – A series of control measures put in place to ensure that all projects are instigated, approved, managed and delivered effectively. The Project Gateway process is overseen by the Executive Monitoring Board and described in detail in the Project Management Handbook.

Provision - An amount set aside by the Authority for any liabilities of uncertain amount or timing that have been incurred.

The main category is estimates of liabilities or losses already incurred but whose exact amount will be determined in the future (e.g. bad debts, obsolete stock). See also Capital Provision and Provision for Doubtful Debt.

Provision for Doubtful Debt - An allocation of funds set aside from Service

revenue budgets to cover amounts which may not be recoverable from debtors.

Prudential Borrowing Limits – is the maximum amount of borrowing that the Council can enter into at any one point in time during the year. This limit is set by Council prior to the start of the year to which it relates and cannot be breached under any circumstances.

Revenue Account - The Account which sets out the Council's income and expenditure for the year for non-capital spending.

Revenue Expenditure - Spending on the day-to-day running expenses of the Council. It includes expenditure on employees, premises, transport and supplies and services.

Ring Fencing - Certain budgets agreed by the Borough Treasurer and Head of Assets are "ring-fenced". This means that under-spends on these budgets will return to balances and overspends will be met centrally. This is to reflect the fact that certain items of expenditure are either demand-led or so significantly influenced by extraneous factors that they are beyond the direct control of managers. Ring-fenced budgets include planning levies, external audit fees and election expenses.

Schemes of Delegation - Schemes of Delegation are the documents that set out, for each Service, all authorisations and approval limits as delegated by the Heads of Service to Authorised Officers within their Service. Heads of Service are responsible for maintaining up to date and accurate Schemes of Delegation. (See also: Financial Schemes of Delegation)

Service Plan - A plan which outlines measurable Service aims for the year ahead, encompassing both core purpose and specific key objectives for any given year. The Plan will consider both inputs and outputs.

"Starts value" - represents the full value of the Council's contribution to a Capital Scheme irrespective of the timing of the payments.

Supplementary Capital Estimate (SCE) - Additional resources approved by Members with funds either provided by a third-party (e.g. developer contributions, receipts, government grant), by the use of Council reserves or from the Revenue budget.

Supplementary Revenue Estimate (SRE) - An approved increase to a Service revenue budget during the financial year, funded centrally from reserves, contingencies or external funding sources such as grants or partner contributions.

Third Party Fund(s) - Funds provided by outside bodies or individuals in support of Council activities, establishments or clients. Can sometimes be known as trust funds.

Underspend - An underspend results when the net costs of a budget holder are

lower than the net budget for the year.

Virement - A Revenue virement is a transfer of amounts from one budget heading to another within, or between, Heads of Service. Capital virements cover any changes to Capital budgets funded from within the existing Capital programme.