

PART 4.9

FINANCIAL RULES

Introduction

- 4.9.1 These Financial Rules aim to provide guidance on what is expected from Elected Members, the Section 151 Officer, Directors, Service Managers and all other members of staff (Officers).
The Financial Rules form part of our Constitution, which sets out the political and administrative arrangements for the running of the Council.
- 4.9.2 Directors/Service Managers are responsible for ensuring all Officers in their service areas are aware of the existence and content of the Council's Financial Rules and other internal regulatory documents, and that they comply with them.
- 4.9.3 Directors/Service Managers must ensure that all Officers have appropriate training in their Directorate or service area to meet the obligations of Council rules and policies.
- 4.9.4 Members and Officers are expected to conform to these rules. They do not provide a complete list but define the way Members and Officers are expected to operate. They are in place to protect both the Council and its employees. It is important that Members and Officers conform to the spirit of the rules, not only the specific rule.
- 4.9.5 To support Officers further, the Financial Rules are supported by Practice Notes, which are not part of the Constitution. If you need further advice, talk to your Line Manager, Director or get in touch with the Accountancy Services Manager (Section 151).
- 4.9.6 A Director may delegate any of their powers but still retains overall responsibility for compliance with these Rules, and in accordance with the Officer Scheme of Delegation, which can be found in Part 3.4 of the Constitution.

Responsibilities of All Officers

- 4.9.7 Act to the highest standards of integrity, and exercise due care and attention when dealing with all aspects of the Council's finances.
- 4.9.8 Where Officers are unclear on any financial matter, they should seek advice from the Accountancy Team.
- 4.9.9 Conform to the Financial Rules. Any failure to conform to these Rules may be a disciplinary offence. If anyone is aware that these Financial Rules are not being followed, they should inform their manager or Accountancy Services Manager (Section 151).

- 4.9.10 Ensure the safety and security of assets and see that they are used in a legal and properly authorised manner. Assets retained by the Council must provide value for money (see Practice Note 1).
- 4.9.11 Inform the Procurement & Risk Services Manager and follow the whistleblowing procedures if there are reasons to suspect fraud or corruption (see Practice Note 2 - Fraud and Corruption).
- 4.9.12 Manage risks to the Council as part of day-to-day activities.
- 4.9.13 Officers when purchasing (ordering goods and services), should ensure:
- i) They have complied with and understood the Contract Procedure Rules
 - ii) Good practice as set in Practice Note 4 is followed
 - iii) Physical delivery of goods and services has taken place before receipting them on the financial system.
 - iv) An agreement to rent plant & equipment (lease) is not entered into without consulting with Accountancy Services Manager Section 151 officer.
 - v) Agreements to lease property (let out or rent) are not entered into without consulting with the Property Manager.
- Further content on ordering is included later in these Financial Rules.
- 4.9.14 Officers should not exceed the responsibilities and authority given to them by their Service Manager (and Director) and should conform to the Financial Rules and Contract Procedure Rules appropriate to those duties.

Service Managers

- 4.9.15 The following items (4.9.16 to 4.9.25) are the responsibility of Service Managers, reflecting the delegation of financial management to them by the Council. These financial responsibilities are a key part of their role and failure to meet these could result in disciplinary action.
- The responsibilities are explained under the following headings:
- 4.9.16 Financial Controls & Authorisation
 - 4.9.17 Ordering of Goods and Services. Including Procurement & Payments of Grants
 - 4.9.18 Income Collection
 - 4.9.19 Budget Management (preparation and monitoring of revenue and capital)
 - 4.9.20 Fees and Charges

- 4.9.21 Grant Income
- 4.9.22 Staffing Financial Matters (in the context of financial management)
- 4.9.23 Taxation (including VAT)
- 4.9.24 Risk Management
- 4.9.25 Internal and External Audit obligations

Service Managers should ensure Officers within their Service:

- Are aware of Financial Rules: Ensure all Officers (temporary and permanent) in their service are aware of and understand the Financial Rules to which they must conform to carry out their role. This includes complying with “Key Decision” requirements as set out in Article 14 of the Constitution and any Practice Note on the subject.
- Are available to attend Audit & Risk Committee meetings when asked to do so.

4.9.16 *Financial Controls & Authorisation*

4.9.16.1 Ensure that processes and controls are in place to make sure that the Council’s resources are properly applied. This includes responsibility for the prevention and detection of fraud and other illegal acts.

4.9.16.2 Ensure there is a clear and appropriate delegation of responsibilities and separation of duties in the service to reduce the risk of error and to prevent fraud, corruption, and collusion.

4.9.16.3 Ensure that authorisations within the ERP (i.e., Financial and HR systems) reflect the authority delegated to Officers.

4.9.16.4 Ensure Contract Procedure Rules are followed, and procurement guidance is sought from the Procurement Team.

4.9.17 *Ordering of Goods and Services, including Procurement & Payment of Grants*

4.9.17.1 Ensure there is an approved budget for all planned expenditure before ordering goods and services.

If insufficient budget is available to meet service obligations this should be discussed with the Accountancy Team. (See Appendix 1 to these rules - Virements and Supplementary Estimates).

4.9.17.2 The Financial system has appropriate workflow to control ordering of goods and services, but managers must ensure that operational

processes outside of the system are robust. For example, ensuring goods/services have been delivered before payment is made.

- 4.9.17.3 Ensure that the Contract Procedure Rules are followed, and Procurement team are notified of spend over £25k.
- 4.9.17.4 Foreign currency contracts or transactions must be agreed in advance with the Accountancy Services Manager (Section 151) (see Practice Note 7 - Contracts, External Partners and Third Party Working).
- 4.9.17.5 Act within the Practice Note 10 for Partnerships, where the Council is the lead authority for the partnership or holds the role of the partnership's treasurer.
- 4.9.17.6 Ensure that there are controls in place to prevent the loss or misuse of land, buildings, plant and equipment used by their Service (see Practice Note 1 – Assets).
- 4.9.17.7 Ensure the process for paying grants to the Third Sector (voluntary) organisations and other bodies are compliant with the standards of the Community Funding Scheme.
- 4.9.17.8 Ensure that leases for land, property, plant and/or equipment are not entered into without the authorisation of the Accountancy Services Manager (Section 151 officer).
- 4.9.17.9 Ensure that rental/lease agreements to occupy or let to tenants are not entered into without consultation with the Council's Property Manager.

- 4.9.18 *Income Collection*
- 4.9.18.1 Ensure Officers collect income and debt promptly and in accordance with the Council's debt management procedures, regularly reconciling it to the main financial system and to banking (see Practice Note 8 - Income collection and Debt Management procedures).
- 4.9.18.2 Arrange collection of income before or at the point of delivering the service wherever possible. This avoids losses due to non-payment.
- 4.9.18.3 Minimise the cost of processing income by limiting the use of cash and cheque payments by customers, wherever possible.

4.9.19 *Budget Management (Preparation and Monitoring of Revenue and Capital)*

- 4.9.19.1 Prepare revenue and capital estimates using the guidelines approved by Cabinet and provided by the Accountancy Services Manager (Section 151)(see 6 - Preparation of Estimates).
- 4.9.19.2 Prepare business cases for significant projects and undertake post project reviews in line with Practice Note 9.
- 4.9.19.3 Use financial information from the Council's ERP (Financial and HR Systems) and other supplementary sources to monitor and forecast current and future years' service budgets (income and expenditure).
- 4.9.19.4 Submit financial forecasts via the Council's Financial system. These submissions should be made in line with the timetable established by the Section 151 Officer. (See Practice Note 5 - Budgetary Control).
- 4.9.19.5 Identify at the earliest opportunity, and provide details to Accountancy Services of the results of, any service planning that will require additional budget provision.

4.9.20 *Fees and Charges, including setting*

4.9.20.1 **Fees and Charges amendments within the annual budget process.** *The budget guidelines approved annually by Council include a standard assumption for the average increase (for financial planning), this is not intended to be the outcome increase for any charge. Increases in charges should be determined in the manner below:*

- i. The proposals for fees and charges will be determined by the Director in consultation with the responsible Cabinet member.
- ii. The fees and charges proposals will have determined after making any appropriate comparisons including other local authorities and private sector providers of similar services in the appropriate geographical area. This will include consideration of equalities.
- iii. The charges do not have to match the assumed percentage increase in the financial planning.
- iv. Annually by the end of October Directors will provide for budget planning draft proposals for increases in fees and charges for their service areas.

The Budget report made each January will identify separately the increase in total monetary value of fees and charges by service area (a service as set out in the annual budget report), where they generate any increase over £200k compared to the previous year's budget.

4.9.20.2 **New Fees and Charges:** Chief Executive and Directors, in consultation with the relevant Cabinet Member, can establish any new fees and charges for any service (as set out in the annual budget report) for which they are responsible, provided it is expected to generate no more than £200,000 in a full year; and where the annual income generated by the new charge is estimated to above £200,000 then approval will be required from Councillors as follows:

- £200K to £1m – Cabinet
- Over £1m - Full Council

4.9.20.3 **Amendments to Fees and Charges:** Chief Executive and Directors, in consultation with the relevant Cabinet Member, can amend fees and charges for which they responsible, provided that any service area (as set out in the annual budget report) amendments generate no more than £200,000 in a full year. Changes to Fees and Charges that would be above £50,000 in a full year, require approval as follows :

- £200K to £1m – Cabinet
- Over £1m - Full Council

4.9.21 *Grant Income*

4.9.21.1 Bids for grant income should be undertaken in consultation with Accountancy Services.

4.9.21.2 Ensure all expenditure is in line with grant conditions.

4.9.21.3 Maintain and retain requisite documentation to evidence that the grant has been properly managed in line with grant conditions.

4.9.22 *Staffing (Financial matters)*

4.9.22.1 Provide the HR Services Manager with an establishment list for all Officers in their service, including contracted hours, and inform them of anything that affects the payment of salaries or other payments as soon as possible.

4.9.22.2 Ensure that the formal agreement of the Human Resources and Accountancy departments has been obtained before implementing a change to the establishment (this includes grades, hours, or number of posts).

4.9.22.3 Obtain agreement from HR and Procurement prior to engaging consultants or interims due to the potential significant tax implications for the Council.

4.9.23 *VAT and Taxation*

4.9.23.1 Ensure all financial activities are conducted in accordance with taxation requirements and all requisite supporting records are maintained and retained.

Seek advice on:

- VAT from Accountancy Services
- Construction Industry Tax from Accountancy Services
- Income Tax (employer taxation) from HR Services Manager

4.9.24 *Risk Management*

4.9.24.1 Act in accordance with the Risk Management Strategy and supporting guidance.

4.9.24.2 Notify the Procurement & Risk Services Manager of all insurance risks and potential claims as soon as known, providing necessary documentation in a timely manner (see Practice Note 6 - Insurance and Risk Management).

4.9.25 *Matters arising from Audits*

4.9.25.1 Co-operate with Internal and External Audit reviews and queries, including allowing Internal Audit and External Audit to have full, free and unrestricted access to and explanations of all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.

4.9.25.2 Implement mitigating actions in a timely manner when risks are identified by Internal and External Audit (or other sources), either through audit recommendations, or alternative actions agreed with Internal/External Audit.

Responsibilities of the HR Services Manager

- 4.9.26 Make payments through the payroll system to all employees or former employees of the Council.
- 4.9.27 Provide all Officers with a copy of these Financial Rules as part of their recruitment/induction process and ensure that their receipt is acknowledged and documented.
- 4.9.28 Ensure that, in accordance with the [Whistleblowing Policy](#), where allegations of fraud or misconduct relating to financial matters are made, the Whistleblowing Officer or their deputy, the Accountancy Services Manager (Section 151) and the Procurement and Risk Services Manager are informed.

Responsibilities of the Procurement and Risk Services Manager

- 4.9.29 Oversee the corporate risk management framework, including periodic review of the Risk Management Strategy
- 4.9.30 Prepare Risk Management Reports for Management Team and Audit & Risk Committee.
- 4.9.31 Arrange the insurance programme, and review annually, to mitigate identified insurable risks.
- 4.9.32 Consult with Accountancy Services Manager (Section 151 Officer) on the financial implications of Insurance matters, including annual review of the insurance reserve.
- 4.9.33 Manage insurance claims in coordination with insurers.
- 4.9.34 Manage the approval of suppliers and oversight of the Social Value Procurement Policy.
- 4.9.35 Provide professional procurement support to all services in line with Contract Procurement Rules.
- 4.9.36 Update and maintain the Contract Procurement Rules and deliver training to Officers.
- 4.9.37 Investigate any suspected cases of fraud and corruption and inform the Cabinet Member with responsibility for Finance, Audit and Risk Committee Chair and keep the Accountancy Services Manager (Section 151) and Audit Services Manager informed of the findings of the investigation and agree the course of any investigation.
- 4.9.38 Maintain the Council's Strategy on Anti-Fraud and Corruption.

Responsibilities of the Accountancy Services Manager (Section 151)

- 4.9.39 Prepare financial monitoring reports for Management Team, Audit & Risk Committee and Cabinet.
- 4.9.40 Prepare guidelines for and bring together the revenue and capital budgets including approval of fees and charges increases, virements, supplementary estimates and carry forwards for consideration by Full Council.
- 4.9.41 Provide guidelines for the format, content, and upkeep of all financial records and associated documents and maintain our accounting system.
- 4.9.42 Establish and maintain accounting policies and procedures.
- 4.9.43 Ensure there is robust digital ordering process,
- 4.9.44 Arrange all leases for vehicles, plant, and equipment.
- 4.9.45 Appoint and maintain banking and investment services.
- 4.9.46 Set the procedures for the collection of all money due to the Council by officers, agents or contractors and approve irrecoverable debts to be written off.
- 4.9.47 Recommend and implement treasury management decisions in line with the Council's policy statement and the Capital, Investment and Treasury strategies.
- 4.9.48 Manage the External Audit process, prepare the Annual report, Statement of Accounts and associated documents (e.g. Annual Governance Statement), in line with legislative requirements.
- 4.9.50 Review and update the Financial Rules.
- 4.9.51 Initiate disciplinary action if an employee is in breach of the Financial Rules.

Responsibilities of the Audit Services Manager

- 4.9.52 Submit at least annually, to senior management and Audit & Risk Committee a risk based Internal Audit plan for review and approval, which is reviewed, adjusted and communicated as necessary, in response to changes to Chelmsford City Council's operations, risks, programmes, systems and controls
- 4.9.53 Ensure each engagement of the Internal Audit plan is executed,

including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programmes and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.

- 4.9.54 Follow up on engagement findings and corrective action, and report periodically to senior management and the Audit & Risk Committee any corrective actions not effectively implemented.
- 4.9.55 Deliver an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 4.9.56 Undertake work which does not contribute explicitly to the overall audit opinion. This might include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.

Responsibilities of the Elected Members

- 4.9.57 Act in accordance with the requirements of the Constitution and in particular the personal responsibilities placed on them by the Councillor's Code of Conduct in Part 5.1 of the Constitution.

APPENDIX 1

Virements and Supplementary Estimates

General Principles

These principles form the basis of the Virement and Supplementary estimate rules:

- i. Annually the Council will approve service budgets.
- ii. The purpose of the rules governing changes to approved budgets is to ensure key decisions are scrutinised effectively.
- iii. Changes to budgets that result from the transfer of functions between Directorates do not need formal approval.
- iv. Changes to budgets that do not impact on the objectives set by Council should where possible be dealt with under delegation. The financial limits on budget changes support this objective.
- v. Journals must not be used to reduce expenditure to match budgets on individual codes, nor should orders made against an inappropriate code, as this distorts the true budget position, does not reflect accurately expenditure and lacks appropriate authorisation.
- vi. When seeking approval for new budgets or changes of use of existing budgets, officers must provide sufficient information to give transparency to members as to the nature of spend but balanced with providing flexibility to amend details to achieve the outcome desired by members.

V1 Virements

V1.1 A virement is an individual movement between lines in the approved budget and is an essential feature of budgetary control, allowing Directors and Cost Centre managers to maintain their budgets with flexibility to react to the changing patterns of spend or unforeseen cost increases or income reductions.

V1.2 Virement limits and by whom the authorisation can be given are reviewed annually and are currently set as shown below and apply to capital and revenue:

- i. Up to and including £25,000 - by Directors who must inform Financial Services
- ii. Over £25,000 and up to £200,000 - by Directors, subject to prior consultation with the Section 151 Officer, the relevant Service Cabinet Member and the Cabinet Member with responsibility for finance
- iii. Over £200,000 and up to £1,000,000 - by Cabinet report

- iv. In excess of £1,000,000 – by Full Council
- v. Virements to allocate approved centrally held budgets to Services, can be undertaken by the Section 151 Officer.

SE1 Supplementary Estimate

SE1.1 A supplementary estimate is a permission to increase or reduce the approved budget to fund additional expenditure. Approval for a supplementary estimate must be sought before the expenditure can be incurred.

SE1.2 Supplementary estimate limits and their authorisation levels are set as shown below and apply to capital and revenue:

- i. Up to and including £200,000 - by Directors, subject to prior consultation with the Section 151 Officer, the relevant Service Cabinet Member and the Cabinet Member with responsibility for finance
- ii. Over £200,000 and up to £1,000,000 - by Cabinet report
- iii. Over £1,000,000 - by Full Council

APPENDIX 2

List of Practice Notes

Practice Note 1 – Assets

Practice Note 2 – Fraud and Corruption

Practice Note 3 – Preparation of Budgets

Practice Note 4 – Purchase Ordering, Invoice Payments & Procurement Cards

Practice Note 5 – Budgetary Control

Practice Note 6 – Insurance and Risk Management

Practice Note 7 – Contracts, External Partners and Third party working

Practice Note 8 – Income Collection and Debt Management

Practice Note 9 – Project Appraisal Reviews

Practice Note 10 – Financial Arrangements for Partnerships